

## **RISK FACTORS**

DXdao's operations and financial results are subject to various risks and uncertainties, including those described below. These uncertainties could adversely affect the DXdao ecosystem, financial condition, results of operations, and / or the trading price of DXD.

To those well-versed in DAOs and decentralized finance many of these points may seem obvious or redundant. However, to individuals that are relatively new to DeFi and the crypto-space, please take a moment to consider the following risk factors when deciding whether or not to buy or sell DXD during the Buyback Program.

### **Market Risks**

**We are exposed to fluctuations in the market values of our treasury.**

The DXdao treasury consists of approximately \$32.2M ETH, \$4.6M DXD, \$894,696 Dai, \$522,477 USDC, \$257,136 DMG, and \$31,089 PNK, \$24,514 GEN, \$10,386 OWL, and \$3,330 PAN. (See [Coingecko](#), last visited Mar. 3, 2021). Like traditional market exchanges, there is a risk that the treasury value will change for each asset. For example, in the past year, the price of Ethereum has fluctuated from a low of approximately \$105 to a high of approximately \$2,035 per ETH, a 20x change in value.

Considering historical trends and the relatively short time that Ethereum has been in existence, it is possible that DXdao's ETH treasury may dramatically change in the coming year by either depreciating or increasing in value. In order to mitigate this risk, DXdao is undergoing a treasury diversification plan to mitigate risks associated with price changes in Ethereum.

**We are exposed to fluctuating transaction costs for on-chain proposals and treasury transactions.**

DXdao operates on the Ethereum blockchain and therefore carries risks in increased "gas costs" for governance proposals and other mainnet transactions. DXdao currently subsidizes Alchemy voting and proposal costs at 90%, which is a cost imputed on the DXdao treasury. In order to mitigate the risk of increasing mainnet transaction costs, DXdao is exploring other side chain and Layer 2 governance solutions with xDai and Arbitrum.

## **Business and Industry Risks**

**If our security measures are breached to gain access to the DXdao treasury or other related products, our resources could be depleted and our products and services may be perceived as not being trustworthy.**

Our products and services involve the storage and transmission of users' financial assets, and security breaches expose us to a risk of loss of assets, litigation, and potential liability. In order to prevent these attacks, DXdao audits and tests all new protocol launches before fully launching them for the general public. However, these efforts may not fully stop a successful hack or sybil attack.

**Our ongoing investment in new business strategies and new products, services, and technologies is inherently risky, and could disrupt our ongoing businesses.**

We have invested and expect to continue to invest in new business strategies, products, services, and technologies, specifically in the L2 and multichain spaces. Such endeavors may involve significant risks and uncertainties, including distractions from current operations, insufficient revenues to offset liabilities assumed and expenses associated with these new investments. Because these new ventures are inherently risky, no assurance can be given that such strategies and offerings will be successful and will not adversely affect DXdao's financial condition and operating results.

**Our business depends on retaining quality contributors in the blockchain space, which is a highly competitive field.**

In order to execute roadmaps for DXdao's products and governance goals, DXdao relies on retaining additional Web 3 and solidity developers. In current market conditions developers are on high demand. In order to expand DXdao's contributor base of developers, DXdao is exploring various incentive and compensation programs to engage new contributors. There is a risk that DXdao may not be able to retain enough developers, which would slow down the rate at which DXdao upgrades its products and governance protocols.