



SECURITY TOKEN OFFERING (STO) RISK DISCLOSURE

**DAMREV (Pty) Ltd "DAMREV",
Registration Number 2023/162999/07**

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DAMREV is a leading FinTech service provider specializing in ISO 20022 Blockchain Tokenization and Smart Contract Development. The company focuses on Security Token Offerings (STOs) and employs the Stellar Blockchain to tokenize real-world assets.

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VERSION HISTORY.

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1. INTRODUCTION.

Welcome to DAMREV's Security Token Offering (STO) Risk Disclosures. As an innovative leader in the field of digital asset management, DAMREV is committed to providing our investors with comprehensive and transparent information about the risks associated with participating in STOs. This document aims to outline the potential risks and considerations involved in investing in security tokens, ensuring you are well-informed before making any investment decisions.

Security Token Offerings represent a groundbreaking approach to raising capital and investing, leveraging blockchain technology to create and trade digital tokens backed by real-world assets. While STOs offer unique advantages, including increased liquidity, fractional ownership, and enhanced transparency, they also come with specific risks that must be carefully evaluated.

The information provided in this document should be read in conjunction with DAMREV's General Risk Disclosures and other relevant materials. This disclosure is not exhaustive and does not replace the need for professional financial, legal, and tax advice. It is essential that you conduct thorough research and consult with qualified advisors to understand the full scope of risks and make informed investment decisions.

2. KEY RISKS OF INVESTING IN SECURITY TOKEN OFFERINGS.

- 2.1. **Market Volatility and Liquidity Risks:** Security tokens, like other digital assets, are subject to significant market volatility. Prices can fluctuate widely in short periods, potentially leading to substantial losses. Liquidity risk is also a concern, as the ability to buy or sell security tokens at desired prices may be limited, especially during periods of market stress.
- 2.2. **Regulatory and Legal Risks:** The regulatory environment for security tokens is complex and continuously evolving. Different jurisdictions have varying regulations that may impact the legality, trading, and

overall functionality of security tokens. Changes in laws and regulations can significantly affect the value and viability of your investments. It is crucial to understand the legal framework governing security tokens in your jurisdiction and ensure compliance with all applicable regulations.

- 2.3. **Technological Risks:** Security tokens rely on blockchain technology, which, while innovative, is still in a relatively early stage of development. Technological risks include the potential for security breaches, software bugs, and vulnerabilities in the underlying blockchain infrastructure. These risks can lead to loss of tokens, reduced functionality, and other adverse effects.
- 2.4. **Blockchain and Stellar-Specific Risks:** DAMREV mints all tokens on the Stellar blockchain. While Stellar offers advantages such as fast transaction speeds and low fees, it also comes with specific risks:
 - 2.4.1. **Network Security and Stability:** The security of the Stellar network is crucial for the safe transfer and storage of security tokens. Any vulnerabilities or attacks on the Stellar blockchain could compromise the integrity of your investments.
 - 2.4.2. **Consensus Mechanism Risks:** Stellar uses a unique consensus protocol. While designed for efficiency, any flaws or failures in the consensus mechanism could impact transaction finality and network reliability.
 - 2.4.3. **Dependence on Stellar's Ecosystem:** The functionality and success of security tokens on the Stellar blockchain are dependent on the continued development and stability of Stellar's ecosystem. Any significant changes or disruptions within the Stellar ecosystem could affect the value and usability of your tokens.
- 2.5. **Cybersecurity Risks:** Investing in security tokens involves cybersecurity risks, including the potential for hacking, phishing attacks, and other malicious activities. Cybersecurity breaches can result in the loss or theft of tokens, personal information, and financial assets. It is essential to implement robust security measures, such as using secure wallets, enabling two-factor authentication, and being vigilant against phishing attempts.

- 2.6. **Operational Risks:** Operational risks are associated with the processes and systems used to issue, manage, and trade security tokens. These risks include failures in internal processes, human errors, and system outages. Operational disruptions can impact the ability to access, trade, or manage your security token investments.
- 2.7. **Counterparty Risks:** Security token investments often involve interactions with multiple parties, including issuers, custodians, and trading platforms. Counterparty risk refers to the potential for one or more of these parties to fail to meet their obligations, leading to financial loss or other adverse outcomes. It is crucial to assess the credibility and reliability of all counterparties involved in your security token investments.
- 2.8. **Market Adoption and Acceptance Risks:** The success of security tokens depends on market adoption and acceptance by investors, institutions, and regulators. Slow adoption or resistance from key stakeholders can limit the growth and potential returns of security token investments. Market acceptance is influenced by factors such as technological advancements, regulatory clarity, and investor confidence.

3. MANAGING AND MITIGATING RISKS.

- 3.1. **Conducting Due Diligence:** Thorough due diligence is essential before investing in security tokens. Research the project, the team behind it, the underlying assets, and the overall market conditions. Evaluate the credibility, track record, and strategic vision of the token issuers.
- 3.2. **Diversification:** Diversifying your investment portfolio can help mitigate risks. Avoid concentrating your investments in a single security token or asset class. Spread your investments across different tokens, sectors, and asset classes to reduce exposure to any single risk factor.
- 3.3. **Staying Informed:** Stay informed about the latest developments in the security token market, including regulatory updates, technological

advancements, and market trends. Subscribe to industry news, follow reputable analysts, and participate in relevant forums and discussions.

- 3.4. **Implementing Security Measures:** Implement robust security measures to protect your investments. Use secure wallets, enable two-factor authentication, and stay vigilant against phishing attempts and other cybersecurity threats. Regularly update your security protocols to protect against emerging threats.

4. PROFESSIONAL ADVICE AND SUPPORT.

Consult with qualified financial, legal, and tax advisors to ensure that your security token investments align with your financial goals and comply with relevant laws and regulations. Professional guidance can help you navigate complex investment decisions and optimize your portfolio.

5. TRANSPARENCY AND REPORTING.

- 5.1. **Regular Updates and Reports:** DAMREV is committed to providing regular updates on the performance of RWA tokens and the status of underlying assets. Investors will receive periodic reports detailing key metrics and developments. Transparent reporting helps build trust and ensures you are informed about your investments.
- 5.2. **Audit and Assurance:** Our RWA token offerings undergo regular audits by reputable third-party firms to ensure transparency and integrity. These audits verify the existence and value of the underlying assets. Independent verification enhances credibility and investor confidence.

6. ADDITIONAL CONSIDERATIONS.

- 6.1. **Economic and Geopolitical Risks:** Economic downturns, political instability, and geopolitical events can impact the performance of your investments. Consider these factors when evaluating the potential risks and rewards of investing in RWA tokens.

- 6.2. **Technological Advancements:** Stay informed about technological advancements that could affect the blockchain industry and your investments. Innovations in technology can create new opportunities but also introduce new risks.
- 6.3. **Environmental and Social Factors:** Consider the environmental and social impact of the projects you invest in. Sustainable and socially responsible investments can align with your values and mitigate certain risks.

7. CONCLUSION.

Participating in Security Token Offerings through DAMREV offers a unique opportunity to engage with innovative investment products backed by real-world assets. However, it is essential to recognize and understand the associated risks. By providing this STO Risk Disclosure, DAMREV aims to equip you with the knowledge needed to make informed investment decisions.

The dynamic nature of the digital asset landscape requires continuous education, vigilance, and proactive risk management. As an investor, it is your responsibility to conduct thorough research, stay informed about market developments, and seek professional advice when necessary. DAMREV is committed to transparency, security, and compliance, supporting you in navigating the complexities of security token investments.

Your financial future is important to us, and we strive to offer a secure, compliant, and innovative platform for managing your digital assets. Thank you for choosing DAMREV as your partner in exploring the future of asset management. Together, we can unlock new opportunities and navigate the evolving landscape of digital finance.

In summary, the journey of investing in RWA tokens through DAMREV is one of both opportunity and caution. The potential for significant returns is coupled with the need for a thorough understanding of the associated risks. By embracing a proactive approach to risk management, leveraging professional

advice, and staying informed, you can navigate this innovative investment landscape with confidence.

We at DAMREV are dedicated to supporting you in this journey, providing the tools, information, and transparency needed to make informed decisions. Your financial future is important to us, and we strive to offer a secure, compliant, and innovative platform for managing your digital assets. Thank you for choosing DAMREV as your partner in exploring the future of asset management.