K9 DAO has voted to cease operations on Shibarium due to the Shibarium Bridge hack. K9 DAO liquid staking products mentioned below are no longer functional after 2/25/2026.

https://snapshot.box/#/s:k9safe.eth/proposal/0x952ffa3317c173e72b4ee38cd3075ac47f661996d8a23c29487d1b40a984dd91

The on-chain DAO vote concluded on 1/11/2026 and all Shibarium products are scheduled for shutdown on 2/25/2026.

K9 Finance Litepaper V1

THE BUILDING BLOCK OF DEFI & REAL YIELD ON THE SHIBARIUM BLOCKCHAIN

Liquid yield. Generated by Shibarium. Governed by Dogs

Abstract: K9 Finance is a liquid staking derivative (LSD) platform for the Shibarium blockchain, providing the fundamental cornerstones of real DeFi in the Shibarium ecosystem. K9 Finance is an official Shibarium validator and rewards $KNINE token holders with $BONE earned from validating blocks. The K9 DAO (decentralized autonomous organization) is named the Roundtable of Dogs; which will shepherd and pioneer the adoption of true DeFi on Shibarium. The DAO will manage the K9 treasury, vote on new roadmap items, and have the mission of growing and supporting DeFi adoption for Shibarium.

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This document does not constitute nor imply a prospectus. No wording contained herein should be construed as a solicitation for investment and this litepaper does not pertain in any way to an offering of securities in any jurisdiction worldwide whatsoever. This document has not been registered or approved by any financial services regulator for the purposes of securities or digital assets. $KNINE tokens are used as a utility token within the K9 Finance ecosystem to allow access to the K9 ecosystem. They also serve as a membership unit for the DAO. This litepaper outlines the K9 Finance business model, product-market-fit, technology stack, token use cases, governance model, and additional information on how to become involved with the project.

Participating in cryptocurrencies and digital assets is speculative in nature. Although K9 Finance does not believe any of the digital assets it interacts with are a security or financial instrument, users should be aware that some governments do not share that view. As a result, you should NOT participate in the K9 Finance ecosystem, purchase $KNINE, hold $KNINE or otherwise interact with any of K9 websites, promotions, or the ecosystem if you believe that digital assets are a security or you are looking to profit from the use of, swapping of, or trading of digital assets. Likewise, if you are in a location such as the United States of America which has conflicting or differing views on digital assets, you should not participate in the K9 ecosystem or hold $KNINE token. Using digital assets and blockchain technology comes with a level of risk. You should undertake your own due diligence and research before participating in the use of digital assets. Users of $KNINE tokens will have to agree to the Token Terms before they are permitted to hold or use these Tokens.

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OVERVIEW

K9 Finance is the leading liquid staking solution for Shibarium - providing a simple way to earn with your digital tokens through Real Yield[1]. By staking with K9 Finance your tokens remain liquid and can be used across a range of DeFi applications, getting extra rewards in a variety of manners; including those DeFi protocols that may be built on top of K9 Finance.

The general elements of K9 Finance are as follows:

1. **Staking Pool:** Protocol to manage deposits, staking rewards, and withdrawals on Shibarium.
2. **knBONE:** Unlike traditional $BONE staking, where users cannot access the $BONE they have delegated to a Shibarium validator, users staking $BONE through K9 Finance receive $knBONE in return. Backed 1-to-1 with $BONE, $knBONE is freely transferable, allowing users to continue to use their tokens in other DeFi platforms for leveraging collateral, lending, or farming, while still helping to secure the Shibarium network.
3. **DAO:** $KNINE token holders who comprise the leadership of the project to govern the direction.
4. **Validator(s):** Entity that manages a secure and stable infrastructure for running a validator client on Shibarium.

Shibarium is and remains a primary focus of K9 Finance. That's affected the organizational structure - the governance is implemented through ERC20 $KNINE token due to the architecture of Shibarium nodes. Despite being the primary focus, K9 does have the ability to grow outside of the Shibarium ecosystem as well through the DAO governance process to build similar liquid staking infrastructure for other chains.

PROBLEM STATEMENT

Traditionally, with Proof-of-Stake (PoS) protocols, users looking to earn yield on their assets have had to stake their tokens with a validator, losing access to those staked tokens for use in trading or other DeFi platforms. While staking can provide reliable returns, there is a large opportunity cost to staking since long unlocking periods prevent users from taking advantage of more lucrative opportunities, trading the market, participating in DeFi, or investing in more profitable crypto pairs on exchanges.

SOLUTION

Liquid staking allows users to receive the benefits of staking, while still being able to freely use their staked tokens, through a Liquid Staking Derivative (LSD) receipt token ($knBONE) that can be used in other trading and DeFi opportunities to let the user get the best of both worlds - a reward on your staked tokens, as well as the returns from other trading opportunities. Liquid staking introduces various fundamental benefits:

- Make the staking process simple - no hardware setup and maintenance
- Removing limits and making it possible to earn rewards on as small a deposit as users want

[1] Real Yield is defined as DeFi yield that comes from a true on-chain revenue source

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- Providing the $knBONE (staked token derivative) as a building block for other applications and protocols (e.g., as collateral in lending or other trading DeFi solutions)
- Providing an alternative to or even encompassing exchange staking, solo staking, and other semi-custodial and decentralized protocols.

COMPARISON WITH OTHER STAKING OPTIONS:

Solo staking has its benefits (for example further decentralization of the network), but it comes with some disadvantages. Setting up a validator node requires a high technical understanding, can have a minimum deposit, and slashing and offline penalties can get very severe if the staking is managed improperly. Most importantly, the staked amount can be locked for significant periods.

Solo staking is similar to other options Staking as a Service (SaaS), but with SaaS you must trust a third party (usually centralized), which may act nefariously. This would be similar to staking tokens on an exchange, or a platform such as Celsius. Crypto tokens and centralized finance (CeFi) are not suited well together from a fundamental standpoint.

Economically, by staking within some centralized entities, the user does not receive a corresponding token in return and there is an opportunity cost to perform any subsequent DeFi activity or further trading activity with your tokens locked.

Returns on centralized exchanges may be higher, but with a significant amount aggregated within the centralized entity comes a huge potential influence on the ecosystem that (in general) was fundamentally designed decentralized. Ultimately, a decentralized system performs better with less influence from centralized entities controlling the validation of blocks. The intention of K9 Finance, within the Shibarium ecosystem, is to ensure that our ecosystem does not control more than 25% of the network validation to ensure we responsibly contribute to the decentralization of Shibarium. This will be achieved through a phased launch approach to improve the K9 Product to allow other validators to come online and plug into the K9 ecosystem.

Using a liquid staking solution such as K9 Finance, users can eliminate these inconveniences and benefit from non-custodial staking. Liquid staking unlocks the potential of Shibarium PoS by giving users the ability to not only stake their tokens but also have the liquidity to use those tokens in DeFi projects and trading. This not only increases rewards for the individual but also grows the staking, delegation, and security participation for the network in general.

This differs from just delegating tokens to a validator, which can also generate a return for the user because they receive a liquid staking token that they can use in the rest of the DeFi ecosystem and within the K9 Finance products to generate more yield.

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SHIBARIUM STAKING SUMMARY[2]

Shibarium executes all proof verifications and staking operations on the Ethereum smart contract and leaves computation-heavy tasks to layer 2. This is what allows Shibarium to remain incredibly secure, but also operate a fast and low-cost blockchain.

Stakers can take on the role of becoming a validator (which at the time of writing requires approval, which K9 Finance has received), delegate their tokens to a validator for a reward, or become a watcher for reporting fraud. The primary contract that controls stake management, reward distribution, and signature verification is the StakeManager contract.

When delegating $BONE to a validator, these tokens become locked, and when unstaking there is a delay in receiving one's previously staked tokens.

In contrast with K9 Finance, participants who are delegating receive $knBONE (our liquid staking token) that can be used to generate yield while still delegating to our validator(s).

STATE OF THE MARKET

Ethereum is a highly successful blockchain platform that features its unique digital currency known as Ether (ETH). The platform enables users to create programmable tokens and smart contracts, which can be used to create applications such as initial coin offerings (ICOs) of fungible and non-fungible tokens (NFTs) – among many others.

Decentralized nodes on the Ethereum network provide security for the blockchain's Proof of Stake (PoS) architecture.

Shibarium has been designed to provide people, developers, and businesses with a faster transaction speed and lower fees compared to other blockchains, which makes it a cost-effective option for blockchain adopters.

The blockchain ensures the secure and transparent creation and exchange of digital assets.

The Benefits of Using Shibarium Include:

1. Security

The Shibarium blockchain is a highly secure and tamper-proof platform that can store and transmit sensitive data. To secure the blockchain, Shibarium employs a proof-of-stake algorithm that requires users to stake their $BONE tokens (from the Shiba Inu Ecosystem) to participate in the network. This method ensures that validators have a stake in the blockchain's success, thereby

[2] This section of the K9 Finance paper takes inspiration directly from the official Shibarium chain documentation to provide official information

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bolstering its security. Moreover, a network of nodes also ensures the security of the blockchain by validating transactions and keeping the blockchain updated.

2. Transparency

It's a transparent platform that allows users to track all transactions and activities that occur through a block scanner.

3. Efficiency

It's a faster and more efficient platform that processes transactions quickly and easily.

4. Cost-effective

People and businesses can save money on transaction fees by using Shibarium, which is a cost-effective platform.

5. Decentralization

The decentralized nature of Shibarium is due to the absence of a single controlling entity. Instead, a network of computers collectively maintains a copy of the blockchain. This guarantees that the blockchain is tamper-proof and immune to manipulation by any one individual or organization.

Shibarium's PoS (Proof-of-Stake) chain utilizes side chains to process transactions, resulting in unparalleled transaction speed and cost efficiency. PoS also guarantees asset security by employing the reliable Plasma bridge framework and a decentralized network of PoS validators.

Transaction Lifecycle on Shibarium PoS Architecture:

The operational mechanics of today's Shibarium Proof-of-Stake (PoS) architecture follow a cyclical workflow:

1. **User Initiates Transaction:** Users begin transactions on the Shibarium PoS chain, typically through a smart contract function call.

2. **Validation by Public Checkpoint Nodes:** Public checkpoint nodes validate the transaction against the current state of the Shibarium chain.

3. **Checkpoint Creation and Submission:** Validated transactions are grouped into a checkpoint, which is then created and submitted to the core contracts on the Ethereum mainnet.

4. **Verification by Core Contracts:** Core contracts on Ethereum verify the checkpoint's validity, employing fraud proofs for added security.

5. **Transaction Execution:** Upon successful verification, the transaction is executed, and state changes are committed to the Shibarium sidechain.

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6. **Asset Transfer (Optional):** If necessary, assets can be transferred back to the Ethereum mainnet via the exit queue in the core contracts.

7. **Cycle Reiteration:** The process can be initiated again by the user, returning to step 1.

Core Contracts on Ethereum:

Ethereum serves as the foundational layer for Shibarium's PoS architecture. Core contracts on the Ethereum mainnet play a crucial role in connecting Shibarium PoS to Ethereum. These contracts handle various functionalities, including anchoring the Shibarium chain and managing asset transfers. This is a fundamental reason why the K9 Finance DAO determined it was appropriate to first launch the $KNINE token on the Ethereum blockchain before providing a bridging option to Shibarium.

The core contracts incorporate two essential features for security and functionality: fraud proofs and the exit queue. Fraud proofs provide a security layer for validating transactions and state changes, ensuring transparency and security. The exit queue facilitates the safe and efficient transfer of assets between the Shibarium PoS chain and Ethereum, maintaining data integrity and security.

Public Checkpoint Nodes:

Public checkpoint nodes act as validators in the Shibarium PoS architecture, performing two primary functions:

1. **Transaction Validation:** Nodes validate transactions against the current state of the Shibarium chain.
2. **Checkpoint Submission:** After validating a set number of transactions, nodes create a Merkle root of transaction hashes (checkpoint) and submit it to the core contracts on the Ethereum mainnet.

These nodes act as a crucial bridge between the Ethereum mainnet and the Shibarium PoS chain, ensuring data integrity and security through the submission of cryptographic proofs to the core contracts on Ethereum.

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Shibarium Sidechain:

The Shibarium sidechain is where transaction processing occurs. Unlike the Ethereum mainnet, which may face congestion and higher transaction costs, the sidechain provides a more scalable and cost-effective solution. Public checkpoint nodes validate blocks in the sidechain, organizing them for high throughput and low latency.

Speed

To keep users engaged and focused, apps, games, metaverses, and other utilities require fast transaction processing. Shibarium satisfies this requirement by completing transactions at an astonishingly fast pace.

- With the capability to significantly outperform Ethereum transactions per second
- Bridging, deposits, and withdrawals are seamless and effective

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- Shibarium maintains the security features of Ethereum while substantially enhancing the blockchain's speed

Scalability

Scalability is just as critical as speed, and Shibarium has been designed to scale and adjust to the requirements of any organization, product, platform, project, community, or token.

- It has been designed to be compatible with major ERC standards, ensuring seamless integration.
- Validators and checkpoints are submitted to Ethereum to guarantee security.
- A dynamic and enthusiastic community propels adoption and user engagement.

Flexibility & Simplicity

The transition to Web3 and in the future Web4 will need a straightforward and adaptable UI, UX, and onboarding process to ensure a seamless flow of users from Web 2 (www) to this new system.

- Shibarium's network is fully EVM compatible, so smart contracts can be deployed directly on it with the most used stack in Web3
- Building DApps on the blockchain is simpler
- It's easy to transfer tokens between Shibarium and Ethereum (and all other EVM compatible chains)

Cost

In the current world, businesses must utilize Web 3 to stay competitive but it's hard to do so when fees are cost prohibitive. Shibarium solves this by keeping many transactions below $.01.

- With Shibarium's proof-of-stake system, transaction costs are fractional
- Transaction fees on the L2 sidechain are substantially lower compared to those on the Ethereum mainnet
- Burning EIP 1559 tokens will result in more predictable gas fees and deflationary token economics

Currently, Shibarium PoS chain provides the following services:

- Send, receive, and store your assets on the Shibarium network with the Shibarium Wallet
- Shibarium Bridge, for cross-network withdrawals and deposits
- Staking with Shibarium Staking: Get rewards for staking & delegation

Bor, the core component of the Shibarium network, operates on the principles outlined in EIP-225, following the Clique consensus protocol.

Validator Committee Selection in Shibarium: Shibarium relies on the Bor layer, where a committee of Validators is selected from the Validator pool based on their stake. This selection occurs at regular intervals and is shuffled periodically, determined by the Validator's governance concerning dynasty and network. The probability of being selected as a member of the block producer committee is determined by the ratio of Stake to Staking power.

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Validator Selection Process: Validators are assigned slots proportionally based on their stake. Historical Ethereum block data is used as a seed to shuffle this array. Validators are then selected based on the producer count maintained by the Validator's governance. Tendermint's proposer selection algorithm is employed to choose a producer for each sprint on Bor.

Bor Consensus Mechanics: In the Proof-of-Stake (PoS) system of Shibarium, participants stake $BONE tokens on a designated Ethereum smart contract, known as the "staking contract," to become validators. The bor module in Heimdall selects active validators as block producers.

Span and Sprint Mechanism: A span is a defined set of blocks in which a specific subset of validators is chosen. Within a span, each validator is assigned voting power, influencing their chances of being selected as a block producer. A sprint, a smaller subset of blocks within a span, designates a single block producer for block generation.

Block Authorization and Backup Mechanism: Block producers, also known as signers, authorize blocks by signing the block's hash. Bor designates backup producers in case the primary producer fails to generate a block. The wiggle time, a predefined delay, determines when a backup producer starts generating a block.

Difficulty Metrics and Fork Resolution: Blocks signed in turn have higher difficulty than out-of-turn signatures. Bor addresses forks by selecting the fork with the highest cumulative difficulty, prioritizing in-turn block production.

View Change and Span Commitment: At the end of each span, Bor undergoes a view change, fetching new producers for the subsequent span. This involves an HTTP call to the Heimdall node for new span data and a commitSpan call to the BorValidatorSet genesis contract.

State Synchronization with Ethereum: Bor features a mechanism to relay events from the Ethereum chain. This involves triggering the StateSynced event on Ethereum, monitoring by Heimdall, and commitment by Bor at the start of every sprint. State Sync ensures consistency between Ethereum and Bor chains.

State Sync Mechanism: State Sync transfers data from Ethereum to Bor through system calls. Validators on the Heimdall layer listen to StateSynced events and pass them on to the Bor layer. Bor updates its state using a system call after fetching new state-sync records post every sprint.

System Call and State Receiver Interface: The system call is crucial for changing state to a contract without making a transaction. Bor calls it internally with the system address. The receiver contract on Bor implements the IStateReceiver interface, allowing the execution of onStateReceive.

State-Sync Logs and Bor Block Receipts: State-sync logs are handled differently from normal logs in Bor. Bor produces a new transaction/receipt for the client after each sprint, including all logs for state sync. The tx hash is derived from the block number and block hash, and it does not alter consensus logic.

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This comprehensive mechanism ensures the seamless operation of Shibarium, facilitating the integration and synchronization of data between different layers of the network.

TECHNOLOGY

The primary goal of K9 Finance is to enhance the DeFi ecosystem within the Shibarium network by offering unique liquid staking and yield opportunities.

Our objective is to create a robust and user-friendly dApp that allows for seamless staking of $BONE tokens, providing users with $knBONE tokens in return. The dApp aims to incentivize users through a well-structured rewards system involving $KNINE and $esKNINE tokens, aligning with the DAO's broader vision of fostering a vibrant, secure, and lucrative DeFi environment.

Staked $BONE will be delegated to the K9 Finance DAO-managed Shibarium validator. Validator rewards will be collected and distributed to users who stake or lock their $KNINE in the dApp as Real Yield.

1. Users deposit $BONE, to be staked with the K9 Validator, into the liquid staking contract and receive $knBONE in return.
2. Users provide $BONE/$knBONE liquidity on ShibaSwap and receive SSLP in return.
3. Users deposit SSLP K9 Farm to earn $KNINE & $esKNINE rewards.
4. Users vest $esKNINE to receive $KNINE.
5. Users stake $KNINE to receive $BONE rewards, or lock $KNINE to receive $BONE and $esKNINE rewards.

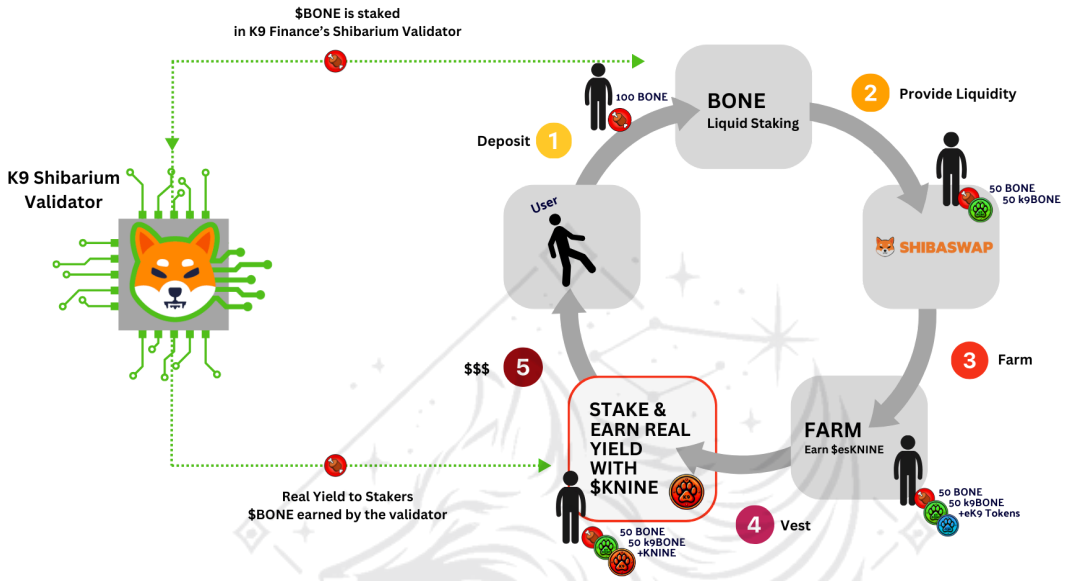
Smart Contract Modules

1. **$BONE Liquid Staking Module**: To deposit/withdraw $BONE in exchange for $knBONE.
2. **Validator Manager Module**: Manages delegating/undelegating $BONE and claiming validator rewards.
3. **LP Farming Module**: Stake ShibaSwap LP (SSLP) tokens to earn $esKNINE/$KNINE rewards.
4. **Real Yield Staking Module**: Stake or lock $KNINE tokens to share yield from rewards pool (paid in $BONE). Locked $KNINE receive bonus $esKNINE rewards.
5. **$esKNINE Vesting Module**: Deposit $esKNINE to receive $KNINE, vested linearly over 60 days. Requires holding an equal amount of locked $KNINE.

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HIGH LEVEL ARCHITECTURE



K9 TOKEN ECONOMICS

K9 Finance has three tokens: $KNINE - a token granting governance rights in the K9 DAO - $knBONE - a tokenized version of staked $BONE - and finally $esKNINE - an illiquid, escrowed reward token that is convertible into $KNINE after a vesting period.

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Goverance Token	Shibarium Token	Liquid Staking Token	Escrow Token
KNINE	BONE	knBONE	esKNINE

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KNINE Token

Token Utility

The $KNINE token is used for DAO governance proposals. Only $KNINE token holders are part of the DAO, initiate proposals, and use votes. One $KNINE token equals one vote.

Official Communities

X/Twitter: https://twitter.com/K9finance
Telegram: https://t.me/k9finance
Website: https://www.k9finance.com/
GitHub: https://github.com/K9-Finance-DAO

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knBONE Token

$knBONE acts as a receipt token for BONE staked with K9 Finance DAO's validator, providing a liquid staking token.

- **Chain:** Ethereum (bridged to Shibarium)
- **Supply Mechanics**: Dynamic supply. Must match 1-to-1 with $BONE deposited through the *BONE Liquid Staking Module*
    - Mint $knBONE upon $BONE deposit
    - Burn upon redeeming $knBONE to receive $BONE
- **Distribution Plan**: 100% automated by *BONE Liquid Staking Module*. No manual or other minting.
- **Whitelist Approvals**: Whitelist for pre-approved contracts that can call transferFrom/safeTransferFrom
    - Whitelisted pre-approval for ShibaSwap LP contract
- **Upgradeability**: Upgradable through proxy with ability to renounce ownership.

esKNINE Token

$esKNINE is a non-transferable, escrowed version of the $KNINE token, used for rewarding K9 Finance protocol users. $esKNINE must be vested and converted to $KNINE to become liquid.

- **Chain:** Shibarium
- **Supply Mechanics**: Supply is dynamic, but must be backed 1-to-1 by $KNINE tokens stored in the Vesting Module.
- **Distribution Plan**:
    - $KNINE can be deposited into the Vesting Module to instantly mint $esKNINE
    - $esKNINE is burned before $KNINE-backing is released from the Vesting Module
- **Soul-Bound:** all transfers are blocked, unless specifically whitelisted
- **Whitelist Approvals**: Whitelist for pre-approved contracts that can call transferFrom/safeTransferFrom
- **Whitelist Transfers**: allow for DAO treasury and protocol contracts to distribute $esKNINE

Fees

To generate revenue for the K9 Finance DAO to maintain operations for the long term on Shibarium there must be variable revenue mechanics built into the products. These fee percentages can be changed by DAO votes in the future, and the technology is built in such a way that they can be turned off or they can be increased, but changes must adhere to a DAO vote and quorum.

- Delegation to the K9 Shibarium validator: 0%
- Redemption of $BONE from the Shibarium validator: 0.5%
- Yield shared to $KNINE stakers from the K9 Validator: 90% (the remainder goes to the K9 DAO Treasury)
- Zap transaction to do all transactions for the user in one step on K9 Finance: 1.5%

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- Claim $KNINE from $esKNINE: 0%

Applicable fees and revenue sources for the day may change and will be subject to DAO voting restrictions.

The Shibarium Difference

The main benefit for the Shibarium ecosystem is that it encourages delegation to validators to secure the chain, while driving value onto Shibarium versus being locked up. This encourages more use of the Shibarium blockchain, which requires more $BONE to be used as gas, which in turn means more Shib burns.

Governance

K9 Finance is managed by the K9 Finance DAO. The DAO members govern K9 to ensure its efficiency and stability. Besides technical development, the K9 DAO's mandate is to promote K9 Finance and recruit new users, while shepherding the adoption of K9's DeFi products on Shibarium, but also all other DeFi applications on the Shibarium blockchain.

For a full overview of the responsibilities of the K9 DAO review the DAO Charter available on the K9 Finance website.

Decentralized Autonomous Organization (DAO)

The K9 Finance DAO is a Decentralized Autonomous Organization, which builds liquid staking protocol for Shibarium. In the case of liquid staking, the competitors are well-known providers like centralized exchanges and other decentralized protocols that may arise.

The DAO is the logical compromise between full centralization and decentralization, which allows the deployment of competitive products without full centralization and custody on the exchanges.

A DAO is an optimal structure for launching K9 Finance because: K9 Finance is highly dependent on the design and restrictions of the Shibarium chain; therefore K9 Finance should be upgradable.

DAO governance is better than one person or a developer's team for making decisions about changes in K9 Finance, and a DAO will be able to cover the costs of developing and upgrading the protocol from the DAO token treasury over time after the initial product is built and deployed. The DAO will accumulate service fees from K9 Finance, which can be funneled into the future development and growth funds, distributed by the DAO.

The Roundtable of Dogs

The Roundtable of Dogs is a set of elected individuals, from the DAO, who act as a security layer for the DAO, where the council has a veto option and a responsibility to monitor transactions. This becomes necessary should there be undue influence on the governance process where an individual or group of

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individuals choose to purchase enough tokens to form a cartel that can own the controlling share of votes for the DAO.

The mandate of the Roundtable of Dogs is to further the option of DeFi on the Shibarium network, and are obliged to act in a good faith manner for the betterment of this mandate.

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Risks

Smart Contract Security

The security of K9 Finance must be the DAO's highest priority; beginning at the time of the token launch and deployment of the product. Users should evaluate all public audits and bug bounties before using the K9 product, as there may be vulnerabilities. This risk will be severely mitigated with the comprehensive audits and bug bounty partners that K9 will be working with.

Shibarium Chain Technical Risk

K9 is built on top of the Shibarium blockchain and the $KNINE token is native to the Ethereum blockchain. There is always risk in building on top of other technologies, but failures in the underlying blockchain will inherently impact the success of K9 Finance. This risk is severely mitigated because these are two very reputable chains with significant histories of strong security and uptimes, unlike other blockchains.

Shibarium Chain Adoption Risk

The Shibarium chain's validation rewards are the source of value to reward K9 Finance users. K9 Finance is a fundamental product that will contribute to the overall adoption of DeFi on Shibarium and the network, but in the case of unlikely significant adoption, this would impact the value of rewards earned through K9 Finance.

DAO Threshold Key Management Risk

All K9 Finance DAO treasury will be held on distributedly managed accounts backed by a secure management system. The threshold system is more secure than single-key custody. However, there is still a non-zero possibility of failure; much like any wallet or security system.

Slashing Risk

Shibarium chain validators are at risk of receiving staking penalties (for going offline, for example) and slashing (for double signing). To mitigate this risk the stake is distributed to reliable node operators and multiple heterogenous setups.

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knBONE Price Risk

Besides the risk associated with validators' slashing and a $knBONE balance drop, there is a chance that the exchange price of $knBONE will be less than a fair price for periods of time. This risk is mitigated through arbitrage and risk-free-market making, in which individuals are incentivized to execute financially profitable opportunities to freely convert $BONE and $knBONE through K9 Finance. In addition, the K9 DAO will be putting automated measures in place to maintain liquidity and fair pricing of $BONE/$knBONE through artificial intelligence. Some mechanisms also incentivize user-added liquidity to $BONE/$knBONE pairs, significantly reducing this risk.

CONCLUSION

Shibarium is a nascent layer 2 blockchain that has immense opportunity for growth. K9 Finance is a liquid staking derivative platform for the Shibarium blockchain. As a case study on Ethereum, we have seen how creating a liquid staking derivative (LSD) for a blockchain has two main benefits:

1. Securing the chain through promoting delegation to its validators
2. Increasing total value locked (TVL) and creating a building block of a thriving DeFi ecosystem

By focusing on providing a LSD to the Shibarium ecosystem the K9 DAO is bringing more security and a framework to build the next generation of DeFi on Shibarium. Use of the K9 Finance platform will promote more TVL and volume on the Shibarium network, which in turn, will greatly benefit all projects built on Shibarium as well as the Shiba core products.

Sources

Technical review of both the Shibarium and Lido DAO whitepapers assisted in producing the document above. The K9 Finance DAO took inspiration from both projects in creating this document and also made its own technical breakthroughs.

Disclaimer

PLEASE READ THIS DISCLAIMER SECTION CAREFULLY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX, OR OTHER PROFESSIONAL ADVISOR(S).

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