

PAYWARD CANADA INC.

CRYPTO ASSET RISK DISCLOSURE

Pudgy Penguins (PENGU)

Last updated on January 28, 2025

Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading PENGU. 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 Summary](#) for additional discussion of general risks associated with the assets made available in the 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 risk disclosure is based on publicly available information that may be inaccurate, incomplete, or change at any time.

What is PENGU and how does it work?

Pudgy Penguins is a multifaceted ecosystem centered around an NFT collection of penguin characters first launched in 2021. The platform has expanded beyond its original NFT roots, aiming to foster a broader community through merchandise, content, and gaming. The newly introduced PENGU token serves as a community token for the Pudgy Penguins ecosystem, aiming to align incentives between community members, token holders, and project developers while incentivising participation across the ecosystem. PENGU is an SPL token on the Solana blockchain.

Who is behind the project?

The original creators of the Pudgy Penguins NFT collection were a pseudonymous group who renounced ownership of the project and in April 2022, the project was bought out by Luca Schnetzler. The project is now fronted by parent company Igloo Inc., with Luca Netz as CEO, Peter Lobanov CCO, Jennifer McGlone CLO, and Peyton Healey COO.

Tokenomics of PENGU:

The maximum supply of PENGU is 88.8 billion, with a current circulating supply of 62.86 billion as per CoinGecko.

Category	Allocation
Pudgy Community	25.9%
Other Communities	24.12%
Current & Future Team	17.8%
Liquidity	12.35%
Company (1-Year Cliff, 3-Year Vest)	11.48%
Public Good	4%
Proliferation	4%
FTT Holders	0.35%

General Risks

Like all other digital assets, there are some general risks to investing in PENGU. 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 PENGU

Competition

PENGU faces competition from other tokens from NFT ecosystems such as APE and FLOKI. PENGU's value derives from its broader adoption in the market. If PENGU fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of PENGU.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on PENGU and determined that PENGU is unlikely to be a security or derivative under Canada 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 PENGU, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created PENGU;
- The supply, demand, maturity, utility and liquidity of PENGU;
- Material technical risks associated with PENGU, including any code defects, security breaches and other threats concerning PENGU 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 PENGU, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of PENGU, 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 PENGU about whether PENGU, 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 PENGU 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.