Risk Factors

CXXR Payment Stablecoin

Effective Date: January 10, 2026
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Important Notice

This document describes certain risks associated with holding and using CXXR payment stablecoin. Please read this document carefully before using CXXR. By using CXXR, you acknowledge that you have read, understood, and accepted these risk factors.

CXXR, Inc. is a permitted payment stablecoin issuer operating under the Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025 ("GENIUS Act"). While the GENIUS Act provides a comprehensive regulatory framework, holding and using CXXR involves risks.

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1. Regulatory and Legal Risks

1.1 Regulatory Changes

The regulatory environment for payment stablecoins is evolving. Risks include:

- Changes to the GENIUS Act or implementing regulations
- New federal, state, or international laws affecting stablecoin operations
- Regulatory actions or enforcement that could affect our operations
- Changes in interpretation of existing laws by regulatory agencies

Such changes could require us to modify operations, increase compliance costs, or limit the availability or functionality of CXXR.

1.2 Licensing and Supervision

We operate under regulatory supervision. Risks include:

- Regulatory examinations resulting in required changes to operations
- Enforcement actions for actual or alleged violations
- Revocation or suspension of our permission to issue payment stablecoins
- Increased capital, liquidity, or operational requirements

1.3 International Regulatory Uncertainty

If you use CXXR outside the United States, you may be subject to local laws and regulations. We make no representation that CXXR is legal or appropriate for use in all jurisdictions. Some jurisdictions may prohibit or restrict stablecoin transactions.

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2. Reserve and Redemption Risks

2.1 Reserve Asset Risks

While we maintain reserves backing CXXR at least 1:1 with qualifying assets, risks include:

- Interest rate risk affecting the value of Treasury securities
- Credit risk at depository institutions holding reserve deposits

- Liquidity risk during periods of high redemption demand
- Operational failures affecting reserve management

2.2 Redemption Processing

We are committed to timely redemption of CXXR tokens. However:

- Redemptions may be delayed during periods of high volume
- Bank processing times affect when you receive funds
- Redemptions require successful identity verification
- Force majeure events may affect redemption processing

Our redemption policy, including standard processing times, is available at cxxr.net/redemption.

2.3 Reserve Shortfall

Although we maintain 1:1 reserve backing and reserves cannot be rehypothecated, in the unlikely event of a reserve shortfall:

- Redemptions may be temporarily suspended
- Regulatory intervention may occur
- CXXR value could deviate from $1.00 USD on secondary markets

2.4 Priority in Insolvency

While GENIUS Act Section 9 provides that CXXR holders have first priority in any insolvency proceeding, there can be no assurance that insolvency proceedings would be resolved favorably for all holders or within any specific timeframe.

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3. Technology and Cybersecurity Risks

3.1 Cybersecurity Threats

Despite our security measures, the Service may be vulnerable to:

- Hacking, phishing, or social engineering attacks
- Malware, ransomware, or other malicious software
- Distributed denial-of-service (DDoS) attacks
- Data breaches or unauthorized disclosure of information
- Exploitation of software vulnerabilities

We implement industry-standard security practices, but no system can guarantee complete protection against all threats.

3.2 Blockchain and Smart Contract Risks

CXXR utilizes blockchain technology, which involves:

- Smart contract vulnerabilities or coding errors
- Blockchain network congestion or performance issues
- Hard forks or protocol changes affecting functionality
- Oracle failures affecting external data feeds
- Consensus mechanism vulnerabilities

3.3 Wallet and Key Security

You are responsible for securing your CXXR Wallet and any private keys. Risks include:

- Loss of access if you lose your credentials or private keys

- Theft if your credentials or private keys are compromised
- Unauthorized transactions if your account is accessed by others

We cannot recover lost private keys or reverse unauthorized transactions.

3.4 System Failures

The Service may experience:

- Hardware or software failures
- Network outages or connectivity issues
- Server downtime for maintenance or upgrades
- Data loss or corruption
- Performance degradation during high-demand periods

Such failures may result in temporary inability to access, transfer, or redeem CXXR.

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4. Market and Economic Risks

4.1 Secondary Market Pricing

While CXXR is designed to maintain a 1:1 peg to the U.S. Dollar:

- CXXR may trade at prices above or below $1.00 on secondary markets
- Market conditions may affect liquidity on exchanges
- We do not control pricing on third-party platforms

4.2 Economic Conditions

Broader economic conditions may affect CXXR, including:

- Inflation affecting the purchasing power of the U.S. Dollar
- Interest rate changes affecting reserve asset yields
- Banking sector instability affecting reserve custodians
- General economic downturns affecting demand for stablecoins

4.3 Competition

The payment stablecoin market is competitive. Risks include:

- Competitors with greater resources or market share
- New entrants with technological advantages
- Reduced demand for CXXR relative to alternatives
- Network effects favoring larger competitors

CXXR charges 0% for peer-to-peer transfers and 1% for merchant transactions. While our merchant fee is significantly lower than traditional payment processors (typically 2.5–3.5%), competitors may offer lower fees or additional features that affect our market position.

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5. Operational Risks

5.1 Dependence on Third Parties

The Service relies on third-party providers for:

- Banking and payment processing
- Cloud hosting and infrastructure

- Identity verification services
- Blockchain network infrastructure

Failures or issues with third-party providers may affect Service availability or functionality.

5.2 Key Personnel

We depend on key management and technical personnel. Loss of key personnel could adversely affect operations.

5.3 Business Continuity

There is a risk that:

- CXXR, Inc. may cease operations or enter insolvency
- The Service may be discontinued or materially modified
- Ownership or management may change

In such events, your rights would be governed by applicable law, including GENIUS Act insolvency provisions.

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6. Fraud and Abuse Risks

6.1 Fraudulent Activity

Despite our security measures, risks include:

- Fraud by third parties targeting you or the Service
- Scams impersonating CXXR or CXXR personnel
- Social engineering attacks to gain access to your account

We will never ask for your password or private keys.

6.2 Illicit Use

CXXR may be used by third parties for illicit purposes, which could:

- Result in regulatory scrutiny or enforcement
- Damage the reputation of CXXR
- Affect our ability to maintain banking relationships

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7. Tax Risks

7.1 Tax Treatment Uncertainty

The tax treatment of payment stablecoins may be uncertain or evolving. You are responsible for:

- Understanding tax obligations in your jurisdiction
- Maintaining records of CXXR transactions
- Reporting and paying applicable taxes

We do not provide tax advice. Consult a qualified tax professional.

7.2 Information Reporting

We may be required to report certain transactions to tax authorities, including:

- Large cash transactions
- Certain transfers or redemptions
- Information requested by the IRS or state tax agencies

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8. User-Related Risks

8.1 Account Security

You are responsible for:

- Maintaining the security of your account credentials
- Using secure networks when accessing the Service
- Enabling multi-factor authentication
- Reporting suspected security incidents promptly

8.2 User Error

Risks from user actions include:

- Sending CXXR to incorrect wallet addresses
- Failure to complete redemption procedures properly
- Falling victim to scams or phishing
- Failure to maintain adequate backups

Transactions sent to incorrect addresses may be irreversible.

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9. Mitigation Measures

To reduce your exposure to these risks, we recommend:

1. **Enable security features** including multi-factor authentication
2. **Keep credentials secure** and do not share them with anyone
3. **Verify transactions carefully** before confirming
4. **Use secure networks** when accessing the Service
5. **Stay informed** about updates to these risk factors and our Terms of Use
6. **Report issues** promptly through official support channels
7. **Diversify** and do not hold more CXXR than you can afford to lose
8. **Consult professionals** for legal, tax, or financial advice

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10. No Guarantees

This document is provided for informational purposes only. It does not constitute:

- A comprehensive list of all possible risks
- Legal, tax, financial, or investment advice
- A warranty or guarantee of any kind
- An offer or solicitation to buy or sell any asset

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11. Acknowledgment

By using CXXR, you acknowledge that:

- You have read and understood these risk factors

- You accept these risks as a condition of using the Service
- You understand that CXXR is a payment stablecoin, not an investment
- You will not hold CXXR, Inc. liable for damages arising from these risks beyond your rights under applicable law

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12. Contact Information

If you have questions about these risk factors, please contact us at:

CXXR, Inc.
Email: legal@cxxr.net
Website: cxxr.net/legal

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