PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

Degen (DEGEN)

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Last updated on August 11, 2025

Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading DEGEN. 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 Degen and how does it work?

DEGEN is a reward token originally launched as a meme-inspired asset within the Farcaster decentralized social network. It began as an airdrop for users active in the /degen channel on Farcaster and has since evolved into a broader ecosystem with its own blockchain infrastructure.

DEGEN is a gas token for the Degen Chain, a Layer 3 (L3) network built on top of Base, itself an Ethereum Layer 2 (L2) by Coinbase. The Degen Chain aims to be a vibrant ecosystem for lightweight decentralized apps (Dapps) such as Poster.fun, Degen Radio and DegenPad, centered around community engagement, content tipping, and crypto-native experimentation.

Users can tip others with DEGEN tokens as a way to reward valuable contributions to the community, especially within Farcaster.

Who is behind Degen

The Degen project is led by its two co-founders with Jacek Trociński acting as the CEO and Colton Dillion as the COO.

The entity behind Degen is Gentlemen Labs.

Tokenomics of Degen

At launch, approximately 37 billion DEGEN tokens were minted with the following allocation:

Allocation Type	Token Amount	Total Supply
Airdrop 1	5.55 billion	15%
Airdrop 2	7.4 billion	20%
Airdrop 3	9.25 billion	25%
Liquidity mining	3.7 billion	10%
Liquidity pool	5.55 billion	15%
Team, investors and ecosystem	5.55 billion	15%

Starting in **2028**, the protocol plans to introduce a **1% annual inflation rate**.

General Risks
Like all other digital assets, there are some general risks to investing in DEGEN. 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 DEGEN
Competition
The Degen network faces competition from other Layer 3 projects such as Orbs Network, Lens Protocol, and many others. Degen's value derives from its broader adoption in the market. If the Degen network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of DEGEN.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on DEGEN and determined that DEGEN is unlikely to be a security or derivative under UK 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 DEGEN, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created DEGEN;
- The supply, demand, maturity, utility and liquidity of DEGEN;
- Material technical risks associated with DEGEN, including any code defects, security breaches and other threats concerning DEGEN 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 DEGEN, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of DEGEN, and (ii) consideration of statements made by any regulators or securities regulatory authorities in the UK, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to DEGEN about whether DEGEN, or generally about whether the type of crypto asset, is a security and/or derivative.