

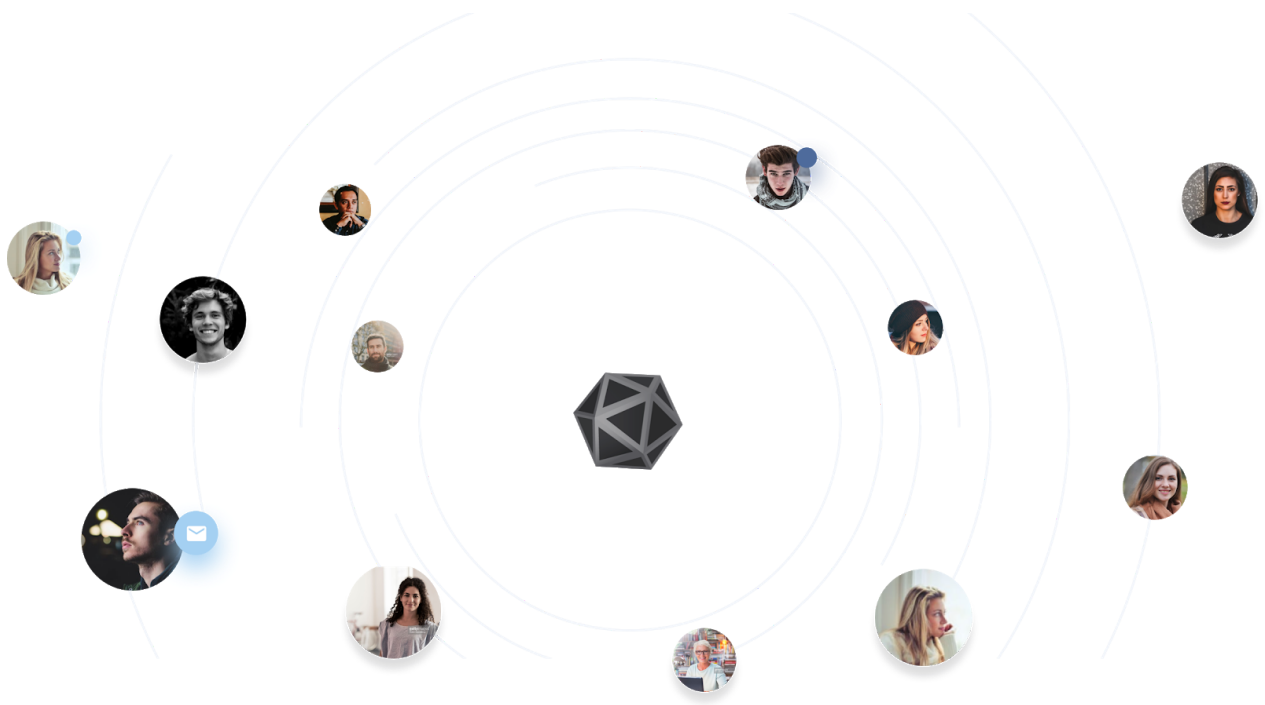


KLEROS

Token sale

Terms & Conditions

Round 1: May 15, 2018 – July 15, 2018



Disclaimer

The Ethereum blockchain is still considered an experimental and risky technology. Participating in Kleros' token sale implies that you are a person who:

- understands the operation and risks of the Ethereum blockchain, the token sale methods "Interactive Coin Offerings" (IICO) and the service developed by Cooperative Kleros,
- is a professional acting within the framework of his blockchain related activity, and not a consumer within the meaning of the EU Directive 2011/83/EU on consumer rights,
- understands and accepts the economic risks related to the project and the token, the technological risks in terms of IT security as well as the legal risks (regulatory change, taxation, etc.).

For more information, please consult [the discussion paper](#) on Token Sales from the French Financial Markets Authority (AMF).

**Participation in the token sale implies acceptance of the present
Terms & Conditions.**



Token sale description

Token sale introduction

Objective – The objective of the Kleros project is to provide a decentralized dispute resolution application (DApp) on Ethereum. In Kleros' application, the *pinakion* token (PNK) will allow jurors to stake a value that guarantees their involvement in dispute resolution and incentivizes coherent jurors.

Kleros is a completely open-source and free project: Cooperative Kleros team who develops the project will not receive any remuneration or commission for the service use. In this context, a token sale is justified to distribute the token widely and to economically support this non-profit project.

For more information, please read the white paper : [“Kleros”](#), January 2018 by Clement Lesaege & Federico Ast.

Legal structure – The project is led by a “Société Coopérative d'Intérêt Collectif” (SCIC) named “Cooperative Kleros” with several characteristics:

- governance is shared among participants. Users are invited to become shareholders to participate in “Cooperative Kleros”. Notice that tokens do not grant any right to participate in the company's decision making process ;
- all the revenues of the cooperative, including the proceeds of this token sale, have to be used for the purpose of the cooperative which is to *“create, develop and promote a decentralized and computerized dispute resolution protocol”*.
- the founders, like the other categories of shareholders, cannot have a majority in the company.

For more information, please read [“Kleros' legal structure, explained”](#), April 16, 2018, Federico Ast & William O'Rorke.

Token sale – The purpose of the sale is to enable the jurors - professionals - to acquire tokens to participate in the arbitration application. Cooperative Kleros plans to launch a first version of its service before the end of the sale. However, risks remain regarding the service development (see “Technological risks” infra) and both the number of jurors and cases to be resolved (see “Economical risks” infra).

To overcome the detrimental effects of the usual token sales – speculation, concentration of tokens in large buyers' hands and lack of transparency – Kleros opted for an IICO mechanism.



With an IICO, Cooperative Kleros does not pre-establish the unit price of the token: this price will be automatically determined by the IICO mechanism and will depend by the participation of buyers in the token sale. As a result, the token sale will be fairer and more transparent, without private sale, hidden bonus' or affiliate programs.

For more information, please read these documents: "[How Interactive Coin Offerings \(IICOs\) Work](#)", April 23, 2018, Federico Ast (Kleros); the white paper "[Interactive coin offerings](#)", December 11, 2017, Jason Teutsch, Christopher Brown & Vitalik Buterin.

By participating in the token sale, you agree to have understood and accepted the characteristics of the sale.

What are the rules of the token sale ?

Following the IICO protocol, the Kleros token sale will take place in a number of phases optimized for price discovery and convergence towards an equilibrium price for PNK:

- In the first phase of the sale (the "Full Bonus Phase"), participants can make contributions that take advantage of the sale's full bonus and withdraw them with no penalty.
- In the second phase of the sale (the "Partial Withdrawals Phase"), participants can make contributions and also withdraw them, but this time, with a penalty. The bonus also starts decreasing linearly at this phase, while the penalty for withdrawals increases linearly.
- In the third phase of the sale (the "Withdrawal Lockup Phase"), voluntary withdrawals are no longer permitted. Also, new contributions must have a personal cap that is strictly more than or equal to the current valuation.

At the end of the sale, tokens are distributed to participants who stayed in the sale and ETH is refunded to participants whose personal cap was exceeded. In some cases, the cut-off contribution might receive a partial ETH refund and some tokens.

To understand how the mechanism works in more detail, read this document: "[How Interactive Coin Offerings \(IICOs\) Work](#)", April 23, 2018, Federico Ast (Kleros).

By participating in the sale, you acknowledge and accept the terms of the sale and its mechanism for price formation. Note that Cooperative Kleros has no power to stop the sale, or affect the price formation process.

An IICO is a new and experimental method of token distribution. Cooperative Kleros cannot be held liable for any IT failure. By participating in the IICO, you understand and accept these risks.



The token supply will be shared according to the following allocation: 18% for the team members; 4% for airdrops; 12% for the Cooperative Kleros Development Reserve; 50% for the subsequent rounds and jurors program.

The token sale duration will be two months. It shall begin on May 15th, 2018 and end on July 15th, 2018. This schedule is subject to change according to circumstances.

To limit speculation and the "Fear of Missing Out", the first token sale will concern 16% of the tokens. The further 50% allocated to public sale will be distributed in subsequent rounds as we complete development milestones.

A number of tokens may also be used to support the juror incentive programs providing extra PNK to jurors solving disputes on the platform. The amount of PNK to be sold in future token sales and the number to be used for juror incentives will be determined at the sole discretion of Cooperative Kleros. **Cooperative Kleros undertakes to not distribute the remaining tokens in a manner that is contrary to the project's interests or to those of the previous token sale participants.**

Who is able to participate ?

Kleros' token sale is only designed for jurors. End users (parties to a dispute) and intermediary users (platforms allowing their users to use Kleros as a dispute resolution mechanism) do not need tokens to use Kleros.

The participation in the token sale is **strictly reserved for professional traders within the meaning of the EU Directive 2001/83/EU**.

EU Directive 2001/83/EU defines traders as "any natural person or any legal person, irrespective of whether privately or publicly owned, who is acting, including through any other person acting in his name or on his behalf, *for purposes relating to his trade, business, craft or profession* in relation to contracts covered by this Directive".

Any natural person acting on a non-professional basis, as a simple consumer within the meaning of EU Directive 2011/83/EU relating to consumer rights, is excluded from the token sale.

It is the responsibility of each purchaser to determine its non-professional status and, in doing so, to refrain from participating in any way in the token sale.

Furthermore, "US person" are not allowed to participate in the general token sale. This prohibition applies to all types of people (moral, physical, agent, etc.) and to any indirect participation (via a proxy, a name loan, etc.).



By participating in the token sales, the purchaser agrees to the legal disclaimer and, especially, that he respects the above provisions.

Token rights attached

The token is not a financial title or a security because it grants neither financial nor political rights in “Cooperative Kleros” company. For those matters, users are invited to become cooperative shareholders.

The Token is not an electronic currency nor a debt obligation, since it has no counterpart.

Kleros token is exclusively a utility token that only allows the juror to participate in Kleros service. It does not guarantee the buyer any promise of gains that depend on the development of the service.

Know Your Customer and Anti-Money Laundering obligations

Cooperative Kleros implements measures to prevent contributions from illegal activities. To this end, Cooperative Kleros carried out an in-depth risk assessment to select the appropriate KYC and AML procedures.

Cooperative Kleros uses a service provider to perform the identification operations.

Cooperative Kleros asks all sale participants to provide their identity prior to their contribution. Depending on the conclusions of the KYC/AML risk audit, additional measures may be required at the sole discretion of Cooperative Kleros and its service providers.

Above a contribution of 5 ETH (approximately \$3,200 at the publication time), proof of identity will be mandatory and will be validated in advance by Kleros team for contributors to be allowed to participate.

For large contributions – whose thresholds depends on criteria specified by the KYC/AML risk audit – additional procedures may be implemented to verify the identity and the origin of funds (additional documents, Skype, etc.).

For legal persons, a specific procedure is provided. Please contact Kleros KYC Service at kyc@kleros.io.

In any case, Kleros cannot be held responsible for any error, delay or non validation of your identity. Even if your participation in the sale is prevented by this fact.



Kleros service development

Cooperative Kleros will make every effort to develop the service and the decentralized application. The only guarantee is what the Kleros team have been developed so far : a dispute resolution system with a single court able to resolve escrow disputes. The Cooperative Kleros will try to develop the Kleros system further as mandated by its cooperative status but has no other obligations, and especially a *duty to perform*.

By participating in the sale, you acknowledge and agree to the risks of non-project development or project development that does not meet the specifications described in the current version of the white paper.

Risks factors

Failure of the project – Once developed, the service may not be economically sustainable (insufficient need or demand, not enough jurors, users or implementation, etc.).

Token purchase price risk – The price of the token at the end of the IICO can slump and never go up again. It may also collapse definitively, in particular in the event of bad news, failure of the project or a collapse of the general crypto markets.

Risk on the profitability of the jurors' activity – The jurors' activity, paid in ether by the users, may not be sufficiently profitable for intrinsic reasons (market rule, lack of participants, etc.) or for external reasons: fall in the ether price, lack of interest in decentralized solutions, economic and / or market failures.

Technological risks

Ethereum and blockchain are radically new and promising technologies. However, they include unusual technical risks compared to other online services (e-commerce, crowdfunding...).

Ethereum's risk of failure – Both the token sale and Kleros project are based on the Ethereum protocol. If Cooperative Kleros team does its utmost to guarantee adequate stability and security, Ethereum is an experimental technology that has been and can be again the victim of code errors, bugs and hackings.

Kleros' risk of non-development – Kleros is an experimental project whose outcome cannot be technically guaranteed. It is not excluded that the project as described in the whitepaper is, in practice, not achievable, unstable or impossible to develop for reasons as yet unknown.



Risk of unexpected IICO failure – The token distribution method (IICO) is a new development. Therefore, and given the risks to Ethereum, the outcome of this token sale cannot be guaranteed. By participating in the token sale, you acknowledge and accept the risk that IICO may fail and your funds may not be recovered.

Risk of forks – Both Ethereum and Kleros application, can be forked. If this were to happen, duplication of the chain or the application may have an impact in the token use - most of the market share are not in the application / blockchain whose buyer has the token on - and even reduce the token utility to zero (if the application or blockchain eventually disappears due to a fork).

Risk of hacking – Cooperative Kleros implements significant security measures to avoid hacking during the IICO as well as in the context of its future service. However, such incidents are not predictable and cannot be fully prevented. In addition, contributors are reminded that they are solely responsible for the safety of their tokens, before, during and after the IICO.

In the light of all these unpredictable risks, Cooperative Kleros cannot be held liable on behalf of the contributors. It is agreed between the Parties that a failure or unpredictable hack during the IICO will be considered as a *force majeure* event.

Economic risks

Capital Loss – By participating in the token sale, the purchaser accepts the risk of a total or partial funds loss in ETH or in PNK

Volatility Risk – The value of tokens can be extremely volatile and subject to significant, and largely unforeseeable fluctuations outside the control of Cooperative Kleros.

Lack of Liquidity – Currently, there are no platforms of exchange on which the PNK can be traded yet. It is possible that no resale market develops for PNK, meaning that the purchaser may be either unable to sell them or have to sell them on unsatisfactory terms. Cooperative Kleros shall not be held liable for difficulties to sell or acquire PNK in a secondary market.

Uninsured Loss – Funds held through the Ethereum network are generally uninsured. It is the responsibility of buyers to hedge against economic risks with their own means. Cooperative Kleros shall not be held responsible for economic losses.

Legal risks

Regulatory & Regulation Risks – The token sale has been structured to comply with the current regulations and good practice, especially those following the French Market Authority consultation. However, the operation of Kleros and of PNK may be impacted by the passing of restrictive laws, the publication of restrictive or negative opinions, the issuing of injunctions by national regulators, the initiation of regulatory actions or investigations, including but not



limited to, restrictions on the use or ownership of digital tokens such as PNK. It is the responsibility of each buyer to carry out their own due diligence concerning the purchase and ownership of PNK according to the national law and regulatory bodies which are applicable to them.

Tax risks – Participation in the token sale might have tax implications that may vary depending upon the applicable law to buyers. Buyers participating in the token sale are solely responsible for determining their obligations to report, collect or remit any applicable indirect (as VAT) or direct taxes.

Terms & Conditions modification

Terms and conditions may be modified by Cooperative Kleros at any time. The version published on the site is binding.

Applicable law and jurisdiction

In case of dispute, the parties will imperatively seek an amicable settlement. After a period of two months without an amicable agreement, they may bring an action before the courts stipulated in the contract.

The relations established under these Terms & Conditions are governed by French commercial law and regulations relating to tokens and token sales. The competent courts are those of Paris.

