

## LsETH User Agreement

Last Revised: October 20, 2022

By obtaining a cryptographic receipt (“**LsETH**”) that evidences ownership of your ether (“**ETH**”) staked via the Liquid Collective decentralized protocol (the “**Protocol**”), either through direct use of the Protocol or a subsequent transfer from the prior owner of the LsETH, you agree to the terms of this LsETH User Agreement (the “**User Agreement**”) by and between you and the Liquid Foundation, a Cayman Islands foundation (the “**Foundation**” or “**we**”). If you do not agree to all of the terms of this User Agreement, please immediately discontinue access to, and use of, LsETH.

### Section 1. LsETH Specifications

- A. As a proof-of-stake network, Ethereum requires network users to “stake” ether (“**ETH**”) to facilitate the validation of transactions on the network via its consensus mechanism. As compensation for contributing to the network’s consensus mechanism, and thereby securing the network, stakers are eligible to earn network rewards in the form of additional ETH (“**Network Rewards**”).
- B. The Protocol enables users to contribute to the security of the Ethereum network by programmatically allocating the users’ ETH to be staked by enterprise-grade validator node infrastructure providers (each a “**Validator**”) that are integrated with the Protocol. When a user allocates ETH to the Protocol, the Protocol programmatically generates LsETH as a receipt that evidences the user’s ownership of staked ETH.
- C. LsETH is an Ethereum network ERC-20 cryptographic token that evidences that the LsETH holder is entitled to receive, control, hold, and dispose of a corresponding amount of staked ETH plus any accrued Network Rewards (net of Service Fees (as defined in Section 2.A below) and, if applicable, Slashing Penalties (as defined in Section 1.E below)). Once ETH is allocated by the Protocol, staked ETH is maintained on the Ethereum consensus layer as a fungible bulk and staked on behalf of the LsETH holder.
- D. As the holder of LsETH, you are the legal and beneficial owner of the corresponding ETH staked via the Protocol plus any accrued Network Rewards (net of Service Fees and, if applicable, Slashing Penalties). The Foundation will not have, and will not at any time acquire, legal and beneficial ownership of the staked ETH corresponding to your LsETH.
- E. Some or all of your ETH may be destroyed as a penalty imposed by the Ethereum network (a “**Slashing Penalty**”). Accordingly, by staking ETH, you place your ETH at risk of Slashing Penalties for which you may have no direct responsibility.
- F. LsETH is freely transferable peer-to-peer and divisible into fractional units by up to 18 decimals. A transfer of ownership of LsETH results in a corresponding transfer of ownership of the corresponding ETH staked via the Protocol as well as the benefits and burdens of the staked ETH (*i.e.*, Network Rewards and Slashing Penalties).
- G. You may redeem LsETH for a corresponding amount of ETH by using an on-ramp infrastructure provider (each an “**Integrator**”) to access the Protocol at any time, in your sole discretion, subject to the terms and conditions of the Integrator and any Ethereum network or Protocol withdrawal restrictions and/or unbonding periods, as applicable. Each LsETH is redeemable for the corresponding amount of ETH initially staked by the original holder of the LsETH plus any Network Rewards that have accrued to that amount of staked ETH during the staking period, minus Service Fees and Slashing Penalties.

### Section 2. Service Fees; Taxes

- A. As a holder of LsETH, you are required to pay fees (“**Service Fees**”) to the Protocol in consideration for certain administrative services, including, among other things, those performed by Validators and Integrators. The Protocol will automatically deduct a percentage of the Network Rewards that you receive from the Ethereum network as Service Fees. The Service Fees in effect at a given time are set forth at <https://liquidcollective.io/service-fees/> and are subject to change at any time. Service Fees will automatically be delivered to the Protocol’s treasury smart contract each time that you receive Network Rewards. Integrators and Validators receive a portion of the Service Fees as compensation for the services they provide to the Protocol.
- B. You are solely responsible for the payment of any and all taxes, levies, imposts, duties, charges, assessments or fees of any nature imposed by any tax authority with respect to your LsETH, the corresponding staked ETH and all transactions thereof, including in connection with any Network Rewards and/or Slashing Penalties.

### Section 3. Slashing and Missed Network Rewards Coverage

- A. The Foundation maintains an umbrella slashing and missed Network Rewards coverage policy with third-party coverage provider Collective Risk Services CIC (“**Nexus Mutual**”). A copy of the Nexus Mutual coverage policy is available at <https://liquidcollective.io/coverage/>.
- B. 0.30% of all Network Rewards are apportioned to a Slashing and Missed Network Rewards Coverage Program (the “**Coverage Program**”). More information regarding the Coverage Program is available at <https://liquidcollective.io/coverage/>.

### Section 4. Risks; Disclaimers

- A. You acknowledge that while LsETH is intended to serve as a convenient way to participate in liquid staking, LsETH incorporates experimental and novel technology and that the use of such technology involves a high degree of risk. For example, there are numerous reasons LsETH and/or the Protocol could fail in an unexpected way, resulting in the total and absolute loss of your LsETH or ETH. You hereby agree that you assume all risks in connection with your use of LsETH and expressly waive and release the Foundation from any and all liability, claims, causes of actions or damages arising out of or in any way relating to you obtaining or using LsETH.

- B. You will not be able to redeem LsETH or access the Protocol without first satisfying, and remaining in compliance with, an Integrator's anti-money laundering/know-your-customer and sanctions screening program ("**Program**"). To the extent you no longer remain in compliance with an Integrator's Program, the Integrator may freeze your custodial cryptoasset wallet, prevent you from accessing LsETH and/or the Protocol and/or take any other action deemed reasonably necessary by the Integrator.
- C. Except as expressly set forth herein, LsETH will be issued by the Protocol on an "as-is" and "as available" basis and we do not make any warranties with respect to such "as-is" and "as available" basis or otherwise in connection with this User Agreement (except as expressly provided herein) and we hereby disclaim any and all express, implied or statutory warranties and conditions, including any warranties or conditions of non-infringement, merchantability, fitness for a particular purpose, availability, error-free or uninterrupted operation, and any warranties arising from a course of dealing, course of performance or usage of trade. To the extent that the Foundation may not, as a matter of applicable law, disclaim any implied warranty or condition, the scope and duration of such warranty or condition shall be applied to the minimum extent permitted under such applicable law.
- D. Without limiting the foregoing, we make no representations or warranties with regard to the potential market for or resale price of LsETH or the amount of Networks Rewards that may be generated by your staked ETH pursuant to this User Agreement.
- E. We shall not be liable to you for any loss of LsETH. Any presumption of conversion under applicable law shall not be applicable to a loss of LsETH.
- F. For the avoidance of doubt, in no event shall we be liable to you for any consequential, indirect, incidental or special damages of any type or nature however arising, including, without limitation, exemplary or punitive damages, lost profits or revenues or diminution in value, arising out of or relating to you obtaining LsETH or using LsETH, whether or not the possibility of such damages has been disclosed to or could have been reasonably foreseen by you, regardless of the legal or equitable theory (contract, tort or otherwise) upon which the claim is based. In addition, under no circumstances shall the Foundation's aggregate liability under this User Agreement exceed the lesser of: (i) the total amount of Service Fees paid by you to the Foundation in connection with your LsETH for the services rendered hereunder; or (ii) \$10,000.

## Section 5. Miscellaneous

- A. You agree that you will not use LsETH to engage in or facilitate any activity that would violate, or assist in the violation of, any law, statute, ordinance, regulation or sanctions programs administered in any relevant country, including but not limited to the U.S. Department of Treasury's Office of Foreign Assets Control, or which would involve proceeds of any unlawful activity.
- B. If any provision of this User Agreement is declared to be invalid, illegal or unenforceable by a court of competent jurisdiction, then the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby and the remainder of these provisions of this User Agreement shall remain valid, legal and enforceable to the fullest extent permitted by law.
- C. This User Agreement will be construed in accordance with the laws of the State of New York, as applied to contracts made and performed entirely therein, and without regard to conflicts of law principles. All disputes relating to this User Agreement shall be brought solely in the state or federal courts located in the Borough of Manhattan, New York, and you hereby consent to the exclusive jurisdiction of such state and federal courts and waive any defense of forum *non conveniens*. YOU HEREBY EXPRESSLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BROUGHT BY OR AGAINST EITHER PARTY IN CONNECTION WITH THESE TERMS.
- D. This User Agreement does not, and shall not be construed to, create any partnership, joint venture or agency between you and us.
- E. You shall not assign any of your rights or obligations under this User Agreement, and any purported assignment or transfer shall be null and void. This User Agreement constitutes the entire agreement between you and the Foundation with respect to LsETH, and supersedes any and all prior or contemporaneous written or oral agreements or understandings between you and the Foundation relating to LsETH.
- F. This User Agreement may be modified or revised at any time, with or without prior notice to you, unless stated otherwise. The most current version of this User Agreement will be posted on <https://liquidcollective.io/> (the "**Website**") with the "Last Revised" date at the top of the User Agreement changed. Any modifications or revisions will be effective immediately upon posting the modifications or revisions to the Website. You shall be responsible for reviewing and becoming familiar with any modifications or revisions. You waive any right you may have to receive specific notice of such modifications or revisions. Accessing or using LsETH constitutes your acceptance of the User Agreement as modified or revised. If you do not agree to the User Agreement in effect, please immediately discontinue access to, and use of, LsETH.
- G. This User Agreement shall become effective upon the date you first obtain LsETH or access the Protocol, whichever is earlier, and shall continue in effect for as long as you hold any LsETH.