
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM 10
Amendment No. 1**

**GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934
Exodus Movement, Inc.
(Exact name of registrant as specified in its charter)**

Delaware (State or other jurisdiction of incorporation or organization)	81-3548560 (I.R.S. Employer Identification No.)
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15418 Weir Street #333 Omaha, NE 68137⁽¹⁾
(Address of principal executive offices, including zip code)
(833) 992-2566
Registrant's telephone number, including area code

Securities to be registered pursuant to Section 12(b) of the Act: None.

Securities to be registered pursuant to Section 12(g) of the Act: Class A Common Stock, par value \$0.000001 per share.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

⁽¹⁾ We are a remote-first company. Accordingly, we do not maintain a headquarters. For purposes of compliance with applicable requirements of the Securities Act of 1933, as amended, and Securities Exchange Act of 1934, as amended, communications may be directed to the listed address.

EXODUS MOVEMENT, INC.

INFORMATION REQUIRED IN REGISTRATION STATEMENT

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Explanatory Note

Exodus Movement, Inc. is filing this Amendment No. 1 to its Registration Statement on Form 10 (“this Report”) to register our Class A common stock, par value \$0.000001 per share (the “Class A Common Stock”), pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We filed the initial registration statement on Form 10 on February 28, 2024. This registration statement automatically became effective on April 28, 2024, 60 days following the initial filing thereof.

Once this registration statement became effective, we became subject to the requirements of Section 13(a) of the Exchange Act and are required to file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. Upon the effective date of this registration statement, we also became subject to the proxy rules in Section 14 of the Exchange Act, and our directors, executive officers and principal stockholders became subject to the reporting requirements of Sections 13 and 16 of the Exchange Act.

We are an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”) and as defined in Section 2(a) of the Securities Act of 1933, as amended (the “Securities Act”). We are also a “smaller reporting company” as defined in Exchange Act Rule 12b-2. As such, we may elect to comply with certain reduced public company reporting requirements in future reports that we file with the Securities and Exchange Commission (the “SEC”).

Unless the context requires otherwise, in this Report, the terms “we,” “us,” “our,” the “Company,” “Exodus” and the “Registrant” refer to Exodus Movement, Inc., and its wholly owned subsidiaries, Proper Trust AG, 3ZERO, LLC and OSMIUM, LLC. Our company operates completely virtually. Our primary telephone number is +1 (833) 992-2566. Our principal internet website address is www.exodus.com. The information on our website is not incorporated by reference into, or a part of, this Report.

Cautionary Note on Forward-Looking Statements

This Report contains “forward-looking statements,” as that term is defined by the federal securities laws. All forward-looking statements are based upon our current expectations and various assumptions and apply only as of the date of this Report. Our expectations, beliefs, and projections are expressed in good faith, and we believe there is a reasonable basis for them. However, there can be no assurance that our expectations, beliefs and projections will be achieved. Forward-looking statements are generally identified by the words “may,” “will,” “could,” “would,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “potential,” “continue,” “ongoing,” “forecast,” as well as variations of such words or similar expressions. Forward-looking statements include statements concerning:

- our business plans and strategy;
- projected profitability, performance or cash flows;
- future capital expenditures;
- our growth strategy, including our ability to grow organically and through mergers and acquisitions (“M&A”);
- anticipated financing needs;
- business trends;
- our capital allocation strategy;
- liquidity and capital management; and
- other information that is not historical information.

There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from those suggested by our forward-looking statements, including those set forth in “Item 1. Business” and “Item 1A. Risk Factors” of this Report. All forward-looking statements are expressly qualified in their entirety by such cautionary statements. We undertake no obligation to update or revise any forward-looking statements that have been made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

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Item 1. Business

Our Company

We launched Exodus in 2015 to create a wallet for users to securely control and manage digital assets in an easy and straightforward way, without compromising users' privacy or the security of their digital assets. Exodus' mission is to help its wallet users ("users") exit the traditional finance system through an un-hosted self-custodial platform (the "Exodus Platform") that connects them to the world of decentralized finance and the power of blockchain. On desktop and mobile devices alike, Exodus delivers a simple, elegant, and intuitive experience while offering access to over 21,000 digital assets, as well as integrations with a number of third-party digital asset exchanges and third-party applications. Exodus prioritizes ease of use and aims to provide unparalleled user support.

Our platform is intended to provide quick access to digital assets without distractions of unnecessary or confusing technical information. We aim to provide our users with the best of both worlds in Exodus.

Exodus was founded in 2015 by Jon Paul Richardson, our CEO and a member of our board of directors, and Daniel Castagnoli, the President of our wholly-owned subsidiary, 3ZERO LLC, and a member of our board of directors. Messrs. Richardson and Castagnoli together control approximately 85% of the voting power of our outstanding capital stock, and holders of our Class B common stock collectively control 98% of the voting power of our outstanding capital stock. As a result, we would be considered a "controlled company" within the meaning of the corporate governance standards of the NYSE American LLC, the national exchange on which we have applied to list our Class A common stock following the effectiveness of this registration statement (the "NYSE American"), and may be exempt from certain stock exchange corporate governance requirements, as described further in "Item 1A. Risk Factors – Risks Related to Ownership of Our Common Stock - The Company is currently a "controlled company" within the meaning of the rules of the NYSE American and, as a result, qualifies for and could rely on, exemptions from certain corporate governance requirements." We are registering our Class A Common Stock pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended, on this registration statement.

Our Industry

We operate in the Financial Technology ("FinTech") subsector of the greater blockchain and digital asset industry. The following are descriptions of key technologies used in our industry:

Blockchain Technology—Blockchain technology utilizes an open, distributed ledger managed by a peer-to-peer network to record transactions between parties linked to the blockchain. The Bitcoin blockchain, and other blockchains such as those of Ethereum and Litecoin, can be thought of as public record books of digital asset transactions. These record books are "decentralized" in that they are stored on multiple computers around the world.

For example, the Ethereum Blockchain is a distributed public blockchain network focused on running the programming code of decentralized applications. These decentralized applications use self-executing contracts, also known as smart contracts, to seamlessly facilitate activities on the Ethereum Blockchain. The smart contracts on the Ethereum Blockchain are powered by Ether, the Ethereum Blockchain's native digital asset, which is also traded as a cryptocurrency.

Accessing multiple blockchains and decentralized applications typically requires downloading complicated software specific to each blockchain and requires configuration decisions executed by technically skilled specialists. Methods of storing and leveraging digital assets are fragmented across multiple platforms compared to a traditional single hub. As a result, blockchain technology has a reputation of being difficult to access and use, and many of the current options for managing digital assets do not provide integrated or seamless solutions. Exodus and the asset exchanges we compete with allow users to access multiple blockchains through the exchanges' platform.

Digital Assets—Digital assets include assets that are digitally represented on the blockchain such as tokens, non-fungible tokens ("NFTs") and cryptocurrencies.

Cryptocurrency—A cryptocurrency is a digital asset that exists on a particular blockchain and can be moved from one party to another party on that blockchain. On the Exodus Platform, cryptocurrency is held directly by its owners and is immediately transferable, subject to applicable jurisdictional law.

There are five primary categories of cryptocurrency:

- Store of value or "payment" cryptocurrencies are primarily used to pay for goods and services and are often considered a substitute for gold, cash or forms of electronic payment. Merchants have begun to accept

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these types of cryptocurrencies as payment, although overall adoption for retail and commercial services is currently limited and the cryptocurrency is often converted to a fiat currency, such as the U.S. dollar, immediately upon acceptance by the merchant. Examples of store of value and payment cryptocurrencies are Bitcoin (“BTC”) and Litecoin;

- Cryptocurrencies that comprise part of a blockchain economy or blockchain platform typically have more functionality than a payment currency. Blockchain economies or platforms permit the use of the cryptocurrency to create other digital assets or tokens, run decentralized applications on the blockchain platform and build various types of functionality and features on the blockchain platform. Examples of cryptocurrencies that are part of blockchain economies include Ether (“ETH”), EOS and TRON;
- Privacy coins are cryptocurrencies created to focus on privacy and security. Privacy coin transaction details are typically encrypted, so that only the sender and receiver of the coins knows how many coins were involved in the transaction. In addition, the balance of a privacy coin wallet is known only to the owner of the wallet and cannot be viewed on the public blockchain record. An example of a privacy coin is Monero. While privacy coins may be beneficial to some, for example, individuals making donations that involve privacy concerns, the anonymity of privacy coins has led some jurisdictions to ban them in an effort to limit potential future use, illicit financing and other criminal activity. See “Item 1A. Risk Factors – Risks Related to Our Business – Our platform may be exploited to facilitate illegal activity such as fraud, money laundering, gambling, tax evasion, and scams. If any of our customers use our platform to further such illegal activities, our business could be adversely affected.
- Utility tokens are digital tokens run on a blockchain platform that are used solely to “pay for” or “power” products or services on that specific platform. Examples of utility tokens include Golem and Basic Attention Token; and
- Stablecoins are cryptocurrencies whose value is connected to an asset that is not expected to significantly fluctuate in value. Different stablecoins have adopted different methods of stabilization. Examples of stablecoins are U.S. Dollar Coin (“USDC”), Tether (“USDT”), and DAI. The possibility still exists for stablecoins to fluctuate significantly in value over time, particularly where those stablecoins are connected to fiat currencies that experience fluctuations, such as the decreasing value of the U.S. dollar due to inflation.

Each cryptocurrency is stored on a particular blockchain. The blockchain used by each cryptocurrency keeps a record of the blockchain address and the amount of cryptocurrency held at a particular address. A private key is required to access the cryptocurrency held at any single address.

Private and Public Keys—A private key will allow its holder to access digital assets located at a particular blockchain address. If the holder of the assets loses or shares a private key, their assets are at risk. Public keys identify a particular blockchain address, but do not enable that address to be unlocked. Instead, public keys act like a mailing address. If you want to receive a digital asset, you must provide the other party with a blockchain address from a public key.

Key Management Solutions: Custodial vs. Self-Custodial—The person or entity that holds the private key for a public wallet address controls the assets stored in that wallet. Private key management solutions generally fall into two broad categories: custodial and self-custodial key management.

Within a custodial key management structure, a company or platform generates the private keys for their users’ wallets and administers any and all funds sent to the addresses tied to those private keys. Custodial key management solutions become custodians of their users’ funds and in that respect are extremely similar to centralized banks.

Self-custodial key management is a solution in which a person or entity generates and secures their own private keys, using software or other means, and administers all funds that are sent to the address tied to those private keys. Self-custodial key management solutions are not custodians of funds in their users’ wallet, but are merely repositories for the funds, similar to the way a physical safe or leather wallet provides a means for people to secure their own wealth. Users are solely responsible for securing the digital assets and the associated cryptographic key information and protecting them from loss, theft or other misuse. See “Item 1A. Risk Factors – Risks to Our Business – Our platform may be exploited to facilitate illegal activity such as fraud, money laundering, gambling, tax evasion, and scams. If any of our customers use our platform to further such illegal activities, our business could be adversely affected.”

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While the majority of people use custodial key management solutions, we believe that custodial key management solutions serve merely as a temporary bridge between traditional institutionalized financial systems and the financial freedom offered by complete self-custodial control over one's digital assets.

Blockchain-based Financial Technology—Although the traditional banking system does offer protection against theft through devices such as Federal Deposit Insurance Corporation (“FDIC”) insurance in the United States, banks are typically subject to regulation that provides governmental entities with the ability to freeze or take control of a customer's bank assets.

Self-custodial holding of digital assets offers consumers a payment option that does not rely on the traditional banking system. We believe that as more people begin to hold digital assets they will look for new ways to interact with their digital assets. We believe that digital assets have significant advantages over traditional fiat currency, particularly when used on self-custodial platforms. Unlike fiat currency held in traditional banks, digital assets on self-custodial platforms are designed to be available without limited operating hours, restrictions on when markets open and close or bank holidays. Digital assets can also be transferred in real time, as the underlying technology is designed to avoid lengthy settlement periods, and often with no or low fees. However, transfer fees and settlement times can vary depending on various factors, such as network congestion. If transactions are successfully completed, digital assets will always end up at the wallet address to which they are sent with a proof of receipt forever etched in the blockchain, which functions as a public ledger. Most importantly, holders of digital assets that are self-custodial maintain full control of their funds. Users of self-custodial systems do not need to rely on any bank or custodian entity to provide access to their own assets.

Wallets—Wallets are a software-based technology that allows users to manage their private keys that grant access to the blockchain addresses where their digital assets are stored. They do not actually store digital assets the way one might store a twenty-dollar bill in a physical leather wallet. Rather, the digital assets remain stored at a particular blockchain address on the relevant blockchain, as described above in “—Private and Public Keys”.

There are two recognized categories of wallets: hot wallets and cold wallets. Hot wallets are connected to the internet in some way and typically reside on a website, desktop or inside a mobile phone, with the holder's private keys stored digitally. Typing one's private key into a hot wallet will “unlock” the digital assets stored at the address identified by the private key so the user can then access the digital assets. Cold wallets are physical devices, not connected to the internet, that store the holder's private keys. Generally, digital assets stored in hot wallets are more easily accessible; however, access to the internet means that the user must maintain effective internet security practices to protect their wallet. On the other hand, the downside to using cold wallets is that they are not as easily accessible and are typically used only for long-term storage of digital assets.

Often wallets have cumbersome interfaces, better suited to people who are very familiar with coding and computer processing than to consumers who want a straightforward, easy-to-use interface. For example, the private key that our users must enter to utilize the crypto assets in their wallets on the Exodus Platform is an alphanumeric code with hundreds of digits, which, if lost, renders the assets in the wallets lost. In addition, many other wallets do not cover a sufficiently wide variety of digital assets, thereby requiring customers to maintain different wallets for different digital assets. For wallets that offer services such as the exchanging of one digital asset for another, these services may be difficult to use. Most significantly, wallets are often maintained by centralized exchanges, where the company that controls the technology of the wallet holds onto the private keys, which gives the wallet creator control over the funds that can be accessed with those private keys.

Providers

Third-Party Providers—We serve third-party application programming interface (“API”) providers by integrating their services such as digital asset exchanging, fiat onboarding and staking products into the Exodus Platform through an API agreement.

The Exodus Platform allows our users to leverage the power of digital assets in an easy and straightforward way, without compromising privacy or the security of their digital assets. Management believes we accomplish this by:

- creating a platform designed for our users to retain full control over the digital assets held in their Exodus wallet by encrypting the private keys locally on our users' personal devices (private key data is not retained by Exodus);
- streamlining our users' set up process by offering a range of wallet options to hold users' private keys (including hot and cold wallets);

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- providing quick access to digital assets without distractions of unnecessary or confusing technical information;
- hosting and maintaining our own robust server infrastructure to help enable maximum uptime for all digital assets and services offered on our platform;
- integrating third-party apps seamlessly into our highly functional platform to provide our users with a rich ecosystem of ways to use and manage their digital assets, as well as providing us with potential additional avenues for monetizing our platform; and
- providing timely support for users of our platform.

The Company conducts Know Your Buyer (KYB) diligence with respect to the API Providers. The third-party API Providers conduct AML or KYC procedures with respect to their users in accordance with their respective policies, procedures and regulatory obligations.

Our Strategy

When developing additional wallet capabilities, the Company conducts financial and legal analysis of the proposed feature, including an assessment of the proposed feature's compliance with the laws, rules, and regulations in the jurisdictions in which the Company operates. The Company then moves to assessing the technical feasibility of implementing the proposed feature into the Exodus Platform. The material cost of developing additional wallet capabilities is primarily labor expenses, and such expenses are funded by the Company's operations. At this time, the Company has no plans to expand the breadth of asset classes supported within the Exodus Platform or otherwise develop additional wallet capabilities.

Elevate Technology—We are committed to investing in product development that enhances functionality of the Exodus Platform. Our regular software updates enable us to respond to user evaluations of our products on a rapid timetable. We believe that, over time, traditional financial assets, services and experiences will migrate to using blockchain technology and we are building for that eventuality. We also believe that people and entities will want the flexibility to keep their wealth as digital assets, particularly Bitcoin, Ethereum and Stablecoins, instead of only in fiat currencies. Currently, products do exist to permit users to migrate from fiat currency to digital assets; however, they often have poor user interface/user experience (“UI/UX”) designs. The Exodus Platform is asset agnostic, meaning we have the ability to operate irrespective of the type of digital asset versus asset or blockchain specific platforms that limit users to a particular asset or blockchain. The Company currently supports fungible cryptocurrency assets ledged on public blockchains as well as non-fungible tokens ledged on public blockchains.

Grow the Core—We are focused on growing the number of services provided on our platform by targeting the integration of diverse API providers into the Exodus Platform. In addition, we also are working to grow the depth of API providers who contribute similar services within the Exodus Platform. This is expected to provide several benefits including, but not limited to:

- *Expanded geographic coverage.* Limitations of regulatory and licensing requirements in certain jurisdictions may have less impact on our user experience;
- *Increased service uptime.* Individual API providers can experience downtime which directly impacts their ability to provide services to our users. Having multiple API providers may allow for redundancy and improved uptime; and
- *More competition among API providers.* API providers compete to provide the best offering, often translating to the best cost or lowest price, for our users.

Diversify our products and services—The development of applications (“apps”) allows us to diversify our user base, expand our product offerings and maintain more than one source of revenue. Where permitted, each new app provides us with an opportunity to monetize user transactions involving digital assets held in the Exodus Platform through commissions, subscription fees or other means. When determining whether to integrate an app into our platform, one of our top priorities is a consistent, high quality user experience by maintaining the Exodus interface and the ease of use that our users expect from Exodus products. We believe that apps will be essential in bringing digital assets into mainstream use; exposing our user base to digital asset apps directly within their wallet will increase engagement and encourage users to continue using our products.

Our Products and Services

Exodus has developed proprietary software, the Exodus Platform. Since the creation of the Exodus Platform, it has been downloaded over 12.4 million times as of December 31, 2023 and was downloaded approximately 2.8 million times during 2023. We offer all versions of the Exodus Platform to users as a free download. The Exodus Platform currently supports fungible cryptocurrency assets ledged on public blockchains as well as non-fungible tokens ledged on public blockchains. The services we offer directly through the Exodus Platform include storing, sending, and receiving digital assets through the wallet functionality. The Company's users are able to send digital assets by inputting a public blockchain address and an amount to transfer, and are able to receive digital assets by providing the sending party with the users' own public blockchain address. The Company's involvement in these transfers is generally limited to providing a visual interface to access the blockchain. We do not take possession of the user's assets and have no access to the keys. Instead, we apply a streamlined interface to the functionality provided by third-party API providers. Exodus and our wholly owned Swiss subsidiary, Proper Trust AG, enter into API agreements with these third-party providers that serve both U.S. and non-U.S. users. We do not have any other international subsidiaries or operations. Our business is dependent on the successful integration of these third-party API providers as the majority of our revenue is earned by charging API providers a monthly subscription fee for services offered to API providers by persons located in the United States and, for services offered to persons located outside the United States, by generally utilizing a transaction based structure to charge API providers a percentage of the underlying value of the digital asset transaction. Exodus or its subsidiaries maintains agreements with each individual API provider. Our API agreements with exchanges that provide services to U.S. customers provide for the payment of the API Integration Fee for certain limited crypto assets, and also provide that, in addition to the API Integration Fee received for certain limited crypto assets, we will also receive a flat monthly fee, regardless of actual transaction volumes. Such fees are payable to us in arrears twice per month. Our API agreements with crypto-to-crypto exchanges have indefinite terms and may be terminated by us or the counterparty exchange at any time upon seven days' prior written notice. Either party may also immediately terminate the agreement in the event of a breach of law or uncured breach of contract by, negligence, recklessness or willful misconduct by, or the bankruptcy of the other party, or if the API integration becomes prohibited by applicable law. Please see the form of API agreements (both the form U.S. agreement and the form international agreement) attached as exhibits to this Amended Registration Statement. An updated list of Exodus' API providers is available within the terms of service located on Exodus' website.

The Exodus Platform supports network forks on a per-fork basis and only where it makes sense for its business and its users to do so. Because the Company is a self-hosted wallet, the Company's users have the ability to import their mnemonic seed phrase or private key into another wallet platform that may support forks that Exodus does not support.

Our principal products and services are described below.

Exchange Aggregation—The Exodus Platform is accessible through our desktop, browser extension, and mobile platforms where users send, receive and swap over 21,000 digital assets without having to access centralized exchanges or trade across multiple order books, depending on API provider, availability and jurisdiction. Exodus API Providers provide the connection with the exchanges. By connecting users to multiple API providers through a single interface, we have a streamlined approach to aggregating the exchanges and aim to provide users with the best exchange rate within their jurisdictional limitations. As a result, we believe our user experience is significantly simpler than that found on other wallets and saves the user time from not having to search through centralized exchanges and orderbooks. The platform also provides important information for users regarding accurate and real-time information on digital asset prices and other relevant market data, such as news articles and historical pricing where available. Exodus aggregates the APIs of several industry-leading pricing services to provide real-time information on crypto asset prices on its platform.

Since the creation of the Exodus Platform, our users have swapped approximately \$12.3 billion of digital assets as of December 31, 2023, and our users swapped approximately \$2.7 billion of digital assets in 2023.

Fiat on and off-ramps—Fiat on-ramps, powered by API providers such as Ramp Network, facilitate an effortless exchange for users to buy digital assets with fiat currency through bank transfer, credit or debit card and Apple Pay. Where available, users can use 30 different fiat currencies to buy crypto assets, including major currencies such as the US Dollar, EURO and British Pound Sterling. Users can sell digital assets for fiat currency and transfer to their bank account utilizing our off-ramp, which is currently powered by an API provider called MoonPay. Users can sell USD, EURO and British Pound Sterling for crypto via MoonPay where available. The Company only provides software for the users to connect to the API providers and is not responsible for the fulfillment of the transaction.

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Staking—Staking allows users to “stake” supported digital assets held in their Exodus wallets by participating in blockchain validation through a third-party API provider, Everstake. Everstake is a self-custodial staking platform, which means that users never lose control over their assets while staking and the terms of the staking products are only the terms immutable to the specific blockchain. For example, users staking Cosmos (ATOM) on Exodus will be required to wait the standard 21 days to unstake their Cosmos (ATOM) coins, in accordance with the terms of the Cosmos (ATOM) blockchain. Staking for the following assets is available through Everstake: Ethereum, Solana, Tezos, Polygon, Cosmos, Kava, Injective, Axelar, Osmosis. Exodus receives an API integration fee from Everstake. Staking for Ontology and VeChain occur on-chain without any involvement from Exodus or Everstake, which does not require use of an API for users to stake their funds on the Exodus Platform for which we do not receive a fee. Users who hold Algorand have the option to stake through the Algorand governance portal.

According to the design of the underlying network staking protocols, the holder determines the amount of digital assets to stake, retains full control and ownership of the digital assets and can unstake them at any time. Exodus does not have any contact with, control over, or ability to take control of any assets that a user stakes. In general, the risks to users who utilize the staking products offered on the Exodus platform are limited to the risks involved with cryptocurrency, and can depend on the specific blockchain. For example, the 21-day waiting requirement to unstake Cosmos can open users to risks in terms of market volatility and slashing, which is an inherent risk to staking on the Cosmos blockchain.

Consulting and Other—We provide consulting and other services, such as consulting services involving wallet design and other services such as lightning network wallet services. See Note 2—Summary of Significant Accounting Policies—Revenue Recognition” to our consolidated financial statements included in this Report.

During the first half of 2022, we ceased provided gaming services on the Exodus Platform and we currently have no plans to provide gaming services on the Exodus Platform.

Sales and Marketing

Historically, we have minimally used traditional marketing and advertising platforms, but instead have chosen to create high-quality content on our YouTube channel. This content highlights digital assets accessible on the Exodus Platform and is designed to give users access to dynamic content that anticipates their questions, feeds their curiosities, and gives them an honest assessment of these digital assets. Our effort to deliver the best user experience and support for digital assets has led to the majority of our user acquisitions coming from word-of-mouth.

Competitive Landscape

We pioneered and continue to lead the market for self-custodial solutions for managing digital assets. We believe that we provide the most comprehensive self-custodial solution, offering mobile and desktop products, the option to connect to a hardware wallet, a significant range of supported digital assets, as well as functions such as our Exchange Aggregator and other apps. Since our founding, our competition has primarily been custodial solutions that offer a tangential self-custodial product, such as the exchanges supported by well-known companies like Coinbase. These exchanges tend to have greater name recognition and, as people are familiar with custodial products used in the traditional banking system, people may believe that the products they offer are more secure and are easier to use than stand-alone self-custodial products.

We believe that due to security and technical risks associated with centralized or custodial services, digital asset holders will continue to move towards stand-alone self-custodial solutions. We also believe that the recent collapse of certain large custodial digital asset companies and the resultant suspension of withdrawals validates the benefits of self-custodial solutions.

Within the market for self-custodial wallet solutions, there are other companies that actively compete with us, offering various combinations of the features available on our platform. While leading exchanges, which have significant resources and brand power, have created self-custodial wallets, their focus continues to be on centralized digital asset products. However, our market is relatively new, and our competitors have adapted and may continue to adapt their platforms to incorporate many of our features and design, as well as additional features or solutions.

Our current and potential competitors include a number of different types of companies, including:

- Exchanges that specialize in digital assets and offer a self-custodial wallet solution;
- Digital asset wallets;

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- Banks, non-depository trust companies and other chartered financial institutions that offer digital asset custody services; and
- Exchanges or other FinTech companies with substantial infrastructure and market share that decide to and may be legally able to offer digital assets.

We believe that the principle competitive factors in our market are:

- platform features, quality, functionality and design;
- product pricing;
- breadth of features offered by a platform;
- quality of user support;
- security and trust;
- brand awareness and reputation;
- ease of adoption and use;
- accessibility of platform on multiple devices;
- user acquisition costs; and
- range of supported digital assets.

Exodus compares favorably with our competitors on the basis of these factors. Based on recent market data, we expect demand for self-custodial solutions to continue to rise and believe that we are well-positioned to take advantage of this market opportunity.

Intellectual Property

Our success depends in part upon our ability to protect and use our core technology and intellectual property rights. We rely on a combination of copyrights, trademarks, trade secrets, know-how, contractual provisions and confidentiality procedures to protect our intellectual property rights. We have registered “Exodus” as a trademark in the United States and other jurisdictions and we have filed other trademark applications to protect our logo in the United States and several international jurisdictions. We are also the registered holder of a variety of domestic and international domain names that include “Exodus” – including, most importantly, “exodus.com.”

In addition to the protection provided by our intellectual property rights, we enter into proprietary information and invention assignment agreements or similar agreements with our team members, consultants and contractors. We may also seek to patent our technology in the future.

Digital Asset and Stablecoin Holdings

As of December 31, 2022, all of Exodus’ digital assets and stablecoin holdings were held in self-custody. As of December 31, 2023, a significant portion of Exodus’ treasury consisted of digital assets and stablecoin holdings. The following is a breakdown of our holdings as of December 31, 2023 (in units):

<u>Wallet</u>	<u>BTC⁽¹⁾</u>	<u>ETH⁽¹⁾</u>	<u>USDC⁽¹⁾</u>	<u>Other⁽¹⁾</u>
Coinbase ⁽²⁾	176	636	—	—
Circle ⁽²⁾	—	—	516,597	—
Self-custody	1,611	1,902	—	4,625,187
Total	1,787	2,538	516,597	4,625,187

(1) Units refer to the number of tokens held, for the fair value of the digital asset as of December 31, 2023, See Note 6 (Intangible Assets).

(2) Exodus did not utilize a custody service for Coinbase or Circle during the year ended 2023. Although Coinbase offers Custody services, the Company only utilized Coinbase’s Exchange services during this period.

For those assets held on Exchange, we held such assets on both the Coinbase and Circle exchanges at year end 2023 and routinely had assets on the Kraken exchange. As a result, we may suffer a loss with respect to our digital asset holdings, and we may not be able to recover any of our carried value in these digital asset holdings if they are lost or stolen. See “Item 1A. Risk Factors – Risks Related to Our Business – Our holdings of digital assets expose us to potential risks, including exchange, security, valuation and liquidity risks, which could negatively affect our business, financial condition and results of operations.”

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For those assets held self-custodially, Exodus maintains a number of security measures to manage and protect private keys including but not limited to the use of cold storage, multi-signature protocols, access limited to select senior executives and finance personal, and various physical safeguards such as geographic dispersion throughout North America of private keys. Exodus does not maintain insurance that covers its digital assets, whether held on Exchange or held self-custodially, in the case of loss or fraud. See “Item 1A. Risk Factors – Risks Related to Our Business – We do not insure against all potential losses, and, therefore, our business, financial condition, results of operations and cash flows could be adversely affected if users blame or become dissatisfied with the Exodus Platform as a result of these negative experiences.”

Exodus receives its revenues primarily in Bitcoin and USDC but accepts a wide range of digital assets and USD. Network fees and other expenses, such as gas fees, related to the transfer of the crypto assets from the API to us are typically paid by the sender. Exodus values digital assets at the time of receipt. Exodus generally targets a 50/50 split between the value of its digital assets and fiat-based holdings. However, we have never, and likely will never, achieve this split due to our heavy use of Bitcoin in our receivables as well as for payment of certain operating expenses such as salaries.

Digital assets received as payment, other than Bitcoin, Ethereum, and Solana, are sold at or within a few days of receipt. Digital assets sold for fiat are primarily sold using standard business accounts we maintain on the Coinbase and Kraken exchanges with the exception of USDC which is sold using a standard business account with Circle. We consider the terms of our contracts with Kraken, Coinbase, and Circle to be in accordance with customary industry practice and accepted forms of such contracts, including with respect to the segregation of our assets from other customers assets.

Human Capital Management

As of December 31, 2023, Exodus had approximately 195 full time equivalents (“FTEs” or “team members”) who are paid exclusively in Bitcoin. At the time of payment, amounts are translated from U.S. dollar to Bitcoin based on the current Bitcoin rate. The Bitcoin used for payments is primarily derived from revenue from ongoing operations received in Bitcoin. The Company pays the transfer fees related to outgoing payments. Full time equivalents are a combination of United States based employees, United States expatriates and non-U.S. independent contractors who perform services for the company. The basis for compensation for FTEs is U.S. dollars and is settled in Bitcoin at the time of payment. Within our FTEs, approximately 130 team members are located outside the United States in approximately 50 countries located on six different continents. As of December 31, 2023, other than the United States, Exodus has no more than 10% of its team members in any one jurisdiction. TriNet, our contracted professional employment organization, co-employs our United States employees and expatriates and assumes much of the responsibilities and liabilities for the business of employment such as risk management, human resources management, benefits administration, workers compensation, payroll and payroll tax compliance. Under our agreement with TriNet, we reimburse TriNet for these costs and pay TriNet an administrative fee for its services. We consider the terms of our contract with TriNet to be reasonable and customary and believe this arrangement provides substantial benefit to us, in the form of lower costs for employee benefits and a reduced administrative burden on us. Exodus retains the responsibility for hiring, terminating and managing our team members and operations. None of our team members are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages and we consider our relations with our team members to be good.

Our team members are critical to our mission to ignite an exodus from the traditional finance system by empowering people to secure, manage and use their digital assets. Our key human capital management objectives are to attract, retain and develop the highest quality talent. To achieve these objectives, our human resource programs are designed to prepare our talent for critical roles and leadership positions for the future, reward and support team members through competitive pay and benefits, enhance our culture through efforts aimed at making the workplace more engaging and inclusive and facilitate internal talent mobility to create a high-performing and diverse workforce. As a completely remote company, our team members have the flexibility to work wherever and whenever they want. We offer an open culture; blockchain technology fosters trust and transparency, and we strive to foster this on our team.

Uncertainty and Volatility in the Digital Asset Markets

In recent years, there have been well-known digital asset market participants who have declared bankruptcy including Celsius Network, Voyager Digital Ltd., Three Arrows Capital and FTX. In response to these events, the digital asset markets, more specifically Bitcoin, have experienced extreme price volatility, resulting in a loss of confidence in

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participants of the digital asset ecosystem. These events have also negatively impacted the liquidity of the digital asset markets as certain entities affiliated with FTX formerly engaged in significant trading activity. The FTX app was available on the Exodus Platform until it was removed in November 2022. In addition, as of December 31, 2023, Alameda Research Ventures LLC, which filed for bankruptcy in November 2022, owns 42.2% of our Class A common stock. Continued price volatility, negative publicity, the lack of standardized regulation and the closure or temporary shutdown of digital asset exchanges due to business failure, hackers or malware, government investigations or fraud may further reduce confidence in digital asset exchange networks and result in a negative impact on our business. It is not possible to predict at this time all of the risks these events may pose to Exodus, our service providers, our API providers or on the digital asset industry as a whole.

We have not experienced an inability to recover material assets due to bankruptcies, nor do we currently use digital assets as collateral for any loan, margin, rehypothecation, or other similar activities to which we are a party. However, even if there is no direct material impact on our business due to bankruptcies, we have been and may continue to be indirectly affected by these events.

To our knowledge, none of our API providers have filed for bankruptcy, been decreed insolvent or bankrupt, made any assignment for the benefit of creditors, been appointed a receiver, experienced excessive redemptions, suspended redemptions or withdrawals of digital assets, had digital assets of their users unaccounted for or experienced material corporate compliance failures. However, because Exodus offers a self-custodial wallet solution pursuant to which users possess their crypto assets at all times, our users' exposure to an API provider experiencing insolvency or bankruptcy would be limited to the brief period of time during which wallet users are engaged in an active crypto-asset transaction.

Regulatory Environment

Our operations expose us to a number of federal, state, local and international laws and regulations. These laws and regulations address multiple aspects of our operations, such as taxes, securities, consumer rights, privacy, data security and employment matters, and may also impact other areas of our business and may be dependent on the jurisdiction of operation. Changes in government regulation of our business has the potential to materially alter our business practices or our profitability. Depending on the jurisdiction, those changes may come about through the issuance of new laws and regulations or in the application of existing laws and regulations by a court, regulatory body or governmental official. Sometimes those changes may have both a retroactive and prospective effect. This is particularly true when a change is made through the application of existing laws or regulations to new fact patterns. Moreover, changes in regulation that may seem neutral on the surface may have either more or less impact on us than our competitors, depending on the circumstances.

The Company offers the Exodus Platform in all jurisdictions not prohibited by US law. The Company uses geo-blocking technology to block the Exodus Platform's availability in jurisdictions subject to U.S. comprehensive sanctions, namely, the Crimea region and so-called Donetsk People's Republic Luhansk People's Republic in Ukraine, Cuba, Iran, North Korea, and Syria. The Company also uses geo-blocking technology to block the availability of API integrations for third-party crypto-to-crypto exchange services in the states of New York and Washington. In addition, the Company maintains a blacklist that prevents transactions between third-party APIs and sanctioned cryptocurrency wallet addresses. The Company has implemented an automated OFAC sanctions list search in its customer support system, which operates in instances where wallet holders have provided their names.

The complexity and evolving nature of our business and the significant uncertainty surrounding the regulation of the digital asset economy requires us to exercise our judgment as to whether certain laws, rules and regulations apply to us, and it is possible that regulators may disagree with our conclusions. We generally believe that our business, as discussed in this Report, is compliant with these regulations, but in certain cases there may be uncertainty related to that conclusion. For additional discussion, see "Item 1A. Risk Factors – Regulatory Risk Factors," which we incorporate by reference here.

Available Company Information

Upon the effective date of this registration statement, we became subject to the informational requirements of the Exchange Act, and accordingly, will file current and periodic reports, proxy statements and other information with the SEC. With respect to disclosures filed or furnished to the SEC, you may obtain copies of our prior and future reports free of charge from the SEC's website, at www.sec.gov. Our principal internet website address is www.exodus.com.

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Item 1A. Risk Factors

Investing in or maintaining your investment in our common stock involves risk. You should carefully consider each of the risks and uncertainties set forth below as well as the other information contained in this Report before deciding to invest in our securities. We have grouped our Risk Factors under captions that we believe describe various categories of potential risk. For the reader's convenience, we have not duplicated risk factors that could be included in more than one category. Any of the following risks and uncertainties could materially and adversely affect our business, financial condition, results of operations, liquidity and/or cash flows and the impact could be compounded if multiple risks were to occur.

Summary of Risk Factors

Risks Related to Our Business

- Our profitability is dependent on our ability to attract, maintain and grow our user base.
- If we are not able to maintain our brand or reputation, we may be adversely affected.
- Our success depends on the success of our third-party providers, and disruptions in our agreements with these providers may adversely affect us.
- Actual or perceived failures to prevent cybersecurity incidents could negatively impact us.
- We do not insure against potential losses, and we could be adversely affected if users blame or become dissatisfied with the Exodus Platform as a result of these negative experiences.
- If we are unable to access our private keys or if we experience a hack or other data loss relating to our ability to access any digital assets, it could cause regulatory scrutiny, reputational harm and other losses.
- Some of our technology incorporates or utilizes software released under the terms of “open source” licenses, which could subject us to possible litigation and be used by competitors.
- Disputes with our users and other third parties could be costly, time-consuming and harm our business and reputation.
- We face intense and increasing competition, which could adversely affect us.
- If we are not able to effectively keep pace with technological developments that are attractive to our current and prospective users, we could be adversely affected.
- If we fail to effectively manage our growth, we may be unable to execute our business plan, maintain high-quality levels of support, ensure the security of our platform, adequately address competitive challenges or maintain our corporate culture, and we would be harmed.
- We may be unable to raise additional capital needed to grow our business.
- We may pursue strategic transactions, which could be difficult to identify and implement, and could disrupt our business or change our business profile significantly.
- Our holdings of digital assets expose us to exchange, security, valuation and liquidity risks, which could negatively affect us.
- Our revenue may be adversely affected if the markets for Bitcoin, Tether, Ether and USDC deteriorate or if their prices decline.
- Our platform may be exploited to facilitate illegal activity, which could materially affect us.
- We have previously identified a material weakness in our internal control over financial reporting, which we have not fully remediated, and we may not be able to accurately or timely report our financial condition or results of operations.
- Our success depends on our ability to attract and retain key technical, user support and management personnel while supporting the onboarding and career development of our team members.
- If we are required to reclassify independent contractors as employees, we may incur additional costs and taxes which could adversely affect us.

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- Our international operations expose us to additional risks and failure to manage those risks could materially and adversely impact our business.
- Operational cost may exceed the award for solving blocks or transaction fees. Increased transaction fees may adversely affect the usage of the Bitcoin network.

Risks Related to Our Industry

- Due to the unfamiliarity or negative publicity associated with digital assets, confidence or interest in digital asset platforms may decline which could adversely affect us.
- The new and rapidly evolving market for digital assets and related services is subject to a high degree of uncertainty.
- Legal and regulatory developments affecting digital asset mining activities may have a materially adverse effect on the digital asset industry, which would adversely affect us.
- Our business could be adversely impacted by the decision of foreign governments, internet service providers or others to block transmission from IP addresses on which our platform depends.
- Banks and financial institutions may not provide banking services, or may cut off services, to businesses that engage in digital asset-related activities.
- Our tax information reporting obligations with respect to digital asset transactions are subject to change.

Risks Related to Regulation

- The regulatory regime governing blockchain technologies, digital assets and securities is uncertain and new regulations or policies may materially adversely affect us.
- Certain digital assets traded using third-party services integrated within our platform or other programs could be viewed as “securities” and could subject us to regulatory scrutiny, inquiries, investigations, fines and other penalties.
- We do not believe we have an obligation to register as a transfer agent, but a regulator may disagree.
- We do not believe we have an obligation to register as a clearing agency, though the SEC may disagree.
- We do not believe we have an obligation to register the platform as an exchange or alternative trading system, though a regulator may disagree.
- We do not consider ourselves a statutory underwriter, though a regulator may disagree.
- We are not registered as a money transmitter or money services business, and our business may be adversely affected if we are required to do so.
- Due to the revenue structure for our Exchange Aggregator, we could be deemed a broker-dealer if certain digital assets were deemed to be securities, which may adversely affect us.
- Failure to comply with anti-bribery and anti-corruption laws and similar laws, could adversely affect us.
- Privacy concerns and laws or other domestic or foreign regulations may adversely affect us.
- We are subject to export control, import and sanctions laws and regulations that could impair our ability to compete in international markets or subject us to liability if we violate such laws and regulations.
- The limited rights of legal recourse available to us expose us and our investors to the risk of loss of our Bitcoin for which no person is liable.

Risks Related to Ownership of Our Common Stock

- The market prices and trading volume of our Class A common stock may experience rapid and substantial price volatility.
- An active, liquid and orderly trading market for our Class A Common Stock may not develop or be maintained, and our stock price may be volatile.

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- We do not intend to pay dividends for the foreseeable future.
- The dual class structure of our common stock has the effect of concentrating voting control which will limit your ability to influence the outcome of important transactions, including a change in control.
- Provisions of our Certificate of Incorporation and our By-Laws could discourage potential acquisition proposals and could deter or prevent a change in control.
- We are not subject to the provisions of Section 203 of the Delaware General Corporation Law, which could negatively affect your investment.
- The Company is currently a “controlled company” and, as a result, qualifies for and could rely on, exemptions from certain corporate governance requirements.

Risks Related to Our Business

Our profitability is dependent on our ability to attract, maintain and grow our user base.

The success of our business depends on our ability to attract and retain Exodus Platform users. To do so, we must demonstrate to potential and existing users that our platform offers significant advantages over those of our competitors. Market acceptance of the Exodus Platform is affected by a number of factors, many of which are beyond our control, including the timing of the release into the market of new products, features and functionality introduced by our competitors, the performance of third-party services offered through the Exodus Platform, user perceptions of the Exodus Platform’s security and reliability, acceptance and interest in digital assets and the growth or contraction of the market in which we compete.

As the market for digital assets and related services continues to mature, we expect that an increased focus on user satisfaction will profoundly impact demand for the Exodus Platform. We believe that our users are increasingly looking for flexible and secure digital asset wallets that seamlessly integrate a range of applications and support a wide variety of digital assets, while streamlining the user experience and minimizing complexity. If we are unable to meet this demand, or if the Exodus Platform otherwise fails to achieve widespread market acceptance, our business, results of operations, financial condition and growth prospects may be adversely affected.

If we are not able to maintain our brand or reputation, our business and results of operations may be adversely affected.

We believe that maintaining our reputation as a leading provider of a self-custodial digital asset wallet with superior user support is critical to our relationship with our existing users and our ability to attract new users. The successful promotion of our brand will depend on several factors, including our ability to maintain a record of security, performance and reliability; our ability to continue to develop and integrate high-quality products and features for our platform through API agreements; and our ability to successfully differentiate our platform from competitive products and services. Independent industry and financial analysts often provide reviews of our platform, as well as those of our competitors. Perception of our offerings in the marketplace may be significantly influenced by these expert reviews. If reviews of our platform are negative or less positive than those of our competitors our brand may be adversely affected. The performance and reputation of our third-party API providers may also affect our brand and reputation, particularly if users do not have a positive experience with our API providers.

Further promotion of our brand may require us to make increased expenditures and we anticipate that the expenditures will increase as our market becomes more competitive. Expenditures intended to maintain and enhance our brand may not be cost-effective or effective at all. If we do not successfully maintain and enhance our brand, we may experience reduced pricing power relative to our competitors, a decrease in existing users, failure to attract new users or an inability to expand offerings of new products to our existing users, all of which could materially and adversely affect our business, results of operations and financial condition.

Our success depends on the success of our third-party providers, and disruptions in our agreements with these providers may adversely affect our business, results of operations and financial condition.

The success of third-party services on the Exodus Platform is affected by a number of factors, many of which are beyond our control, such as our ability to successfully integrate services into the Exodus Platform using third-party APIs, technological changes and developments, user preferences and technical support provided by the third party. Interruptions or delays in our cloud or internal infrastructure or third-party services and cybersecurity incidents such as attacks on our information systems by malicious actors could also affect our third-party services.

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There can be no assurance that these third-party services will continue to perform in a manner our users find adequate. In addition, if any of the agreements with our API providers are terminated or suspended, whether due to a failure or breach of performance or otherwise, we could be forced to incur additional expenses in seeking replacements, may not be able to obtain replacements in a timely fashion, if at all, and such interruptions or discontinuations of service could interfere with our existing user relationships and make us less attractive to potential new users. Multiple terminations or suspensions in a short period of time could impair the functionality of the Exchange Aggregator, resulting in user dissatisfaction and revenue loss. Additionally, certain of our third-party API providers deliver features and functionalities that, if no longer available to us, cannot be replaced easily or in a timely fashion, if at all. Users may attribute such interruptions or delays to the operations of our platform, leading to doubts about the efficiency or reliability of the Exodus Platform which could have an adverse effect on our reputation and financial condition.

Any actual or perceived failure of the Exodus Platform to block malware or prevent failures or security breaches or other cybersecurity incidents could harm our reputation, cause the Exodus Platform to be perceived as insecure, underperforming or unreliable, impede our efforts to attract and retain users and otherwise negatively impact our business, results of operations and financial condition.

Our information systems and data may be vulnerable to attacks from malicious third parties or breaches due to human error, malfeasance, or other cybersecurity incidents that could result in unauthorized access to our internal systems, networks and data. This may include computer malware, viruses, ransomware and other malicious software, computer hacking, fraudulent use, social engineering (including phishing attacks), data privacy breaches by employees, insiders or others with authorized access, and other attempts to gain unauthorized access to our information systems and data. Cybersecurity incidents have become more prevalent and have been initiated against us and our users in the past and may occur against us or our users in the future. Certain kinds of viruses or malware can corrupt basic functionalities of device operating systems to allow hackers to access or misdirect our users' digital assets. Additionally, we may experience cybersecurity incidents, including cyber-attacks by third parties seeking unauthorized access to our users' confidential data, which could disrupt our ability to provide services on the Exodus Platform, or lead to exposure of user information. We also process, store and transmit our own data as part of our business and operations. This data may include personally identifiable, confidential or proprietary information or employee or vendor data. Additionally, we use certain third-party service providers to store and process data on our behalf, and they face a variety of security risks. Our security measures or those of our third-party service providers could fail or we could suffer data loss or unauthorized access to, or use of, our platform or the systems or networks used in our business, including unauthorized, accidental or unlawful access to, or disclosure, modification, misuse, loss or destruction of, our or our users' data.

Private keys may also be compromised if users choose to store their private keys in non-secure systems, such as third-party email services, which may be susceptible to security breaches and other cybersecurity incidents, despite our efforts to discourage our users from engaging in these practices. Although such incidents are outside of our control and do not relate to any insecurity or vulnerability on the part of the Exodus Platform, users may nevertheless blame or become dissatisfied with the Exodus Platform as a result of these negative experiences.

Any of the foregoing cybersecurity incidents, or a market perception that the Exodus Platform is insecure, underperforming or unreliable, whether or not accurate, could result in a loss of existing or potential users or third-party relationships; harm to our financial condition and results of operations; delay or inability to attain market acceptance of our platform; expenditure of significant financial resources in efforts to analyze, correct, eliminate, remediate or work around errors or defects, to address and eliminate vulnerabilities and to address any applicable legal or contractual obligations relating to any actual or perceived security breach or other cybersecurity incident; negative publicity and damage to our reputation and brand; and legal claims and demands (including for stolen assets or information, repair of system damages and compensation to users), litigation, regulatory audits, proceedings or investigations, regulatory fines or penalties and other liabilities.

Any of the foregoing can be exacerbated by a delay or failure to detect a cybersecurity incident or the full extent of such incident. We have incurred and expect to incur significant expenses in an effort to prevent security breaches and other cybersecurity incidents, including deploying additional personnel and protection technologies, training personnel and engaging third-party experts and consultants. Furthermore, because data security is a competitive factor in our industry, we make statements publicly, including in our privacy policies and terms of service, providing assurances about the security of our platform, including descriptions of our security measures. Should any of these statements be untrue or become untrue, even though circumstances beyond our reasonable control, we may face

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claims, investigations or other proceedings by U.S. federal and state regulators, as well as foreign regulators and private parties. The continuing and evolving threat of cyberattacks has also resulted in increased regulatory focus on prevention, and to the extent we face increased regulatory requirements, we may be required to expend significant additional resources to meet such requirements. In addition, our liability insurance might not be sufficient in type or amount to cover us against claims related to cybersecurity incidents or attacks.

We do not insure against potential losses, and, therefore, our business, financial condition, results of operations and cash flows could be adversely affected if users blame or become dissatisfied with the Exodus Platform as a result of these negative experiences.

We do not have insurance for any losses of assets in our users' wallets. As a result, if private keys are compromised, including due to a cybersecurity incident or to the extent that any of the private keys relating to our users' wallets are lost, destroyed or otherwise compromised or unavailable, and no backup of the private key is accessible, we will be unable to access the digital assets held in the related wallet. In these scenarios, users may blame or become dissatisfied with the Exodus Platform as a result of these negative experiences, which could adversely affect our ability to access or sell our digital services and subject us to regulatory scrutiny, reputational harm and significant financial losses.

If we are unable to access our private keys or if we experience a hack or other data loss relating to our ability to access any digital assets, it could cause regulatory scrutiny, reputational harm and other losses.

Digital assets are generally controllable only by the possessor of the unique private key relating to the wallet in which the digital assets are held. While blockchain protocols typically require public addresses to be published when used in a transaction, private keys must be safeguarded in order to prevent a third party from accessing the digital assets held in such a wallet. To the extent that any of the private keys relating to our hot wallet or cold storage containing digital assets held for our own account are lost, destroyed or otherwise compromised or unavailable, and no backup of the private key is accessible, we will be unable to access the digital assets held in the related wallet which could adversely affect our ability to access or sell our digital assets and subject us to regulatory scrutiny, reputational harm and significant financial losses.

Some of our technology incorporates or utilizes software released under the terms of "open source" licenses, which could subject us to possible litigation and be used by other companies to compete against us.

Aspects of the Exodus Platform and our applications include or utilize software released under the terms of open source licenses, including the MIT License, Internet Systems Consortium License, Apache License, Mozilla Public License and GNU Lesser General Public License. While we monitor our use of open source software ("OSS"), we could be subject to suits for noncompliance with open source licensing terms, infringement on a third party's intellectual property rights or indemnification. Such inadvertent use could also require us to release our proprietary source code, pay damages, royalties, license fees or other amounts, seek new licenses from third parties, re-engineer our platform or applications, discontinue sales or distribution of software in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from the operation of our business, maintenance of our platform or our development efforts, any of which could adversely affect our business.

Disputes with our users and other third parties could be costly, time-consuming and harm our business and reputation.

Our business requires us to enter into a large number of agreements with third-party providers and distribute the Exodus Platform in many different jurisdictions. Our agreements contain a variety of terms, including service levels, data privacy and security obligations, indemnification, dispute resolution procedures and regulatory requirements. Agreement terms may not be standardized across our business and can be subject to differing interpretations and local law requirements, which could result in disputes with our users and other third parties from time to time. If our users or other third parties notify us of a breach of contract or otherwise dispute the terms of our agreements, the dispute resolution process could be expensive and time consuming and result in the diversion of resources that could otherwise be deployed to grow our business. Even if these disputes are resolved in our favor, we may be unable to recoup the expenses and other diverted resources committed to resolving the dispute and, if we receive negative publicity in connection with the dispute, our reputation and brand may be harmed. Furthermore, the ultimate resolution of such disputes may be adverse to our interests and as a result could negatively affect our results of operations and financial condition.

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We face intense and increasing competition, which could adversely affect our business, financial condition and results of operations.

The market in which our platform competes is intensely competitive and characterized by rapid changes in technology, user expectations, industry standards, frequent introductions of new products and improvements to existing products. We expect competition to increase as other established or emerging companies enter the markets for digital assets, particularly with respect to wallets, exchanges and applications designed to support digital assets.

In particular, some of our competitors may have substantially broader and more diverse product and services offerings, allowing them to leverage existing commercial relationships, incorporate functionality into existing products, sell products and services with which we compete at zero or negative margins, offer fee waivers and reductions or other economic and non-economic concessions, bundle products, maintain closed technology platforms or render our platform unable to interoperate with such products. If they were to engage in predatory practices, it could harm our existing platform offerings or prevent us from creating viable products in other segments of the markets in which we participate. If we are unable to anticipate or effectively react to these challenges, our competitive position could weaken, and we could experience a decline in revenue or our growth rate that could materially and adversely affect our business, financial condition and results of operations.

If we are not able to effectively keep pace with technological developments that are attractive to our current and prospective users, our business, results of operations and financial condition could be adversely affected.

Because our platform is designed to operate on a variety of networks, applications, systems and devices, we will need to continually modify and enhance our platform to keep pace with technological advancements. There can be no assurance that updates to our platform will be released in a timely or cost-effective manner. In addition, they may contain errors or defects in operability within the Exodus Platform, which could make our platform become less marketable, less competitive or obsolete and our business, results of operations and financial condition may be adversely affected.

If we fail to effectively manage our growth, we may be unable to execute our business plan, maintain high-quality levels of support, ensure the security of our platform, adequately address competitive challenges or maintain our corporate culture, and our business, financial condition and results of operations would be harmed.

Our success depends on our ability to effectively manage the growth of our business. The Exodus Platform has experienced rapid organic growth since the market for digital assets began attracting widespread interest in 2017 and 2018. Our growth has placed, and is expected to continue to place, a strain on our management and our administrative, operational and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively, which will require that we continue to improve our administrative, operational, financial and management systems and controls by, among other things: maintaining the integrity of our core business purpose, which is to design and provide the best user experience for digital assets; maintaining high levels of user support; ensuring the integrity and security of our platform and IT infrastructure; identifying and continuing to expand strategic relationships with third-party API providers and executing agreements to integrate third-party software into the Exodus Platform; further improving our key business applications, processes and IT infrastructure; and enhancing our information and communication systems to ensure that our team members around the world are well coordinated and can effectively communicate with each other and our growing base of third-party API providers and users.

Managing our growth will require significant capital expenditures and allocation of valuable management and employee resources. If we fail to manage our expected growth, the uninterrupted and secure operation of our platform and our compliance with the rules and regulations applicable to our operations, the quality of our platform and ability to compete could suffer. Any failure to preserve our culture also could further harm our ability to retain and recruit personnel, innovate and create new enhancements for our platform, operate effectively and execute on our business strategy.

We may be unable to raise additional capital needed to grow our business.

While we may need to raise additional capital to expand our operations, pursue our growth strategies and respond to competitive pressures or working capital requirements, we may not be able to obtain additional debt or equity financing on favorable terms, if at all, which could impair our growth and adversely affect our existing operations. The global economy, including credit and financial markets, has recently experienced extreme volatility and disruptions, including diminished credit availability, rising interest and inflation rates, declines in consumer

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confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. Such macroeconomic conditions could also make it more difficult for us to incur additional debt or obtain equity financing. Further, the digital asset industry has been negatively impacted by recent events such as the bankruptcies of Core Scientific, Celsius Network, Voyager Digital Ltd., Three Arrows Capital and FTX. In response to these events, the digital asset markets, including the market for Bitcoin specifically, have experienced extreme price volatility and several other entities in the digital asset industry have been, and may continue to be, negatively affected, further undermining confidence in the digital asset markets and in Bitcoin. In light of conditions impacting our industry, it may be more difficult for us to obtain equity or debt financing in the future.

If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per share value of our Class A common stock could decline. Furthermore, if we engage in additional debt financing, the holders of debt likely would have priority over the holders of our Class A common stock on order of payment preference. We may be required to accept terms that restrict our ability to incur additional indebtedness, take other actions including accepting terms that require us to maintain specified liquidity or other ratios that could otherwise not be in the interests of our stockholders.

We may pursue strategic transactions, which could be difficult to identify and implement, and could disrupt our business or change our business profile significantly.

Our ability as an organization to successfully acquire technologies or businesses is unproven. However, we believe that our long-term growth depends, in part, on our ability to develop and monetize additional aspects of our platform, which we may pursue through acquisitions, investments in other companies, partnerships, alliances or other strategic transactions. We cannot assure you that we will be able to identify suitable transactions and, even if we are able to identify such transactions, that we will be able to consummate any such acquisitions on acceptable terms. Any future strategic transactions we pursue may involve a number of risks that could adversely affect our business, financial condition and operating results.

Our holdings of digital assets expose us to exchange, security, valuation and liquidity risks, which could negatively affect our business, financial condition and results of operations.

The market price of Bitcoin has historically been volatile and may affect our business by fluctuating the value of funds available to us which could materially and adversely affect our financial condition, results of operations and cash flows. Further, because we do not currently hedge our investment in Bitcoin, and do not intend to for the foreseeable future, we are directly exposed to Bitcoin's price volatility and surrounding risks.

The market price of Bitcoin is impacted by a variety of factors and is determined primarily using data from various exchanges, over-the-counter markets and derivative platforms. As described above, the digital asset industry has been negatively impacted by market price volatility. Such prices may also be subject to factors that impact commodities which could subject us to additional influence from fraudulent or illegitimate actors, real or perceived scarcity and political, economic, regulatory or other conditions. Pricing may be the result of, and may continue to result in, speculation regarding future appreciation in the value of Bitcoin, our Class A common stock price and manipulation of market prices for both Bitcoin and shares of our Class A common stock. Further, volatility in digital asset pricing could lead to other impacts such as increased risks of legal proceedings or governmental scrutiny of us and our affiliates, users, suppliers and partners either in the United States or in other jurisdictions. Continued volatility in the digital asset industry could adversely affect an investment in our Class A common stock.

Most of our expenses, like team member salaries, are denominated in U.S. dollars and paid using Bitcoin. At the time of payment, amounts are translated from U.S. dollar to Bitcoin based on the current Bitcoin rate. The Bitcoin used for payments is primarily derived from revenue from ongoing operations received in Bitcoin. The company pays the transfer fees related to outgoing payments. We are subject to translational risk because we may be required to pay a larger amount of Bitcoin to satisfy these expenses if the dollar value of Bitcoin decreases. Certain of our other liabilities, expenses and costs must be paid in U.S. dollars, and we may be required to convert digital assets to U.S. dollars in order to satisfy those liabilities, expenses and costs. The U.S. dollar value of any given digital asset can fluctuate significantly and may be characterized by volatility. There can be no assurance that we will be able to exchange our digital assets for U.S. dollars on a timely basis, if at all, or for a fair price. If the value of our digital assets declines, or if we experience difficulties converting our digital assets to U.S. dollars, we may not have sufficient liquidity to satisfy our liabilities, expenses and costs as they become due, which may negatively affect our business operations and financial condition. For example, the price of Bitcoin was approximately \$16,500 and

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\$46,000 as of December 31, 2022 and December 31, 2021 respectively. To pay the same \$100,000 of salary took approximately six Bitcoin on December 31, 2022 versus only 2.2 Bitcoin on December 31, 2021. Additionally, the other major asset in our treasury, Ethereum, decreased approximately 67% from the end of 2021 to the end of 2022.

Additionally, digital assets are not subject to the protections typically enjoyed by more conventional types of financial assets, such as FDIC or Securities Investor Protection Corporation insurance. If our digital assets are lost, stolen or destroyed, we may not have adequate sources of recovery and, even if we can identify a third party responsible for such loss, theft or destruction, such third party may not have the financial resources sufficient to make us whole again. Digital asset networks may also be subject to vulnerabilities, such as a “51% attack” where, if a mining pool were to gain control of more than 50% of the “hash” rate, or the amount of computing and process power being contributed to the network through mining, a malicious actor would be able to gain full control of the of the network and the ability to manipulate the blockchain. A significant portion of an individual digital asset may be held by a small number of holders, who would have the ability to manipulate the price of the asset. In addition, we do not have insurance that covers our digital asset holdings in the event of loss or fraud. As a result, we may suffer a loss with respect to our digital asset holdings, and we may not be able to recover any of our carried value in these digital asset holdings if they are lost or stolen. If we are not otherwise able to recover damages from a malicious actor in connection with these losses, our business and results of operations may suffer, which may have a material negative impact on the price of our Class A common stock.

Our revenue may be adversely affected if the markets for Bitcoin, Tether, Ether and USDC deteriorate or if their prices decline.

Our revenue may be adversely affected if the markets for Bitcoin, Tether, Ether and USDC deteriorate or if their prices decline, including as a result of the following factors:

- the reduction in mining rewards of Bitcoin, including block reward halving events, which are events that occur after a specific period of time and reduces the block reward earned by miners;
- public sentiment related to the actual or perceived environmental impact of Bitcoin, Tether, Ether and USDC, and related activities, including environmental concerns raised by private individuals and governmental actors related to the energy resources consumed in the Bitcoin mining process;
- disruptions, hacks, splits in the underlying networks also known as “forks”, attacks by malicious actors who control a significant portion of the networks’ hash rate such as double spend or 51% attacks, or other similar incidents affecting the Bitcoin or Ethereum blockchain networks;
- hard “forks” resulting in the creation of and divergence into multiple separate networks, such as Bitcoin Cash and Ethereum Classic;
- informal governance led by Bitcoin, Tether, Ether and USDC core developers that lead to revisions to the underlying source code or inactions that prevent network scaling, and which evolve over time largely based on self-determined participation, which may result in new changes or updates that affect their speed, security, usability, or value;
- the ability for Bitcoin and Ethereum blockchain networks to resolve significant scaling challenges and increase the volume and speed of transactions;
- the ability to attract and retain developers and customers to use Bitcoin, Tether, Ether and USDC for payment, store of value, unit of accounting, and other intended uses and the absence of another supported crypto asset to attract and retain developers and customers for the same;
- transaction congestion and fees associated with processing transactions on the Bitcoin and Ethereum networks and the absence of another supported crypto asset to replace these transactions;
- negative perception of Bitcoin, Tether, Ether and USDC;
- development in mathematics, technology, including in digital computing, algebraic geometry, and quantum computing that could result in the cryptography being used by Bitcoin, Tether, Ether and USDC becoming insecure or ineffective;
- adverse legal proceedings or regulatory enforcement actions, judgments, or settlements impacting cryptocurrency participants;

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- regulatory, legislative or other compulsory or informal restrictions or limitations on Bitcoin, Tether, Ether and USDC lending, mining or staking activities;
- many crypto assets have concentrated ownership or an “admin key”, allowing a small group of holders to have significant unilateral control and influence over key decisions related to their crypto networks, such as governance decisions and protocol changes, as well as the market price of such crypto assets; and
- liquidity and credit risk issues experienced by other crypto platforms and other participants of the cryptoeconomy; and laws and regulations affecting the Bitcoin and Ethereum networks or access to these networks.

Our platform may be exploited to facilitate illegal activity such as fraud, money laundering, gambling, tax evasion, and scams. If any of our customers use our platform to further such illegal activities, our business could be adversely affected.

Our platform may be exploited to facilitate illegal activity including fraud, money laundering, gambling, tax evasion, and scams. We or our partners may be specifically targeted by individuals seeking to conduct fraudulent transfers, and it may be difficult or impossible for us to detect and avoid such transactions in certain circumstances. The use of our platform for illegal or improper purposes could subject us to claims, individual and class action lawsuits, and government and regulatory investigations, prosecutions, enforcement actions, inquiries, or requests that could result in liability and reputational harm for us. In the event that a customer is found responsible for intentionally or inadvertently violating the laws in any jurisdiction, we may be subject to governmental inquiries, enforcement actions, prosecuted, or otherwise held secondarily liable for aiding or facilitating such activities. Owners of intellectual property rights or government authorities may seek to bring legal action against software providers for involvement in the sale of infringing or allegedly infringing items. Any threatened or resulting claims could result in reputational harm, and any resulting liabilities, loss of transaction volume, or increased costs could harm our business.

Moreover, while illegal activities are primarily facilitated through the use of fiat currencies, crypto assets are relatively new and, in many jurisdictions, may be lightly regulated or largely unregulated. Many types of crypto assets have characteristics, such as the speed with which digital currency transactions can be conducted, the ability to conduct transactions without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions, the irreversible nature of certain crypto asset transactions, and encryption technology that anonymizes these transactions, that make crypto assets susceptible to use in illegal activity. U.S. federal and state and foreign regulatory authorities and law enforcement agencies, such as the Department of Justice (“DOJ”), SEC, CFTC, FTC, OFAC, or the Internal Revenue Service (“IRS”), and various state securities and financial regulators have taken and continue to take legal action against persons and entities alleged to be engaged in fraudulent schemes or other illicit activity involving crypto assets. We also support crypto assets that incorporate privacy-enhancing features, and may from time to time support additional crypto assets with similar functionalities. These privacy-enhancing crypto assets obscure the identities of sender and receiver, and may prevent law enforcement officials from tracing the source of funds on the blockchain. Facilitating transactions in these crypto assets may cause us to be at increased risk of liability arising out of anti-money laundering and economic sanctions laws and regulations.

We have previously identified a material weakness in our internal control over financial reporting, which we have not fully remediated. Because of our failure to maintain an effective system of internal control over financial reporting, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and the price of our common stock.

A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our consolidated financial statements will not be prevented or detected on a timely basis. The Company had previously identified material weaknesses in the Company’s control environment whereby the Company did not design and maintain effective internal control over financial reporting with respect to the expertise and quantity of its resources. Specifically, management did not effectively execute a strategy to hire, train, and retain a sufficient quantity of personnel with an appropriate level of training, expertise, and experience in certain areas important to financial reporting. In addition, we also identified a material weakness whereby management did not design and implement effective control activities based on the criteria established in the Committee of Sponsoring Organizations framework. Management has committed to remediating these material weaknesses as promptly as possible and has implemented its remediation plan. We hired accounting personnel and an additional Sarbanes-Oxley Act of 2002 readiness resource as well as implemented

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processes and controls to better identify and manage segregation of duties intended to remediate the identified deficiencies, which constituted the material weaknesses. However, we cannot provide any assurances that the measures that we have taken or will take will be sufficient to remediate this material weakness, and we also cannot assure you that we have identified all of our existing material weaknesses.

Our success depends on our ability to attract and retain key technical, user support and management personnel while supporting the onboarding and career development of our team members.

Our ability to successfully execute on our business plan depends on the contribution of our senior management team as well as other key talent including platform development, operations, user support, general administrative functions and our creative and engineering teams. We have previously and may continue to experience increasing competition for available talent in the workforce as reflected by the low unemployment rate, shortages of available industry talent and increasing costs to retain employees. As a result, we could experience inefficiencies or a lack of business continuity due to employee turnover, new team members' lack of historical knowledge and lack of familiarity with the business processes, operating requirements, purpose and culture, policies and procedures and key information technologies and related infrastructure used in our day-to-day operations and financial reporting. We may also experience additional costs as new employees learn their roles and gain necessary experience, in addition to the cost of hiring new individuals.

If we were to lose the services of members of our senior management team or other key talent, whether due to death, disability, resignation or termination of employment, our ability to successfully implement our business strategy, financial plans, marketing and other objectives could be significantly impaired. In addition, if we are unable to attract and retain qualified key talent, we may not be able to effectively and efficiently manage our business and execute our business plan.

If we are required to reclassify independent contractors as employees, we may incur additional costs and taxes which could adversely affect our business, financial condition, results of operations and prospects.

We use a significant number of independent contractors in our international operations for whom we do not pay or withhold any employment tax based on their location or jurisdiction. Whether an individual is an employee or an independent contractor depends on applicable local law and may be subject to multiple, fact-intensive factors. There can be no assurance that legislative, judicial or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing rules and regulations that would change, or at least challenge, the classification of our independent contractors. Foreign tax authorities may determine that we have misclassified our independent contractors for employment tax or other purposes and, as a result, seek additional taxes from us or attempt to impose fines and penalties. Additionally, individual independent contractors could initiate legal actions asserting rights of employment in their various jurisdictions, which could include claims for unpaid wages or other benefits that are required by local laws. If we are required to pay employer taxes or pay backup withholding with respect to prior periods and/or any other amounts with respect to or on behalf of our independent contractors, our operating costs will increase, which could adversely impact our business, financial condition or results of operations. Additionally, if we are the subject of individual legal actions or government investigations related to our independent contractors, the dispute resolution process could be expensive and time consuming and result in the diversion of resources that could otherwise be deployed to grow our business. Even if any such dispute or investigation were to be resolved in our favor, we may be unable to recoup the expenses and other diverted resources committed to resolving the dispute or investigation and, if we receive negative publicity in connection with any such dispute, our reputation and brand may be harmed.

Our international operations expose us to additional risks and failure to manage those risks could materially and adversely impact our business.

Despite geo-political unrest, we believe the digital asset industry remains resilient, as demonstrated by our increase in our volume in 2023. We actively monitor the impact of the dynamic macroeconomic environment and manage our business to adjust to such conditions. Any geo-political unrest could cause disruptions in the Company's business and lead to interruptions, delays or loss of critical data. Specifically, financial and digital asset markets may be negatively affected by the conflict between Russia and Ukraine and the conflict between Israel and the Gaza Strip. We cannot predict the extent to which our financial condition, results of operations or cash flows will ultimately be impacted by these ongoing economic conditions, however, we believe we are well-positioned to operate effectively through the

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present environment. While Exodus does not have physical infrastructure globally, we do have contractors and a subsidiary outside of the United States and contracts with international third-party API providers. Our international operations and any expansion internationally could subject us to a variety of additional risks and challenges, including:

- increased management, travel, infrastructure and legal compliance costs associated with having operations in multiple jurisdictions;
- providing our platform and operating our business in different languages, among different cultures and time zones;
- compliance with foreign privacy, data protection, security laws and regulations, data localization requirements and the risks and costs of non-compliance;
- greater difficulty in enforcing contracts and accounts receivable collection;
- limitations on our ability to market our platform in foreign markets;
- differing technical standards, existing or future regulatory and certification requirements and required features and functionality;
- political and economic conditions and uncertainty in each country or region in which we operate;
- compliance with laws and regulations for foreign operations, including anti-bribery laws, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to acquire new users in certain foreign markets and the risks and costs of noncompliance;
- reduced or uncertain protection for intellectual property rights in some countries;
- greater risk of unexpected changes in regulatory practices, tariffs, tax laws and treaties; and
- differing employment practices and labor relations issues.

While we have taken appropriate measures to ensure that we are in compliance with foreign laws and regulations, failure to mitigate the risks associated with our international providers could impact our ability to conduct our business as planned which could materially and adversely impact our business.

Operational cost may exceed the award for solving blocks or transaction fees. Increased transaction fees may adversely affect the usage of the Bitcoin network.

Miners generate revenue from both newly created Bitcoin (known as the “block reward”) and from fees taken upon verification of transactions. If the aggregate revenue from transaction fees and the block reward is below a miner’s cost, the miner may cease operations. Additionally, in the event of a fork of the Bitcoin network, some miners may choose to mine the alternative new Bitcoin resulting from the fork, thus reducing processing power on the original blockchain. Further, the incentives for miners to contribute processing power to the Bitcoin network is set to decrease over time. As a result of the Bitcoin network’s “halving” mechanism, the block reward that miners receive for successfully mining a block are cut in half each time the Bitcoin network mines 210,000 blocks. This type of “halving” event generally occurs once every four years and will continue until the maximum possible 21 million Bitcoin have been mined and released into circulation. Currently, there are approximately 19 million Bitcoin that have been mined and are in circulation.

In approximately 2140, new Bitcoin tokens will no longer be awarded for adding a new block and miners will only have transaction fees to incentivize them. As a result, it is expected that miners will need to be better compensated with higher transaction fees to ensure that there is adequate incentive for them to continue mining. If transaction confirmation fees become too high, the marketplace may be reluctant to use Bitcoin. This may result in decreased usage and limit expansion of the Bitcoin network in the retail. Conversely, if the reward for miners or the value of the transaction fees is insufficient to motivate miners, they may cease expending processing power for any blockchain to solve blocks and confirm transactions. Ultimately, if the awards of new Bitcoin for solving blocks declines and transaction fees for recording transactions are not sufficiently high to incentivize miners, or if the costs of validating transactions grow disproportionately, miners may operate at a loss, transition to other networks, or cease operations altogether. Each of these outcomes could, in turn, slow transaction validation and usage, which could have a negative impact on the Bitcoin network, which is the primary network used for Exodus’ operations.

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An acute cessation of mining operations would reduce the collective processing power on the Bitcoin network, which would adversely affect the transaction verification process by temporarily decreasing the speed at which blocks are added to the blockchain and make the blockchain more vulnerable to a malicious actor obtaining control in excess of 50% of the processing power on the blockchain. Reductions in processing power could result in material, though temporary, delays in transaction confirmation time, which could delay receipt of revenue and payment of our operating expenses.

Risks Related to Our Industry

Due to the unfamiliarity or negative publicity associated with digital assets, confidence or interest in digital asset platforms may decline which could adversely affect our business, results of operations and financial condition.

The Exodus Platform is built around holding, transferring, exchanging and using digital assets, which means our business depends on growth in the public's adoption and acceptance of digital assets and the underlying blockchain technology to maintain and increase demand for the Exodus Platform. During 2022, multiple companies such as Core Scientific, Celsius Network, Voyager Digital Ltd., Three Arrows Capital and FTX and several of its affiliates all declared bankruptcy. While the FTX app was available on the Exodus Platform until we removed it in November 2022, it was never material to our business or results of operations. Following these events, users' confidence in trading of digital assets has decreased and the digital asset market has experienced negative publicity and extreme price volatility. The decrease in confidence in digital assets has had and may continue to have a negative impact on our business, including a decline in users, transaction-based API fees and value of the digital assets held by Exodus.

The new and rapidly evolving market for digital assets and related services is subject to a high degree of uncertainty.

The growth of the digital asset industry, as well as the blockchain networks on which digital assets rely, is subject to a high degree of uncertainty regarding consumer adoption and long-term development. The slowing or stopping of the development, general acceptance and adoption of digital assets and blockchain networks may deter or delay the acceptance and adoption of the Exodus Platform or the applications on the Exodus Platform. The factors affecting the further development of the digital asset industry, as well as blockchain networks, include, without limitation: worldwide growth in the adoption and use of digital assets and other blockchain technologies; the regulatory environment relating to digital assets and blockchains; the maintenance and development of the OSS protocol of blockchain networks; a decline in the popularity or acceptance of digital assets and related services; the availability of other forms or methods of buying and selling goods and services or trading assets, including new means of using government-backed currencies or existing networks; and general economic conditions globally and in the United States. For example, there is currently relatively limited use of digital assets in the retail and commercial marketplace in comparison to relatively extensive use as a store of value. Digital assets are not currently a form of legal tender in the United States and have only recently become selectively accepted as a means of payment for goods and services by some retail and commercial outlets, and the use of such assets by consumers to pay such retail and commercial outlets remains limited. Banks and other established financial institutions may refuse to process funds for digital asset transactions; process wire transfers to or from digital asset trading venues, companies or service providers; or maintain accounts for persons or entities transacting in digital assets or providing related services. In addition, some taxing jurisdictions, including the U.S., treat the use of certain digital assets as a medium of exchange for goods and services to be a taxable sale of such assets, which could discourage the use of such assets as a medium of exchange, especially for a holder of such assets that have appreciated in value.

Legal and regulatory developments affecting digital asset mining activities may have a materially adverse effect on the digital asset industry, which would have an adverse effect on our business and results of operations.

As a result of growing environmental concerns around the use of energy in Bitcoin and other proof-of-work mining activities, digital asset mining activities may be subject to future legal and regulatory developments. On November 23, 2022, the governor of New York signed into law a two-year moratorium on new or renewed permits for certain electricity-generating facilities that use fossil fuel and provide energy for proof-of-work digital asset mining operations. While this action does not directly impact our current operations, it may be the beginning of a new wave of climate change regulations aimed at preventing or reducing the growth of Bitcoin mining in jurisdictions in the United States, potentially including jurisdictions in which we now operate or may in the future operate. Similar

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actions in international jurisdictions in which we operate could have a material adverse effect on our operations. If further regulation follows, it is possible that the Bitcoin mining industry may not be able to adjust to a sudden and dramatic overhaul to our ability to deploy energy towards the operation of mining equipment and our business may suffer.

Our business could be adversely impacted by the decision of foreign governments, internet service providers or others to block transmission from IP addresses on which our platform depends in order to enforce certain internet content blocking efforts.

The evolving design of our platform may create challenges for various organizations, including governments, that seek to block certain content based on IP address “blacklists” or other mechanisms. If these challenges become too difficult for those organizations to overcome, they could make the decision to block content in an overbroad manner or block completely websites of providers that integrate with our platform. For example, the Chinese government restricts access to certain Google Cloud services from within the People’s Republic of China, and users of our mobile platform have experienced degraded functionality in China due to these restrictions on our platform’s ability to connect with those services. Some of these blocking efforts would be out of our control once they have been put in place and may limit our ability to provide our platform or third-party applications on a fully global basis, which could reduce demand for our platform among current or potential users and adversely impact our business, results of operations and financial condition.

Banks and financial institutions may not provide banking services, or may cut off services, to businesses that engage in digital asset-related activities.

A number of companies that engage in Bitcoin and/or other digital asset-related activities have been unable to find banks or financial institutions that are willing to provide them with bank accounts and other services. Similarly, a number of companies and individuals or businesses associated with digital assets may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions. To the extent that such events may happen to us, they could have a material adverse effect on our business, prospects or operations.

Our tax information reporting obligations with respect to digital asset transactions are subject to change.

Although we believe we are compliant with U.S. tax reporting and withholding requirements with respect to our customers’ digital asset transactions, the exact scope and application of such requirements is not entirely clear. In August 2023, the U.S. Department of the Treasury (“USDT”) and the Internal Revenue Service (the “IRS”) released proposed regulations (the “Proposed Regulations”) related to our tax reporting and withholding obligations on our customer transactions in ways that differ from our existing compliance protocols and there is risk that we will not have proper records to ensure compliance for certain legacy customers or transactions. The Proposed Regulations would require us to invest substantially in new and retroactive compliance measures. If the IRS determines that we are not in compliance with our tax reporting or withholding requirements with respect to customer digital asset transactions, we may be exposed to significant taxes and penalties, which could adversely affect our financial position. Any actual or perceived failure by us to comply with the above or any other emerging tax regulations that apply to our operations could harm our business.

Risks Related to Regulation

The regulatory regime governing blockchain technologies, digital assets and securities is uncertain and new regulations or policies may materially adversely affect the development and utilization of the Exodus Platform.

Laws and regulations of digital assets, blockchain technologies and digital asset exchanges are currently undeveloped, vary among federal, state, local and international jurisdictions and are subject to significant uncertainty. As digital assets, blockchain technologies and digital asset exchanges continue to expand in popularity and market size, federal and state agencies have begun to regulate their use and operation. State regulators in New York, Texas, New Hampshire, North Carolina and Washington have created new regulatory frameworks, published guidance on existing laws and regulations or amended their state’s statutes to include virtual currencies in their existing licensing requirements. To the extent licenses or other authorizations are required in one or more jurisdictions in which we operate or will operate, there is no guarantee that we will be granted such licenses or authorizations. We may need to change our business model to comply with these licensing and/or registration requirements (or any other legal or regulatory requirements) in order to avoid violating applicable laws or regulations. Federal law continues to evolve as well. The USDT, the SEC and the Commodity Futures Trading Commission (“CFTC”) and the IRS have

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published guidance on the treatment of digital assets. Both federal and state agencies have instituted enforcement actions against those violating their interpretation of existing laws. While we have implemented policies and procedures, including geo-blocking technology, designed to help monitor for and ensure compliance with existing and new laws and regulations, there can be no assurance that we and our employees, contractors, and agents will not violate or otherwise fail to comply with such laws and regulations.

Various legislative and executive bodies in the U.S. and in other countries may, in the future, adopt laws, regulations, guidance or other actions which may severely impact the development and growth of the Exodus Platform. Failure by Exodus, or certain users of the Exodus Platform, to comply with any laws, rules and regulations, some of which may not exist yet or are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines.

Earlier this year, the United Kingdom Financial Conduct Authority (“FCA”) published new rules relating to how digital assets can be marketed to consumers. Specifically, companies seeking to promote digital assets in the UK to retail consumers are required to register with the FCA or have any marketing approved by an authorized company. The Company cannot register with the FCA because it operates a self-custodial wallet, and the rules are focused on asset custodians. Therefore, in anticipation of these rules taking effect on October 8, 2023, the Company took steps before the deadline to comply with the new FCA rules by modifying its marketing materials to avoid a determination by the FCA that it was promoting digital assets.

Even with the steps taken by the Company, the FCA utilized the broad nature of the new rules to state that the Company is not in compliance with the rules and placed the Company on its Warning List. The Company is actively working with the FCA to describe the nature of the Exodus wallet and remedy any marketing activities and product offerings that the FCA claims violate the rules. Failure by the Company to reach an agreement with the FCA to be removed from the Warning List could have a negative effect on the Company’s financial performance and operations.

Certain digital assets traded using third-party services integrated within our platform or other programs could be viewed as “securities” for purposes of federal or state regulations and could subject us to regulatory scrutiny, inquiries, investigations, fines and other penalties.

Offers and sales of securities in the United States are required under the Securities Act to either be registered with the SEC or to qualify for an exemption from federal registration and may also be required to be registered with applicable state regulators. Certain digital assets could fall within the definition of a security. While we do not engage in trading of digital assets on our platform or otherwise engage in the business of effecting transactions in securities for the account of others on our platform, we receive compensation from the third-party exchanges that have connected to our Exchange Aggregator. We have created two separate fee structures for the third-party exchanges that have connected to our Exchange Aggregator. For exchanges made by persons located in the United States trading digital assets, we charge our third-party providers a monthly subscription fee. For exchanges made by persons located outside the United States, we charge our third-party providers a percentage of the digital assets exchanged. We expect to continue our subscription-based model for exchanges on which persons in the United States trade digital assets and do not currently intend to charge exchanges on which persons located in the United States trade digital assets fees based on the percentage of digital assets exchanged. However, if we ever decide to switch to a fee-based model for exchanges on which persons located in the United States trade digital assets, the SEC or another regulator may have determined at such time that certain digital assets traded on the third-party exchanges that have connected to our Exchange Aggregator are securities. It is possible that a receipt of compensation based on the percentage of digital assets exchanged could be deemed to be the receipt of transaction-based fees for facilitating transactions in unregistered securities, and that we could be found to be facilitating or engaged ourselves and in violation of the federal and state securities laws, which could have a negative effect on our business, financial condition and results of operations. Historically, approximately 25% of our active users have been located in the U.S. at any given time.

We do not believe we have an obligation to register as a transfer agent under the Exchange Act, but a regulator may disagree.

It is possible that we could be viewed as a transfer agent for purposes of federal or state law. Because our platform allows our users to connect through APIs to exchanges that permit the transfer of digital assets, it is possible that if such digital assets were deemed to be securities, the SEC or another regulator could determine that we have acted as a transfer agent. We do not consider ourselves a transfer agent under the Exchange Act because our platform does not provide the services described in the definition of a “transfer agent” under the Exchange Act. However, it is

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possible that the SEC or another regulator could disagree with our position. If that were the case, we could be forced to register as a transfer agent and comply with applicable law, which could lead to us experiencing significant costs and could force us to change or cease our operations. Any of these developments could have a negative effect on our business, financial condition and results of operations.

We do not believe we have an obligation to register with the SEC as a clearing agency, though the SEC may disagree.

We have taken the position that we are not a clearing agency under the Exchange Act because the Exodus Platform does not provide the services described in the definition of a clearing agency under the Exchange Act. However, it is possible that the SEC or another regulatory agency could disagree with our position. If so, we could be forced to register as a clearing agency and comply with applicable law, which could lead to significant costs and could force us to change or cease our operations. Any of these developments could have a negative effect on our business, financial condition and results of operations.

We do not believe we have an obligation to register the platform as an exchange or alternative trading system, though a regulator may disagree.

Exchanges and alternative trading systems (“ATs”) are networks that constitute, maintain or provide a marketplace or facilities to aggregate orders of multiple purchasers and sellers of securities by displaying trading interests entered on the system to users through consolidated quote screens or receiving orders for processing and execution. This does not include systems that have only one seller for each security (e.g., the issuer), even if there are multiple buyers. Entities that are engaged as an exchange or ATS, with respect to securities, are subject to federal registration and significant regulatory oversight by the SEC and Financial Industry Regulatory Authority (“FINRA”). We do not consider ourselves an exchange or ATS because our platform does not provide the services that are undertaken by an exchange or ATS; however, it is possible that the SEC or another regulator could disagree with our position and require us to register and comply with applicable law, which could lead to significant costs and could force us to change or cease our operations.

We do not consider ourselves a statutory underwriter under the Securities Act, though a regulator may disagree.

We do not believe staking services offered to users of the Exodus Platform through third-party applications, such as Everstake, are deemed to be securities offerings. If a regulator were to disagree, we could be deemed a “statutory underwriter” under Section 2(a)(11) of the Securities Act and subject to additional regulatory obligations which could have a negative effect on our business, financial condition and results of operations.

We are not registered as a money transmitter or money services business, and our business may be adversely affected if we are required to do so.

It is possible that we could be found to be a money services business (“MSB”) at the federal level and/or a money transmitter at the state level. MSBs include, among other businesses, a person providing money transmission services such as the acceptance and transmission of currency, funds or other value that substitutes for currency from one person another location or person by any means. Because of the breadth of this definition, Financial Crimes Enforcement Network (“FinCEN”) regulations state that whether a person is a money transmitter is ultimately a facts and circumstances determination. In addition to registration obligations at the federal level, virtually every U.S. state (and the District of Columbia) requires entities providing money transmission services to be licensed by the appropriate state agency responsible for the supervision of financial institutions. State laws regulating money transmission are not uniform, but generally define money transmission to include the acceptance and transmission of money or monetary value to a location within or outside the United States by any means.

FinCEN has provided guidance indicating that without having total independent control over the value in users’ wallets, and where the value stored in the wallet is the property of the owner, such a business may fall outside the scope of MSB registration requirements. We believe that we do not meet the definition of a MSB because Exodus does not exercise total independent control over the value in our users’ wallets, accept or transmit virtual currency on behalf of any user or otherwise act as an intermediary for exchange of currencies by taking possession of such digital assets. For the same reasons, we believe we are outside the scope of state licensing requirements of a money transmitter. However, if we were deemed to be an MSB, at the federal level, and/or a money transmitter at the state level, we could be subject to significant additional regulation, which could affect our business and operations.

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Due to the revenue structure for our Exchange Aggregator, we could be deemed a broker-dealer if certain digital assets were deemed to be securities, and we would likely experience difficulty in complying with the broker-dealer financial responsibility rules.

It is possible that our activities with respect to digital assets would cause us to be viewed as a “broker” or “dealer” under federal or state law. Because some digital assets may be considered securities by regulators in the future, the fees we receive from exchanges could potentially raise regulatory issues related to whether the recipient of the fees is required to register as a broker-dealer under the Exchange Act. We believe that our fee structure does not require us to register as a broker-dealer, however, there is no guarantee that regulatory agencies will ultimately agree with our position, and we may be required to stop offering access to such digital assets.

If we were deemed to be a broker-dealer, as defined in the federal securities laws, we would have to comply with a number of regulatory requirements, including compliance with regulations that govern broker-dealer financial responsibility, such as Exchange Act Rule 15c3-3(b), which relates to establishing and maintaining physical possession or control of a user’s digital asset securities. It is likely that we would experience significant challenges in attempting to comply with these regulations and may not be able to achieve such compliance. Due to the nature of digital asset securities, if we were deemed to be a broker-dealer, it would likely be difficult for us to comply with the requirements to obtain and maintain physical possession or control of all fully paid or excess securities carried for the account of users. In addition, obtaining an exemption from such custody rules would likely result in significant financial costs and management resources and we may not be able to obtain such an exemption. For example, in the ATS Role in the Settlement of Digital Asset Security Trades, SEC Staff No-Action Letter (Sep. 25, 2020), the SEC Staff described an acceptable process for regulated self-custodial ATS exchanges, but such process would be costly to implement and operate. It is likely that we would not be able to implement and operate such a process. Should we be deemed to be a broker-dealer, and should we not be able to either obtain an exemption from or implement acceptable processes for compliance with the broker-dealer financial responsibility rules, we would be deemed not in compliance with the appropriate broker-dealer regulations. Such non-compliance would likely have a materially adverse effect on our business and financial operations.

Failure to comply with anti-bribery and anti-corruption laws and similar laws, could subject us to penalties and other adverse consequences.

We are subject to the U.S. Foreign Corrupt Practices Act of 1977 (“FCPA”), the U.S. domestic bribery statute contained in 18 U.S. Code § 201 and possibly other anti-bribery and anti-corruption laws in countries outside of the United States where we conduct our activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted to prohibit companies, their employees, agents, representatives, business partners and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector.

We sometimes leverage third parties to sell our products and conduct our business abroad. Exodus, our team members, agents, representatives, business partners and third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies, or state-owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of such parties even if we do not explicitly authorize such activities. As we increase our international sales and business, our risks under these laws may increase.

Any allegations or violation of the FCPA or other applicable anti-bribery and anti-corruption laws could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, fines, damages, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, suspension or debarment from government contracts, all of which may have an adverse effect on our reputation, business, results of operations and prospects. Responding to any investigation or action will likely result in a materially significant diversion of management’s attention and resources, significant defense costs and other professional fees.

Privacy concerns and laws or other domestic or foreign regulations may reduce the effectiveness of our platform and adversely affect our business.

We may be subject to a variety of foreign laws and regulations that involve matters central to our business. Although we believe we are operating in compliance with the laws of jurisdictions in which Exodus exists, these laws and regulations are evolving, may impose inconsistent or conflicting standards among jurisdictions, can be subject to significant change and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions.

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Aspects of the General Data Protection Regulation (“GDPR”), California Consumer Privacy Act (“CCPA”), Swiss Secretariat for Economic Affairs (“SECO”) and other laws, regulations, industry standards and other obligations related to privacy, data protection and data security remain uncertain. As such, compliance may require us to incur additional costs, modify our data handling practices and restrict our business operations. It is also possible that these laws, regulations, industry standards and other obligations may be interpreted and applied in a manner that is, or is alleged to be, inconsistent with our policies and procedures, the Exodus Platform or our services. If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to modify the Exodus Platform or services or make changes to our business activities and practices. We may be unable to make such changes and modifications in a commercially reasonable manner, or at all, and our ability to develop new offerings and features could be limited.

We expect that there will continue to be new proposed laws, regulations and standards relating to privacy and data protection in various jurisdictions, and we cannot determine the impact such laws, regulations and standards may have on our business.

We are subject to export control, import and sanctions laws and regulations that could impair our ability to compete in international markets or subject us to liability if we violate such laws and regulations.

Under U.S. export control and sanctions laws and regulations, including the U.S. Department of Commerce’s Export Administration Regulations (“EAR”) and various economic and trade sanctions administered by the USDT Office of Foreign Assets Control (“OFAC”), our business activities are subject to various restrictions related to the sale or supply of certain products and services to U.S. embargoed or sanctioned countries, governments, persons and entities and require authorization for the export of certain encryption items. Although we take precautions to prevent our software and services from being accessed or provided in violation of such laws, we may have previously allowed our software to be downloaded by individuals or entities potentially located in countries or territories subject to U.S. trade embargoes, potentially in violation of U.S. sanctions laws. In December 2018, we received an administrative subpoena issued by OFAC seeking information regarding potential transactions with individuals in Iran. In response, we conducted a comprehensive review that covered all countries and territories subject to U.S. trade embargoes administered by OFAC. We submitted a voluntary self-disclosure and subpoena response regarding potential violations to OFAC, and took remedial action designed to prevent similar activity from occurring in the future. Additionally, in March 2021, we received a second administrative subpoena issued by OFAC seeking information regarding potential transactions with certain North Korean cyber actors, to which we have responded. If we are found to be in violation of U.S. economic sanction laws, it could result in fines and penalties. We may also be adversely affected through reputational harm. Further, the controls we have implemented may not be fully effective and there is no guarantee that we will not inadvertently provide software or services to sanctioned parties in the future. The administrative subpoena responses and voluntary self-disclosure are currently under review by OFAC. In addition, various countries regulate the import of certain software and technology and have enacted permitting and licensing requirements that could limit our ability to distribute our software in those countries. If we were to fail to comply with the applicable import or export control laws, economic sanctions or other applicable laws, we could be subject to penalties which could be material to our business, operating results and prospects and could also harm our reputation.

The limited rights of legal recourse available to us expose us and our investors to the risk of loss of our Bitcoin for which no person is liable.

At this time, there is no specifically enumerated U.S. or foreign governmental, regulatory, investigative or prosecutorial authority or mechanism through which to bring an action or complaint regarding missing or stolen digital assets. Although law enforcement agencies like the Federal Bureau of Investigation (“FBI”) have recovered stolen Bitcoin, recovery efforts have been labor intensive. To the extent that we are unable to recover our losses from such action, error or theft, such events could have a material adverse effect on our business, prospects, operations and potentially the value of any Bitcoin we acquire or hold for our own account.

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Risks Related to Ownership of Our Common Stock

The market prices and trading volume of our shares of Class A common stock may experience rapid and substantial price volatility which could cause purchasers of our Class A common stock to incur substantial losses.

Shares of our Class A common stock may experience rapid and substantial price and trading volume volatility unrelated to our financial performance, which could cause purchasers of our Class A common stock to incur substantial losses. Extreme fluctuations in the market price and trading volume of our Class A common stock may occur in response to:

- strong and atypical retail investor interest, including on social media platforms and online forums;
- direct access by retail investors to broadly available trading platforms;
- the amount and status of short interest in our securities;
- access to margin debt;
- trading in options, derivatives or any other related hedging on our Class A common stock;
- actual or anticipated variations in our operating and financial performance, including projected operational and financial results and failure to meet those projections;
- our inability to pay dividends or other distributions or repurchase shares of our Class A common stock;
- changes in market valuations of similar companies;
- market reaction to any additional equity, debt or other securities that we may issue in the future, and which may or may not dilute the holdings of our existing stockholders;
- any major change in our board of directors, management or key personnel;
- actions by institutional or significant stockholders;
- speculation in the press or investment community about our company or industry;
- strategic actions by us or our competitors, such as acquisitions or other investments;
- legislative, administrative, regulatory or other actions affecting our business or industry, including positions taken by the IRS;
- investigations, proceedings or litigation that involve or affect us;
- the occurrence of any of the other risk factors included in this Report;
- general market and economic conditions; and
- other trading factors.

We cannot assure you that the market price and trading volume of our Class A common stock will not fluctuate or decline significantly in the future, in which case you could incur substantial losses. Further, the market price and trading volume of our shares of Class A common stock may fluctuate dramatically regardless of any developments in our business.

An active, liquid and orderly trading market for our Class A Common Stock may not develop or be maintained, and our stock price may be volatile.

There is currently a limited public market for our Class A common stock and our shares of Class A common stock currently trade on the OTCQX under the symbol “EXOD”. Although we have applied to list our Class A Common Stock on the NYSE American following the effectiveness of this registration statement, an active trading market for our Class A common stock may not be sustained. A public trading market having the desirable characteristics of depth, liquidity and orderliness depends upon the existence of willing buyers and sellers at any given time, and its existence is dependent upon the individual decisions of buyers and sellers over which neither we nor any market maker has control. In the absence of an active public trading market you may not be able to sell our shares in open market transactions. An inactive market may also impair our ability to raise capital to fund operations by selling Class A common stock and may impair our ability to make strategic investments by using our Class A common stock as consideration. In addition, the market price of our Class A common stock may fluctuate significantly.

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The market price of our Class A Common Stock could vary significantly as a result of a number of factors and trends, some of which are beyond our control. In the event of a drop in the market price of our Class A Common Stock, investors could lose a substantial part or all of their investment in our Class A Common Stock.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our Class A common stock.

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

The dual class structure of our common stock has the effect of concentrating voting control with certain stockholders, including our executive officers, team members and directors and their affiliates, which will limit your ability to influence the outcome of important transactions, including a change in control.

Our authorized common stock is divided into two series, denominated as “Class A common stock” and “Class B common stock.” Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to ten votes per share. Holders of Class A common stock and Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by law or our amended and restated certificate of incorporation.

The stockholders holding shares of Class B common stock collectively beneficially own shares representing approximately 98% of the voting power of our outstanding capital stock. Jon Paul Richardson and Daniel Castagnoli, each an executive officer and director of the Company, control approximately 85% of the voting power of our outstanding capital stock. Because of our dual class structure, we anticipate that, for the foreseeable future, these individuals will continue to be able to control all matters submitted to our stockholders for approval, including the election and removal of directors.

These holders of Class B common stock may vote in a way which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock.

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon any transfer, whether or not for value, except for certain transfers described in our amended and restated Certificate of Incorporation, including, without limitation, transfers for tax and estate planning purposes, so long as the transferring holder of Class B common stock continues to hold exclusive voting and dispositive power with respect to the shares transferred. All shares of Class B common stock will convert automatically into shares of Class A common stock upon the date on which the Class B common stock ceases to represent at least 10% of the total voting power of our outstanding common stock. The conversion of shares of Class B common stock into shares of Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term, which may primarily include our executive officers and directors.

Provisions of our Certificate of Incorporation and our By-Laws could discourage potential acquisition proposals and could deter or prevent a change in control.

Certain provisions of our amended and restated Certificate of Incorporation and our amended and restated By-Laws could have the effect of delaying, deferring or discouraging another person from acquiring control of our company, delaying or preventing changes in control of our management team, board of directors, governance or policy and could limit the price that some investors might be willing to pay for shares of our common stock. These provisions: prohibit our stockholders from calling special meetings of our stockholders; include the absence of cumulative voting; authorize our board of directors to designate and issue one or more series of preferred stock without stockholder approval, the terms of which may be determined at the sole discretion of our Board of Directors; reflect the dual class structure for our common stock; and restrict the forum for certain litigation against us to certain federal or Delaware state courts. These provisions apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is in our best interests and that of our stockholders.

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We are not subject to the provisions of Section 203 of the Delaware General Corporation Law, which could negatively affect your investment.

In general, Section 203 of the Delaware General Corporation Law (“Section 203”) prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. We elected in our amended and restated certificate of incorporation to not be subject to the provisions of Section 203. This may make us more vulnerable to takeovers that are completed without the approval of our board of directors and/or without giving us the ability to prohibit or delay such takeovers as effectively.

The Company is currently a “controlled company” within the meaning of the rules of the NYSE American and, as a result, qualifies for and could rely on, exemptions from certain corporate governance requirements.

Our directors and officers currently have beneficial ownership of a majority of the total voting power. As a result, we would be considered a “controlled company” within the meaning of the corporate governance standards of the NYSE American and may be exempt from certain stock exchange corporate governance requirements that would apply if we are accepted to list on the NYSE American and that we are currently not required to comply with under the governance standards of the OTCQX, which include (i) the requirement that a majority of the board consists of independent directors, (ii) the requirement that the Company’s nominating and corporate governance committee consists entirely of independent directors and (iii) the requirement that the Company’s compensation committee consists entirely of independent directors. If we were to elect to be exempt from some or all corporate governance requirements, you may not have the same protections afforded to stockholders of companies that are subject to all corporate governance requirements of the NYSE American or another national securities exchange.

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Item 2. Financial Information

Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our results of operations and financial condition should be read in conjunction with the consolidated financial statements and accompanying notes included in Item 13 of this Report, which includes additional information about our accounting policies, practices and the transactions underlying our financial results.

Overview of Our Business

We are engaged principally in the business of creating and distributing self-custodial wallets for digital assets. Our profitability is dependent on a number of factors including the pricing of digital assets, the volume of transactions and the quality of our third-party relationships.

- Our revenues are primarily derived from digital asset related transactions and consist of fees from third party API agreements. Our expenses primarily consist of:
- Cost of revenues (primarily include software development, user support and security and wallet operations);
- Depreciation expense relating to software development; and
- General and administrative expenses (primarily include administrative, legal, financial operations, information technology services, marketing and advertising expenses).

The table below provides the digital assets that are most material to our business.

Digital Asset	Blockchain(s)	Exchange Aggregation Revenue For The Year Ended December 31, 2022	Exchange Aggregation Revenue For The Year Ended December 31, 2023
BTC	Bitcoin	\$12,279,502	\$14,071,926
<i>Description:</i> Store of value and payment cryptocurrency.			
Tether USD	Ethereum, Algorand, Avalanche, Binance Smart Chain, Arbitrum, Polygon, Optimism, Solana, Tron, Fantom, Polygon, Solana	\$10,562,800	\$14,525,850
<i>Description:</i> Stablecoin.			
Ether	Ethereum	\$ 6,360,680	\$ 6,106,462
<i>Description:</i> Blockchain economy or blockchain platform.			
USD Coin	Ethereum, Algorand, Avalanche, Binance Smart Chain, Arbitrum, Fantom, Polygon, Optimism, Solana, Tron	\$ 3,645,060	\$ 2,478,815
<i>Description:</i> Stablecoin.			

For more information regarding the characteristics of these digital assets, see “Item 1. Business – Our Industry.” These digital assets are generally available in all jurisdictions in which the Exodus Platform is available. See Note 3 —Revenue Recognition” to our consolidated financial statements included in this Report.

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(in thousands, except percentages)	Years Ended December 31,			
	2023	2022	\$ Change	% Change
OPERATING REVENUES	\$56,185	\$ 50,606	\$ 5,579	11%
COST OF REVENUES	<u>30,517</u>	<u>28,677</u>	<u>1,840</u>	<u>6</u>
GROSS PROFIT	<u>25,668</u>	<u>21,929</u>	<u>3,739</u>	<u>17</u>
OPERATING EXPENSES				
General and administrative	18,505	28,086	(9,581)	(34)
(Gain) impairment on digital assets, net	(1,431)	18,308	(19,739)	(108)
Impairment on assets	<u>207</u>	<u>500</u>	<u>(293)</u>	<u>(59)</u>
Total operating expenses	<u>17,281</u>	<u>46,894</u>	<u>(29,613)</u>	<u>(63)</u>
Income (loss) from operations	8,387	(24,965)	33,352	(134)
OTHER INCOME				
Staking rewards	72	151	(79)	(52)
Unrealized gain on investments	248	295	(47)	(16)
Interest income	<u>2,174</u>	<u>427</u>	<u>1,747</u>	<u>409</u>
Total other income	<u>2,494</u>	<u>873</u>	<u>1,621</u>	<u>186</u>
Income (loss) before income taxes	10,881	(24,092)	34,973	145
INCOME TAX BENEFIT	<u>1,905</u>	<u>946</u>	<u>959</u>	<u>101</u>
NET INCOME (LOSS)	<u>\$12,786</u>	<u>\$(23,146)</u>	<u>\$ 35,932</u>	<u>155</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
Foreign currency translation adjustment	<u>(783)</u>	<u>94</u>	<u>(877)</u>	<u>(933)</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$12,003</u>	<u>\$(23,052)</u>	<u>\$ 35,055</u>	<u>152%</u>

Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

Total revenue increased \$5.6 million, or 11%, in 2023 when compared with 2022. The increase was primarily driven by an increase in revenue from the exchange aggregation and fiat onboarding of \$3.3 million and \$1.8 million, respectively, due primarily to an increase in monthly active users (“MAUs”) of 22% as well as an increase in API provider processed volume of 4% as compared to the corresponding period in 2022. We define a monthly active user as any user with transaction history that opens our wallet in a given month. MAUs are a measure of our attraction and retention levels and the size of our global funded user community.

Cost of revenues increased \$1.8 million, or 6%, in 2023, when compared with 2022. The increase was primarily driven by increases in cloud infrastructure services of \$1.5 million which was due to increased database capacity as a result of the continued expansion of our platform and new users, depreciation and amortization of \$1.1 million, and lower capitalized labor of \$1.8 million offset by decreases in employee compensation and benefit expense of \$1.7 million as a result of lower headcount, tech subscriptions of \$0.3 million, consulting of \$0.2 million and other miscellaneous expenses of \$0.4 million.

General and administrative expenses in 2023 decreased \$9.6 million, or 34%, compared to 2022. This decrease was primarily due to decreases in marketing & advertising expenses of \$8.9 million. In the first half of 2022, we heavily invested in marketing and advertising expenses. During the latter half of 2022, we changed our strategy to focus on an organic marketing growth strategy that relies on our established brand reputation. This decrease was also due to decreases in foreign currency expense of \$1.3 million due to fluctuating market rates during the year, as well as employee compensation and benefit expenses of \$1.0 million as a result of lower headcount related to the strategic reduction of workforce in November 2022. This was offset by increases in legal and consulting expenses of \$1.6 million primarily due to legal expenses related to regulatory matters and our Form 10 filing.

For 2023, there was a gain on settlement of digital assets of \$5.0 million compared to a gain on settlement of digital assets of \$3.4 million in 2022, as assets were sold for greater than their carrying value. For 2023, there was an impairment on digital assets of \$3.6 million compared to \$21.7 million in 2022, primarily related to impairment of bitcoin for both years, as price volatility on digital assets improved in 2023.

Impairment of assets of \$0.2 million in 2023 was related to the write off of our investment in tZERO Technologies, LLC (“tZERO”) as a result of the Company forfeiting vested shares. Impairment of assets of \$0.5 million in 2022 was primarily driven by the impairment of our investment in Magic Eden of \$0.4 million.

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Income tax benefit was \$1.9 million in 2023 compared to a benefit of \$0.9 million for the same period in 2022. The effective tax rate during 2023 was (17.3)% compared to 4.3% in 2022. The benefit during 2023 was primarily driven by the increased level of pre-tax income.

Liquidity and Capital Resources

Our primary liquidity needs include payment of our operating costs, which consist primarily of compensation and benefit expenses and security costs. Our primary sources of funding are operating cash flows.

Cash Flows

The following table summarizes Exodus' cash flows for the periods indicated (in thousands):

	December 31, 2023	December 31, 2022	\$ Change
Cash provided by (used in)			
Operating activities	\$ 692	\$ 44,420	\$(43,728)
Investing activities	(9,128)	(32,059)	22,931
Financing activities	(682)	2,758	(3,440)
Net change in cash and cash equivalents	<u>\$(9,118)</u>	<u>\$ 15,119</u>	<u>\$(24,237)</u>

Net Cash from Operating Activities

During the year ended December 31, 2023, cash from operating activities decreased by \$43.7 million, compared with the same period in 2022. The change was primarily related to a decrease in other operating activities settled in digital assets and USDC of \$56.9 million which consisted of \$48.1 million of conversion of digital assets and USDC to cash to fund operations and \$1.9 million related to payroll expense settled in digital assets which is included in digital asset, expenses as discussed in the other operating activities settled in digital assets and USDC in Note 6, "Intangible Assets". Also driving the decrease was \$19.7 million of net decrease in (gain) impairment on digital assets, net offset by an increase in net income of \$35.9 million.

Net Cash from Investing Activities

Cash used in investing activities decreased by \$22.9 million during 2023 when compared with the prior-year period. Our primary use of cash in investing activities is for the purchase and redemption of treasury bills.

Net Cash from Financing Activities

Cash used in financing activities increased by \$3.4 million during 2023 when compared with the prior-year period. Financing activities during 2023 represent our repurchase of shares to pay employee withholding taxes as a part of our 2021 Equity Incentive Plan (the "2021 Plan"). Financing activities in 2022 consisted of proceeds from a note receivable of \$3.0 million, partially offset by \$0.5 million of repurchase of shares to pay employee withholding taxes as a part of our 2019 Equity Incentive Plan (the "2019 Plan") and the 2021 Plan.

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Total Digital Assets and Liquid Assets

The Company holds the following cash and cash equivalents (including treasury bills with a maturity date of less than three months), USDC, treasury bills with a maturity date of greater than three months and digital asset holdings as of December 31, 2023 and December 31, 2022 (in thousands):

	Units	Carrying Value	Quoted Prices Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
December 31, 2023					
Bitcoin	1,787	\$32,262	\$75,050	\$—	\$—
Ethereum	2,538	2,022	5,739	—	—
Other digital assets	4,625,187	<u>726</u>	2,443	—	—
Digital assets, net		<u>\$35,010</u>			
December 31, 2022					
Bitcoin	1,391	\$17,549	\$22,974	\$—	\$—
Ethereum	2,538	2,022	3,031	—	—
Other digital assets	4,288,471	<u>731</u>	768	—	—
Digital assets, net		<u>\$20,302</u>			

	Carrying Value	Quoted Prices Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
December 31, 2023				
Cash and cash equivalents	\$11,376	\$11,376	\$—	\$—
USDC	517	517	—	—
Treasury bills	<u>43,151</u>	43,151	—	—
Total liquid assets	<u>\$55,044</u>			
December 31, 2022				
Cash and cash equivalents	\$20,494	\$20,494	\$—	\$—
Treasury bills	<u>31,981</u>	31,981	—	—
Total liquid assets	<u>\$52,475</u>			

Material Capital Commitments

Exodus currently has no material commitments for capital expenditures. At this time, we currently believe that our cash on hand, as well as the sources of liquidity described above, will be sufficient to fund our operations through the next twelve months and thereafter for the foreseeable future.

Critical Accounting Estimates

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts in our consolidated financial statements and accompanying notes.

Certain of our accounting policies, as discussed below, involve a higher degree of judgment and complexity in their application and, therefore, represent the critical accounting policies used in the preparation of our consolidated financial statements. If different assumptions or conditions were to prevail, the results could be materially different from our reported results. For additional discussion of our critical accounting policies and estimates, as well as our significant accounting policies, see Note 2, “Summary of Significant Accounting Policies”.

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Income Taxes

We determined that income taxes involve critical estimates based on management's significant judgments to determine our provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against deferred tax assets, including for example, compliance with the 2017 United States Tax Cuts and Jobs Act. To the extent that our estimates and assumptions materially change, or if actual circumstances differ materially from those in the assumptions, our financial statements could be materially impacted.

We utilize the asset and liability method for computing our income tax provision. Deferred tax assets and liabilities reflect the expected future consequences of temporary differences between the financial reporting and tax bases of assets and liabilities as well as operating loss, capital loss and tax credit carryforwards, using enacted tax rates. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we establish a valuation allowance. Assessing the need for a valuation allowance requires a great deal of judgement and we consider all available evidence to determine whether it is more likely than not that our deferred tax assets are recoverable. We evaluate all available evidence including, history of earnings and losses, taxable income forecasts and whether the evidence is objective. See Note 10, "Income Taxes".

We recognize the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be maintained by the examination of taxing authorities. The tax benefits recognized from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Interest and penalties related to unrecognized tax benefits are recognized within the provision for income taxes. See Note 10, "Income Taxes".

For U.S. federal tax purposes, digital asset transactions are treated for tax purposes by recognizing a gain or loss when digital assets are exchanged, in the amount of the difference between the fair market value of the property received and the tax basis of the exchanged digital assets. Receipts of digital assets in exchange for goods or services are included in taxable income at the fair market value on the date of receipt.

Item 3. Properties

We operate completely remotely and do not maintain a physical corporate headquarters. We believe that our remote working operations are adequate to meet our needs for the immediate future, and that, if necessary, suitable physical space will be available to accommodate any expansion of our operations.

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Item 4. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of December 31, 2023 for (i) each of our directors and named executive officers (“NEOs”) on an individual basis and our directors and executive officers on a group basis and (ii) any securityholder who beneficially owns more than 5% of either class of our common stock.

We have determined beneficial ownership in accordance with the rules of the SEC. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to community property laws where applicable.

The beneficial ownership figures presented in the table below are derived from our stock records. These beneficial ownership percentages were calculated based on 4,320,005 shares of Class A common stock and 21,760,855 shares of Class B common stock outstanding as of December 31, 2023. The Class A Common Stock beneficial ownership figures do not include the shares of Class A Common Stock that may be issued and outstanding upon conversion of the Class B Common Stock beneficially owned by the Class B stockholders listed in the table below.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Exodus Movement, Inc., 15418 Weir Street, #333, Omaha, NE 68137.

Name and Address of Beneficial Owner	Class A Common Stock ⁽¹⁾		Class B Common Stock		Total Voting Power % ⁽¹⁾
	Shares	% of Ownership	Shares	% of Ownership	
Directors and Named Executive Officers					
Jon Paul Richardson	154,516 ⁽⁶⁾	3.6%	9,297,537	42.7%	42.0%
Daniel Castagnoli	141,071 ⁽⁷⁾	3.3%	9,454,413	43.5%	42.7%
Veronica McGregor	49,087 ⁽⁸⁾	1.1%	—	—	•
Margaret Knight	2,083 ⁽⁹⁾	•	—	—	•
Carol MacKinlay	—	—	—	—	—
Tyler Skelton	—	—	—	—	—
All executive officers and directors as a group	459,266 ⁽¹⁰⁾	10.6%	18,751,950	86.2%	84.7%
5% or more Shareholders					
Alameda Research Ventures LLC ⁽²⁾	1,823,486	42.2%	—	—	•
AIC Capital LLC ⁽³⁾	364,698	8.4%	—	—	•
Bank to the Future Exodus SP, a Segregated portfolio of Bank To The Future Capital SPC ⁽⁴⁾	—	—	1,057,294	4.9%	4.8%
ShapeShift AG ⁽⁵⁾	—	—	1,000,000	4.6%	4.5%
Erik Voorhees	—	—	287,982	1.3%	1.3%
Will Dange Lau	—	—	230,386	1.1%	1.0%

• Represents beneficial ownership or voting power of less than 1%

(1) Percentage total voting power represents voting power with respect to all outstanding shares of our Class A common stock and Class B common stock, voting as a single class.

(2) Alameda Research Ventures LLC filed for bankruptcy in November 2022 and public records provide that Andrew R. Vara is the United States Trustee. The business address of Alameda Research Ventures LLC is 2000 Center Street, Floor 4, Berkeley, California 94704, United States.

(3) Silvio Micali has voting and investment control of the shares held by AIC Capital LLC and may be deemed to beneficially own the securities owned by AIC Capital LLC. The business address of AIC Capital LLC is c/o Campbells, Floor 4, Willow House, Cricket Square, George Town, Grand Cayman KY1-9010, Cayman Islands.

(4) Bank To The Future Capital SPC has voting and investment control of the shares held by Bank to the Future Exodus SP, a Segregated portfolio of Bank To The Future Capital SPC and may be deemed to beneficially own the securities owned by this entity. The business address of Bank to the Future Exodus SP, a Segregated portfolio of Bank To The Future Capital SPC is P.O. Box 10008, Willowhouse, Cricket Square, KY1-1001 Cayman Islands

(5) ShapeShift AG has voting and investment control of the shares held by ShapeShift AG and may be deemed to beneficially own the securities owned by this entity. The business address of ShapeShift AG is Gubelstrasse 11, 6300 Zug, Switzerland, CHE.

(6) Includes 29,089 shares of Class A Common Stock vesting 60 days after the year ended December 31, 2023.

(7) Includes 29,089 shares of Class A Common Stock vesting 60 days after the year ended December 31, 2023.

(8) Includes 9,837 shares of Class A Common Stock vesting 60 days after the year ended December 31, 2023.

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- (9) Includes 833 shares of Class A Common Stock vesting 60 days after the year ended December 31, 2023.
- (10) Includes 89,643 shares of Class A Common Stock vesting 60 days after the year ended December 31, 2023.
- (11) The amounts in the table with respect to Class A Common Stock do not include the shares of Class B Common Stock beneficially owned by the persons listed therein. Shares of Class B Common Stock are convertible at any time on a share-for-share basis into Class A Common Stock. In addition, as and when Class B stockholders sell their shares of Class B Common Stock, they will be automatically converted into shares of Class A Common Stock. Beneficial ownership is determined in accordance with the rules of the SEC, which generally attribute ownership to persons who have or share voting or investment power with respect to the relevant securities. Shares of Class A Common Stock that may be acquired within 60 days upon conversion of outstanding Class B Common Stock are deemed to be beneficially owned. Securities not outstanding, but included in the beneficial ownership of each such person, are deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of the class(es) of securities owned by any other person. Except as indicated in these footnotes, and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all securities shown as beneficially owned by them.

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Item 5. Directors and Executive Officers

The name, age, position and a description of the business experience of each of our executive officers and directors is provided below. There is no family relationship between or among the executive officers and directors. Our directors are appointed to hold office until the next annual meeting of stockholders and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Our officers are appointed by our board of directors and hold office until removed by the board, subject to any respective employment agreements.

Name	Age	Position
<i>Directors and Executive Officers</i>		
Margaret Knight	45	Director
Carol MacKinlay	61	Director
Tyler Skelton	38	Director
Jon Paul Richardson	40	Chief Executive Officer and Director
Daniel Castagnoli	47	Director, President of our wholly-owned subsidiary, 3ZERO LLC ("3ZERO")
James Gernetzke	47	Chief Financial Officer and Secretary
Veronica McGregor	61	Chief Legal Officer
Matias Olivera	31	Chief Technology Officer
<i>Significant Employees</i>		
John Staker	49	Vice President Infrastructure and Security
Zanmei Yam	32	Vice President Community Support and Customer Success

Directors and Executive Officers

Margaret Knight has served as our director since August 2023. Ms. Knight is currently chair of the Accounting and Business Intelligence & Analytics department, Director of the Master of Accounting Program and an Assistant Professor of Accounting at Creighton University's Heider College of Business. She earned her doctorate at Creighton University in 2018. Up until August 2016, Ms. Knight served as the chief financial officer for the primary and specialty care networks of physicians at CHI Health in Nebraska. She originally joined CHI Health (formerly Alegent Health) in 2008 as the system controller, where she oversaw accounting, financial reporting, budgeting, financial analysis, capital planning, benchmarking and decision support/cost accounting for the health system. Ms. Knight is a Certified Public Accountant in the State of Nebraska and is also a Chartered Global Management Accountant. Prior to her time at CHI Health, Ms. Knight spent seven years in public accounting; six of those years with KPMG. The Company values Ms. Knight for her considerable experience in accounting.

Carol MacKinlay has served as our Director since February 2024. Ms. MacKinlay formerly served as chief people officer at Binance.US, a U.S. digital asset exchange, from 2021 to January 2024, where she was responsible for global recruiting, talent management, employee engagement and corporate governance programs. Prior to that, Ms. MacKinlay worked as chief people officer at UserTesting, a video-first platform to experience how real people engage with products, designs and brands, from 2017 to 2021. She has also been a successful executive for Plantronics, a premier electronics manufacturer; Xero, a vendor of accounting software; Coverity, now the Software Integrity Group of Synopsis; and Matterport, a 3D media technology company. In these roles, she has created and executed programs to drive business strategy, achieve cost-efficiency, compensate fairly, promote inclusivity and develop world class company cultures. Ms. MacKinlay has also worked as a management and Board consultant with the KPMG financial strategy and executive compensation consulting teams and as a founder of Compensation and Performance Management, Inc, a boutique executive compensation consultancy. She holds a BA in Applied Mathematics from U.C. Berkeley and an MBA in Venture Management from the Marshall School of Business at USC. The Company believes Ms. MacKinlay's leadership experience and industry knowledge provides her with the necessary skills and qualifications to effectively serve the Company.

Tyler Skelton has served as our Director since February 2024. He has served at two New York digital asset limited purpose trust companies – head of finance at Gemini since January 2023 and chief financial officer at Bakkt from May 2019 to July 2021. Mr. Skelton led the finance team at Bakkt through its SPAC merger and IPO during 2021. Prior to his time at Bakkt, Mr. Skelton was the Director of eCommerce Finance from July 2016 to June 2019. He has a 20-year career in various financial services industries including digital assets, payments, banking and public

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accounting. Mr. Skelton is a Chartered Financial Analyst®, Certified Public Accountant in the state of Georgia and FRM Certified Professional. He holds a master's degree in economics from the University of North Carolina at Charlotte. We value Mr. Skelton's experience in the financial services industries along with his knowledge of accounting and digital assets.

Jon Paul Richardson has served as our chief executive officer and director since co-founding Exodus with Daniel Castagnoli in 2016. Previously Mr. Richardson served as our president from July 2016 until July 2019. Mr. Richardson holds a Bachelor of Science in electrical and computer engineering from the University of Nebraska – Lincoln. The Company values Mr. Richardson's leadership skills he brings as the Company's chief executive officer and co-founder and his extensive experience in the digital asset industry.

Daniel Castagnoli has served as a director since co-founding Exodus with Jon Paul Richardson in 2016. Since May 2023, he has served as president for our subsidiary, 3ZERO. Mr. Castagnoli previously served as president of Exodus Movement, Inc. from July 2019 to May 2023 and chief financial officer and secretary from July 2016 to March 2019. Prior to joining Exodus, Mr. Castagnoli designed experiences for Apple, BMW, Disney and Louis Vuitton. The Company believes Mr. Castagnoli's leadership experience and industry knowledge provides him with the necessary skills and qualifications to effectively serve the Company.

James Gernetzke has served as our chief financial officer since March 2019. Prior to joining Exodus, Mr. Gernetzke served as the chief financial officer of Banyan Medical Systems, Inc., a healthcare technology company, from February 2017 to May 2019, where he was responsible for all financial aspects of the company's business. Prior to that, Mr. Gernetzke served as director of finance at First Data Corporation from December 2015 to January 2017. Mr. Gernetzke is a registered Certified Public Accountant in the State of Illinois and holds a Bachelor of Science in accounting from Marquette University and a Master of Business Administration from Northwestern University Kellogg School of Management.

Veronica McGregor has served as chief legal officer since January 2022. Prior to joining Exodus, Ms. McGregor was the chief legal officer of ShapeShift from 2018 to 2021 where she managed in-house legal and compliance function, global legal strategy, governmental relations and regulatory affairs. Prior to that she was a partner at Goodwin Proctor from 2016 to 2018 and Hogan Lovells from 2014 to 2016 where she specialized in assisting companies navigate state and federal laws and regulations related to digital assets, among other things. Ms. McGregor has a Juris Doctor from University of California College of the Law, San Francisco, and a Bachelor of Arts in psychology from San Francisco State University.

Matias Olivera has served as chief technology officer since June 2022, and previously served as lead software engineer, engineering manager and director of engineering beginning in November 2019. Beginning in 2014, Mr. Olivera has worked as an open source developer at Github, contributing to multiple open source projects from companies including Airbnb, Facebook and Walmart. He has also spent time as a software engineer at various companies from 2015 to 2018. Mr. Olivera was a professor for web programming at Universidad Católica del Uruguay from 2015 to 2020. He graduated from Universidad Católica del Uruguay with a degree in computer engineering.

Significant Employees

John Staker has served as vice president of infrastructure and security since May 2021 and previously served in support and development operation roles beginning in September 2017. Prior to joining Exodus, Mr. Staker served as the senior information technology officer for shipboard and shipyard operations within the maritime industry from 2007 to 2016. Mr. Staker has a Bachelor of Science in information systems from Latrobe University.

Zanmei Yam has served as vice president of community support and customer success since August 2021, and previously served as our interim head of support from May 2021 to July 2021, as APAC regional support manager from November 2020 to May 2021, and as an Exodus community support engineer from July 2019 to October 2020. Prior to joining Exodus, Ms. Yam served as a blockchain research consultant for Collective Ventures from 2018 to 2019. Prior to that, Ms. Yam served as a specialist for client services at Rohei Learning & Consulting from 2016 to 2017. Ms. Yam holds a Bachelor of Business and Communication from the Queensland University of Technology.

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Item 6. Executive Compensation

The primary objective of our executive compensation program is to attract and retain highly skilled and motivated executive officers that significantly contribute to the Company's success. The executive officers are expected to manage the Company to promote its growth and profitability, minimize risk and advance the interests of our shareholders. As such, the Company's compensation program is designed to provide levels of compensation that reflect the executive's role in the organization and reward the individual's performance within the context of the Company's performance.

We determine the appropriate level of each compensation element based, in part, but not exclusively, on our view of internal equity and consistency, performance, the competitive landscape and other information we deem relevant. We believe that equity-based awards are a motivator in attracting and retaining executives over the long-term, and that salary and cash bonuses are important considerations in the short-term.

Summary Compensation Table

The following table sets forth an overview of the compensation earned by the NEO's during the year ended December 31, 2023:

Name and Principal Position	Year	Salary	Bonus	Stock Awards ⁽¹⁾	All Other Compensation ⁽²⁾	Total
Jon Paul Richardson <i>Director, Chief Executive Officer</i>	2023	\$425,000	\$ —	\$1,500,000	\$ 7,682	\$1,932,682
Daniel Castagnoli <i>Director, President of 3ZERO</i>	2023	335,000	—	1,500,000	7,331	1,842,331
Veronica McGregor <i>Chief Legal Officer</i>	2023	500,000	208,288	500,002	19,100	1,227,390

(1) Amounts represent the aggregate grant date fair value of restricted stock units ("RSUs") granted in 2023 pursuant to the Company's 2021 Plan in accordance with Accounting Standards Codification Topic 718 ("ASC Topic 718"), calculated based on the average closing price, as quoted on tZERO, of the Class A Common Stock on the applicable due date of the grant, which was \$2.40 on January 1, 2023.

(2) All other compensation includes employee wellness and executive perks.

Narrative Disclosures to Summary Compensation Table

We generally set annual base salaries for the executive officers based on the executive's experience, individual performance for the prior year and our prior year financial results, and we also consider comparative peer salary data. We believe that base salaries are set at levels that enable us to hire and retain individuals in the FinTech industry who can drive achievement of the Company's overall objectives. Bonuses include guaranteed cash incentives.

We entered into an employment letter agreement with Ms. McGregor in November 2021. Ms. McGregor's employment letter agreement has no specific term and provides that Ms. McGregor is an at-will employee. Ms. McGregor's current annual base salary is \$500,000 per year.

On January 1, 2023, each NEO received a grant of RSUs that vest in equal monthly installments on the first of each month over four years, subject to continued service through each such vesting date.

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Outstanding Equity Awards as of December 31, 2023

The following table sets forth an overview of the RSU awards outstanding at December 31, 2023:

Name	Stock Awards	
	Number of shares or units of stock that have not vested	Market value of shares or units of stock that have not vested ⁽¹⁾
Jon Paul Richardson	38,110 ⁽²⁾	\$ 94,894
	481,771 ⁽³⁾	1,199,610
Daniel Castagnoli	38,110 ⁽²⁾	94,894
	481,771 ⁽³⁾	1,199,610
Veronica McGregor	14,468 ⁽⁴⁾	36,025
	160,591 ⁽³⁾	399,872

(1) Based on the \$2.49 closing price of a share of Class A Common Stock on December 11, 2023, the last day of the Company's 2023 fiscal year on which there was trading, as quoted on tZERO

(2) These RSUs vest in equal monthly installments through January 1, 2026.

(3) These RSUs vest in equal monthly installments through January 1, 2027.

(4) These RSUs vest in equal monthly installments through January 4, 2026.

Additional Narrative Disclosure

Under the award agreements governing the outstanding RSUs held by the NEOs, in the event of a change in control of the Company or the NEO's termination as a result of a death or disability, all outstanding RSUs will become fully vested. In addition, in the event of the NEO's termination by the Company without cause or as a result of the NEO's retirement (resignation after attaining age 62 with five years of service), the RSUs schedule to vest in the month in which such termination occurs will become vested. Thereafter, any nonvested RSUs will be forfeited.

Director Compensation

As of December 31, 2023, our board of directors was comprised of one independent director and two members of our management team. We compensate our non-employee director, Ms. Knight, with both cash and equity compensation in accordance with the terms of the offer letter. Cash compensation includes an annual retainer of \$60,000, which is paid in Bitcoin in equal monthly installments on the first day of each calendar month. Pursuant to the 2021 Plan, Ms. Knight was granted 10,000 RSUs in August 2023, which vests on a monthly basis in equal installments over a two-year period beginning on August 31, 2023, subject to her continued service on our board of directors. Subsequent to December 31, 2023, we added two new independent directors, Carol MacKinlay and Tyler Skelton, to our board of directors.

The following table sets forth amounts earned by our independent director during the year ended December 31, 2023:

Name	Fees Earned (\$)	Stock Awards (\$) ⁽¹⁾	Total
Margaret Knight	\$20,000	\$36,700 ⁽²⁾	\$56,700

(1) Amount represents the aggregate grant date fair value of RSUs granted in 2023 pursuant to the Company's 2021 Plan in accordance with ASC Topic 718, calculated based on the average closing price, as quoted on tZERO, of the Class A Common Stock on the applicable date of grant, which was \$3.67 on September 1, 2023. As of December 31, 2023, Ms. Knight held 8,750 unvested RSUs.

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Item 7. Certain Relationships and Related Transactions, and Director Independence

Other than described under “*Item 6. Executive Compensation*”, there have not been, and there is not currently proposed, any transaction or series of similar transactions to which we were or will be a participant in which the amount involved exceeded or will exceed the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years, and in which any director, executive officer, holder of 5% or more of any class of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

Director Independence

Our Board is currently composed of five members, three of whom, Ms. Knight, Ms. MacKinlay and Mr. Skelton, are independent under the criteria established by the independence standards of OTCQX and would also be deemed to be independent under the independence criteria established by the NYSE American that would be applicable in the event we successfully list on the NYSE American following the effectiveness of this registration statement.

In March 2024, our Board established an Audit Committee composed entirely of independent directors. The purpose of the Audit Committee is to represent and assist the Board in discharging its oversight responsibility relating to: (i) the accounting and financial reporting processes of the Company and its subsidiaries, including the audits of the Company’s financial statements and the integrity of the financial statements; (ii) the Company’s compliance with legal and regulatory requirements; and (iii) the outside auditor’s qualifications, independence and performance; and (iv) the design and implementation of the Company’s internal audit function. The Board has determined that each member of the Audit Committee is “independent” under applicable OTCQX and SEC requirements. Further, the Board has determined that Ms. Knight is an “audit committee financial expert” under the SEC’s rules. The Audit Committee operates pursuant to a written charter adopted by our Board which sets forth the committee’s role and responsibilities and provides for an annual evaluation of its performance. The Audit Committee’s charter is in the investor section on our website.

Because Messrs. Richardson and Castagnoli together control approximately 85% of the voting power of our outstanding capital stock, and holders of our Class B common stock collectively control 98% of the voting power of our outstanding capital stock, the Company expects to qualify as a “controlled company” within the meaning of the corporate governance standards of NYSE American if successfully listed on such exchange. Under these rules, the Company may elect not to comply with certain corporate governance requirements, including the requirements that director nominees be selected or recommended to our Board of Directors by a nominating committee comprised entirely of independent directors and compensation of our chief executive officer and all other officers be determined or recommended by a compensation committee comprised entirely of independent directors. The OTCQX listing requirements do not currently require the Company to comply with these governance standards, and the Company intends to rely on the NYSE American exceptions if successfully listed on the NYSE American. As a result, the Company does not currently have a compensation committee or a nominating and corporate governance committee and does not currently intend to establish such committees.

Item 8. Legal Proceedings

The information required with respect to this item can be found in Note 11, “Commitments and Contingencies” of our consolidated financial statements included in Item 13 of this Report.

Item 9. Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters

Market information.

We have applied to list our Class A common stock on the NYSE American following the effectiveness of this registration statement. On April 12, 2024, our Class A Common Stock was listed for quotation on the OTCQX under the symbol “EXOD”. Prior to the OTCQX listing, in January 2024, our Class A Common Stock was listed for quotation on the OTCQB under the symbol “EXOD”. OTC Markets approval was received in January 2024 and in January the initial qualifying deposit was made and initial trades have occurred.

In December 2023, our Class A Common Stock ceased trading on tZERO, an alternative trading system that had the ability to support trades of our Class A Common Stock and transfers of our Common Stock Tokens. Our Class A Common Stock previously traded on tZERO under the symbol “EXOD”.

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In October 2023, our Class A Common Stock ceased trading on Securitize Markets, an alternative trading system that had the ability to support trades of our Class A Common Stock and transfers of our Common Stock Tokens. Our Class A Common Stock previously traded on Securitize Markets under the symbol “EXOD”.

For the periods indicated, the following table sets forth the high and low bid prices per share of Class A Common Stock.

<u>Period</u>	<u>High⁽¹⁾</u>	<u>Low⁽¹⁾</u>
December 31, 2023		
Fourth Quarter	\$ 5.00	\$ 1.90
Third Quarter	7.47	2.50
Second Quarter	3.94	1.54
First Quarter	4.48	2.00
December 31, 2022		
Fourth Quarter	4.97	1.00
Third Quarter	12.98	2.10
Second Quarter	18.50	4.98
First Quarter	20.50	12.00

(1) This information was obtained from tZERO and Securitize, established alternative trading systems. Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Holders

As of December 31, 2023, there were 4,320,005 shares of Class A Common Stock outstanding which were held by approximately 6,934 record holders, and 21,760,855 shares of Class B Common Stock outstanding which were held by approximately 19 record holders.

Digital Format Exodus Common Stock

Our Transfer Agent, Securitize LLC, has the ability to issue Common Stock Tokens. Common Stock Tokens are “Securitize DS Protocol” digital tokens that are transferrable between approved accounts on the Exodus Platform in peer-to-peer transactions on a blockchain network approved by the Transfer Agent. Common Stock Tokens are created, held, distributed, maintained and deleted by the Transfer Agent, and not by Exodus. Common Stock Tokens cannot be created or deleted by any entity other than the Transfer Agent. Common Stock Tokens are only digital representations of our Class A common stock, contain no voting, governance, economic or other rights, and cannot be traded independently of the Class A common stock. The ownership and transfer of shares of our Class A common stock will be recorded in book-entry form by the Transfer Agent.

We recognize that the use of Common Stock Tokens as representations of the number of shares purchased and held by a given stockholder is novel, and therefore we reserve the right to discontinue the usage of Common Stock Tokens. Should we choose to discontinue the usage of Common Stock Tokens, this decision would have no effect on the ability of holders of our Class A common stock to trade their Class A common stock on an ATS or through other means.

Trading on an ATS

In December 2023, our Class A Common Stock ceased trading on tZERO, an alternative trading system that had the ability to support trades of our Class A Common Stock and transfers of our Common Stock Tokens. Our Class A Common Stock previously traded on tZERO under the symbol “EXOD”.

In October 2023, our Class A Common Stock ceased trading on Securitize Markets, an alternative trading system that had the ability to support trades of our Class A Common Stock and transfers of our Common Stock Tokens. Our Class A Common Stock previously traded on Securitize Markets under the symbol “EXOD”.

There is currently no public market for our Common Stock Tokens and we do not believe one will develop in the foreseeable future.

Dividends

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors.

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Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth equity securities authorized for issuance under our equity compensation plans as of December 31, 2023:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights⁽²⁾	Weighted average exercise price of outstanding options, warrants and rights⁽³⁾	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders⁽¹⁾			
Class A Common Stock	2,797,071	—	2,909,203
Class B Common Stock	2,156,632	\$2.40	—
Equity compensation plans not approved by security holders			
	—	—	—

(1) Refers to our 2019 Equity Incentive Plan and our 2021 Equity Incentive Plan. Subject to adjustments as provided in our 2021 Equity Incentive Plan, the aggregate number of shares of Class A Common Stock that may be issued pursuant to awards under the 2021 Equity Incentive Plan will not exceed 6,530,000 shares of Class A Common Stock. Awards representing shares of Class B Common Stock were granted under the 2019 Equity Incentive Plan. Shares are no longer available for issuance under our 2019 Equity Incentive Plan.

(2) Includes outstanding options and RSUs.

(3) Weighted-average exercise price only reflects outstanding options as RSUs do not have an exercise price.

Item 10. Recent Sales of Unregistered Securities

On February 26, 2021, the Company filed a Regulation A Offering Statement on Form 1-A (the “Offering Statement”) with the SEC, which was qualified on April 8, 2021, consisting of 2,733,229 shares of Class A common stock issued and sold by the Company, at a price per share of \$27.42. The net proceeds to the Company of such offering were \$52.5 million. The offering was concluded on May 5, 2021.

Since January 1, 2021, the Company has issued and sold to certain of its employees, directors, consultants and other service providers an aggregate of 1,066,405 shares of Class A common stock upon vesting of RSUs under our 2021 Plan, at prices per share ranging from \$1.54 to \$18.50, for a weighted-average exercise price of approximately \$4.43, and an aggregate of 528,249 shares of Class B common stock upon the exercise of options under our 2019 Plan, at an exercise price per share ranging from \$2.39 to \$2.55, for a weighted-average exercise price of approximately \$2.34. Such shares were issued in reliance upon the exemption provided in Rule 701 under the Securities Act.

Since January 1, 2021, the Company has granted to certain of its employees, directors, consultants and other service providers options to purchase an aggregate of 216,000 shares of Class B common stock under our 2019 Plan at exercise prices per share of \$2.55. Such grants were made in reliance upon the exemption provided in Rule 701 under the Securities Act.

Since January 1, 2021, the Company granted to certain of its employees RSUs in the aggregate of 4,369,374 shares of Class A common stock under our 2021 Plan at a weighted average grant date fair value of \$5.10. Such grants were made in reliance upon the exemption provided in Rule 701 under the Securities Act.

Item 11. Description of Registrant’s Securities to be Registered

This section provides a summary of the rights of our capital stock. This summary is not complete. For more detailed information, please see our amended and restated certificate of incorporation and amended and restated bylaws, which are filed as exhibits to this Report.

Our authorized capital stock consists of 332,500,000 shares, consisting of (i) 327,500,000 shares of common stock divided into two series consisting of 300,000,000 shares designated as Class A Common Stock, par value \$0.000001 per share, and 27,500,000 shares designated as Class B Common Stock, par value \$0.000001 per share, and (ii) 5,000,000 shares designated as preferred stock, par value \$0.000001 per share. The shares of Class A common stock currently trade on the OTCQX. On April 25, 2024, the Company approved the Amended and Restated Certificate of Incorporation of the Company to increase the amount of authorized shares of Class A Common Stock, par value \$0.000001 per share to 300,000,000 shares.

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Common Stock

Outstanding Shares - As of December 31, 2023, there were 4,320,005 shares of Class A common stock outstanding, an aggregate of 21,760,855 shares of Class B common stock outstanding and no shares of preferred stock outstanding.

Voting Rights - Our authorized common stock is divided into two series, denominated as “Class A common stock” and “Class B common stock.” Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to ten votes per share. Holders of Class A common stock and Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by law or our amended and restated certificate of incorporation.

Delaware law could require holders of Class A common stock or Class B common stock to vote separately, on a series-by-series basis, if we were to seek to amend our certificate of incorporation in a manner that alters or changes the powers, preferences or special rights of a series of our Common Stock in a manner that affects its holders adversely, but does not so affect the Common Stock as a whole, or if we take an action where a separate vote of either of the Class A common stock or the Class B common stock is prescribed by the explicit terms of our amended and restated certificate of incorporation.

Holders of our Class A common stock and Class B common stock are not entitled to cumulative voting in the election of directors, which means that the holders of a majority of the voting power of our Class A common stock and Class B common stock, voting together as a single voting class, will be entitled to elect all of the directors standing for election, if they so choose.

The holders of our Class B common stock collectively beneficially own shares representing approximately 98% of the voting power of our outstanding capital stock. Jon Paul Richardson and Daniel Castagnoli, each one of our executive officers and a member of our board of directors, control approximately 85% of the voting power of our outstanding capital stock. Because of our dual class structure, we anticipate that, for the foreseeable future, these individuals will continue to be able to control all matters submitted to our stockholders for approval, including the election and removal of directors.

Conversion - Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon any transfer, whether or not for value, except for certain transfers described in our amended and restated certificate of incorporation, including, without limitation, transfers for tax and estate planning purposes, so long as the transferring holder of Class B common stock continues to hold exclusive voting and dispositive power with respect to the shares transferred.

All shares of Class B common stock will convert automatically into shares of Class A common stock upon the date on which the Class B common stock ceases to represent at least 10% of the total voting power of our outstanding common stock.

Once converted into a share of Class A common stock, a converted share of Class B common stock will not be reissued.

Dividends - Subject to preferences that may be applicable to any then-outstanding shares of preferred stock, holders of our Class A common stock and Class B common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds. If a dividend is paid in the form of Class A common stock or Class B common stock, then holders of Class A common stock shall receive Class A common stock and holders of Class B common stock shall receive Class B common stock.

Liquidation - In the event of our liquidation, dissolution or winding up, holders of our Class A common stock and Class B common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

Rights and Preferences - Except as described above, holders of Class A common stock and Class B common stock have no preemptive, conversion, subscription or other rights (other than the right of a holder of shares of Class B common stock to convert such shares into an equal number of shares of Class A common stock), and there are no

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redemption or sinking fund provisions applicable to Class A common stock or Class B common stock. The rights, preferences and privileges of the holders of Class A common stock and Class B common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

Fully Paid and Nonassessable - All of our outstanding shares of common stock are fully paid and nonassessable.

Options

As of December 31, 2023, options to purchase an aggregate of 2,156,632 shares of our Class B common stock were outstanding under the 2019 Plan.

Preferred Stock

Our board of directors has the authority, without further action by the stockholders, to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the rights, powers, preferences, privileges and restrictions thereof. These rights, powers, preferences and privileges could include dividend rights, conversion rights, voting rights, redemption rights, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of Class A common stock or Class B common stock. The issuance of preferred stock could adversely affect the voting power of holders of Class A common stock and Class B common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change in our control or other corporate action. Upon closing of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock.

Section 203 of the Delaware General Corporation Law

We have chosen not to be governed by Section 203 of the Delaware General Corporation Law (“DGCL”) regulating corporate takeovers. In general, Section 203 prohibits a Delaware corporation having more than 2,000 shareholders of record from engaging in a “business combination” with an “interested stockholder” for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner.

Anti-Takeover Provisions

The provisions of the DGCL, our amended and restated certificate of incorporation and our amended and restated bylaws could have the effect of delaying, deferring or discouraging another person from acquiring control of our company. These provisions, which are summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and encourage persons seeking to acquire control of our company to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Our amended and restated certificate of incorporation and our amended and restated bylaws include a number of provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control of our management team or changes in our board of directors or our governance or related policies, including the following:

- **Special Meetings of Stockholders.** Our amended and restated certificate of incorporation and our amended and restated bylaws provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors or our chief executive officer or president, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders to take any action, including the removal of directors.
- **Advance Notice Requirements for Stockholder Proposals and Director Nominations.** Our amended and restated bylaws provide advance notice procedures for stockholders seeking to bring business before our meetings of stockholders or to nominate candidates for election as directors at our meetings of stockholders. Our amended and restated bylaws also specify certain requirements regarding the form and content of a stockholder’s notice. These provisions may preclude our stockholders from bringing matters

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before our meetings of stockholders or from making nominations for directors at our meetings of stockholders. We expect that these provisions might also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

- **No Cumulative Voting.** The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation and amended and restated bylaws do not provide for cumulative voting.
- **Issuance of Undesignated Preferred Stock.** Our board has the authority, without further action by the stockholders, to issue up to 5,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock enables our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.
- **Choice of Forum.** Our amended and restated bylaws provide that, to the fullest extent permitted by law, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our amended and restated certificate of incorporation or amended and restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. This exclusive forum provision does not apply to claims as to which the Court of Chancery of the State of Delaware determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within 10 days following such determination), claims that are vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery of the State of Delaware, or claims for which the Court of Chancery of the State of Delaware does not have subject matter jurisdiction. For instance, the provision does not preclude the filing of claims brought to enforce any liability or duty created by the Exchange Act or Securities Act or the rules and regulations thereunder in federal court. In addition, our amended and restated bylaws provide that the federal district courts of the United States shall be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. The enforceability of similar exclusive federal forum provisions in other companies' organizational documents has been challenged in legal proceedings, and while the Delaware Supreme Court has ruled that this type of exclusive federal forum provision is facially valid under Delaware law, there is uncertainty as to whether other courts would enforce such provisions and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

In addition, our amended and restated certificate of incorporation and our amended and restated bylaws include a number of provisions that become effective only after the date on which the Class B common stock ceases to represent at least 50% of the total voting power of our outstanding capital stock (the "Class B Threshold Date"). These provisions may also have the effect of deterring hostile takeovers, or delaying or preventing changes in control of our management team or changes in our board of directors or our governance or policy, including the following:

- **Board Vacancies.** Our amended and restated bylaws and certificate of incorporation authorize our board of directors to fill vacant directorships resulting from any cause or created by the expansion of our board of directors. In addition, the number of directors constituting our board of directors may be set only by resolution adopted by our board of directors. After the Class B Threshold Date such vacancies may not be filled by stockholders. These provisions prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.
- **Classified Board.** Our amended and restated certificate of incorporation provides that after the Class B Threshold Date our board of directors is classified into three classes of directors. The existence of a classified board of directors could delay a successful tender offeror from obtaining majority control of our board of directors, and the prospect of that delay might deter a potential offeror.
- **Directors Removable Only for Cause.** Our amended and restated certificate of incorporation provides that after the Class B Threshold Date stockholders may remove directors only for cause.

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- **Supermajority Requirements for Amendments of Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws.** Our amended and restated certificate of incorporation further provides that, after the Class B Threshold Date, the affirmative vote of holders of at least 66 2/3% of our outstanding stockholder voting power is required to amend certain provisions of our amended and restated certificate of incorporation, including provisions relating to the classified board, the size of the board of directors, removal of directors, special meetings, actions by written consent, and designation of our preferred stock. After the Class B Threshold Date, the affirmative vote of holders of at least 66 2/3% of our outstanding stockholder voting power is required for the stockholders to amend or repeal our amended and restated bylaws, although our amended and restated bylaws may be amended by a simple majority vote of our board of directors.
- **Stockholder Action.** Our amended and restated certificate of incorporation provides that after the Class B Threshold Date our stockholders may not take action by written consent but may only take action at annual or special meetings of our stockholders. As a result, holders of our capital stock would not be able to amend our amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws.

Transfer Restrictions

Class A shares from vested RSUs are restricted for one year after grant date. All of our shares of Class B common stock and any shares issuable upon the conversion of our shares of Class B common stock are deemed “restricted securities” as that term is defined under Rule 144.

Restricted securities may be sold in the public market only if their offer and sale is registered under the Securities Act or if the offer and sale of those securities qualify for an exemption from registration, including the exemption provided by Rule 144 under the Securities Act. In general, a person who is not our affiliate for purposes of the Securities Act and has not been our affiliate at any time during the preceding three months may sell any shares of our common stock that such person has beneficially owned for at least one year and one day, including the holding period of any prior owner other than one of our affiliates, under an exemption from registration provided by Rule 144 under the Securities Act without being required to comply with the notice, manner of sale or public information requirements or volume limitation provisions of Rule 144. However, a person who has beneficially owned our common stock for at least one year and one day but who is our affiliate for purposes of the Securities Act would be subject to additional restrictions, including a limit on the number of shares that may be sold within any three-month period equal to 1% of the number of shares of our common stock then outstanding. Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. To the extent that shares were acquired from one of our affiliates, a person’s holding period for the purpose of effecting a sale under Rule 144 would commence on the date of transfer from the affiliate.

Item 12. Indemnification of Directors and Officers

Our amended and restated certificate of incorporation and amended and restated bylaws provide for the indemnification of our directors and officers to the fullest extent permitted under the DGCL. In addition, our amended and restated certificate of incorporation provides that our directors shall not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the DGCL and that if the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

As permitted by the DGCL, we have included an indemnification provision within a signed offer letter for all board member hires that requires us, among other things, to indemnify them against certain liabilities which may arise by reason of their status as directors. We also maintain insurance policies under which our directors and officers are insured, within the limits and subject to the limitations of those policies, against certain expenses in connection with the defense of, and certain liabilities that might be imposed as a result of, actions, suits or proceedings to which they are parties by reason of being or having been directors or officers. The coverage provided by these policies may apply whether or not we would have the power to indemnify such person against such liability under the provisions of the DGCL.

We believe that these provisions and agreements are necessary to attract and retain qualified persons as our officers and directors.

Item 13. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Exodus Movement, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Exodus Movement, Inc. and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity, and cash flows, for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Omaha, Nebraska
April 30, 2024

We have served as the Company's auditor since 2023.

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Exodus Movement, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share amounts)

	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,376	\$ 20,494
U.S. dollar coin (\$500 restricted as of December 31, 2023)	517	—
Treasury bills	43,151	31,981
Accounts receivable	3,240	1,488
Prepaid expenses	1,440	2,752
Other current assets	<u>5</u>	<u>77</u>
Total current assets	59,729	56,792
OTHER ASSETS		
Fixed assets, net	317	617
Digital assets, net	35,010	20,302
Software assets, net	8,051	7,490
Indefinite-lived assets	1,945	1,945
Other investments	100	694
Deferred tax assets	<u>6,567</u>	<u>1,369</u>
Total other assets	<u>51,990</u>	<u>32,417</u>
TOTAL ASSETS	<u>\$111,719</u>	<u>\$ 89,209</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,061	\$ 610
Other current liabilities	<u>6,485</u>	<u>2,389</u>
Total current liabilities	<u>7,546</u>	<u>2,999</u>
LONG-TERM LIABILITIES		
Long-term liabilities	<u>412</u>	<u>366</u>
Total liabilities	<u>7,958</u>	<u>3,365</u>
STOCKHOLDERS' EQUITY		
Preferred stock		
\$0.000001 par value, 5,000,000 shares authorized, no shares issued and outstanding	—	—
Class A Common Stock		
\$0.000001 par value, 32,500,000 shares authorized,	—	—
4,320,005 issued and outstanding as of December 31, 2023	—	—
3,543,791 issued and outstanding as of December 31, 2022	—	—
Class B Common Stock		
\$0.000001 par value, 27,500,000 shares authorized,	—	—
21,760,855 issued and outstanding as of December 31, 2023	—	—
21,798,414 issued and outstanding as of December 31, 2022	—	—
ADDITIONAL PAID IN CAPITAL	122,558	116,644
ACCUMULATED OTHER COMPREHENSIVE LOSS	(1,477)	(694)
ACCUMULATED DEFICIT	<u>(17,320)</u>	<u>(30,106)</u>
Total stockholders' equity	<u>103,761</u>	<u>85,844</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$111,719</u>	<u>\$ 89,209</u>

The accompanying notes are an integral part of these consolidated financial statements.

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Exodus Movement, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except per share amounts)

	Years Ended December 31,	
	2023	2022
OPERATING REVENUES	\$56,185	\$ 50,606
COST OF REVENUES	<u>30,517</u>	<u>28,677</u>
GROSS PROFIT	<u>25,668</u>	<u>21,929</u>
OPERATING EXPENSES		
General and administrative	18,505	28,086
(Gain) impairment on digital assets, net	(1,431)	18,308
Impairment on investments	<u>207</u>	<u>500</u>
Total operating expenses	<u>17,281</u>	<u>46,894</u>
Income (loss) from operations	<u>8,387</u>	<u>(24,965)</u>
OTHER INCOME		
Staking rewards	72	151
Unrealized gain on investments	248	295
Interest income	<u>2,174</u>	<u>427</u>
Total other income	<u>2,494</u>	<u>873</u>
Income (loss) before income taxes	10,881	(24,092)
INCOME TAX BENEFIT	<u>1,905</u>	<u>946</u>
NET INCOME (LOSS)	<u>\$12,786</u>	<u>\$(23,146)</u>
OTHER COMPREHENSIVE (LOSS) INCOME		
Foreign currency translation adjustment	<u>(783)</u>	<u>94</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$12,003</u>	<u>\$(23,052)</u>
Net income (loss) per share		
Basic - Class A	\$ 0.50	\$ (0.89)
Diluted - Class A	\$ 0.41	\$ (0.89)
Basic - Class B	\$ 0.50	\$ (0.89)
Diluted - Class B	\$ 0.41	\$ (0.89)
Weighted average shares outstanding		
Basic - Class A	3,909	3,216
Diluted - Class A	7,185	3,216
Basic - Class B	21,797	22,826
Diluted - Class B	23,976	22,826

The accompanying notes are an integral part of these consolidated financial statements.

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Exodus Movement, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
(In thousands)

	Class A Shares	Class B Shares	Additional Paid In Capital	Accumulated Other Comprehensive Loss	(Accumulated Deficit) Retained Earnings	Total Stockholders' Equity
December 31, 2021	2,730	22,510	\$111,705	\$ (788)	\$ (6,960)	\$103,957
Stock based compensation	—	—	5,205	—	—	5,205
Exercised options, net of options withheld for taxes and strike price	—	7	18	—	—	18
Shares repurchased and cancelled	(2)	—	(20)	—	—	(20)
Issuance of Common Stock upon settlement of RSUs, net of shares withheld for taxes	97	—	(264)	—	—	(264)
Conversion of Class B to Class A, as elected by shareholders	719	(719)	—	—	—	—
Foreign currency translation adjustment	—	—	—	94	—	94
Net loss	—	—	—	—	(23,146)	(23,146)
December 31, 2022	<u>3,544</u>	<u>21,798</u>	<u>\$116,644</u>	<u>\$ (694)</u>	<u>\$(30,106)</u>	<u>\$ 85,844</u>
Stock based compensation	—	—	6,576	—	—	6,576
Exercised options, net of options withheld for taxes	—	13	33	—	—	33
Issuance of Common Stock upon settlement of RSUs, net of shares withheld for taxes	725	—	(695)	—	—	(695)
Conversion of Class B to Class A, as elected by shareholders	51	(51)	—	—	—	—
Foreign currency translation adjustment	—	—	—	(783)	—	(783)
Net income	—	—	—	—	12,786	12,786
December 31, 2023	<u>4,320</u>	<u>21,760</u>	<u>\$122,558</u>	<u>\$(1,477)</u>	<u>\$(17,320)</u>	<u>\$103,761</u>

The accompanying notes are an integral part of these consolidated financial statements.

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Exodus Movement, Inc. and Subsidiaries
Consolidated Statements of Cash Flow
(In thousands)

	Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 12,786	\$(23,146)
Adjustments to reconcile net income (loss) to		
Net cash provided by operating activities		
Depreciation and amortization	4,570	3,460
Deferred tax benefit	(5,197)	(1,595)
Gain on settlement of digital assets	(5,047)	(3,356)
Impairment of digital assets	3,616	21,664
Impairment on assets	207	500
Non-cash revenue - related party	—	(135)
Accrued interest income	(1,476)	—
Unrealized gain on investments	(248)	(295)
Stock-based compensation	5,784	4,133
Other operating activities settled in digital assets and USDC ⁽¹⁾	(17,241)	39,833
Change in operating assets and liabilities:		
Prepaid expenses	1,491	4,914
Other current assets	72	161
Other assets	—	(248)
Accounts payable	471	(1,378)
Other current liabilities	859	(458)
Other long-term liabilities	45	366
Net cash provided by operating activities	<u>692</u>	<u>44,420</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(67)	(324)
Purchase of treasury bills	(83,909)	(35,935)
Redemption of investments	249	—
Redemption of treasury bills	<u>74,599</u>	<u>4,200</u>
Net cash used in investing activities	<u>(9,128)</u>	<u>(32,059)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of shares repurchased and cancelled	—	(20)
Proceeds from note receivable	—	3,038
Repurchase of shares to pay employee withholding taxes	(715)	(264)
Exercise of stock options	<u>33</u>	<u>4</u>
Net cash (used in) provided by financing activities	<u>(682)</u>	<u>2,758</u>
Change in cash and cash equivalents	(9,118)	15,119
Cash and cash equivalents at beginning of period	<u>20,494</u>	<u>5,375</u>
Cash and cash equivalents at end of period	<u>\$ 11,376</u>	<u>\$ 20,494</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Non-cash stock options exercised - USDC	\$ —	\$ 2
Non-cash stock options exercised	\$ —	\$ 12
Non-cash issuance of stock	\$ 20	\$ —
Non-cash capitalized software costs settled in digital assets (including stock-based compensation of \$792 and \$1,072, respectively)	\$ (4,742)	\$ (6,714)
Non-cash purchase of fixed assets	\$ (21)	\$ (67)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for income taxes	\$ (2,371)	\$ (690)

(1) See Note 6, "Intangible Assets".

The accompanying notes are an integral part of these consolidated financial statements.

Exodus Movement, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1—Nature of Business

Exodus Movement, Inc. (“Exodus” or “the Company” or “we”) was incorporated in Delaware in July 2016. The Company operates in the FinTech subsector of the greater blockchain and digital asset industry. The Company has developed an un-hosted self-custodial digital asset wallet on the Exodus Platform and contracts with third parties to provide various services to users that utilize the Company’s wallet through the platform.

Note 2—Summary of Significant Accounting Policies

Basis of Presentation

The Company prepares its consolidated financial statements in conformity with U.S. GAAP. In the opinion of management, all adjustments necessary in order to make the consolidated financial statements not misleading have been included.

Use of Estimates

The preparation of these consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Actual results could differ materially from those estimates. Significant estimates inherent in the preparation of the consolidated financial statements include depreciation, the recoverability of long-lived assets, useful lives and impairment of long-lived tangible and intangible assets, valuation of stock-based compensation, reserves for litigation and other contingencies and accounting for income taxes, among others.

Principles for Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Correction of Previously Issued Financial Statements

Subsequent to the issuance of the Company's consolidated financial statements as of and for the year ended December 31, 2023 and 2022, the Company identified an error in the calculation of earnings per share due to the undistributed earnings not being appropriately allocated to each class of common shares and an error in the disclosure of operating activities settled in digital assets and USDC in Note 6. The effects of the corrections on the current and prior periods are included below.

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Originally Reported	Adjustment	As Corrected	Originally Reported	Adjustment	As Corrected
Basic net income (loss) per share - Class A	\$3.27	\$(2.77)	\$0.50	\$(7.20)	\$6.31	\$(0.89)
Basic net income (loss) per share - Class B	\$0.59	\$(0.09)	\$0.50	\$(1.01)	\$0.12	\$(0.89)
Diluted net income (loss) per share - Class A	\$1.78	\$(1.37)	\$0.41	\$(7.20)	\$6.31	\$(0.89)
Diluted net income (loss) per share - Class B	\$0.53	\$(0.12)	\$0.41	\$(1.01)	\$0.12	\$(0.89)

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Originally Reported	Adjustment	As Corrected	Originally Reported	Adjustment	As Corrected
Digital assets expense	38,241	(17,766)	20,475	58,772	(37,524)	21,248
Conversion of digital assets and USDC to cash	—	17,766	17,766	30,000	37,524	67,524

The Company also identified certain other prior period errors that have been corrected in the current year. Specifically, the Other current liabilities footnote (Note 8) has been restated to reflect income taxes payable of \$113 compared to \$31 as previously reported, resulting in total Other current liabilities as of December 31, 2022 of \$2,389 compared to \$2,307 as previously reported. Related to that correction, the change in Other current liabilities in the

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statement of cash flows has been restated to show a change of (\$458) compared to (\$540) as previously reported. The Company has also corrected the footing of the effective tax rate reconciliation in Note 10 to reflect a total effective income tax rate of 3.8% compared to 4.3% as previously reported. We have evaluated the materiality of these errors based on an analysis of quantitative and qualitative factors and concluded they were not material to the prior period financial statements, individually or in aggregate.

Foreign Currency Translation

Assets and liabilities of international subsidiaries whose functional currency is the local currency are translated at the rate of exchange in effect on the consolidated balance sheet date; income and expenses are translated at the average exchange rates prevailing during the period. The effects of these translation adjustments are presented in the consolidated statements of stockholders' equity and in the consolidated statements of operations and comprehensive income (loss). Fluctuations in the Company's functional currency from our net investment in the Company's subsidiaries expose us to foreign currency translation risk, where changes in foreign currency exchange rates may adversely affect our results of operations upon translation into U.S. Dollars.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market mutual funds and treasury bills with an original maturity of three months or less.

U.S. Dollar Coin

U.S. Dollar Coin ("USDC") is a stablecoin digital asset that is backed by U.S. dollars or other liquid assets and accounted for as a financial instrument. USDC can be redeemed for one U.S. Dollar.

Restricted USDC

Restricted USDC consists of customer advances related to unfulfilled performance obligations. As of December 31, 2023, \$0.5 million was included in restricted USDC related to certain performance obligations that were paid in advance. Please see Note 2, "Summary of Significant Accounting Policies, Revenue Recognition" for more details.

Concentration of Credit Risk

The Company maintains its cash and cash equivalents in checking accounts, various investment grade institutional money market accounts, bank term deposits and licensed digital asset exchanges. Deposited funds held with financial institutions may exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation ("FDIC"). Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit. The Company has not experienced any losses on funds deposited to these accounts and, therefore, does not believe it is exposed to any significant credit risk with respect to these accounts. The Company also holds cash at digital asset trading venues and performs a regular assessment of these trading venues as part of its risk management process.

Operating revenue from major API providers exceeding 10% of the total operating revenues for the years ended December 31, 2023 and 2022 were as follows (in thousands):

	December 31, 2023	December 31, 2022
Exchange revenue:		
Company A	\$11,455	\$ 9,782
Company B	10,503	12,585
Company C	9,251	6,965
Company D	8,561	7,738
Company E	7,467	6,773

Accounts Receivable

The Company records accounts receivable at the invoiced amount. The Company applies ASC 326-20, Financial Instruments – Credit Losses, to record an allowance for doubtful accounts for receivables based on expected credit losses. In determining expected credit losses, the Company considers historical loss experience, the aging of its

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receivable balance, and the term between invoicing and when payment is due. Any accounts receivable balance shall be charged off in the period in which trade receivables are deemed uncollectible. Recoveries of trade receivables previously charged off shall be recorded when received. There have been no receivables charged off for the periods presented.

Balance January 1, 2022	\$ 2,684
Sales	50,471
Receipts	<u>(51,667)</u>
Balance December 31, 2022	<u>\$ 1,488</u>
Sales	56,185
Receipts	<u>\$(54,433)</u>
Balance December 31, 2023	<u>3,240</u>

Segment Reporting

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Executive Officer, also known as the Chief Operating Decision Maker (the “CODM”) in deciding how to allocate resources to an individual segment and in assessing performance. The CODM reviews financial information presented on a global consolidated basis for purposes of making operating decisions, allocating resources and evaluating financial performance. As such, the Company has determined that it operates as one operating segment and one reportable segment.

Fixed Assets

Fixed assets are recorded at cost and are depreciated on a straight-line basis over the estimated useful lives of the respective assets, which are three years for equipment and furniture and eight years for vehicles. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized and depreciated.

Digital Assets

Digital assets are recorded at cost less impairment and are classified as intangible assets with indefinite useful lives. These intangible assets with indefinite useful lives are not amortized but assessed for impairment daily. Impairment exists when the carrying amount exceeds its fair value. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted.

Software Development Cost

The Company applies ASC 985-20, Software-Costs of Software to Be Sold, Leased, or Marketed, in analyzing the Company’s software development costs. ASC 985-20 requires the capitalization of certain software development costs subsequent to the establishment of technological feasibility for a software product in development. Software development costs associated with establishing technological feasibility are expensed as incurred.

We apply ASC 350-40, Intangibles—Goodwill and Other—Internal Use Software, in the review of certain system projects. These system projects generally relate to software not hosted on our users’ systems (as defined in ASC 350-40), where the user has no access to source code, and it is infeasible for the user to operate the software themselves without Exodus servers in place. In these reviews, all costs incurred during the preliminary project planning stages are expensed as incurred.

Indefinite-Lived Assets

The Company applies ASC 350-30, Intangibles-Goodwill and Other, General Intangibles Other Than Goodwill, in analyzing the Company’s indefinite-lived assets. Indefinite-lived assets, primarily the Company’s domain name and trademark, are not amortized but are evaluated annually for impairment and whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed its fair value. If the carrying value of an indefinite-lived asset exceeds its fair value, an impairment charge is recognized in an amount equal to that excess.

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Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are not observable.

Prices may fall within Level 1, 2 or 3 depending upon the methodology and inputs used to estimate fair value for each specific security. In general, securities are priced using third-party pricing services. Securities not priced by pricing services are submitted to independent brokers for valuation and, if those are not available, internally developed pricing models are used to value assets using a methodology and inputs that market participants presumably would use to value the assets. Prices obtained from third-party pricing services or brokers are not adjusted.

Revenue Recognition

The Company applies the provisions of ASC Topic 606, Revenue from Contracts with Customers (“Topic 606”), to determine the measurement of revenue and the timing of when it is recognized. Under ASC 606, revenue is measured as the amount of consideration we expect to be entitled to, in exchange for transferring products or providing services to our customers and is recognized when performance obligations under the terms of contracts with our customers are satisfied. ASC 606 prescribes a five-step model for recognizing revenue from contracts with customers: (1) identify contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the separate performance obligations in the contract; and (5) recognize revenue when (or as) each performance obligation is satisfied. Our primary customers are API Providers who pay for access to the Exodus Platform.

There are two main types of contracts with API Providers, transaction based and subscription-based. Our performance obligation in both of these types of contracts is to provide the API Providers access to the Exodus Platform and its users via the API integration. For transaction based contracts, we evaluate the performance of the API services and recognize revenue on a daily basis as the transaction is completed. Exodus recognizes revenue at that point in time because Exodus has a present right to payment for the asset by application of the output method.

We evaluate the performance of the API services and recognize revenue on the associated subscription-based contracts monthly. Once the performance obligation is met, the user simultaneously receives the benefits and Exodus continues to recognize revenue over time based on the aggregate performance obligation during the period by application of the output method. However, these contracts have termination for convenience clauses that are under one month, so we do not consider these agreements to be recurring or to provide monthly recurring revenue.

Exchange Aggregation, Fiat Onboarding, and Staking Revenue Earned Through an API Provider

The Company recognizes various amounts charged to API providers which are based on user interactions conducted through APIs as revenue. Currently, the Company has API agreements with providers of digital asset-to-digital asset exchanges, fiat-to-digital asset conversions, and digital asset staking. Under the terms and conditions of the agreements, the Company and the providers have integrated the APIs into the Exodus Platform. In consideration for the integration by the Company of the APIs into the Exodus Platform software, API providers pay us an API fee for certain user interactions with the API provider. These interactions are typically transactions of services between provider and a user, effected through the API.

Exchange Aggregation—For transaction-based API fees, there is a transaction price per interaction between the provider and the user. Exchange interactions (from API to the Company to permit the exchange to be incorporated into our wallet, solely with respect to users of the Exodus wallet) generate API fees. The Company receives from the provider a set percentage, per the contract, of the fees charged by the provider to the user. Payment for the performance obligation is transaction based and when the API interaction is complete, the performance obligation is satisfied, and revenue is recognized. With the majority of our revenue being transaction based, our revenue can vary

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significantly based on the volume of interactions that occur each day. The performance obligations are such that the Company allows the API providers to provide software services which permit a user of Exodus's un-hosted self-custodial digital asset software wallet to exchange one digital asset for another digital asset (the "Exchange Services"). The API providers supply an application program interface to permit the Exchange Services to be integrated into the un-hosted self-custodial wallet software (the "Exchange API"). Under the terms and conditions of the agreements, the Company and the Exchange API providers have integrated the Exchange APIs into the Exodus wallet.

The Company has concluded that the contracts do not contain any significant financing components, as either the period between receipt of the funds and the satisfaction of performance obligations is largely within one year, or much of the transaction consideration is variable as the consideration is within the control of the user when they decide to interact with the exchanges, and is not substantially within the control of the parties to the contract. Substantially all of the contracts call for payment to be made in digital assets or USDC and have payment terms that are less than 30 days. The Company measures the value of noncash consideration when payment is received and allocates any difference between the transaction price and the value of noncash consideration received to revenue.

Fiat onboarding—Fiat on-ramps, powered by API providers such as Ramp Network, facilitate an effortless exchange for users to buy digital assets with fiat currency through bank transfer, credit or debit card and Apple Pay. Users can sell digital assets for fiat currency and transfer to their bank account utilizing our off-ramp, which is currently powered by an API provider called MoonPay. Exodus receives an API integration fee from our third-party providers based on volume of currency exchanged.

Staking revenue earned through an API provider—By participating in blockchain validation through our third-party API provider, Everstake, users are able to earn rewards by staking supported digital assets held in their Exodus wallets. According to the design of the underlying network staking protocols, the holder determines the amount of digital assets to stake, retains full control and ownership of the digital assets and can unstake them at any time. Users of the Exodus Platform are able to access the Staking app within the Exodus Platform and delegate certain digital assets to participate in staking and receive the resulting rewards. Exodus receives an API integration fee from Everstake equal to a percentage of the staking rewards earned by the user. Staking revenue earned through an API provider is recognized when earned.

Consulting and Other Revenue Earned by Exodus or Through an API Provider

Consulting and other—The Company recognizes revenue from the provision of consulting and other services. During September 2023, the Company received a customer advance related to unfulfilled performance obligations for a software development contract totaling \$1.0 million, which was recognized as a contract liability. As of December 31, 2023 the Company had a contract liability balance of \$0.7 million, which is expected to be fully recognized in one year or less. As of December 31, 2022, the Company had no contract liability balance.

Management judgment is required in determining whether the Company is the principal or the agent for the purposes of ASU 606 in transactions between customer and user. The Company evaluates the transactions based on whether it controls the digital asset provided before it is transferred to the users or whether it acts as an agent by arranging for other customers to provide the digital asset to the customer. The Company does not control the digital asset being provided before it is transferred to the buyer, does not have inventory risk related to the digital asset, and is not responsible for the fulfillment of the digital asset. The Company also does not set the price for the digital asset. The Company's API Provider agreements and user Terms of Service along with the self-custodial nature of the product clarify that the responsibility for transactions flowing through the APIs are exclusively the responsibility of the API Provider and the user. The Company has determined that for its transaction based contracts it is an agent solely for the purposes of ASU 606.

Stock-based Compensation

Under the Company's stock-based compensation plans, certain employees, members of the Company's board of directors and its consultants have received grants of restricted stock units ("RSUs") and stock options for Exodus Movement Class A and Class B common stock.

The Company accounts for RSUs as equity classified awards. For RSUs, the expense is based on the grant date fair value of the stock and the number of shares that vest, recognized over the service period.

Options Valuation - The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The cost is recognized over the period during

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which the employee is required to provide service in exchange for the award. We calculate the fair value of stock-based compensation awards granted to employees and non-employees using the Black-Scholes option-pricing method.

The material factors incorporated in the Black-Scholes model in estimating the fair value of the options granted for the periods presented were as follows:

- *Expected dividend yield.* The expected dividend is assumed to be zero as we have never paid dividends and have no current plans to pay any dividends on our common stock.
- *Expected stock-price volatility.* The expected volatility is derived from the average historical volatilities of publicly traded companies within our industry that we consider to be comparable over a period approximately equal to the expected term.
- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term.
- *Expected term.* The expected term represents the period that the stock-based awards are expected to be outstanding. Our historical share option exercise experience does not provide a reasonable basis upon which to estimate an expected term because of a lack of sufficient data. Therefore, we estimate the expected term by using the simplified method provided by the SEC. The simplified method calculates the expected term as the average of the time-to-vesting and the contractual life of the options.
- *Fair value per share.* The fair value per share is the fair price or theoretical value for a call or a put option based on six variables such as volatility, type of option, underlying stock price, time, strike price and risk-free rate.

Income Taxes

The Company applies the provisions of ASC Topic 740, *Income Taxes*, (“Topic 740”). Under Topic 740, deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and tax bases of assets and liabilities and are measured using the enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized in the statement of operations in the period that includes the enactment date. The Company records valuation allowances to reduce its deferred tax assets to the amount that is more likely than not to be realized.

In accordance with Topic 740, the Company recognizes, in its consolidated financial statements, the impact of the Company's tax positions that are more likely than not to be sustained upon examination. The Company will determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the Company presumes that the position will be examined by the appropriate taxing authority with full knowledge of all relevant information. Upon determination that a tax position meets the more-likely-than-not recognition threshold, it is measured to determine the amount of benefit to recognize in the financial statements. The Company recognizes interest and penalties for uncertain tax positions in income tax expense.

Earnings Per Share

The Company computes net income (loss) per share using the two-class method required for participating securities. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company's Class A and Class B common stock were deemed participating securities.

Basic net income (loss) per share is computed using the weighted-average number of outstanding shares of common stock during the period. Diluted net income (loss) per share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, potential shares of common stock outstanding during the period. Potential shares of common stock consist of incremental shares issuable upon the exercise of stock options and vesting of RSUs.

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Recent Accounting Pronouncements

Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standard Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures”, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance is to be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. This guidance only impacts footnote disclosures and will not impact our consolidated financial statements.

Improvements to Crypto Assets Disclosures

On December 13, 2023, the FASB issued ASU 2023-08, “Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60: Accounting for and Disclosure of Crypto Assets)”, which addresses the accounting and disclosure requirements for certain crypto assets. The amendments in this update require that a registrant measure certain crypto assets at fair value, which are to be presented separately from other intangible assets in the statement of financial position each reporting period. Gains and losses from the remeasurement of crypto assets shall be included in net income and presented separately from changes in the carrying amount of other intangible assets. The amendments also require that a registrant provide enhanced disclosures for both annual and interim reporting periods. For each significant crypto asset holding, a registrant shall disclose the name of the crypto asset, cost basis, fair value and number of units held. The aggregated cost basis and fair values of the crypto asset holdings that are not individually significant shall also be disclosed. At annual reporting periods, a registrant shall disclose both the method used to determine its cost basis for computing gains and losses and the line item in which gains and losses are reported in the income statement, if not already presented separately. The new standard allows for the registrant to utilize first-in first-out, specific identification or average cost to determine its cost basis for computing gains and losses. At annual reporting periods, a registrant shall also provide a reconciliation, in the aggregate, of activity from the opening to the closing balances of crypto assets, separately disclosing changes during the period attributable to additions, dispositions and net gains or net losses included in net income for the period, determined on a crypto-asset-by-crypto-asset basis. A description of the nature of activities set forth in the reconciliation shall also be included. The amendments in this update are effective for fiscal years beginning after December 15, 2024 and require a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the annual reporting period in which an entity adopts the amendments. The Company has not adopted the new standard as of December 31, 2023. As of the date of this General Form for Registration of Securities on Form 10 (“this Report”), the Company is in the process of assessing the adoption of the new standard and potential impact to the financial statements.

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”), which modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (3) income tax expense or benefit from continuing operations (separated by federal, state and foreign). ASU 2023-09 also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. The guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. ASU 2023-09 should be applied on a prospective basis, but retrospective application is permitted. This guidance only impacts footnote disclosures and will not impact our consolidated financial statements.

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The following table presents the Company's operating revenues disaggregated by geography, based on the addresses of the Company's API providers (in thousands, except percentages):

	Years Ended December 31,			
	2023		2022	
Republic of the Marshall Islands	\$17,812	31.7%	\$14,703	29.1%
Hong Kong	11,592	20.6	11,369	22.5
British Virgin Islands	11,181	19.9	9,468	18.7
Seychelles	10,521	18.7	12,791	25.3
Other ⁽¹⁾	<u>5,079</u>	<u>9.1</u>	<u>2,275</u>	<u>4.4</u>
Operating revenues	<u>\$56,185</u>	<u>100%</u>	<u>\$50,606</u>	<u>100.0%</u>

(1) No other individual country accounted for more than 10% of total revenue.

The following table presents the Company's operating revenues disaggregated by products and services (in thousands, except percentages):

	Years Ended December 31,			
	2023		2022	
Exchange aggregation	\$52,521	93.5%	\$49,180	97.2%
Fiat onboarding	2,381	4.2	584	1.2
Staking revenue earned through an API provider	881	1.6	697	1.4
Consulting	307	0.5	25	—
Other ⁽¹⁾	95	0.2	98	0.2
Gaming	—	—	22	—
Operating revenues	<u>\$56,185</u>	<u>100.0%</u>	<u>\$50,606</u>	<u>100.0%</u>

(1) For the year ended December 31, 2023, there were no related party revenues included in other revenues. For the year ended December 31, 2022 there was \$0.1 million of related party revenues included in other revenues. See Note 14, "Related Party".

Note 4—Prepaid Expenses

The Company prepays certain expenses due to the nature of the service provided or to capture certain discounts. The table below shows a breakout of these prepaid expenses for the periods presented (in thousands):

	December 31, 2023	December 31, 2022
Accounting, consulting, and legal services	\$ 688	\$ 39
Prepaid cloud services	413	2,154
Prepaid software	281	559
Prepaid insurance	<u>58</u>	<u>—</u>
Prepaid expenses	<u>\$1,440</u>	<u>\$2,752</u>

Note 5—Fixed Assets, Net

Fixed assets, net, consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Computer equipment	\$ 870	\$1,049
Vehicles	256	256
Furniture and fixtures	<u>21</u>	<u>18</u>
Fixed assets, gross	1,147	1,323
Less: accumulated depreciation	<u>(830)</u>	<u>(706)</u>
Fixed assets, net	<u>\$ 317</u>	<u>\$ 617</u>

Depreciation expense was \$0.4 million for both of the years ended December 31, 2023 and 2022.

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Note 6—Intangible Assets

Indefinite-lived Assets

The Company performed its annual impairment test of indefinite-lived assets as of December 31 and determined that no impairment existed for the Company's domain name for the year ended December 31, 2023. For the year ended December 31, 2022 there was \$0.1 million of impairment related to the Exodus Instagram handle.

Indefinite-lived assets consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Domain name	<u>\$1,945</u>	<u>\$1,945</u>
Indefinite-lived assets	<u>\$1,945</u>	<u>\$1,945</u>

Digital Assets

The Company uses Bitcoin and other digital assets in the ordinary course of its business and includes them as digital assets on the consolidated balance sheets. The Company considers these digital assets to be intangible assets with indefinite useful lives and records them at cost less impairment. These assets are subject to impairment losses if the fair value of digital assets decreases below the carrying value at any time during the period. The fair value is measured using the quoted price of the digital asset at the time its fair value is being measured in the Company's principal market. The Company tracks its digital assets on a first in, first out basis and evaluates holdings for impairment daily based on the lowest price since acquisition. Realized gains or losses on digital asset transactions are calculated as the difference between the value of the price sold compared to the impaired cost.

For the year ended December 31, 2023 and 2022, the Company recorded a gain on settlement of digital assets of \$5.0 million and \$3.4 million, respectively. For the year ended December 31, 2023 and 2022, the Company recorded impairment on digital assets of \$3.6 million and \$21.7 million, respectively.

The following table sets forth by level, within the fair value hierarchy, the Company's digital assets measured and recorded at fair value on a recurring basis (in thousands, except units):

	Units	Carrying Value	Quoted Prices Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
December 31, 2023					
Bitcoin	1,787	\$32,262	\$75,050	\$—	\$—
Ethereum	2,538	2,022	5,739	—	—
Other digital assets	4,625,187	<u>726</u>	2,443	—	—
Digital assets, net		<u>\$35,010</u>			
December 31, 2022					
Bitcoin	1,391	\$17,549	\$22,974	\$—	\$—
Ethereum	2,538	2,022	3,031	—	—
Other digital assets	4,288,471	<u>731</u>	768	—	—
Digital assets, net		<u>\$20,302</u>			

The following table summarizes other operating activities settled in digital assets and USDC (in thousands):

	Years Ended December 31,	
	2023	2022
Accounts receivable	\$ (1,751)	\$ 1,175
Digital assets, revenue	(56,185)	(50,471)
Digital assets, expenses	20,475	21,248
Conversion of digital assets and USDC to cash	17,766	67,524
Payroll liabilities	2,510	263
Deferred revenue	727	—
Currency translation related to digital assets	<u>(783)</u>	<u>94</u>
Other operating activities settled in digital assets and USDC	<u>\$(17,241)</u>	<u>\$ 39,833</u>

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The following table summarizes the digital asset activities as of December 31, 2023 and 2022 (in thousands, except units):

	BTC		ETH		OTHER*	
	Units	Value	Units	Value	Units	Value
December 31, 2021	1,322	\$ 30,651	2,537	\$ 3,583	3,859,574	\$ 3,524
Additions	1,469	35,749	1	2	737,526	1,176
Disposals	(1,400)	(32,209)	—	—	(308,629)	(434)
Impairment	—	(16,566)	—	(1,563)	—	(3,535)
Currency translation adjustment	—	(77)	—	—	—	—
December 31, 2022	<u>1,391</u>	<u>\$ 17,549</u>	<u>2,538</u>	<u>\$ 2,022</u>	<u>4,288,471</u>	<u>\$ 731</u>
Additions	1,293	30,561	—	—	654,648	1,073
Disposals	(897)	(12,936)	—	—	(317,932)	(712)
Impairment	—	(3,250)	—	—	—	(366)
Currency translation adjustment	—	339	—	—	—	—
December 31, 2023	<u>1,787</u>	<u>\$ 32,262</u>	<u>2,538</u>	<u>\$ 2,022</u>	<u>4,625,187</u>	<u>\$ 726</u>

* all digital assets included in Other were less than 5% of the total ending balance for both periods presented

Note 7—Software Assets, Net

Software assets, net, consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Internal use software, gross	\$16,208	\$11,640
Less: accumulated amortization	(8,157)	(4,150)
Software assets, net	<u>\$ 8,051</u>	<u>\$ 7,490</u>

The following summarizes the future amortization expense for each of the periods ending December 31 (in thousands):

2024	\$4,584
2025	2,628
2026	<u>839</u>
Total	<u>\$8,051</u>

Amortization expense was \$4.2 million and \$3.1 million for the year ended December 31, 2023 and 2022, respectively.

Note 8—Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Payroll liabilities	\$4,770	\$2,259
Income taxes payable	988	113
Deferred revenue ⁽¹⁾	727	—
Consulting liabilities	—	17
Other current liabilities	<u>\$6,485</u>	<u>\$2,389</u>

(1) See Note 2, “Summary of Significant Accounting Policies”

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Note 9—Stockholders' Equity

The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion rights. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to ten votes per share and is convertible into one share of Class A common stock.

In November 2021, the Company authorized a share repurchase program. The plan provides \$2.0 million towards redemption of its outstanding shares of Class A common stock at a price up to \$55.00 per share. As of December 31, 2022, the Company has cumulatively repurchased and cancelled 4,778 shares worth \$0.1 million on the consolidated financial statements. During the fourth quarter of 2022, the Executive Officers repurchased 308 shares. The share repurchase program expired as of December 31, 2022.

Stock-Based Compensation

Options and Equity Grants Issued

The 2019 Equity Incentive Plan adopted in September 2019 (the "2019 Plan") permitted the Company to grant non-statutory stock options, incentive stock options and other equity awards to Exodus team members, directors and consultants. The exercise price for options issued under the 2019 Plan is determined by the board of directors, but will be (i) in the case of an incentive stock option granted to an employee or consultant who owns stock representing more than 10% of the voting power of all classes of stock of Exodus, no less than 110% of the fair market value per share on the date of grant; or (ii) granted to any other employee or consultant, no less than 100% of the fair market value per share on the date of grant. The contractual life for all options issued under the 2019 Plan is 10 years. The 2019 Plan authorized grants to issue up to 3,000,000 options (prior to the 2021 Equity incentive Plan (the "2021 Plan")) that are convertible into shares of authorized but unissued Class B common stock. Upon Class B common stock exercised during the period, 2,156,632 are authorized as of December 31, 2023.

In August 2021, the Company adopted its 2021 Employee Equity Redemption Plan. The plan paid \$3.0 million in USDC to redeem and cancel vested options at a price equal to \$27.42 per share, the price at which shares of Class A common stock of the Company were sold pursuant to the Regulation A Offering.

In August 2021, the Company also adopted the 2021 Plan. The 2021 Plan permits the Company to grant non-statutory stock options, performance stock options and other equity awards, such as restricted stock awards, to Exodus team members, directors and consultants. The exercise price for options issued under the 2021 Plan is determined by the board of directors, but will be (i) in the case of an incentive stock option granted to an employee who owns stock representing more than 10% of the voting power of all classes of stock of Exodus, no less than 110% of the fair market value per share on the date of grant; or (ii) granted to any other employee or consultant, no less than 100% of the fair market value per share on the date of grant. The contractual life for all options issued under the 2021 Plan is 10 years. The 2021 Plan initially authorized grants to issue up to 2,780,000 awards that are convertible into shares of authorized but unissued Class A common stock. Pursuant to the 2021 Plan's Evergreen Increase, the Company increased our share pool by 5% of our total shares of capital stock. In 2023 and 2022, the total shares of our Class A common stock reserved for issuance increased by 1,875,000 for both periods for a total of 6,530,000 shares under the 2021 Plan. As of December 31, 2023, 2,797,071 RSUs have been authorized and outstanding with a fair value of \$7.0 million and 139 RSUs are vested but not yet issued. We calculate the fair value of RSUs granted to employees, directors and consultants using the intrinsic value method.

Upon the approval of the 2021 Plan, the Company can no longer grant non-statutory stock options, incentives stock options or other equity awards to Exodus employees, directors or consultants under the 2019 Plan.

Terms of our share-based compensation are governed by the plan in which options were issued.

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The following table summarizes stock option activities for the years ended December 31, 2023 and 2022:

	Options	Weighted Average Exercise Price
Outstanding as of December 31, 2021	2,265,725	\$2.40
Exercised	(7,174)	2.46
Forfeited	<u>(67,572)</u>	<u>2.43</u>
Outstanding as of December 31, 2022	2,190,979	2.40
Exercised	(13,802)	2.39
Forfeited	<u>(20,545)</u>	<u>2.51</u>
Outstanding as of December 31, 2023	<u>2,156,632</u>	<u>2.40</u>
Vested and exercisable as of December 31, 2023	<u>2,137,102</u>	<u>\$2.40</u>

We recognized stock-based compensation related to options and RSUs of \$6.6 million and \$5.2 million for the years ended December 31, 2023 and 2022, respectively. Stock-based compensation is recorded on the Company's consolidated statement of operations and comprehensive income (loss) as follows (in thousands):

	Years Ended December 31,	
	2023	2022
Cost of revenues	\$2,824	\$2,290
General and administrative	<u>3,752</u>	<u>2,915</u>
Stock-based compensation	<u>\$6,576</u>	<u>\$5,205</u>

Note 10—Income Taxes

The current and deferred tax components of the income tax provision for the years ended December 31, 2023 and 2022, are as follows (in thousands):

	Years Ended December 31,	
	2023	2022
U.S. federal		
Current	\$ 3,206	\$ 570
Deferred	(5,047)	(1,584)
Foreign		
Current	—	2
Deferred	—	(11)
State and local		
Current	86	77
Deferred	<u>(150)</u>	<u>—</u>
Income tax benefit	<u>\$ (1,905)</u>	<u>\$ (946)</u>

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The reconciliation between the statutory and effective tax rates as of December 31, 2023 and 2022, are comprised of the following:

	December 31, 2023	December 31, 2022
Federal statutory rate	21.0%	21.0%
State and local income taxes, net of federal tax benefit	0.2	—
Foreign derived intangible income deduction	(14.7)	—
Tax credits	(1.8)	0.3
Foreign Tax - net of foreign tax credit	—	(2.9)
Stock-based compensation deferred expense	5.9	—
Other	1.5	(1.3)
Cost basis variance in digital asset acquisition costs	13.5	6.0
Impact of change in rates	(0.7)	—
Change in valuation allowance	<u>(42.2)</u>	<u>(19.3)</u>
Effective tax rate for income from continuing operations	<u>(17.3)%</u>	<u>3.8%</u>

Effective Tax Rate

For the year ended December 31, 2023, the change from the effective rate was primarily due to increases related to stock-based compensation and digital asset acquisition costs offset by a decrease related to the net tax benefit from U.S. Foreign Derived Intangible Income permanent tax benefit and change in valuation allowance.

For the year ended December 31, 2022, the change from the effective rate was primarily due to an increase related to digital asset acquisition costs and a decrease due to the change in valuation allowance on deferred tax assets.

The tax effects of temporary differences and tax loss and credit carry forwards that give rise to significant portions of deferred tax assets and liabilities as of December 31, 2023 and 2022, respectively, are comprised of the following (in thousands):

	December 31, 2023	December 31, 2022
Prepaid expenses	\$ (304)	\$ (576)
Intangible assets	791	—
Other	(47)	(96)
Fixed assets	(31)	(97)
Capitalization software, net of amortization	—	(193)
Digital assets	5,050	5,953
Stock-based compensation	950	928
Unrealized loss on investment	147	92
Net operating loss carryforward	<u>206</u>	<u>206</u>
Total	6,762	6,217
Less: valuation allowance	<u>(195)</u>	<u>(4,848)</u>
Net deferred tax assets	<u>\$6,567</u>	<u>\$ 1,369</u>

Valuation Allowance

As of December 31, 2023, the Company's deferred tax assets were primarily comprised of capitalization and amortization of research and development expenses as required by the 2017 Tax Cuts and Jobs Act, deductions for stock-based compensation and basis differences in digital assets. A valuation allowance of \$0.2 million and \$4.8 million was reflected against the Company's gross deferred tax asset balance as of December 31, 2023 and December 31, 2022, respectively. For the year ended December 31, 2023 we released \$4.6 million of the Company's valuation allowance, related to the deferred tax asset for basis differences in digital assets, based on management's assessment that its deferred tax asset is more likely than not to be realized.

We make an ongoing assessment regarding the future realization of deferred tax assets. This assessment is based on the Company's evaluation of relevant evidence, including the existence deferred tax liabilities and expectations for

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future taxable income, that could affect the future realization of deferred tax assets. As of December 31, 2023, because the Company has unrealized capital gain sufficient to offset its deferred tax assets from basis differences in digital assets, management concluded that it is more likely than not that additional deferred taxes of \$4.6 million are realizable and released the valuation allowance accordingly.

For the years ended December 31, 2023, and December 31, 2022, the Company had a foreign net operating loss carryforward of \$0.2 million for both periods, which if unused will expire in year 2029. Based upon the historical cumulative income of its foreign subsidiary, management does not expect to realize the benefit of this deferred tax asset before it will expire. The Company has no material U.S. tax loss carryforwards.

For the years ended December 31, 2023 and December 31, 2022, management has established a valuation allowance of \$0.2 million and \$4.8 million, respectively, against the Company's deferred tax assets.

Open Periods

Exodus is subject to taxation in the United States and foreign jurisdictions. As of December 31, 2023, tax years for 2020, 2021 and 2022 are subject to examination by tax authorities. With limited exceptions as of December 31, 2023, Exodus is no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2020. Tax year 2019 was open as of December 31, 2022.

Uncertain Tax Positions

The changes in the total amounts of uncertain tax positions are as follows (in thousands):

	Years Ended December 31,	
	2023	2022
Balance as of January 1	\$366	\$ —
Additions for tax positions of prior years	46	366
Balance as of December 31	<u>\$412</u>	<u>\$366</u>

The liability for uncertain tax position is a component of other long-term liabilities.

As of December 31, 2023 and 2022, there are \$0.4 million for both periods, of unrecognized tax benefits that, if recognized, would affect the annual effective tax rate. The Company recognizes interest and penalties accrued related to the unrecognized tax benefits in tax expense. During the years ended December 31, 2023 and 2022, the Company recognized less than \$0.1 million in interest and penalties for both periods.

Note 11—Commitments and Contingencies

Legal Proceedings

The Company is subject to a number of claims and proceedings that generally arise in the ordinary course of business, the outcome of which cannot be predicted with certainty. The Company does not believe that the liabilities from such ordinary course claims and proceedings will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. If the Company believes the losses are probable and can be reasonably estimated, reserves will be established. For matters where a reserve has not been established, the ultimate outcome or resolution cannot be predicted at this time or the amount of ultimate loss, if any, cannot be reasonably estimated. Litigation is subject to many uncertainties and there can be no assurance as to the outcome of the individual litigated matters. It is possible that certain of the actions, claims, inquiries or proceedings could be decided unfavorably to the Company or any of its subsidiaries involved. Accordingly, it is possible that an adverse outcome from such a proceeding could exceed the amount accrued in an amount that could be material to the Company's consolidated financial condition, results of operations or cash flows in any particular reporting period.

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Note 12—Fair Value Measurements

The Company's financial assets are summarized below as of December 31, 2023 and December 31, 2022, with fair values shown according to the fair value hierarchy (in thousands):

	Carrying Value	Fair Value	Quoted Prices Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
December 31, 2023					
Money market mutual funds	\$ 8,477	\$ 8,477	\$ 8,477	—	—
Treasury bills	45,463	45,463	45,463	—	—
Security Token Group investment	<u>100</u>	(A)	—	—	—
	<u>\$54,040</u>				
December 31, 2022					
Money market mutual funds	\$10,986	\$10,986	\$10,986	—	—
Treasury bills	35,971	35,971	35,971	—	—
tZERO investment	348	348	348	—	—
Certificate of deposit	246	246	—	246	—
Security Token Group investment	<u>100</u>	(A)	—	—	—
	<u>\$47,651</u>				

(A) This investment is recorded at cost.

In August 2022, the Company began investing in held to maturity treasury bills. Discount rates ranged from 0.4% to 2.6% and 0.6% to 2.2% as of December 31, 2023 and 2022, respectively. The Company held treasury bills in other current assets in the amount of \$43.2 million and \$31.9 million as of December 31, 2023 and 2022, respectively.

Assets and Liabilities Not Measured and Recorded at Fair Value

The Company's financial instruments, including USDC, are carried at cost, which approximates their fair value. If these financial instruments were recorded at fair value, they would be based on Level 1 inputs.

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Note 13—Earnings Per Share

The following table sets forth the computation of basic and diluted net income (loss) per share of common stock (in thousands, except per share amounts):

	Years Ended December 31,	
	2023	2022
Numerator:		
Net income (loss), basic and diluted	\$12,786	\$(23,146)
Denominator:		
Basic weighted average common shares – Class A	3,909	3,216
Basic weighted average common shares – Class B	21,797	22,826
Basic net income (loss) per share:		
Basic net income (loss) per share - Class A	\$ 0.50	\$ (0.89)
Basic net income (loss) per share - Class B	\$ 0.50	\$ (0.89)
Denominator:		
Diluted weighted average common shares – Class A	7,185	3,216
Diluted weighted average common shares – Class B	23,976	22,826
Diluted net income (loss) per share:		
Diluted net income (loss) per share - Class A	\$ 0.41	\$ (0.89)
Diluted net income (loss) per share - Class B	\$ 0.41	\$ (0.89)

Diluted earnings per share includes the dilutive effect of common stock equivalents and is computed using the weighted-average number of common stock and common stock equivalents outstanding during the reporting period. Diluted earnings per share for the year ended December 31, 2022 excluded common stock equivalents because the effect of their inclusion would be anti-dilutive or would decrease the reported loss per share.

The following table sets forth securities outstanding that could potentially dilute the calculation of diluted earnings per share (in thousands):

	Year Ended December 31,
	2022
Stock options outstanding	2,222
Unvested RSUs	554
Number of anti-dilutive shares	<u>2,776</u>

Note 14—Related Party

For the years ended December 31, 2023 and 2022, related party transactions included:

Exodus signed an Application Development and Technology Agreement (the “Technology Agreement”) with tZERO Technologies, LLC (“tZERO”) in May of 2021. tZERO is a software technology company that provides its technology to tZERO Markets, LLC to enable it to provide licensed, efficient and automated securities brokerage services to its retail customers (the “tZERO Technology”). Pursuant to the Technology Agreement, Exodus integrated certain APIs of tZERO to create a tZERO application within the Exodus Platform that allows investors to open a securities brokerage account and submit orders to purchase and sell securities via the tZERO Technology.

- There was less than \$0.1 million of consulting expense for both of the years ended December 31, 2023 and 2022.
- No revenue attributable to tZERO was recorded for the year ended December 31, 2023. In December 31, 2022, \$0.1 million was settled in tZERO Preferred Shares.
- Unrealized loss on investments attributable to tZERO of \$0.1 million and unrealized gain on investments attributable to tZERO of \$0.1 million for the years ended December 31, 2023 and 2022, respectively.

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- There were no related party transactions attributable to tZERO in other investments as of December 31, 2023 and \$0.3 million as of December 31, 2022.
- The Company's relationship with tZERO ended on December 11, 2023. Upon termination, the Company paid a less than \$0.1 million off-boarding fee included in consulting expense and the investment in tZERO was fully impaired. \$0.2 million was recorded in impairment of assets for the year ended December 31, 2023.

Note 15—Subsequent Events

On April 25, 2024, the Company approved the Amended and Restated Certificate of Incorporation of the Company to increase the amount of authorized shares of Class A Common Stock, par value \$0.000001 per share to 300,000,000 shares.

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Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

The Company disclosed information responsive to this Item 14 in its Form 1-U, Item 4 filed on [January 6, 2023](#), which is hereby incorporated by reference.

Item 15. Financial Statements and Exhibits

(a) **Financial Statements**

The financial statements can be found in Item 13, “Financial Statements and Supplementary Data”, of this Report.

Consolidated Balance Sheets as of December 31, 2023 and December 31, 2022

Consolidated Statements of Operations and Comprehensive Income (Loss) for the Years Ended December 31, 2023 and 2022

Consolidated Statement of Stockholders’ Equity for the Years Ended December 31, 2023 and 2022

Consolidated Statements of Cash Flows for the Years Ended December 31, 2023 and 2022

(b) Exhibits

Exhibit Number	Description
3.1*	Amended and Restated Certificate of Incorporation of Exodus Movement, Inc.
3.2	Amended and Restated Bylaws of Exodus Movement, Inc. (incorporated by reference to Exhibit 2.2 to the Company’s Form 1-A filed April 8, 2021).
10.1†	Exodus Movement, Inc. 2019 Equity Incentive Plan of Exodus Movement, Inc. (incorporated by reference to Exhibit 6.1 to the Company’s Form 1-A filed April 8, 2021).
10.2**	Amended form of API Agreement (U.S. Crypto-to-Crypto Exchanges).
10.3	Form of API Agreement (International Crypto-to-Crypto Exchanges) (incorporated by reference to Exhibit 6.3 to the Company’s Form 1-A filed April 8, 2021).
10.4	Platform Services, Transfer Agent and Registrar Agreement, dated as of December 23, 2020, by and between Securitize LLC and Exodus Movement, Inc. (incorporated by reference to Exhibit 6.5 to the Company’s Form 1-A filed April 8, 2021).
10.5	Order Form 2, dated as of January 14, 2021, by and between Securitize LLC and Exodus Movement, Inc. (incorporated by reference to Exhibit 6.6 to the Company’s Form 1-A filed April 8, 2021).
10.6†	Exodus Movement, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 6.7 to the Company’s Form 1-K filed March 7, 2022).
10.7†**	Form of Restricted Stock Unit Award Agreement under the Exodus Movement, Inc. 2021 Equity Incentive Plan.
10.8†	Offer Letter, dated as of June 14, 2022, by and between Exodus Movement, Inc. and Matias Olivera, (incorporated by reference to Exhibit 6.11 to the Company’s Form 1-K filed May 1, 2023).
10.9†**	Director Offer Letter, dated as of August 10, 2023, by and between Exodus Movement, Inc. and Margaret Knight.
10.10†**	Director Offer Letter, dated as of January 26, 2024, by and between Exodus Movement, Inc. and Carol MacKinlay.
10.11†**	Director Offer Letter, dated as of January 24, 2024, by and between Exodus Movement, Inc. and Tyler Skelton.
16.1	Letter from WithumSmith+Brown, P.C., dated January 6, 2023 (incorporated by reference to Exhibit 9.1 to the Company’s Form 1-U filed January 9, 2023).
21**	Subsidiaries of the Registrant.

* Filed herewith.

** Indicates previously filed with our Form 10 on February 28, 2024, and incorporated by reference herein.

† Indicates a management contract or compensatory plan.

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SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the issuer has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

EXODUS MOVEMENT, INC.

Date April 30, 2024

By: /s/ James Gernetzke
James Gernetzke
Chief Financial Officer

**AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
EXODUS MOVEMENT, INC.**

Exodus Movement, Inc., a corporation organized and existing under the laws of the State of Delaware (the “**Company**”), certifies that:

1. The Company was originally incorporated under the name Exodus Movement, Inc. and the Company’s original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on July 25, 2016.

2. The Amended and Restated Certificate of Incorporation, in the form attached hereto as **Exhibit A**, which restates and integrates and also further amends the provisions of the Company’s amended and restated certificate of incorporation, as theretofore amended or supplemented (the “**Current Charter**”), was duly adopted in accordance with Sections 242 and 245 of the Delaware General Corporation Law (the “**DGCL**”), and has been duly approved by the written consent of the stockholders of the Company in accordance with Section 228 of the DGCL.

3. The Current Charter is amended and restated to read, in its entirety, as set forth in **Exhibit A** attached hereto.

IN WITNESS WHEREOF, Exodus Movement, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by its duly authorized officer on [April 26], 2024.

By: /s/Jon Paul Richardson
Jon Paul Richardson
Chief Executive Officer

Exhibit A

ARTICLE I

The name of the corporation is Exodus Movement, Inc. (the “**Company**”).

ARTICLE II

The address of the Company’s registered office in the State of Delaware is 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware, 19808. The name of the registered agent at such address is The Company Corporation.

ARTICLE III

The purpose of the Company is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law (“**DGCL**”), as the same exists or as may hereafter be amended from time to time.

ARTICLE IV

The total number of shares of capital stock the Company has authority to issue is (i) 327,500,000 of Common Stock, par value \$0.000001 per share (“**Common Stock**”), divided into two series, consisting of (a) 300,000,000 shares denominated “**Class A Common Stock**” and (b) 27,500,000 shares denominated “**Class B Common Stock**” and (ii) 5,000,000 shares of Preferred Stock, par value \$0.000001 per share (“**Preferred Stock**”).

ARTICLE V

A. COMMON STOCK

Unless otherwise indicated, references to “Sections” in this Article V, Part A refer to sections of this Article V, Part A. The terms and provisions of the Common Stock are as follows:

1. Definitions. For purposes of the Certificate of Incorporation, the following definitions shall apply:

- (a) “**Board of Directors**” shall mean the board of directors of the Company.
 - (b) “**Certificate of Incorporation**” shall mean the certificate of incorporation of the Company, as the same may be amended or supplemented from time to time.
 - (c) “**Class B Stockholder**” shall mean the initial registered holder or Permitted Transferee of any shares of Class B Common Stock that are originally issued by the Company as of the effectiveness of the Reclassification.
 - (d) “**Common Stock**” shall mean collectively, the Class A Common Stock and the Class B Common Stock.
-

(e) “**Distribution**” shall mean the transfer of cash or other property without consideration whether by way of dividend or otherwise, other than dividends on Common Stock payable in Common Stock, or the purchase or redemption of shares of the Company by the Company or its subsidiaries for cash or property other than: (i) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Company or its subsidiaries at a price no greater than colt upon termination of their employment or services pursuant to agreements providing for the right of said repurchase, (ii) repurchases of Common Stock issued to or held by employees, officers, directors or consultants of the Company or its subsidiaries pursuant to rights of first refusal contained in agreements providing for such right, (iii) repurchases of capital stock of the Company in connection with the settlement of disputes with any stockholder provided that such repurchases are approved by the Board of Directors, and (iv) any other repurchase or redemption of capital stock of the Company approved by the holders of a majority of the voting power of the Common Stock (voting together as a single class) who are then providing services to the Company as officers or employees in good standing.

(f) “**Final Conversion Date**” shall mean the first date on which the total voting power of all outstanding shares of Class B Common Stock represents less than 10% of the total voting power of the Company’s outstanding capital stock.

(g) “**Incapacity**” of a Class B Stockholder shall mean that such holder is incapable of managing his or her financial affairs under the criteria set forth in the applicable probate code or that such holder is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can reasonably be expected to result in death within twelve (12) months or which has lasted or can reasonably be expected to last for a continuous period of not less than twelve (12) months as determined by a licensed medical practitioner selected by such holder and reasonably acceptable to the Board of Directors. If such holder is incapable of selecting a licensed medical practitioner, then such holder’s spouse shall make the selection on behalf of such holder, or in the absence or incapacity of such holder’s spouse, such holder’s adult children by majority vote shall make the selection on behalf of such holder, or in the absence of adult children of such holder or their inability to act by majority vote, a natural person then acting as the successor trustee of a revocable living trust which was created by such holder and which holds more shares of all classes of capital stock of the Company than any other revocable living trust created by such holder shall make the selection of such holder, or in the absence of any such successor trustee, the legal guardian or conservator or the estate of such holder shall make the selection on behalf of such holder. In the event of a dispute regarding whether a Class B Stockholder has suffered an Incapacity, no Incapacity of such holder will be deemed to have occurred unless and until an affirmative ruling regarding such Incapacity has been made by a court of competent jurisdiction.

(h) “**Recapitalization**” shall mean any stock dividend, stock split, combination of shares, reorganization, recapitalization, reclassification (for the avoidance of doubt, other than the Reclassification) or other similar event.

(i) “**Transfer**” of a share of Class B Common Stock shall mean any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law. A “**Transfer**” shall also include, without limitation, (i) a transfer of a share of Class B Common Stock to a broker or other nominee (regardless of whether or not there is a corresponding change in beneficial ownership) and (ii) the transfer of, or entering into a binding agreement with respect to, Voting Control over a share of Class B Common Stock by proxy or otherwise; *provided, however*; that the following shall not be considered a “**Transfer**” within the meaning of this Section 1(h): (1) the grant of a proxy to officers or directors of the Company or to other persons approved by the Board of Directors at the request of the Board of Directors in connection with actions to be taken at an annual or special meeting of stockholders or pursuant to an action by stockholder written consent in lieu of a meeting; (2) entering into a support, voting, tender or similar agreement or arrangement (in each case, with or without the grant of a proxy) or consummating the actions or transactions contemplated therein if such agreement or arrangement has been approved by the Board of Directors or (3) any sale, transfer or other disposition of Class B Common Stock approved by the Board of Directors.

(j) “**Voting Control**” with respect to a share of capital stock or other equity interest, as applicable, shall mean the power (whether exclusive or shared and whether directly or indirectly) to vote or direct the voting of such share or other equity interest, as applicable, by proxy, voting agreement, or otherwise.

2. Conversion.

(a) *Voluntary Conversion.* Each one (1) share of Class B Common Stock shall be convertible into one (1) fully paid and nonassessable share of Class A Common Stock at the option of the holder thereof at any time upon notice to the Company in writing or by electronic transmission or, if the Company has a transfer agent, to the transfer agent of the Company or upon the time, or the happening of an event, specified in such notice.

(b) *Automatic Conversion Upon Transfer.* Shares of Class B Common Stock shall automatically, without any further action, convert into an equal number of fully paid and nonassessable shares of Class A Common Stock upon a Transfer of such shares; *provided, however,* that no such automatic conversion shall occur in the case of (x) a Transfer of Class B Common Stock by a Class B Stockholder or such Class B Stockholder’s Permitted Transferees to another Class B Stockholder or such Class B Stockholder’s Permitted Transferees or (y) a Transfer of Class B Common Stock by a Class B Stockholder for tax or estate-planning purposes to any of the persons or entities listed in clauses (i) through (v) below (each, a “**Permitted Transferee**” and such Transfer, a “**Permitted Transfer**”) and from any such Permitted Transferee back to such Class B Stockholder and/or any other Permitted Transferee of such original Class B Stockholder established by or for such Class B Stockholder:

(i) a trust for the benefit of (a) such Class B Stockholder or (b) persons other than the Class B Stockholder so long as, in the case of clause (b), the Class B Stockholder has sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held by such trust; *provided* such Transfer does not involve any payment of cash, securities, property or other consideration (other than an interest in such trust) to the Class B Stockholder and, *provided, further,* that in the case of clause (b), in the event such Class B Stockholder no longer has sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held by such trust, each share of Class B Common Stock then held by such trust shall automatically convert into one (1) fully paid and nonassessable share of Class A Common Stock;

(ii) a trust under the terms of which such Class B Stockholder has retained a “qualified interest” within the meaning of Section 2702(b)(1) of the Internal Revenue Code and/or a reversionary interest so long as the Class B Stockholder has sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held by such trust; *provided* such Transfer does not involve any payment of cash, securities, property or other consideration (other than an interest in such trust) to the Class B Stockholder; *provided, however,* that in the event such Class B Stockholder no longer has sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held by such trust, each share of Class B Common Stock then held by such trust shall automatically convert into one (1) fully paid and nonassessable share of Class A Common Stock;

(iii) an Individual Retirement Account, as defined in Section 408(a) of the Internal Revenue Code, or a pension, profit sharing, stock bonus or other type of plan or trust of which such Class B Stockholder is a participant or beneficiary and which satisfies the requirements for qualification under Section 401 of the Internal Revenue Code; *provided* that in each case such Class B Stockholder has sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held in such account, plan or trust, and *provided, further,* that in the event such Class B Stockholder no longer has sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held by such account, plan or trust, each share of Class B Common Stock then held by such trust shall automatically convert into one (1) fully paid and nonassessable share of Class A Common Stock;

(iv) a corporation, partnership or limited liability company in which such Class B Stockholder directly, or indirectly through one or more Permitted Transferees, owns shares, partnership interests or membership interests, as applicable, with sufficient Voting Control in the corporation, partnership or limited liability company, as applicable, or otherwise has legally enforceable rights, such that the Class B Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held by such corporation, partnership or limited liability company; *provided* such Transfer does not involve any payment of cash, securities, property or other consideration to the Class B Stockholder; *provided* that in the event such Class B Stockholder no longer owns sufficient shares, partnership interests or membership interests, as applicable, or no longer has sufficient legally enforceable rights to ensure the Class B Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held by such corporation, partnership or limited liability company, as applicable, each share of Class B Common Stock then held by such corporation, partnership or limited liability company, as applicable, shall automatically convert into one (1) fully paid and nonassessable share of Class A Common Stock; or

(v) with respect to any Class B Stockholder that is not a natural person, a parent or subsidiary of the Class B Stockholder (a “**Class B Affiliate**”); *provided* that in the event such Class B Affiliate is no longer controlled by a parent or subsidiary of the Class B Stockholder, each share of Class B Common Stock then held by such Class B Affiliate shall automatically convert into one (1) fully paid and nonassessable share of Class A Common Stock.

For the avoidance of doubt, to the extent any shares are deemed to be held by a trustee of a trust described in (i) or (ii) above, the Transfer shall be a Permitted Transfer and the trustee shall be deemed a Permitted Transferee so long as the other requirements of (i) or (ii) above, as the case may be, are otherwise satisfied.

(c) *Automatic Conversion Upon Death or Incapacity of a Class B Stockholder.* Each one (1) share of Class B Common Stock held of record by a Class B Stockholder who is a natural person, or by such Class B Stockholder’s Permitted Transferees, shall automatically, without any further action, convert into one (1) fully paid and nonassessable share of Class A Common Stock upon the death or Incapacity of such Class B Stockholder.

(d) *Automatic Conversion of all Outstanding Class B Common Stock.* Each one (1) share of Class B Common Stock shall automatically, without any further action, convert into one (1) fully paid and nonassessable share of Class A Common Stock upon the date specified by affirmative vote of the holders of a majority of the voting power of the then outstanding shares of Class B Common Stock, voting as a single class.

(e) *Automatic Conversion Upon Termination as a Service Provider.* Each one (1) share of Class B Common Stock held of record by a Class B Stockholder who is a natural person, or by such Class B Stockholder’s Permitted Transferees, shall automatically, without any further action, convert into one (1) fully paid and nonassessable share of Class A Common Stock at such time that such Class B Stockholder ceases to provide services to the Company as an officer, director, employee, or consultant.

(f) *Automatic Conversion Upon Final Conversion Date.* Each one (1) share of Class B Common Stock shall automatically, without any further action, convert into one (1) fully paid and nonassessable share of Class A Common Stock at the close of business on the Final Conversion Date.

(g) *Procedures.* The Company may, from time to time, establish such policies and procedures relating to the conversion of Class B Common Stock to Class A Common Stock and the general administration of this dual class stock structure, including the issuance of stock certificates with respect thereto, as it may deem reasonably necessary or advisable, and may from time to time request that holders of shares of Class B Common Stock furnish certifications, affidavits or other proof to the Company as it deems necessary to verify the ownership of Class B Common Stock and to confirm that a conversion to Class B Common Stock has not occurred, provided, that such policies and procedures shall not materially and adversely alter any of the rights of the stockholders under the Certificate of Incorporation.

(h) *Immediate Effect.* In the event of a conversion of shares of Class B Common Stock to shares of Class A Common Stock pursuant to this Section 2, such conversion(s) shall be deemed to have been made at the time that the Company or its transfer agent receives the notice required pursuant to Section 2(a), upon the date specified pursuant to Section 2(d), the time that the Transfer of such shares occurred, the time of the death or Incapacity of the Class B Stockholder or the time that the Class B Stockholder ceases to provide services to the Company, as applicable. Upon any conversion of Class B Common Stock to Class A Common Stock, all rights of the holder of shares of Class B Common Stock shall cease and the person or persons in whose name or names the certificate or certificates representing the shares of Class A Common Stock are to be issued, if any, shall be treated for all purposes as having become the record holder or holders of such number of shares of Class A Common Stock into which such shares of Class B Common Stock were convertible. Shares of Class B Common Stock that are converted into shares of Class A Common Stock as provided in this Section 2 shall be retired and may not be reissued.

3. Reservation of Stock Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock solely for the purpose of effecting the conversion of the shares of Class B Common Stock such number of its shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding shares of Class B Common Stock; and if at any time the number of authorized but unissued shares of Class A Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Class B Common Stock, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Class A Common Stock to such number of shares as shall be sufficient for such purpose.

4. Voting.

(a) *Class Voting.* Except as otherwise expressly provided herein or as required by law, the holders Class A Common Stock and Class B Common Stock shall vote together and not as separate classes on all matters submitted to a vote or for the consent of the stockholders of the Company.

(b) *Voting Powers.* Each holder of shares of Class A Common Stock shall be entitled to one (1) vote for each share thereof held as of the applicable record date, and each holder of shares of Class B Common Stock shall be entitled to ten (10) votes for each share thereof held as of the applicable record date on any matters submitted to a vote or for the consent of the stockholders of the Company.

(c) *Adjustment in Authorized Common Stock or Preferred Stock.* Except as otherwise may be expressly provided by the terms of any series of Preferred Stock, the number of authorized shares of Common Stock or Preferred Stock (including, for the avoidance of doubt, the authorized shares of the Class A Common Stock or the Class B Common Stock) may be increased or decreased (but not below the number of shares of Common Stock or Preferred Stock then outstanding, as applicable) by an affirmative vote of the holders of a majority of the total voting power represented by the outstanding capital stock of the Company entitled to vote thereon (voting together as a single class on an as-converted basis), and without a separate class vote by the Common Stock or Preferred Stock, irrespective of the provisions of Section 242(b)(2) of the DGCL.

5. **Identical Rights.** Except as otherwise expressly provided herein or required by applicable law, shares of Class A Common Stock and Class B Common Stock shall have the same rights and privileges and rank equally, share ratably and be identical in all respects as to all matters, including, without limitation:

(a) *Dividends and Distributions.* Shares of Class A Common Stock and Class B Common Stock shall be treated equally, identically and ratably, on a per share basis, with respect to any Distribution paid or distributed by the Company, unless different treatment of the shares of each such class is approved by the affirmative vote of the holders of a majority of the then outstanding shares of Class B Common Stock and by the affirmative vote of the holders of a majority of the then outstanding shares of Class A Common Stock, each voting separately as a class; *provided, however*; that in the event a Distribution is paid in the form of Class A Common Stock or Class B Common Stock (or rights to acquire such stock), then holders of Class A Common Stock shall receive Class A Common Stock (or rights to acquire such stock, as the case may be) and holders of Class B Common Stock shall receive Class B Common Stock (or rights to acquire such stock, as the case may be).

(b) *Subdivision or Combination or Other Recapitalization.* If the Company in any manner effects a Recapitalization, the then outstanding shares of Class A Common Stock and Class B Common Stock shall be treated equally, provided that if the Company in any manner subdivides or combines the then outstanding shares of Class A Common Stock or Class B Common Stock, the then outstanding shares of the other such class will be subdivided or combined in the same proportion and manner, unless different treatment of the shares of each such class is approved by the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of Class A Common Stock and by the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of Class B Common Stock, each voting as a separate class.

(c) *Equal Treatment in a Dissolution, Liquidation or Winding Up.* In connection with any liquidation, dissolution or winding up of the Company, shares of Class A Common Stock and Class B Common Stock shall be treated equally, identically and ratably, on a per share basis, with respect to any consideration into which such shares are converted or any consideration paid or otherwise distributed to stockholders of the Company, unless different treatment of the shares of each such class is approved by the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of Class A Common Stock and by the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of Class B Common Stock, each voting separately as a class. Any merger or consolidation of the Company with or into any other entity shall require approval by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of Class A Common Stock and by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of Class B Common Stock, each voting separately as a class, unless (i) the shares of Class A Common Stock and Class B Common Stock remain outstanding and no other consideration is received in respect thereof or (ii) such shares are converted on a pro rata basis into shares of the surviving or parent entity in such transaction having identical rights to the shares of Class A Common Stock and Class B Common Stock, respectively.

B. PREFERRED STOCK

The Preferred Stock may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board of Directors (authority to do so being hereby expressly vested in the Board of Directors). The Board of Directors is further authorized, subject to limitations prescribed by law, to fix by resolution or resolutions the designations, powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of any series of Preferred Stock, including, without limitation, authority to fix by resolution or resolutions the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and liquidation preferences of any such series, and the number of shares constituting any such series and the designation thereof, or any of the foregoing. The Board of Directors is further authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any series, subject to the powers, preferences and rights, and the qualifications, limitations and restrictions thereof stated in the Certificate of Incorporation or the resolution of the Board of Directors originally fixing the number of shares of such series. Except as may be otherwise specified by the terms of any series of Preferred Stock, if the number of shares of any series of Preferred Stock is so decreased, then the Company shall take all such steps as are necessary to cause the shares constituting such decrease to resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE VI

1. General Powers. The business and affairs of the Company shall be managed by or under the direction of the Board of Directors. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the bylaws of the Company.

2. Number of Directors; Term; Election.

(a) The number of directors that constitute the whole Board of Directors shall be fixed exclusively by resolution of the Board of Directors.

(b) Effective as of the first date on which the Class B Stockholders, collectively, cease to have Voting Control over shares representing at least a majority of the total voting power of the Company's outstanding capital stock (the "**Class B Threshold Date**"), the directors of the Company shall be divided into three classes as nearly equal in size as is practicable, hereby designated Class I, Class II, and Class III. The initial assignment of members of the Board of Directors to each such class shall be made by the Board of Directors. The term of office of the initial Class I directors shall expire at the first regularly-scheduled annual meeting of the stockholders following the Class B Threshold Date, the term of office of the initial Class II directors shall expire at the second annual meeting of the stockholders following the Class B Threshold Date and the term of office of the initial Class III directors shall expire at the third annual meeting of the stockholders following the Class B Threshold Date. At each annual meeting of stockholders, commencing with the first regularly-scheduled annual meeting of stockholders following the Class B Threshold Date, each of the successors elected to replace the directors of a class whose term shall have expired at such annual meeting shall be elected to hold office until the third annual meeting next succeeding his or her election and until his or her respective successor shall have been duly elected and qualified.

(c) Elections of directors need not be by written ballot unless otherwise provided in the bylaws of the Company.

(d) From and after the Class B Threshold Date, and subject to the rights of the holders of any one or more series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors shall be filled only by a majority vote of the directors then in office, and not by stockholders.

3. Removal. Prior to the Class B Threshold Date, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the voting power of the shares then entitled to vote at an election of directors; *provided* that, effective as of the Class B Threshold Date, stockholders may effect such removal only for cause and only by the affirmative vote of the holders of sixty-six and two-thirds percent (66 2/3%) of the voting power of the then outstanding voting securities of the Company, voting together as a single class.

ARTICLE VII

4. **Action by Written Consent of Stockholders.** Prior to the Class B Threshold Date, any action required by the DGCL to be taken at any annual or special meeting of stockholders of the Company, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Except as otherwise may be expressly provided by the terms of any series of Preferred Stock, effective as of the Class B Threshold Date, any action required or permitted to be taken by stockholders of the Company must be effected at a duly called annual or special meeting of the stockholders and may not be effected by written consent in lieu of a meeting.

5. **Special Meetings.** Except as otherwise may be expressly provided by the terms of any series of Preferred Stock, special meetings of stockholders of the Company may be called only by the Board of Directors, the chairperson of the Board of Directors, the chief executive officer or the president (in the absence of a chief executive officer), and the ability of the stockholders to call a special meeting is hereby specifically denied.

6. **Advance Notice of Stockholder Business.** Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Company shall be given in the manner provided in the Bylaws of the Company.

7. **No Cumulative Voting.** No stockholder will be permitted to cumulate votes at any election of directors.

ARTICLE VIII

To the fullest extent permitted by the DGCL, as the same exists or as may hereafter be amended from time to time, a director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Company shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Neither any amendment nor repeal of this Article, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article, shall eliminate or reduce the effect of this Article in respect of any matter occurring, or any cause of action, suit or claim accruing or arising or that, but for this Article, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE IX

Subject to any provisions in the bylaws of the Company related to indemnification of directors or officers of the Company, the Company shall indemnify, to the fullest extent permitted by applicable law, any director or officer of the Company who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**") by reason of the fact that he or she is or was a director, officer, employee or agent of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding. The Company shall be required to indemnify a person in connection with a Proceeding (or part thereof) initiated by such person only if the Proceeding (or part thereof) was authorized by the Board of Directors.

The Company shall have the power to indemnify, to the extent permitted by the DGCL, as it presently exists or may hereafter be amended from time to time, any employee or agent of the Company who was or is a party or is threatened to be made a party to any Proceeding by reason of the fact that he or she is or was a director, officer, employee or agent of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding.

A right to indemnification or to advancement of expenses arising under a provision of this Certificate of Incorporation or a bylaw of the Company shall not be eliminated or impaired by an amendment to this Certificate of Incorporation or the bylaws of the Company after the occurrence of the act or omission that is the subject of the civil, criminal, administrative or investigative action, suit or proceeding for which indemnification or advancement of expenses is sought, unless the provision in effect at the time of such act or omission explicitly authorizes such elimination or impairment after such action or omission has occurred.

ARTICLE X

The Company elects not to be governed by Section 203 of the DGCL.

ARTICLE XI

Except as provided in Article VIII and Article IX above, the Company reserves the right to amend, alter, change or repeal any provision contained in the Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation; *provided*, that, effective upon the Class B Threshold Date and notwithstanding any other provision of the Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote, the affirmative vote of sixty-six and two-thirds percent (66 2/3%) of the voting power of the then outstanding voting securities of the Company, voting together as a single class, shall be required to amend, alter, change or repeal any provision of the Certificate of Incorporation.

Effective upon the Class B Threshold Date and notwithstanding any provision of the Certificate of Incorporation, the Bylaws of the Company or any provision of law that might otherwise permit a lesser vote, the affirmative vote of sixty-six and two-thirds percent (66 2/3%) of the voting power of the then outstanding voting securities of the Company, voting together as a single class, shall be required for the stockholders of the Company to amend, alter, change or repeal any provision of the Bylaws of the Company.