



MONAD / MON TOKEN – COINBASE TOKEN SALES DISCLOSURE¹

Table of Contents

1. Project Information
2. Token Sale Information
3. Token and Token Distribution Information
4. Airdrop Information
5. Conflicts of Interest Information
6. Market Makers & Liquidity Information
7. Security Information
8. Risks

The following disclosure is intended to provide an overview of Monad and the terms of the sale of MON tokens via the Coinbase token sale platform. It does not purport to be complete or to contain all the information that a purchaser may consider relevant in making a decision to participate in the sale. Nothing in this disclosure should be viewed as a statement about the future of Monad or the financial performance of the MON token.

1. Project Information

The Monad network is a layer-1 blockchain protocol designed for high-throughput, low-latency execution while maintaining full Ethereum Virtual Machine (EVM) bytecode compatibility. In plain language, the Monad network is a blockchain that lets developers run the same kinds of smart contracts and apps that work on Ethereum, but faster and cheaper. It uses a novel consensus algorithm (MonadBFT), optimized parallel execution, and advanced networking protocols to achieve thousands of transactions per second with sub-second finality. The MON token is the native token for the Monad network and can be used for the purposes described in Section 3 (Token Information & Distribution) below.

The three co-founders of Monad are Keone Hon, James Hunsaker, and Eunice Giarta. The core contributors to Monad are the Monad Foundation and Category Labs, Inc. (f/k/a Monad Labs, Inc.).

¹ The content in this Disclosure has been provided by MF Services (BVI), Ltd., a subsidiary of the Monad Foundation, and is for general informational purposes only. MF Services (BVI), Ltd., is not affiliated with Coinbase Inc. or any of its affiliates, and Coinbase is not responsible for the content of this disclosure. Coinbase does not make any representations or warranties, express or implied, regarding the accuracy, completeness, or timeliness of the information provided, including any external links to third-party content, and Coinbase is not liable for any errors in the content or for any actions taken in reliance on this content.

James Hunsaker is the CEO of Category Labs, a team of systems engineers and researchers on a mission to design and build at the frontier of decentralized technology, and a core contributor to the Monad blockchain protocol. Category Labs is based out of New York and provides core development services for the Monad client.

Keone Hon and Eunice Giarta are co-GMs at the Monad Foundation, a memberless Cayman foundation company dedicated to supporting the development, decentralization, security, and adoption of the Monad network by providing a wide range of services including community engagement, business development, developer and user education, and marketing services. Monad Foundation received funds through a donation from Category Labs and has allocated financial and administrative resources to fulfill its mission. The Monad Foundation compensates Category Labs for certain development and technical services on an arm's-length basis.

The Monad Foundation is overseen by a board of directors consisting of:

- Petrus Basson – Director
- Keone Hon – Director
- Marc Piano – Director

MF Services (BVI), Ltd., a BVI subsidiary of the Monad Foundation, is the seller in the token sale. The Monad Foundation is the sole director of MF Services (BVI).

In 2024, the Monad Foundation received a \$90 million donation from Category Labs to cover its operating costs for the period leading up to the public launch of the Monad network. The donation was made to cover expected expenditures of the Monad Foundation into 2026. The donation was a portion of the \$262 million of funding that Monad Labs raised across its funding rounds as detailed below:

- Pre-seed: \$19.6M raised from June - December 2022
- Seed: \$22.6M raised from January - March 2024
- Series A: \$220.5M raised from March - August 2024

The vesting schedules for MON tokens obtained pursuant to token warrants in the funding rounds are described below in Section 3 (Token Information & Distribution).

2. Token Sale Information

Token Sale Open: Monday, November 17, 2025, 9:00 am (EST)

Token Sale Close: Saturday, November 22, 2025, 9:00 pm (EST)

Number of Tokens Available for Sale: up to 7.5B MON (7.5% of initial total supply).

Sale Price: \$0.025 per MON.

Implied Fully Diluted Value (FDV) of the Monad Network: \$2.5 billion.

Determination of the Sale Price: Prior to the public sale on Coinbase token sales, there has been no public market for MON tokens. The price of \$0.025 per MON token in the public sale is a fixed price based on a \$2.5 billion fully diluted network valuation and an initial total supply of 100 billion MON tokens. The sale price was determined through a structured approach that considers several key factors, including market conditions, competitive positioning, and strategic objectives. This methodology ensures that the sale price reflects both the intrinsic value of the Monad network and broader market dynamics. The pricing strategy aims to establish a fair market entry point for retail purchasers, balancing initial demand and long-term value appreciation.

Jurisdictions: Participation in the public sale is available to eligible purchasers in the following jurisdictions where Coinbase operates: Albania, Algeria, Andorra, Angola, Argentina, Armenia, Aruba, Azerbaijan, Bahrain, Bangladesh, Barbados, Benin, Bermuda, Bolivia, Brazil, British Virgin Islands, Burkina Faso, Cambodia, Cameroon, Cayman Islands, Chile, Colombia, Congo (Brazzaville), Costa Rica, Cote d'Ivoire, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, Gabon, Ghana, Gibraltar, Guatemala, Guernsey, Honduras, Hong Kong, Indonesia, Isle of Man, Israel, Jamaica, Jersey, Kenya, Kuwait, Kyrgyzstan, Macedonia, Malaysia, Maldives, Mexico, Moldova, Monaco, Mongolia, Morocco, Mozambique, Nepal, New Zealand, Niger, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Saint Lucia, San Marino, Saudi Arabia, Senegal, Serbia, Singapore, South Africa, South Korea, Sri Lanka, Switzerland, Taiwan, Thailand, Togo, Trinidad and Tobago, Tunisia, Ukraine, United Arab Emirates, United Kingdom, United States (excluding New York), and Vietnam.

Minimum Bid Amount: \$100

Maximum Bid Amount: \$100,000 (Coinbase One subscribers may have higher thresholds pursuant to the Coinbase token sale platform terms)

Oversubscription Allocation: If the total number of requested tokens is greater than the total available tokens, a distribution mechanism called “filling up from the bottom,” attempts to create a broad distribution among sale participants and limit asset concentration among large purchasers. The mechanism first identifies the user with the smallest unfilled amount (“the bottom”) and grants the specified amount to all requestors. The system then identifies the next smallest unfilled amount and grants that amount to all requestors. The system continues fulfilling requests in this way until (1) a user receives the full amount of their requested tokens, in which case the system will stop allocating tokens to that user but continue allocating tokens to other unfulfilled requests; or (2) there are not enough remaining tokens to complete an equal distribution of the lowest unfilled amount to all users. At this point, all remaining tokens are distributed evenly to all remaining users.

Example: In a sale with 1,000 tokens available, three participants (Low, Middle, High) request 100, 500, and 1,000 tokens respectively. All participants are first allocated 100 tokens, leaving 700 tokens remaining and 1,300 in unfilled demand from Middle and High's requests -- Low's request has been completely filled. The remaining 700 tokens are split evenly between Middle and High's because they both have unfilled requests (400 and 900 respectively). Middle and

High receive 350 tokens in the second round of distribution, each receiving a total of 450 tokens.

Restrictions on eligibility: In accordance with applicable laws and internal policies, Coinbase may impose restrictions on potential MON token purchasers (for example, KYC, jurisdiction verification, and other checks to verify a purchaser's eligibility).

Please Note: Section 8 of this Disclosure (*Risks*) contains important information regarding risks relating to the sale, the Monad Foundation and its affiliates, the MON token, Monad project implementation, and the underlying technology. Please read it carefully before participating in the token sale.

3. Token and Token Distribution Information

The MON token is the native asset of the Monad blockchain with three primary functions:

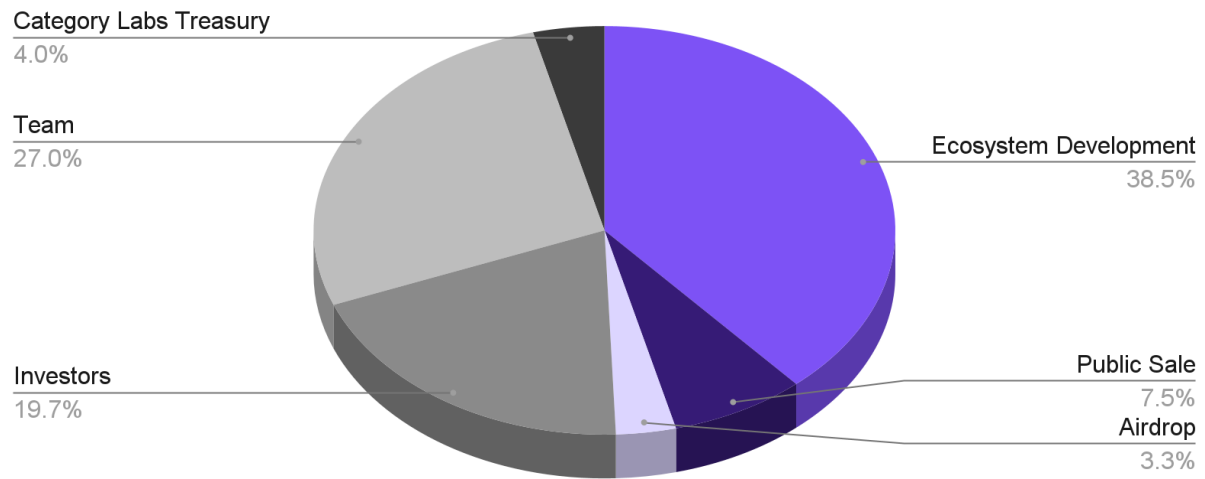
1. **Network Security:** MON tokens are required for validator staking in order to participate in the MonadBFT consensus mechanism, thereby securing the network through economic incentives.
2. **Transaction Fees:** The MON token is used to pay for transaction execution, smart contract deployment, and computational operations on the Monad network.
3. **Governance Participation:** MON token holders may participate in protocol governance decisions, including parameter adjustments, protocol upgrades, and ecosystem development proposals through delegations to validators of their choice. Changes to the Monad protocol occur via software updates. These changes only take effect if a sufficient portion of the validator community (2/3 of stake weight) adopts the new software version. There are no current plans for on-chain governance with the MON token, meaning that token holders in their capacity as such will not have the ability to directly vote on proposals.

MON tokens do not represent 1) equity, ownership, or profit-sharing rights in Monad Foundation, Category Labs, or any other organization, or 2) any entitlement to Monad protocol revenue.

As a memberless foundation company, the Monad Foundation does not have any equity holders. Investors in Category Labs, a for-profit corporation, received equity interests in Category Labs and warrants to purchase MON tokens. The rights and value accrual mechanisms associated with the MON token and equity in Category Labs are separate and distinct. Any value accrual in Category Labs equity is tied solely to the revenue earned by Category Labs as a professional services organization and not to the performance of the protocol or the MON token.

MON Allocation Overview

The allocation of MON among different groups is summarized below:

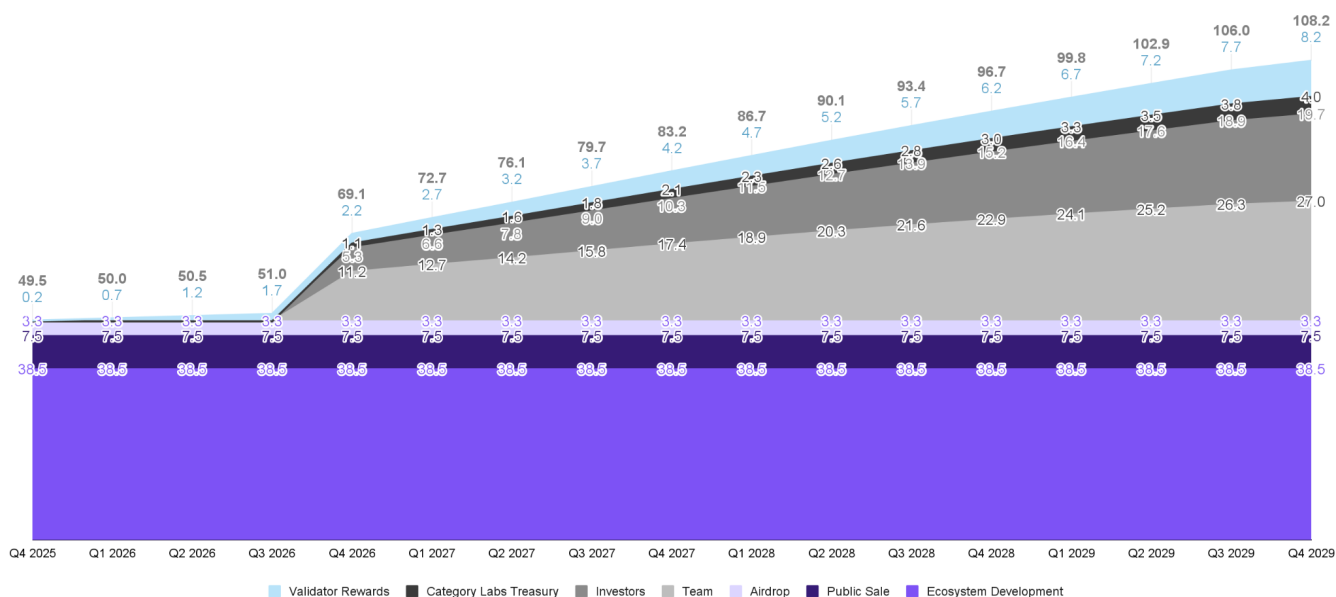


Allocation Group	Status at Public Mainnet	# Tokens	%
Ecosystem Development	Unlocked	38,544,142,854	38.5%
Team	Locked	26,989,187,887	27.0%
Investors	Locked	19,683,237,451	19.7%
Public Sale	Unlocked	7,500,000,000	7.5%
Category Labs Treasury	Locked	3,952,848,412	4.0%
Airdrop	Unlocked	3,330,583,396	3.3%
Total Initial Token Supply		100,000,000,000	100.0%

Estimated Token Release Schedule

The following diagram illustrates the anticipated token release. Released tokens are those that are both unlocked and vested (the latter of which is only relevant for team tokens). The release of employee and investor tokens, coupled with staking rewards, drives an increase in circulating token supply over time.

Quarterly MON Token Release Schedule
MON Tokens (B)



Dark grey labels at top of chart denote total maximum unlocked tokens in supply in each quarter, inclusive of inflation via validator rewards. Actual total will likely be lower than as shown due to deflation via token burn.

Unlocked Tokens

At the launch of Monad Public Mainnet, approximately 10.8B MON tokens (10.8%) are expected to be unlocked and in public circulation, owing to distribution via the Monad public sale and the MON Airdrop. These tokens are freely deployable for activity on the Monad protocol.

Approximately 38.5B MON tokens (38.5%) are expected to be allocated to Ecosystem Development; these tokens are unlocked and stewarded by the Monad Foundation. In total, approximately 49.4B MON tokens (49.4%) are unlocked on Day 1 of Monad Public Mainnet.

Locked Tokens

Tokens for all investors and team members, along with the Category Labs Treasury, are locked on Day 1 of Monad Public Mainnet and are subject to defined unlock and vesting schedules to ensure long-term alignment with the success of the project. All tokens in these categories are locked for a minimum of one year following initial token distribution as part of the launch of Monad Public Mainnet in November 2025, with further unlock schedules varying among group

members, as described herein. At the start of Monad Public Mainnet, 50.6B tokens (50.6%) will be locked.

Locked tokens cannot be staked. The intent of this is twofold: to ensure that staking rewards initially contribute to the public circulation of MON and to avoid an initial concentration of rewards among those individuals (team members and investors) involved directly with the project.

All locked tokens in the initial token supply are anticipated to be fully unlocked by the fourth anniversary of the Monad Public Mainnet launch in Q4 2029.

Allocation Group Details

Public Sale

Up to 7.5B MON tokens (7.5% of initial token supply) will be made available to the public for purchase in the public sale via the Coinbase token sales platform at a price of \$0.025 per token. This token sale offers the general public an opportunity to purchase MON tokens immediately before the launch of Monad Public Mainnet. Promptly following completion of the MON token sale, coincident with the launch of Monad Public Mainnet, MON tokens will be distributed to purchasers. If the public sale is undersubscribed, any unsold tokens will be reallocated to Ecosystem Development.

Airdrop

Approximately 3.3B MON tokens (3.3% of initial total supply) were claimed in the MON airdrop by members of the Monad Community as well as members of the wider crypto community at large. Read about criteria, recipient categories, and other distribution details in the MON Airdrop blog post here: <https://monad.xyz/announcements/the-mon-airdrop>.

Ecosystem Development

Roughly 38.5B MON tokens (~38.5% of initial total supply) are allocated for Ecosystem Development. This portion of the total supply consists of unlocked tokens that are available for ecosystem growth opportunities and initiatives now and in the future. The Monad Foundation will steward these resources for many years to come, issuing grants or incentives where strategic, and delegating according to the Foundation's Validator Delegation Program. The Ecosystem Development allocation does not include any existing team token grants – these are included in the Team allocation, as described in the section below.

While a minority (less than 2% of total supply) of the MON set aside for Ecosystem Development is already committed to various projects and infrastructure providers, the Monad Foundation expects the majority balance to be spent over many years post-Public Mainnet launch. In the future, some portion of the Ecosystem Development allocation may be used to fund Monad Foundation operating expenses.

A significant portion of the MON allocated to Ecosystem Development will initially be delegated (i.e., staked) via the Validator Delegation Program to promote the security of the network and to foster a thriving decentralized and independent validator community. The Foundation expects to initially delegate about 15B MON in the Validator Delegation Program, and to increase this number over time, delegating between 15B and 25B MON in the first year. Staking rewards earned via this delegation will become a part of the Ecosystem Development allocation.

Team

Approximately 27B MON tokens (~27% of initial token supply) have been allocated to team members of the Monad Foundation and Category Labs, including employees, founders, and contractors. Team token allocations are subject to both lock-up and vesting conditions. Individual vesting schedules are typically 3-4 years and are tied to the date of initial involvement in the project.

All team tokens are locked for the first year following the launch of Monad Public Mainnet. Team tokens are released at the 1-year anniversary of the launch and over the three years that follow.

In order for a token to be released, it must be both unlocked and vested. At the 1-year anniversary of the launch, released team tokens will represent ~10.7% of initial token supply.

Investors

Approximately 19.7B MON tokens (~19.7% of initial token supply) have been allocated to investors in the Monad project during Category Labs' (formerly known as Monad Labs) previous fundraising rounds. All investor tokens are subject to a four-year lock-up schedule starting from the launch of Monad Public Mainnet, with a one-year cliff and equal (1/48) monthly unlocks thereafter.

Category Labs Treasury

Category Labs (formerly known as Monad Labs) is the team of systems engineers and researchers building and designing the decentralized technology behind the Monad protocol. Roughly 3.95B MON tokens (~3.95%) have been allocated to Category Labs to be used for future employee compensation. The Category Labs Treasury is subject to a four-year lock-up schedule from the launch of Monad Public Mainnet, with a one-year cliff and equal (1/48) monthly unlocks thereafter.

Token Supply Changes

Total supply is subject to inflation via block rewards and deflation via burning of base transaction fees.

Inflation: New MON tokens are minted at each block to reward validators and stakers for securing the network. Each successful block generates an inflationary block reward of 25 MON, which is split between stakers of the validator that produced the block, as described in the staking docs here: <https://docs.monad.xyz/developer-essentials/staking/>. Annualizing this rate yields inflation of about 2B MON (2% of initial total supply) per year.

Deflation: Transaction fees consist of a base component and a priority component, as described in the gas pricing docs here: <https://docs.monad.xyz/developer-essentials/gas-pricing>. The base component of each transaction fee is burned.

4. Airdrop Information

In addition to the token sale on the Coinbase token sales platform, Monad Foundation expects to distribute MON tokens through airdrops with the following characteristics:

- **Initial airdrop claimed amount (prior to launch):** approximately 3.3B MON (~3.3% of initial total supply).
- **Eligibility criteria:** Based on early participation, developer contributions, or ecosystem activity. Additional detail regarding airdrop eligibility can be found here: <https://monad.xyz/announcements/the-mon-airdrop>.
- **Distribution mechanics:** MON tokens in the initial airdrop will be distributed immediately prior to Monad Public Mainnet launch.
- **Recipient list:** A CSV file of addresses and allocations is published at <https://monad.xyz/announcements/the-mon-airdrop>.
- **Future airdrops:** Following launch of the Monad network, the Monad Foundation may distribute tokens to incentivize discovery and use of the Monad network and apps and protocols in the Monad ecosystem.

5. Conflicts of Interest Information

No related-party transactions involving the token other than the token allocations described in this disclosure have occurred.

6. Market Makers & Liquidity Information

MF Services (BVI) Ltd. entered into loan agreements with the following market makers with the following loan sizes and contract durations:

Contracted Market Maker	Loan Size (in MON)	Duration of Loan
CyantArb	50,000,000	1 month*
Auros	30,000,000	1 month*
Galaxy	30,000,000	1 month*
GSR	30,000,000	1 month*
Wintermute	20,000,000	1 year

*These agreements are one month in duration, subject to renewal on a month-to-month basis.

Monitoring by a third-party specialist (Coinwatch) is in place to verify the use of loaned tokens, including idle balances with CyantArb, Auros, Galaxy, and GSR.

MF Services (BVI) may also deploy up to 0.20% of the initial total MON token supply as initial liquidity in one or more decentralized exchange (DEX) pools. This would be a limited, short-term effort to help facilitate initial token accessibility and stability and is subject to the market risks inherent in decentralized finance, including potential impermanent loss.

The amounts included in the market maker loans and the liquidity seeding are included in the Ecosystem Development allocation.

7. Security Information

No hacks or material security breaches involving the Monad network or the MON Token have been reported to date.

The results of the security audits completed by Zellic and Spearbit can be found here: <https://github.com/category-labs/monad-audits/tree/main/client>.

The source code for the execution and consensus clients is open source and can be found at the following locations:

- Execution: <https://github.com/category-labs/monad>
- Consensus: <https://github.com/category-labs/monad-bft>

Upgrades to the network require validator adoption of new client software ($\geq 2/3$ stake weight). No central admin key can alter consensus or seize assets.

8. Risks

Key risks relating to the token sale, the Monad Foundation (which includes MF Services (BVI) Ltd. and its other affiliates for purposes of these risks), the MON Token, the Monad project, and the technology underlying the Monad blockchain network include the following:

- Sale-related risks* Monad Foundation neither operates nor controls, oversees, or manages the functioning of the Coinbase token sales platform or the exchanges where the MON tokens will be admitted for trading. Additionally, the structure of the MON token's underlying protocol, the Monad network, may evolve due to ongoing technical, regulatory, and industry developments. Unforeseen risks may arise, and new challenges or opportunities may necessitate changes in the project's strategies, goals, and structure. The risks outlined below highlight regulatory uncertainty, liquidity limitations, governance risks, network centralization concerns, securities vulnerabilities, and potential adjustments to fees or token supply that could impact the sale and trading of the MON token.
1. **Regulatory Compliance Risks:** Although the MON token and the Monad network are designed to comply with existing regulations, evolving regulatory landscapes could impact classification, trading status, or market acceptance of MON tokens and the specifications and operation of the Monad network.
 2. **Market Volatility:** MON tokens are subject to significant price fluctuations, influenced by speculation, market sentiment, and broader industry trends. External factors, such as regulatory announcements or technological developments, may further contribute to volatility, potentially leading to financial losses for holders. Additionally, authorities in relevant jurisdictions could reach different conclusions about the application of legal and regulatory requirements to the MON token distribution (including the sale), which could impact MF Services (BVI)'s ability to execute the sale, the delivery of MON tokens to purchasers, the value of the MON token, or the ability for purchasers to stake, transfer, or transact in the MON token, including on secondary markets. Changes to legal and regulatory requirements, or changes to their application or interpretation, may also impact the MF Services (BVI)'s ability to execute the sale or deliver MON tokens, or levels of participation in the sale.
 3. **Liquidity Risks:** The ability to buy and sell MON tokens subsequent to the sale depends on trading activity on decentralized exchanges (DEXs) and centralized exchanges (CEXs). Limited liquidity may result in difficulties executing large trades without significant price impact, increasing the risk of loss.
 4. **Risk of Trading Platforms:** When token holders trade on exchanges, the Monad Foundation does not act as a contractual party to these transactions. All legal relationships regarding these trading platforms are subject to their respective terms and

conditions, with no responsibility assumed by the Monad Foundation for their operations, services, or outcomes.

5. **Risk of Delisting:** There is no guarantee that MON tokens will remain listed on any exchange. Delisting could significantly hinder the ability to trade tokens, reducing liquidity and market value.
6. **Exchange Insolvency Risk:** The exchanges or trading platforms where MON tokens are listed may become insolvent or cease operations, potentially resulting in a loss of access to funds or tokens.

Entity-related risks

1. **Early-Stage Entity Risk:** The Monad Foundation has only recently been established. There is no assurance that the Monad Foundation will be able to continue operating successfully or to deliver its planned contributions to the Monad network and ecosystem.
2. **Limited Impact Risk:** The Monad network is a decentralized blockchain network. While the Monad Foundation was responsible for the deployment of the genesis block of the Monad network, it does not operate, control, oversee, or manage the functioning of the Monad network. Validators could decide not to adopt proposals supported by the Monad Foundation or to adopt proposals opposed by the Monad Foundation.
3. **Token Correlation Risks:** MON tokens do not represent ownership of, or ownership interests in, the Monad Foundation or any other entity and do not give rise to any contractual relationship between the Monad Foundation or any other entity and any MON token holder.
4. **Regulatory Compliance Risks:** Evolving regulatory landscapes could impact classification, trading status, or market acceptance of MON tokens and the specifications and operation of the Monad network. Authorities in relevant jurisdictions could reach different conclusions about the application of legal and regulatory requirements to the Monad Foundation, and changes in legislation, regulatory enforcement, or compliance obligations could occur, any of which may necessitate modifications to the Monad Foundation's operations, structure, or governance.
5. **Operational Risks:** Risks associated with the Monad Foundation's internal processes, personnel, and technologies may impact the ability to manage its internal token operations effectively. Failures in operational integrity could lead to disruptions, financial losses, or reputational damage.
6. **Financial Risks:** The Monad Foundation may face financial risks, including liquidity shortages, credit risks, or market fluctuations, which could affect its ability to continue operations or meet its obligations.
7. **Legal Risks:** The Monad Foundation may be exposed to lawsuits, investigations, or adverse rulings. The application of regulations to blockchain protocols and crypto-assets remains uncertain in many jurisdictions. Such uncertainties or negative legal outcomes could materially affect the Monad Foundation, including operational challenges and costs or the risk of

*MON
Token-Related
Risks*

- regulatory fines or other legal liabilities for the Monad Foundation.
8. **Reputational Risks:** Negative publicity, whether due to operational failures, security breaches, perceived failures or allegations of misconduct, could damage the Monad Foundation's reputation and, by extension, impact the adoption and market value of MON tokens. There is a risk of negative public perception of the Monad Foundation through negative publicity, which may reduce confidence in the MON token and the Monad network.
 1. **Technology and Development Risks:** MON tokens operate through Monad blockchain technology that is novel. While the Monad Foundation and other contributors have engaged third party auditors and remain focused on security, early-stage blockchain technology carries inherent risks of bugs, security vulnerabilities, and performance issues that could affect token functionality or value.
 2. **Adoption and Network Demand Risks:** The long-term success of the Monad network is dependent on its widespread adoption, including developers, users, infrastructure providers, and other participants. Adoption is influenced by various external factors, including user demand, competitive market conditions, and organic community-driven expansion. There is no guarantee of sufficient demand for MON tokens or the Monad network. If adoption of the Monad network fails to grow as expected, MON token utility or value may be significantly impacted.
 3. **Speculative Nature:** No assurances of future value, performance, or rewards are made regarding MON tokens. The token's value depends entirely on network utility, validator participation, user adoption, market demand, and community engagement. The value is highly speculative and subject to fluctuations based on external perceptions and market conditions.
 4. **Security Risks:**
 - a. **Smart Contract Vulnerabilities:** Despite third party security audits and a planned audit competition and bug bounty, unforeseen vulnerabilities in smart contracts could lead to security breaches, impacting token security and staking mechanisms.
 - b. **Private Key Management:** Token holders are solely responsible for safeguarding their private keys and recovery phrases. Loss of wallet credentials will result in the permanent loss of tokens, as blockchain transactions are irreversible.
 - c. **Scam and Fraud Risks:** Token holders are exposed to risks associated with scams, phishing attacks, fake giveaways, impersonation of the Monad Foundation or its team, counterfeit tokens, and fraudulent airdrops. Engaging with unverified third-party platforms or unofficial communications increases the risk of fraud.
 - d. **Cybercrime and Theft Risks:** Blockchain-based assets may be exposed to cyberattacks, including hacking, phishing, or malware threats. Compromised wallets,

- exchanges, or smart contracts could lead to asset theft, loss of funds, or disruptions in token functionality.
5. **Blockchain Dependency Risks:** The MON token operates exclusively on the Monad network. Any disruptions, such as network congestion, downtime, or security vulnerabilities, could impact the ability to transfer, store, stake, or trade tokens. Changes to blockchain infrastructure, governance, or transaction fees may also influence token usability and transaction cost-effectiveness.
 6. **Wallet and Storage Risks:** Token holders must use blockchain-compatible wallets. The method chosen to store MON tokens, like any crypto-asset, carries inherent risks related to the security and management of the storage solution and incompatibility with specific wallet software, network malfunctions, or wallet provider shutdowns may affect access to and usability of MON tokens.
 7. **Regulatory and Compliance Risks:**
 - a. **Evolving Legal Frameworks:** Regulations governing crypto-assets differ across jurisdictions and are subject to change. New legal requirements may impact classification, availability, or functionality of the MON token.
 - b. **Jurisdictional Restrictions:** Some jurisdictions may impose restrictions or prohibitions on the trading or use of MON tokens, limiting accessibility for certain users. While MON tokens do not create or confer any contractual or other obligations against any party, certain non-EU regulators may nevertheless classify them as securities, financial instruments, or payment instruments under their respective frameworks.
 - c. **Regulatory Enforcement Risks:** Government agencies may take enforcement actions if MON tokens are deemed unregistered securities or if other financial laws are found to have been violated.
 - d. **AML & CTF Risks:** Crypto transactions may be scrutinized for potential links to illicit activities, affecting the ability of token holders to use or trade their assets.
 8. **Taxation Risks:** The tax treatment of the MON token varies by jurisdiction, and MON token holders are solely responsible for understanding and complying with applicable tax laws. Any appreciation, conversion, or sale of the MON token may trigger tax obligations that differ depending on the jurisdiction.
 9. **Vesting and Token Release Risks:** MON tokens allocated to early stage investors in the project and the team are subject to vesting schedules. When these MON tokens are released into circulation, they may introduce additional selling pressure, which could impact market prices.
 10. **Data Corruption Risks:** The reliability of blockchain data could be compromised due to software bugs, human error, or deliberate tampering, affecting transaction records, network integrity, and user confidence.

*Project
Implementation-
Related Risks*

11. **Technological Obsolescence Risks:** The blockchain and crypto industries evolve rapidly. The emergence of new technologies, changes in market demand, or advancements in competing protocols could render MON tokens or the underlying Monad blockchain infrastructure less competitive, reducing adoption and utility.
12. **Unanticipated Risks:** In addition to the risks outlined in this Section, unforeseen risks may arise. Additionally, new risks could emerge as unexpected variations or combinations of risks discussed in this description of risks.
1. **Technical Development Risks:**
 - a. **Smart Contract Issues:** Despite robust security measures, unforeseen vulnerabilities or bugs in smart contracts could disrupt token distribution, staking mechanisms, or governance functions.
 - b. **Blockchain Dependency:** MON Tokens operate exclusively on the Monad blockchain. Any network congestion, downtime, or security breaches could impact the project's implementation and functionality.
 - c. **MonadBFT Consensus Risks:** The custom consensus mechanism is nascent. Unknown bugs may exist in the consensus protocol, potentially leading to disruptions, incorrect transaction processing, or security vulnerabilities.
 - d. **Networking Software Risks:** The Monad network introduces novel networking protocols for transmitting information between blockchain nodes, including the RaptorCast messaging protocol, a specialized multicast message delivery protocol for transmitting large payloads using erasure coding and a two-level broadcast tree. Unknown bugs may exist in the networking protocols, potentially leading to disruptions to transaction processing.
 - e. **MonadDb Database Risks:** MonadDb, the custom-built key-value database designed for storing authenticated blockchain data for the Monad network, is a novel enhancement for storing state. Unknown bugs may impact performance and data integrity.
 - f. **Asynchronous Execution Risks:** The Monad network introduces asynchronous execution, a technique where validators vote on the addition of new blocks to the ledger prior to executing the transactions in those blocks. Although protocol safety is enforced via inclusion of a lagged merkle root and via new reserve balance rules governing transaction inclusion and execution, unknown bugs may exist in these mechanisms, potentially impacting transaction processing or introducing security or Denial-of-Service vulnerabilities.
 - g. **Fee Mechanism Risks:** The Monad network introduces novel elements of transaction fee pricing, including: adjusting the relative pricing of certain instructions (opcodes and precompiles) in the Ethereum Virtual Machine bytecode standard; introducing a larger refund

for eliminating storage slots; and charging users based on the number of computational units originally requested (rather than the number of computational units consumed) in a transaction. These alterations could cause unexpected behavior or trigger unexpected codepaths for developers accustomed to legacy behavior.

2. Regulatory and Compliance Risks:

- a. Regulatory Actions: MON Tokens and the underlying Monad network could be impacted by regulatory inquiries or actions, which may restrict further development, implementation, or usage.
- b. Evolving Regulations: New and changing regulations related to financial securities, consumer protection, data privacy, and cybersecurity could materially impact the project.
- c. Governance Risks: Decision-making mechanisms in blockchain governance may be inefficient, slow, or disproportionately influenced by specific stakeholders, leading to potential centralization or unfavorable network changes.

3. Adoption Risks:

- a. Competitive Environment: The blockchain space is highly competitive. There are an ever-growing number of crypto-asset projects which may compete with the Monad network for participants and adoption. Low participation or adoption due to competition from other projects may impact the launch of the Monad network, its continuing operation post-launch, or the overall success of the project. The project may be unable to compete with larger or better resourced projects, which may negatively impact the success of the project.
- b. Community Engagement Risks: Success of the Monad network and ecosystem depends heavily on community-driven adoption and validator participation. Failure of there to be a sustained active community could adversely impact adoption and usage of the Monad network and growth of the Monad ecosystem.

4. Ecosystem Risks: The project relies on ecosystem participants such as developers, infrastructure providers, exchanges, market makers, and other third-party service providers. Failure or delay in performance from these ecosystem participants could disrupt the viability of the project.

5. Network Security Risks:

- a. Network Attacks and Cybersecurity Threats: Blockchain networks can be vulnerable to cyberattacks, Sybil attacks, or distributed denial-of-service (DDoS) attacks. These threats could disrupt network operations and compromise security.
- a. Blockchain Network Attacks: The network may be subject to economic attacks where a malicious actor acquires a supermajority (over 2/3) of stake weight and uses this

voting power to vote in a hard fork. The network may also be subject to economic attacks where a malicious actor acquires a superminority (over 1/3) of stake weight and uses this to temporarily halt the blockchain.

6. Economic and Governance Risks:

- a. Consensus Failures or Forks: Errors in the consensus mechanism could lead to forks, where multiple versions of the ledger coexist, or network halts, reducing trust in the network.
- a. Economic Self-Sufficiency: The long-term sustainability of the Monad ecosystem depends on sufficient transaction volume to support validator incentives and maintain network security. A lack of adoption could lead to governance-driven changes to monetary policy, fee structures, or consensus mechanisms.
- b. Incentive Model Risks: Changes to block rewards, staking incentives, or governance models may be required to maintain network participation. Governance decisions could result in modifications that impact MON Token holders, including inflationary adjustments, transaction fees, or redistribution of rewards.

Technology-Related Risks

1. Blockchain Dependency Risks:

- a. Network Downtime and Congestion: MON Tokens rely entirely on the Monad network, which may experience outages, congestion, or downtime affecting token transfers and trading.
- b. Scalability Challenges: As transaction volume grows, the network may face scaling limitations, leading to slower processing times and higher fees.
- c. Settlement and Transaction Finality Risks: Transactions on the Monad network are designed to be irreversible; however, under exceptional circumstances such as network forks or consensus failures, there remains a theoretical risk that transactions could be reversed. Transactions sent to an incorrect address are not recoverable, leading to a permanent loss of assets.

2. Smart Contract Risks:

- a. Vulnerabilities: Undiscovered vulnerabilities or exploits may impact token security, staking mechanisms, or governance functions. Immutability Risks: Once deployed, some smart contracts cannot be altered. Errors or security flaws could result in operational failures without possibility of corrections.

3. Network Security Risks:

- a. Consensus Attacks: The Monad network may be susceptible to consensus-related attacks, such as validator collusion, censorship attacks, network partitioning, or Byzantine failures that could affect token transactions and network integrity.
- b. Cybercrime and Theft Infrastructure Risks: The Monad network may be exposed to cyberattacks, including

- distributed denial-of-service (DDoS) attacks, that could disrupt network operations and compromise security.
- c. **Data Corruption Risks:** The reliability of blockchain data could be compromised due to software bugs, human error, or deliberate tampering. Such incidents may affect transaction records, network integrity, and user confidence in the Monad network.
4. **Validator and Staking Risks:**
- a. **Validator Participation:** MonadBFT consensus requires sufficient validator participation. Insufficient validator numbers could compromise network security and liveness.
 - b. **Economic Attack Vectors:** Wealthy attackers could potentially acquire sufficient MON Tokens to compromise network security through stake concentration.
5. **Ecosystem Dependency Risks:**
- a. **DEX and CEX Integration Issues:** The MON Token's availability depends on integration with decentralized exchanges (DEXs) and centralized exchanges (CEXs). Technical failures, security breaches, or de-listings from these platforms could limit liquidity, disrupt trading, and reduce market accessibility.
 - b. **Reliance on Third-Party Services:** Many blockchain services, including wallets, bridges, and oracles, depend on third-party providers. Failures, security breaches, or regulatory actions against these services could negatively affect the functionality of the Monad network and MON Token.
 - c. **Centralization Concerns:** Although blockchain networks are designed to be decentralized, a small number of validators or node operators could introduce centralization risks. This may lead to potential censorship, control over transactions, or increased vulnerability to governance attacks.
6. **Software and Network Risks:**
- a. **Bugs in Core Code:** Despite testing, third party security audits and a security audit competition completed prior to the contemplated sale and admission to trading, undiscovered bugs in the Monad blockchain protocol could lead to network failures or security vulnerabilities.
 - b. **Technological Disruption:** Emerging technologies, such as quantum computing, could potentially compromise blockchain encryption.
 - c. **Dependency on Underlying Technology:** The network relies on internet connectivity, computing hardware, and cryptographic algorithms, which are all subject to potential failures.