

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Saga (SAGA)

Last updated on May 21, 2024

Disclaimer

Please note that this Crypto Asset Statement is not exhaustive of all risks associated with trading Saga. 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 Saga?

Saga is a protocol designed to automatically provision application-specific blockchains within a multichain environment, referred to as the multiverse. It aims to simplify and improve the development and deployment of decentralised applications by offering dedicated, scalable blockchain infrastructure.

Saga aims to differentiate with key features that include no upfront cost for launching an application-specific chain, predictable developer pricing for provisioning block space, automated deployment of single-tenant applications on their own dedicated chains, and shared security provided by the Saga mainnet validators.

Saga's initial focus is on gaming and entertainment applications, providing these projects with high throughput, easy upgradability, and reduced congestion, which are essential for their performance and growth.

Who is behind the Project?

The team behind Saga includes several key individuals with extensive experience in technology and blockchain. Rebecca Liao serves as the Co-founder and CEO. Jin Kwon is the Co-founder and CSO. Jacob McDorman is the Chief Technology Officer (CTO) of Saga.

How does it work?

The Saga protocol facilitates the creation and deployment of application-specific blockchains, known as chainlets, within a multichain metaverse. Chainlets operate as independent blockchains, ensuring that the developer's application has isolated and predictable block space without interference from other applications. Using Saga's shared security and automated deployment, developers can launch dedicated blockchains without upfront costs, ensuring predictable pricing and scalability. Chainlets are secured by validators on the Saga mainnet, utilizing a model similar to Cosmos Hub's interchain staking for security.

The Saga token serves multiple functions within the ecosystem. It is used for staking, where token holders can delegate their tokens to validators, helping to secure the network and earning rewards in return. The token serves as the native governance token of the protocol, allowing holders to participate in decision making. The token also facilitates transaction fees within the network so that users can access the various chainlets and applications built on Saga.

Tokenomics of SAGA:

The initial distribution of SAGA tokens was as follows:

Category	Distribution	Total (SAGA)
Ecosystem and Development	30.00%	300,000,000 SAGA
Core Contributors	20.00%	200,000,000 SAGA
Investors	20.00%	200,000,000 SAGA
Airdrops	15.50%	155,000,000 SAGA
Foundation Reserve (Protocol Controlled Reserve)	10.00%	100,000,000 SAGA
Binance Launchpool	4.50%	45,000,000 SAGA

Saga has a "protocol-controlled reserve" which is originally funded by the token generation event and subsequently by a percentage of fees and inflation, and supports network activities such as trial credits for developers, IBC relayers, partnerships, and token burning with the aims to create a sustainable and secure network, encouraging developer and validator participation while maintaining economic stability.

General Risks

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

Competition Risk

Saga faces significant competition from other blockchain projects aimed at enhancing scalability, interoperability, and decentralised governance. Key competitors include Cosmos, Polkadot, and Avalanche. Each offers unique tradeoffs, fostering competition between them. SAGA's value derives from its broader adoption in the market. If Saga fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of SAGA.

Due Diligence

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