
ShapeShift DAO Prospectus

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ShapeShift DAO

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1 About Arbor Finance

Arbor Finance is a technology platform that enables on-chain entities to issue tokenized debt.

Arbor Main App: <https://arbor.garden/>

Arbor Docs: <https://docs.arbor.finance/>

Arbor Github: <https://github.com/alwaysbegrowing/>

2 ShapeShift DAO Summary

ShapeShift is a borderless, cross-chain crypto trading platform and portfolio manager for user self-sovereignty. The platform enables users to buy, send, receive, swap, and manage assets via mobile interface or web platform, and lets them choose to use a range of software or hardware wallets, including ShapeShift native, Portis, KeepKey, Trezor, and Ledger.

ShapeShift is a 100% self-custody platform, meaning the user always controls their keys. ShapeShift does not collect personal information and adds no trading fees. The project's governance and utility token, FOX, granted on all trades, makes trading more competitively priced than going directly to DEXs.

ShapeShift was founded in 2014, originally as a privately held company based in Switzerland. However, in June 2021, the organization announced that it was becoming a fully decentralized project, open sourcing all of its source code and turning ownership and governance over to the community of FOX Token holders. Its founder, Bitcoin pioneer Erik Voorhees, stated this decentralized model "is the only way to maintain user sovereignty."

ShapeShift has 4 main products: [ShapeShift Platform](#), [Mobile App](#), [KeepKey](#), and the [Fox Token](#)

ShapeShift Main App: <https://shapeshift.com/>

ShapeShift Github: <https://github.com/shapeshift>

Fox Token Governance: <https://shapeshift.com/fox/governance>

3 ShapeShift DAO Offering Introduction

600,000 Convertible Bonds due December 21, 2023

The ShapeShift DAO is issuing 600,000 Convertible Bonds due December 21, 2023 (the “Convertible Bonds”). At the time of publishing, the price of 1 FOX token is \$0.0326 USDC per FOX according to [coingecko](https://coingecko.com). All of the amounts that follow are based on the assumption that the price of FOX is as noted above. The Convertible Bonds will be issued in denominations of 1 USDC and will bear no interest coupons. The Convertible Bonds are secured by 45,963,951.39 FOX with each bond being secured by 76.61 FOX. This represents 1.5M worth of collateral with each bond being secured by 2.50 USDC worth of FOX collateral. The Convertible Bonds will be convertible up until December 21, 2023 for 3,660,000 FOX with each bond being convertible for 6.1 FOX. This convertibility represents a 5x break even strike price. The Convertible Bonds will be offered via a Arbor Finance Auction at a minimum price of 0.83 USDC per bond and a maximum yield to maturity of 20%.

Convertible Bonds

Amount Offered - 600,000

Minimum Price - .83 USDC

Maximum Yield to Maturity (YTM) - 20%

Minimum Proceeds to ShapeShift DAO - 500,000 USDC

See the rest of this Prospectus in entirety for other important factors you should consider before buying Convertible Bonds.

4 Collateral analysis

4.1 Overview

The collateral provided for the ShapeShift DAO bond issuance is the FOX token. FOX is an ERC-20 governance token deployed on the Ethereum network that allows holders to engage in governance by voting on proposals.

4.2 Market considerations

4.2.1 Liquidity

Which markets support FOX?

There are 13 markets where FOX is traded. These markets include Uniswap V3, Uniswap V2, Coinbase Exchange, CoinEx, Honeyswap, Sushiswap, LATOKEN, MEXC Global, Gate.io, Huobi, Thorwallet DEX, Thorswap,

What is the average 24h volume and cumulative volume over the past 30, 60, and 90 days?

- 30 days
 - Average 24h volume: \$568,397
 - Cumulative volume: \$16,483,524
- 60 days
 - Average 24h volume: \$532,188
 - Cumulative volume: \$31,931,258
- 90 days
 - Average 24h volume: \$472,281
 - Cumulative volume: \$42,033,050

What is the average market cap over the past 30, 60, and 90 days?

- 30 days average market cap: \$12,959,519
- 60 days average market cap: \$14,184,079
- 90 days average market cap: \$15,901,465

What is the current 2% depth of the top three exchanges?

- Uniswap V2
 - +2% Depth: \$72,224
 - -2% Depth: \$72,007
- Coinbase
 - +2% Depth: \$2,320
 - -2% Depth: \$487
- MEXC Global
 - +2% Depth: \$149.32
 - -2% Depth: \$125.83

4.2.2 Volatility

What is the annualized historical volatility of FOX over the past 30, 60, and 90 days?

- 30 days annualized historical volatility: 116.60%
- 60 days annualized historical volatility: 90.64%
- 90 days annualized historical volatility: 78.56%

4.2.3 Ownership distribution

What is the distribution of FOX ownership?

Fox Token Contract:

<https://etherscan.io/token/0xc770eefad204b5180df6a14ee197d99d808ee52d>

Total Token Holders: 36,765

Total Token Transfer: 231,191

The distribution of FOX ownership is laid out in **Table 1** below. Due to its large ownership stake, it's important to note the ShapeShift DAO currently practices Liquid Democracy, which means voting power is based on FOX held in wallets (or certain liquidity pools) as well as FOX delegated to the address used to vote. 1 FOX = 1 vote.

For full details on their governance process and transaction execution see

<https://forum.shapeshift.com/thread/fox-governance-process-40188> .

Rank	Address	Amount of Fox	Percentage
1	Sablier v1.0	185,597,674.1283169 34539524642	18.5597%
2	Sablier v1.1	175,043,709.3250442 12445525759	17.5043%
3	ShapeShift: DAO Treasury	126,759,771.2036680 24797053452	12.6760%
4	0xc49a180231672a46be1930074b00101a9ec1e815	80,141,601.63822803 8807325704	8.0141%
5	0xc8bd5e90f3f5f20c34735726a40a88d6c09f4cea	58,476,462	5.8476%

Rank	Address	Amount of Fox	Percentage
1	Sablier v1.0	185,597,674.1283169 34539524642	18.5597%
2	Sablier v1.1	175,043,709.3250442 12445525759	17.5043%
6	Uniswap V2: FOX	55,008,589.09078778 3813459359	5.5009%
7	0x808d3e6b23516967 ceae4f17a5f9038383e d5311	51,319,359.29244131 5249169271	5.1319%
8	0xc250b22d15e43d95 fbe27b12d98b6098f84 93eac	45,115,621.39739255 8688061749	4.5116%
9	Coinbase 10	22,027,910.45370625 9097455275	2.2028%
10	Gnosis Chain: Omni Bridge	14,080,120.40566284 5705496543	1.4080%

Table 1: FOX ownership distribution

4.2.4 Expected inflation

How will the supply of FOX increase over the lifetime of the bond (until December 21, 2023)?

The ShapeShift DAO has two main vesting contracts that streams FOX back to the DAO treasury which can be found here: <https://etherscan.io/address/0xcd18eaa163733da39c232722cbc4e8940b1d8888> and via the Sablier UI here: <https://app.sablier.finance/stream/100002> . ~138.2546M more FOX will stream from this contract to the ShapeShift DAO at a linear relationship from now through June 1, 2024.

Is there a possibility for unexpected inflation?

The ShapeShift DAO does not have any functions whereby they could increase (also known as minting) the amount of FOX in circulation. The FOX token is capped at a supply of 1,000,001,337 FOX

4.3 Security considerations

4.3.1 Auditing

Has FOX been audited and, if so, by whom?

The FOX token was built using the OpenZeppelin template which can be found here:

<https://github.com/OpenZeppelin/openzeppelin-solidity> . The token was audited by

Blockchain Labs. The results of that audit can be found here:

<https://github.com/shapeshift/fox-token/blob/master/ShapeShift%20Fox%20Token%20-%20BlockchainLabs%20Audit%20Report.pdf>

4.3.2 Owner privileges

Is the token upgradable?

No, the FOX token is not upgradable. The token source code can be found here:

<https://github.com/shapeshift/fox-token>

What are the owner's minting capabilities?

There are no minting capabilities on the FOX token contract.

Can the token be paused?

The FOX tokens cannot be paused by the DAO.

Can the owner blacklist contracts?

There are no functions in control of the ShapeShift DAO or any other entity that would allow it to blacklist addresses.

Are the members behind the ShapeShift DAO known and can be they held responsible for abuse?

Yes, the majority of the ShapeShift DAO has known members in their workstreams.

There are some anonymous contributors, however. The DAO would face tremendous reputational harm upon a loan default.

4.3.3 ERC-20 conformity checks

Do the Transfer and transferFrom functions return a boolean?

Yes, both Transfer and transferFrom functions return a boolean. This can be confirmed by looking at the [FOX token contract](#).

Are the name, decimals, and symbol functions used?

Yes, the name function returns “FOX”, the decimals function returns “18”, and the symbol function returns “FOX”. This was confirmed by looking at the [FOX token contract](#).

Does the decimals function return a uint8?

Yes, the decimals function returns a uint8. This was confirmed by looking at the [FOX token contract](#).

Does the token mitigate the known ERC-20 race condition?

Yes, the FOX token mitigates the known ERC-20 race condition. This was confirmed by looking at the [FOX token contract](#).

5 Credit analysis

5.1 Overview

The purpose of this credit analysis is to inform upon the likelihood the ShapeShift DAO will repay their debt in the case where the collateral provided is worth less than the owed amount at the maturity date of the issued bonds.

5.2 Character/credit

5.2.1 Current debts and Use of Funds

Does the DAO have existing debt positions?

ShapeShift’s single liability is the [rari fuse pool](#). The DAO maintains an analysis of that debt [here](#) and has been recently paying the debt down. There are currently roughly 80M FOX locked in this loan (Pool 7 contract:

<https://etherscan.io/address/0xc49a180231672a46be1930074b00101a9ec1e815>)

What is the ShapeShift DAO planning on doing with borrowed funds?

The primary use of the borrowed funds will be used to refinance the existing [rari fuse loan](#) the DAO currently has. The DAO’s analysis of that loan is here:

https://docs.google.com/spreadsheets/d/1tsnq4EMQkosyUpZJt8rW4zxx_bB_DtpOaQ_ZPMWXITQ/edit#gid=1540300728

A secondary use of the borrowed funds is to extend the DAOs runway by adding more stablecoins (USDC) to the DAO’s treasury.

5.2.2 Credit history

Has the team followed up on promises made?

The ShapeShift DAO has discussed, voted on, and executed on over 120 proposals, each of which required DAO wide coordination and execution. The execution of these proposals has established a history of following up on the promises made to the stakeholders of the DAO.

The DAO has also been making payments on their loan from the [rari fuse pool](#) for the previous several months.

Has the team made users whole in the event of a hack?

The ShapeShift DAO has not suffered from any security vulnerabilities or loss of user funds.

5.2.3 Team history

Is the team anonymous?

Shapeshift was founded by Erik Voorhees and Jon ShapeShift (pseudonym) as a private company in 2014, with headquarters in Switzerland. In July 2021, ShapeShift transitioned to a DAO. The ShapeShift DAO is made up of several high profile community members that are public figures as well as many other regular contributors that are both anonymous and public.

Does the team have a track record?

For Tracking the DAOs revenue see:

<https://docs.google.com/spreadsheets/d/1nxIMNGUJKyPGSmmaZ4415KBKwJS6EROFWu9qQZY4y2g/edit#gid=686558491>

For Tracking the DAO's income statement see:

https://docs.google.com/spreadsheets/d/17S-4Ehz064iPT9XRvnWOcXYK91kAjo-ACyfrWVyWC_8/edit#gid=0

For tracking code shipments see the ShapeShift Github: <https://github.com/shapeshift>

For tracking the ShapeShift DAO governance process and proposals see:

<https://shapeshift.com/fox/governance>

Does the team have investors or advisors who can help them?

There are currently 36,765 FOX holders.

5.3 Capital

5.3.1 Current treasury assets

What are the DAO's current treasury assets?

The DAO's treasury assets can be found here:

<https://docs.google.com/spreadsheets/d/1SmTXEd3ALGWGMpW54qRpvaoCzRw2BQKPXag5K5XS3K8/edit#gid=0>

5.4 Capacity

5.4.1 Historical finances

What are the DAO's revenues?

ShapeShift DAO's revenues can be found here:

<https://docs.google.com/spreadsheets/d/1nxlMNGUJKyPGSmmaZ4415KBKwJS6EROFWu9qQZY4y2g/edit#gid=686558491>

What are the DAO's expenses?

ShapeShift DAO's expenses can be found here:

<https://docs.google.com/spreadsheets/d/1SYHWtJuj-fKffQJYXsDktbGOaAllagCEaXd8JZwZd8E/edit#gid=686558491>

What is the DAO's net income?

ShapeShift DAO's net income can be seen here:

https://docs.google.com/spreadsheets/d/17S-4Ehz064iPT9XRvnWOcXYK91kAjo-ACyfrWVyWC_8/edit#gid=0

5.4.2 Revenue sources

Where does ShapeShift DAO's revenue come from?

ShapeShift DAO's primary revenue sources come from validating chains in the cosmos ecosystem, tokemake rewards, and affiliate revenue

What does ShapeShift DAO's revenue depend on?

There are 2 main factors that play into ShapeShift's revenues

1. The value of FOX and other validator reward tokens.
2. Affiliates driving usage of the ShapeShift products

5.4.3 Expenses sources

Where do ShapeShift DAO's expenses come from?

ShapeShift DAO's main expenses come from their various work streams that maintain the DAO's products and community.

What do ShapeShift DAO's expenses depend on?

ShapeShift DAO's expenses are dependent on the budgets from their workstreams. The budgets are approved via the DAO governance process and change in amount from time to time.

5.5 Risk Factors

The following risk factors are some of the risks lenders need to consider in evaluating the ShapeShift bond offering. They are not listed in order of significance and are not comprehensive.

- Default Risk
 - DAOs may default on their promises to repay bonds issued. This may lead to complete or partial loss of user funds.
- Active trading markets for the bonds may not develop.
 - Bond holders may be forced to hold the bonds until maturity as secondary markets for the bonds may never develop.
- Secondary Market pricing of bonds
 - If trading markets do develop, changes in issuer creditworthiness or the financial markets could adversely affect the market prices of the bonds. The market prices of the bonds will depend on many factors, including, but not limited to, the following:
 - Credit-worthiness of the issuing DAO
 - Time remaining until maturity of the bonds
 - Prevailing interest rates being paid by other DAOs

- Results of issuer operations, financial condition and prospects
 - Condition of the financial markets.
- Smart contract vulnerabilities
 - The FOX token smart contract and/or the Arbor Finance smart contracts may contain bugs that result in users inability to interact with the contracts or lose funds.
- Collateral liquidation slippage
 - In the case of a default, collateral slippage may occur if lenders liquidate collateral
- Regulatory Action
 - Arbor Finance and/or ShapeShift could be impacted by regulator inquires or actions, which could impede or limit your ability to access or use the Arbor Finance platform.
- Technical understanding
 - Cryptographic assets are described in technical language requiring a comprehensive understanding of computer science, mathematics, and finance related themes.
- Ethereum transactions are immutable and irreversible
 - Transactions on Ethereum Mainnet and Ethereum Virtual Machine compatible validation mechanisms are generally immutable and irreversible. Any transaction thereon is therefore irrevocable and final as soon as it is settled thereon. In the event that you send your tokens to any other destination other than the Protocol smart contracts, such tokens may not be returned.
- Failure within data storage storage systems
 - The Arbor platform may in part be established on servers at data center facilities of third party providers and on distributed systems for storing and accessing data including IPFS. Where centralized services may be used, Arbor Finance may be required to transfer the Platform to different facilities, and may incur service interruption in connection with such relocation. Data center facilities are vulnerable to force majeure events or other failures. Third party providers may suffer breaches of security and others may obtain unauthorized access to Arbor Finance server data. Where content is stored via distributed systems, there may be interference in content addressing, content linking, indexing and discovery. As techniques used to obtain unauthorized access change frequently and generally are not recognised until used against a target, it may not be possible to anticipate these techniques or to implement adequate preventive measures
- Ethereum gas price

- Interacting with Arbor smart contracts may become prohibitive if ethereum gas prices rise.