

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Kujira Network (KUJI)

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Disclaimer

Please note that this Crypto Asset Statement is not exhaustive of all risks associated with trading KUJI. Investors should perform their own assessment to determine the appropriate level of risk for their personal circumstances. Be sure to do your own research and due diligence while taking into account your own financial situation and risk tolerance. Please review the Risk Statement for additional discussion of general risks associated with the Crypto Contracts and Crypto Assets made available through the Canadian Platform. These materials are for general information purposes only and are not investment advice or a recommendation or solicitation to buy, sell or hold any crypto asset or to engage in any specific trading strategy. The information contained in this Crypto Asset Statement is based on publicly available information that may be inaccurate, incomplete, or change at any time.

What is the Kujira Network?

The Kujira Network is a Layer 1 blockchain that provides a decentralised ecosystem for developers of decentralised finance (DeFi) applications (dApps). Built using the Cosmos software development kit (SDK), the ecosystem seeks to enable developers the capability to construct rust-based smart contracts that can interact with the network.

The Kujira Network has also established a number of natively built applications to support development on its ecosystem. Notable applications include BLUE (a centralised dashboard), BOW (a liquidity engine), FIN (a decentralised exchange), GHOST (a money market for lending) and USK (the soft pegged stablecoin).

KUJI is the native utility token of the Kujira Network. Holders of this token may engage in staking to help secure the ecosystem and to generate rewards in the form of additional KUJI or USK tokens, pay transaction or developer fees and participate in governance initiatives that may help direct the trajectory of the project.

Who is behind the project?

The Kujira Network was founded in May 2021 on the Terra ecosystem by the pseudonymous Brett, Hans and Dove in an attempt to democratise the DeFi space. Following the collapse of Terra in May 2022, the project team opted to develop its own Layer 1 network using the Cosmos SDK. Just two months later, in July 2022, the project team launched its mainnet.

As of May 2024, the project is still led by the original three co-founders, Brett, Hans and Dove.

How does it work?

The Kujira Network is a semi-permissioned ecosystem built using the Cosmos SDK and utilises a proof of stake (PoS) block validation model. The reason it is considered as a semi-permissioned blockchain is because holders of the KUJI token are able to vote on the potential launch of new dApps on its network prior to launch.

At present, the Kujira Network has a number of natively built dApps and products that are focused on the DeFi space which include a decentralised exchange (FIN), a liquidity engine (BOW), a borrowing/lending marketplace (GHOST), a liquidated collateral marketplace (ORCA), a token launchpad (PILOT) and an algorithmic stablecoin (USK).

The KUJI token is the native token of the Kujira Network and is intended to be used by both the native dApps and also developers who build upon the network itself. This is evidenced through its function as a payment token for network fees, which can also be extended out to fees for developer dApps, depending on the way developers build their own dApps (e.g in-game GameFi purchases). Holders of the token may also delegate their assets to validators for staking purposes, in which they will be rewarded in KUJI for securing the network. Finally, holders of the token may engage in governance that can shape the trajectory of the ecosystem and opine on the launches of new dApps on the network.

Tokenomics of KUJI

The original total supply of the KUJI token was capped at 150 million, though this was reduced to 122.4 million following the passing of a governance vote in January 2022, which resulted in the burning of tokens in the liquidity pool. The current distribution of the circulating supply is set out below:

Category	Amount
Private Sale	22.9%
Public Sale	17.2%
Liquidity	4.9%

Advisors	6.1%
Team	22.1%
Operational	9%
Marketing	4.9%
Airdrops	0.4%
Treasury	5.5%
Rewards	7%

General Risks

Like all other digital assets, there are some general risks to investing in KUJI. These include short history risk, volatility risk, liquidity risk, demand risk, forking risk, code defects, cryptography risk, regulatory risk, concentration risk, electronic trading risk and cyber security risk. For more information on general risks associated with smart contracts and digital assets, see Kraken’s Risk Statement.

Risks specific to KUJI

Competition Risk

The Kujira Network faces competition from other Layer 1 protocols such as Ethereum, Solana and many others. KUJI’s value derives from the Kujira Network’s broader adoption in the market. If the network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of KUJI.

Developer Dependence

Although there are many developers working on the Kujira Network, there are no guarantees that they will continue to contribute. KUJI could be negatively affected by an inability to retain and/or attract developers to continue to maintain and build out its network of Layer 1 infrastructure as well as attract developers to build applications on the network.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on KUJI and determined that KUJI is unlikely to be a security or derivative under Canadian securities legislation. Our analysis generally includes, but is not limited to, reviewing publicly available information on the following:

- The creation, governance, usage and design of KUJI, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created KUJI;
- The supply, demand, maturity, utility and liquidity of KUJI;

- Material technical risks associated with KUJI, including any code defects, security breaches and other threats concerning KUJI and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and
- Legal and regulatory risks associated with KUJI, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of KUJI, and (ii) consideration of statements made by any regulators or securities regulatory authorities in Canada, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to KUJI about whether KUJI, or generally about whether the type of crypto asset, is a security and/or derivative.

No securities regulatory authority has expressed an opinion about the Crypto Contracts or any Crypto Assets (as defined in the Risk Statement) made available on the Kraken platform, including an opinion that KUJI is not itself a security and/or derivative. Changes to applicable law may adversely affect the use, transfer, exchange, or value of any of your crypto assets, and such changes may be sudden and without notice.