

3D-Chain

First **Global Decentralized Network**
Directly Connecting
Manufacturers, Designers, and Consumers

RISK FACTORS

VERSION 1.4.18
May 2018

3dchain.io
All rights reserved
© 3D-Chain Limited



Risk factors

The purchase of tokens involves a high degree of risk, including but not limited to the risks described below. Before acquiring 3xD token, it is recommended that each participant carefully weighs all the information and risks detailed in this White Paper, and, specifically, the following risk factors.

1. Risks connected to the value of 3xD tokens

1.1. Lack of Development of Market for 3xD tokens

Because there has been no prior public trading market for the 3xD tokens, the sale of the 3xD tokens described in this White Paper may not result in an active or liquid market for the 3xD tokens, and their price may be highly volatile. An active public market may not develop or be sustained after the 3xD token sale. If a liquid trading market for the 3xD tokens does not develop, the price of the 3xD tokens may become more volatile and token holder may be unable to sell or otherwise transact in the 3xD tokens at any time.

1.2. Risks Relating to Highly Speculative Traded Price

The valuation of digital tokens in a secondary market is usually not transparent, and highly speculative. The 3xD tokens do not hold any ownership rights to Company's assets and, therefore, are not backed by any tangible asset. Traded price of the 3xD tokens can fluctuate greatly within a short period of time. There is a high risk that a token holder could lose his/her entire contribution amount. In the worst-case scenario, the 3xD tokens could be rendered worthless.

1.3. 3xD Tokens May Have No Value

The 3xD tokens may have no value and there is no guarantee or representation of liquidity for the 3xD tokens. Company Parties are not and shall not be responsible for or liable for the market value of the 3xD tokens, the transferability and/or liquidity of the 3xD tokens and/or the availability of any market for the 3xD tokens through third parties or otherwise. For the purposes of this Section of the White Paper, the term "Company Parties" shall include Company and its respective past, present and future employees, officers, directors, contractors, consultants, attorneys, accountants, financial advisors, equity holders, suppliers, vendors, service providers, parent companies, subsidiaries, affiliates, agents, representatives, predecessors, successors and assigns (hereinafter in this Section – "Company Parties").



1.4. 3xD Tokens May Be Non-Refundable

Except for as provided in a legally binding documentation or prescribed by the applicable legislation, Company Parties are not obliged to provide the 3xD token holders with a refund related to the 3xD tokens. No promises of future performance or price are or will be made in respect to the 3xD tokens, including no promise of inherent value, no promise of continuing payments, and no guarantee that the Tokens will hold any value. Therefore, the recovery of spent resources may be impossible or may be subject to foreign laws or regulations, which may not be the same as the private law of the 3xD token holder.

2. Blockchain and software risks

2.1. Blockchain Delay Risk

On the most blockchains used for cryptocurrencies' transactions (e.g., Ethereum, Bitcoin blockchains), timing of block production is determined by proof of work so block production can occur at random times. For example, the cryptocurrency sent as a payment for the 3xD tokens in the final seconds of the 3xD token sale may not get included into that period. The respective blockchain may not include the purchaser's transaction at the time the purchaser expects and the payment for the 3xD tokens may reach the intended wallet address not in the same day the purchaser sends the cryptocurrency.

2.2. Blockchain Congestion Risk

The most blockchains used for cryptocurrencies' transactions (e.g., Ethereum, Bitcoin blockchains) are prone to periodic congestion during which transactions can be delayed or lost. Individuals may also intentionally spam the network to gain an advantage in purchasing cryptographic tokens. That may result in a situation where block producers may not include the purchaser's transaction when the purchaser wants, or the purchaser's transaction may not be included at all.

2.3. Risk of Software Weaknesses

The token smart contract concept, the underlying software application and software platform (i.e. the Ethereum, Bitcoin blockchains) are still in an early development stage and unproven. There are no representations and warranties that the process for creating the 3xD tokens will be uninterrupted or error-free. There is an inherent risk that the software could contain weaknesses, vulnerabilities or bugs causing, inter alia, the complete loss of the cryptocurrency and/or the 3xD tokens.



2.4. Risk of New Technology

The 3xD platform, the 3xD tokens and all the matters set forth in this White Paper are new and untested. The 3xD platform and the 3xD tokens might not be capable of completion, creation, implementation or adoption. It is possible that no blockchain utilizing the 3xD platform will be ever launched. Purchaser of the 3xD tokens should not rely on the 3xD platform, the token smart contract or the ability to receive the 3xD tokens associated with the 3xD platform in the future. Even if the 3xD platform is completed, implemented and adopted, it might not function as intended, and any 3xD tokens may not have functionality that is desirable or valuable. Also, technology is changing rapidly, so the 3xD platform and the 3xD tokens may become outdated.

3. Security risks

3.1. Risk of Loss of Private Keys

The 3xD tokens may be held by token holder in his digital wallet or vault, which requires a private key, or a combination of private keys, for access. Accordingly, loss of requisite private keys associated with such token holder's digital wallet or vault storing the 3xD tokens will result in loss of such 3xD tokens, access to token holder's token balance and/or any initial balances in blockchains created by third parties. Moreover, any third party that gains access to such private keys, including by gaining access to login credentials of a hosted wallet or vault service the token holder uses, may be able to misappropriate the token holder's 3xD tokens.

3.2. Lack of Token Security

The 3xD tokens may be subject to expropriation and or/theft. Hackers or other malicious groups or organizations may attempt to interfere with the token smart contract which creates the 3xD tokens or the 3xD tokens in a variety of ways, including, but not limited to, malware attacks, denial of service attacks, consensus-based attacks, Sybil attacks, smurfing and spoofing. Furthermore, because the Ethereum platform rests on open source software, there is the risk that Ethereum smart contracts may contain intentional or unintentional bugs or weaknesses which may negatively affect the 3xD tokens or result in the loss of 3xD tokens, the loss of ability to access or control the 3xD tokens. In the event of such a software bug or weakness, there may be no remedy and holders of the 3xD tokens are not guaranteed any remedy, refund or compensation.

3.3. Attacks on Token Smart Contract

The blockchain used for the token smart contract which creates the 3xD tokens is susceptible to mining attacks, including double-spend attacks, majority mining power attacks, "selfish-mining" attacks, and race condition attacks. Any successful attacks present a risk to the token smart



contract, expected proper execution and sequencing of the 3xD token transactions, and expected proper execution and sequencing of contract computations.

3.4. Failure to Map a Public Key to Purchaser's Account

Failure of a purchaser of the 3xD tokens to map a public key to such purchaser's account may result in third parties being unable to recognize purchaser's 3xD token balance on the Ethereum blockchain when and if they configure the initial balances of a new blockchain based upon the 3xD platform.

3.5. Risk of Incompatible Wallet Service

The wallet or wallet service provider used for the acquisition and storage of the 3xD tokens, must be technically compatible with the 3xD tokens. The failure to assure this may have the result that purchaser of the 3xD tokens will not gain access to his 3xD tokens.

4. Risks relating to platform development

4.1. Risk Related to Reliance on Third Parties

Even if completed, the 3xD platform will rely, in whole or partly, on third parties to adopt and implement it and to continue to develop, supply, and otherwise support it. There is no assurance or guarantee that those third parties will complete their work, properly carry out their obligations, or otherwise meet anyone's needs, all might have a material adverse effect on the 3xD platform.

4.2. Dependence of 3xD Platform on Senior Management Team

Ability of the senior management team which is responsible for maintaining competitive position of the 3xD platform is dependent to a large degree on the services of each member of that team. The loss or diminution in the services of members of respective senior management team or an inability to attract, retain and maintain additional senior management personnel could have a material adverse effect on the 3xD platform. Competition for personnel with relevant expertise is intense due to the small number of qualified individuals, and this situation seriously affects the ability to retain its existing senior management and attract additional qualified senior management personnel, which could have a significant adverse impact on the 3xD platform.

4.3. Dependence of 3xD Platform on Various Factors

The development of the 3xD Platform may be abandoned for a number of reasons, including lack of interest from the public, lack of funding, lack of commercial success or prospects, or departure of key personnel.

4.4. Lack of Interest to the 3xD Platform

Even if the 3xD platform is finished and adopted and launched, the ongoing success of the 3xD platform relies on the interest and participation of third parties like developers. There can be no assurance or guarantee that there will be sufficient interest or participation in the 3xD platform.

4.5. Changes to the 3xD Platform

The 3xD platform is still under development and may undergo significant changes over time. Although the project management team intends for the 3xD platform to have the features and specifications set forth in this White Paper, changes to such features and specifications can be made for any number of reasons, any of which may mean that the 3xD platform does not meet expectations of holder of the 3xD tokens.

4.6. Risk Associated with Other Applications

The 3xD platform may give rise to other, alternative projects, promoted by unaffiliated third parties, under which the 3xD token will have no intrinsic value.

4.7. Risk of an Unfavorable Fluctuation of Cryptocurrency Value

The proceeds of the sale of the 3xD tokens will be denominated in cryptocurrency and may be converted into other cryptographic and fiat currencies. If the value of cryptocurrencies fluctuates unfavorably during or after the 3xD token sale, the project management team may not be able to fund development or may not be able to develop or maintain the 3xD platform in the manner that it intended.

5. Risks arising in course of company parties' business

5.1. Risk of Conflicts of Interest

Company Parties may be engaged in transactions with related parties, including respective majority shareholder, companies controlled by him or in which he owns an interest, and other affiliates, and may continue to do so in the future. Conflicts of interest may arise between any Company Party's affiliates and respective Company Party, potentially resulting in the conclusion of transactions on terms not determined by market forces.

5.2. Risks Related to Invalidation of Company Parties Transactions

Company Parties have taken a variety of actions relating to their business that, if successfully challenged for not complying with applicable legal requirements, could be invalidated or could

result in the imposition of liabilities on respective Company Party. Since applicable legislation may subject to many different interpretations, respective Company Party may not be able to successfully defend any challenge brought against such transactions, and the invalidation of any such transactions or imposition of any such liability may, individually or in the aggregate, have a material adverse effect on the 3xD platform.

5.3. Risk Arising from Emerging Markets

Company Parties or some of them may operate on emerging markets. Emerging markets are subject to greater risks than more developed markets, including significant legal, economic and political risks. Emerging economies are subject to rapid change and that the information set out in this White Paper may become outdated relatively quickly.

6. Governmental risks

6.1. Uncertain Regulatory Framework

The regulatory status of cryptographic tokens, digital assets and blockchain technology is unclear or unsettled in many jurisdictions. It is difficult to predict how or whether governmental authorities will regulate such technologies. It is likewise difficult to predict how or whether any governmental authority may make changes to existing laws, regulations and/or rules that will affect cryptographic tokens, digital assets, blockchain technology and its applications. Such changes could negatively impact the tokens in various ways, including, for example, through a determination that the tokens are regulated financial instruments that require registration. Company may cease the distribution of the 3xD tokens, the development of the 3xD platform or cease operations in a jurisdiction if governmental actions make it unlawful or commercially undesirable to continue to do so.

6.2. Failure to Obtain, Maintain or Renew Licenses and Permits

Although as of the date of starting of the 3xD token sale there are no statutory requirements obliging Company to receive any licenses and permits necessary for carrying out of its activity, there is the risk that such statutory requirements may be adopted in the future and may relate to any of Company Parties. In this case, Company Parties' business will depend on the continuing validity of such licenses and permits and its compliance with their terms. Regulatory authorities will exercise considerable discretion in the timing of license issuance and renewal and the monitoring of licensees' compliance with license terms. Requirements which may be imposed by these authorities and which may require any of Company Party to comply with numerous standards, recruit qualified personnel, maintain necessary technical equipment and quality control systems, monitor our operations, maintain appropriate filings and, upon request, submit



appropriate information to the licensing authorities, may be costly and time-consuming and may result in delays in the commencement or continuation of operation of the 3xD platform. Further, private individuals and the public at large possess rights to comment on and otherwise engage in the licensing process, including through intervention in courts and political pressure. Accordingly, the licenses any Company Party may need may not be issued or renewed, or if issued or renewed, may not be issued or renewed in a timely fashion, or may involve requirements which restrict any Company Party's ability to conduct its operations or to do so profitably.

6.3. Risk of Government Action

The industry in which Company Parties operate is new, and may be subject to heightened oversight and scrutiny, including investigations or enforcement actions. There can be no assurance that governmental authorities will not examine the operations of Company Parties and/or pursue enforcement actions against them. All of this may subject Company Parties to judgments, settlements, fines or penalties, or cause Company Parties to restructure their operations and activities or to cease offering certain products or services, all of which could harm Company Parties' reputation or lead to higher operational costs, which may in turn have a material adverse effect on the 3xD tokens and/or the development of the 3xD platform.

6.4. Risk of Burdensomeness of Applicable Laws, Regulations and Standards

Failure to comply with existing laws and regulations or the findings of government inspections, or increased governmental regulation of Company Parties operations, could result in substantial additional compliance costs or various sanctions, which could materially adversely affect Company Parties business and the 3xD platform. Company Parties operations and properties are subject to regulation by various government entities and agencies, in connection with ongoing compliance with existing laws, regulations and standards. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards. Respective authorities have the right to, and frequently do, conduct periodic inspections of any Company Party's operations and properties throughout the year. Any such future inspections may conclude that any Company Party has violated laws, decrees or regulations, and it may be unable to refute such conclusions or remedy the violations. Any Company Party's failure to comply with existing laws and regulations or the findings of government inspections may result in the imposition of fines or penalties or more severe sanctions or in requirements that respective Company Party cease certain of its business activities, or in criminal and administrative penalties applicable to respective officers. Any such decisions, requirements or sanctions, or any increase in governmental regulation of respective operations, could increase Company Parties' costs and materially adversely affect Company Parties business and the 3xD platform.



6.5. Unlawful or Arbitrary Government Action

Governmental authorities may have a high degree of discretion and, at times, act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary a law or influenced by political or commercial considerations. Moreover, the government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Unlawful, selective or arbitrary governmental actions have reportedly included the denial or withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities have also used common defects in matters surrounding the Token sale as pretexts for court claims and other demands to invalidate or to void any related transaction, often for political purposes. In this environment, Company Parties' competitors may receive preferential treatment from the government, potentially giving them a competitive advantage over Company Parties.

