

bUSD Burn Agreement 1.0.0

This bUSD Burn Agreement ("The Agreement") is entered into by and between Steven Pikelnny ("The Burn Agent" or "Agent") and "The Participant", and shall become effective in accordance to the terms outlined in the Agreement Validity section.

1. Overview

Burnt United States Dollars ("bUSD") is an "ERC-20" digital token that operates on the Ethereum L1 blockchain. Issuance may only take place as part of an official "Burn Ceremony" (or "Ceremony"), whereupon a United States Dollar ("USD") bill is burned and destroyed. The Burn Agent shall issue bUSD to the Participant at a one-to-one ratio with the denomination of the bill provided by the Participant.

2. Valuation

The bUSD token represents the notional value of all physical USD bills destroyed during official Burn Ceremonies. Whereas bUSD is issued at a one-to-one ratio with the monetary value represented by the burned USD bills, and whereas the global supply of bUSD equals the sum of the denominations of all burned USD bills, each bUSD token shall have a notional value of \$1.00. All parties acknowledge that this notional value is purely descriptive in nature, and that the transmutation of actual monetary value from physical to digital form is based entirely on subjective experience as opposed to economic or material reality. Furthermore, all parties acknowledge that, while blockchain transmutation mechanisms have already been established as valid for art objects¹², broad consensus may not be established as valid regarding the transmutation of monetary value.

Whereas bUSD is issued by the Burn Agent, who does not represent or have any association with the US government or any US governmental agency whatsoever, bUSD does not constitute legal tender and may not be accepted as money for any public or private debts.

¹ Rhea Myers, *Upgrade Art Now!* (2021), <https://rhea.art/upgrade-art-now/>

² Mitchell F Chan, *Digital Zones of Immaterial Pictorial Sensibility Blue Paper* (2017), <https://ipfs.io/ipfs/QmcdKPjcJgYX2k7weqZLoKjHqB9tWxEV5oKBcPV6L8b5dD>

Additionally, bUSD is not a "stablecoin". The Burn Agent shall under no circumstances be obligated to honor any redemption of bUSD for any other digital or fiat currencies or assets, including but not limited to USD, foreign currency, cryptocurrency, precious metals, financial assets, goods, or services. Furthermore, the Agent makes no guarantees whatsoever that the secondary market value of bUSD will accurately track its notional value. By acquiring or holding bUSD, the owner expressly acknowledges the risk that their position's secondary market value may deviate from \$1.00 for extended periods of time. The Burn Agent does not guarantee the implementation of any technical, financial, or social mechanisms that purport to support this price.

There is no reasonable expectation of profit from owning bUSD, and ownership over the token does not confer any utility whatsoever to the owner. As such, bUSD is not a financial security. Holders of bUSD are not entitled to any dividends, interest payments, cash flows, or distributions related to any and all bUSD operations. In the event that the secondary market value of bUSD exceeds \$1.00, the Burn Agent provides no assurance that such valuation will be sustained.

The Participant understands that the secondary market price for bUSD will be dictated entirely by social consensus. While the secondary market for US currency generally equates the price of physical bills with their printed denomination, no such assurance exists that the secondary market price of bUSD will equate to its notional value at any point.

3. Legality

All parties acknowledge that burning United States currency is a federal crime pursuant to United States Code Title 18 (CRIMES AND CRIMINAL PROCEDURE), Part I (CRIMES), Chapter 17 (COINS AND CURRENCY), Sec. 333 (Mutilation of national bank obligations):

Whoever mutilates, cuts, defaces, disfigures, or perforates, or unites or cements together, or does any other thing to any bank bill, draft, note, or other evidence of debt issued by any national banking association, or Federal Reserve bank, or the Federal Reserve System, with intent to render such bank bill, draft, note, or other evidence of debt unfit to be reissued, shall be fined under this title or imprisoned not more than six months, or both.

Accordingly, the Participant acknowledges that engaging in the burning of United States currency, including the act of providing a bill for such purposes, may constitute a violation of federal law, including but not limited to conspiracy to mutilate national currency.

The Participant assumes all responsibility and legal implications of their actions. The Burn Agent neither instructs nor advises any party to take actions that may contravene applicable law.

4. Burn Ceremony

New bUSD may only be issued as the result of an official Burn Ceremony, which may only be conducted by the official bUSD Burn Agent, as specified by the published bUSD contract. Any and all Ceremonies conducted by other parties shall be considered invalid.

Each Burn Ceremony shall consist of the following steps:

- (1) The bill provided by the Participant shall be placed face up, such that its serial number is clearly visible;
- (2) The bill shall be marked with a counterfeit money detection marker in order to verify its authenticity;
- (3) The bill shall be cleansed with a light spray of alcohol;
- (4) The bill shall be lit on fire, and left until it has been sufficiently burned;
- (5) An amount of bUSD corresponding to the burned bill's denomination shall be issued to the Participant.

In the event that the bill has not been fully burned before the flame ceases, the Agent may repeat steps 3 and 4 as needed before proceeding with step 5. Furthermore, in the event that the participant has submitted multiple bills, the Agent may, at their discretion, repeat steps 1 through 4 with multiple bills before proceeding with a lump sum issuance.

New bUSD may only be issued once the bill has been sufficiently burned to such an extent that the United States Bureau of Engraving and Printing would deem it ineligible for redemption or exchange pursuant to its mutilated currency redemption guidelines.

If a Burn Ceremony is interrupted, delayed, or otherwise impeded, it shall be resumed within a reasonable timeframe given the disturbance, and a memo shall be attached to the Proof of Burn ERC-721 token.

5. Proof of Burn

All Ceremonies must be video recorded, and made publicly available within one week of the burn date. Official recordings of the Ceremony shall be referred to as the “Proof of Burn”.

An ERC-721 (“NFT”) token corresponding to the Proof of Burn shall be issued to the Participant. These tokens are primarily archival in nature, and should not be construed as investment contracts or containing any monetary value whatsoever. Each token shall reference a video recording and timestamp of the Burn Ceremony, including the serial number and denomination of all bills burned. Any notes regarding the Ceremony or issuance process may additionally be recorded as a memo.

6. Receipt of bUSD

All bUSD shall be issued on a one-to-one basis with the denomination of the bill destroyed during the Burn Ceremony, sent directly to the address or ENS name provided by the Participant on the Ethereum L1 blockchain. Once issued, bUSD shall be considered a bearer instrument; the Burn Agent retains no ability to modify token ownership beyond issuance. All canonical bUSD balances shall be determined by the official bUSD contract’s `balanceOf` function.

The Burn Agent shall not be held liable for any lost bUSD due to typos or misprints regarding the Participant's provided bUSD Recipient Address. In the absence of a specified Participant or Recipient Address, all bUSD shall be allocated at the Burn Agent's full discretion.

7. Burn Agent

For the purposes of new bUSD issuance and the validity of any and all Burn Ceremonies, the official bUSD Burn Agent shall be defined as the party that maintains ownership of the `burnAgent` address designated by the official `BurnCeremony` contract. Correspondingly, the official `BurnCeremony` contract shall be specified by the official bUSD contract.

All bUSD Burn Ceremonies shall be conducted by the designated Burn Agent. Ceremonies conducted by unauthorized parties shall be considered null and void under the terms of this agreement, and shall, under no circumstances, result in the issuance of new bUSD.

The Burn Agent role may be transferred to any other person or organization at the discretion of the acting Agent. In the event that the `burnAgent` address refers to an intermediary smart contract instead of an Externally Owned Address (EOA), Burn Ceremonies may only be conducted by a party (or parties) specified by that intermediary smart contract. In the event of a Burn Agent transfer, all bills scheduled for burn by the old Agent shall be either returned to the Participant or transferred to the custody of the new Agent within sixty (60) days. The new Agent shall inherit all custodian responsibilities established by prior agreements. No previous Agents shall be held responsible by any activities conducted by newer Agents.

In the event of the death or incapacity of the Burn Agent, and in the absence of any alternate or successor Agent through an intermediary smart contract, all bills scheduled for burn shall be returned to the respective Participants in accordance with the settlement of the Agent's estate or at the discretion of the Agent's power of attorney.

In the event that the Burn Agent is represented by a corporate entity and such entity declares bankruptcy, all bills scheduled for burn shall be returned to the respective Participants in accordance with normal bankruptcy proceedings. Under no circumstances shall these bills be liquidated or transferred to creditors.

8. Issuance Authorization

The bUSD Burn Agent does not represent the United States Government, United States Treasury, or Federal Reserve in any official capacity whatsoever. All bUSD tokens are issued based solely on the authority of the Burn Agent, who is not a licensed money transmitter in any district, state, or country.

9. bUSD Supply

Whereas bUSD may only be issued at a one-to-one rate with the monetary value represented by bills burned during official Burn Ceremonies, the global supply of bUSD shall equal the sum total of the denomination of all physical bills burned.

The Burn Agent must take reasonable care to ensure the integrity of the bUSD issuance process and ensure that new bUSD is issued only as a result of a valid Burn Ceremony. However, the Burn Agent shall not be liable for damages arising from the improper issuance of bUSD due to circumstances beyond their

control—including, but not limited to, smart contract bugs, failures of underlying blockchain infrastructure, sophisticated cyberattacks, or compromise of the burnAgent address.

In the event that the bUSD issuance process is compromised, the true canonical supply of bUSD may be determined by social consensus, which may provide for the creation of a new bUSD token that can only be minted by burning Proof of Burn tokens from valid Burn Ceremony Sessions together with a corresponding amount of existing bUSD.

10. Bill Custody

The Participant authorizes the Burn Agent to perform the Burn Ceremony service on the bill(s) designated by a signed Burn Application. The designated bill(s) shall be considered the sole property of the Participant, with the Burn Agent acting as temporary custodian until it is burned, returned, or forfeited. The Participant retains legal ownership of the bill throughout the entire burn ceremony until it ceases to be considered valid legal tender. Physical possession of a non-forfeited bill in no way represents ownership on behalf of the Burn Agent, and does not constitute income. The Burn Agent is strictly limited to handling the bill in ways pertaining to official bUSD services.

Under no circumstances shall the Burn Agent be held responsible for any bill lost prior to or following their custody. Any bills lost in the mail are the sole responsibility of the Participant.

The Burn Agent shall exercise reasonable care in safeguarding the provided bill until such time as it is irreversibly burned. The Burn Agent shall not be liable for loss or damage arising from events beyond their control, including but not limited to force majeure events.

11. Bill Forfeit

In the event that a bill has been submitted without a valid mailing address or valid Participant contact information, ownership over the bill may be forfeited to the Burn Agent at their discretion. As such, all return requests made on forfeited bills shall be considered null and void. Similarly, any forfeited bills that would otherwise have been returned to the sender due to bill eligibility requirements shall be retained by the Burn Agent.

Prior to bill forfeit, the Burn Agent shall otherwise make a good faith effort to contact the Participant if partial contact information is provided.

12. Return Policy

Whereas the Participant is the lawful owners of any and all bills provided for the Burn Ceremony, said bills must be returned in the event that a "Return Request" is made. Return Requests must be submitted in writing prior to the bill's scheduled burn ceremony. Under no circumstances shall the Burn Agent be required to return a bill once its Ceremony has commenced. Furthermore, bills shall be returned if they are rejected by the Burn Agent pursuant to the Bill Eligibility criteria. Bills may also be rejected if they are not submitted with valid paperwork in full.

The Burn Agent shall make a good faith effort to return the bill when required, but shall not be held responsible for any bills that become lost by the mail.

Returns shall be made at the earliest convenience of the Agent within sixty (60) days of receipt of a written Return Request.

Bills that have already been burned or forfeited to the Burn Agent shall not be returned under any circumstances.

13. Bill Eligibility

Only valid legal tender issued by the United States Treasury may undergo an official Burn Ceremony. No foreign currency, counterfeit bills, or bills issued by alternate agencies shall be considered eligible for burn.

All bills must be submitted in good condition such that its serial number, denomination, series date, Federal Reserve district number, and plate number are clearly visible. Furthermore, more than 50% of the note must clearly be present. Bills with less than 75% presence may be considered ineligible as a precautionary measure. Any bill that would reasonably require an examination by the US Bureau of Engraving & Printing to determine its value shall not be burned in an official Burn Ceremony.

Furthermore, the Burn Agent may reject a bill at their sole discretion for aesthetic reasons including, but not limited to, poor overall condition, rare serial numbers, antique status, or desirable misprint features.

All rejected bills must be returned to the Participant it was provided by.

14. Scheduling

Bills shall be scheduled for burn at the full discretion of the Burn Agent, and may be prioritized by denomination and date of receipt.

The Burn Agent shall make a good faith effort to burn the provided bill within sixty (60) days of its receipt, else the bill may be returned to the Participant. Various unforeseen circumstances may delay the Burn Ceremony, including personal issues or incapacitation of the Burn Agent, unexpected complications regarding the planned Burn Ceremony venue, equipment malfunction, adverse weather, legal obstacles, hostile threats, riots, acts of terror, civil unrest, war, invasion, government embargoes or blockades, national or regional emergency, strikes, labor stoppages/slowdowns, epidemic, pandemic, infectious global outbreak, emergency state, shortage of medical supplies or equipment, shortage of power, or acts of God.

15. Processing Fee

All Participants must pay a \$20.00 USD processing fee to the Burn Agent prior to the Burn Ceremony unless given an explicit exemption by the Burn Agent.. This fee is not refundable under any circumstances.

16. Authority to Enter Agreement

All bUSD services are only available to individuals who can enter into legally binding contracts under applicable law, and are not intended for individuals under eighteen (18) years old at the time of signature. All parties warrant that the individuals who have signed this agreement have the actual legal power, right, and authority to make this Agreement bind each respective party.

By signing this contract, you affirm that provided information is true, complete, and accurate, and acknowledge that any intentional misstatement or omission of material facts may constitute a violation of federal law, including but not limited to mail fraud.

17. Privacy Policy

By signing this Agreement, the Participant authorizes the Burn Agent to collect and retain all information provided, including details of the submitted bill, name, contact information, mailing address, and Ethereum address. Such information shall be maintained exclusively for the Burn Agent's records and may not be disclosed publicly. However, it may be shared with applicable law enforcement or tax authorities as required by law.

18. Warranty

All bUSD products, tokens, smart contracts, software, and documentation are provided "as-is" and without warranty of any kind whatsoever, either express or implied. In no event shall the Burn Agent be held liable for any bugs, vulnerabilities, or unintended behavior related to the bUSD contracts or underlying blockchain infrastructure.

19. Hold Harmless

By participating in any aspect of the bUSD project, including but not limited to the submission of bills and the attendance of Burn Ceremonies, the Participant agrees to fully defend, indemnify, and hold harmless the Burn Agent from and against any claims, costs, lawsuits, demands, causes of action, losses, liabilities, injury (such as burns, smoke or fume inhalation, or fire-related accidents), damages of any kind whatsoever (including monetary loss, property damage, public prosecution, personal injury, and/or wrongful death), whether brought by an individual or other entity, or imposed by a court of law or administrative action of any federal, state, or local governmental body or agency. This indemnification includes, without limitation, the payment of all penalties, fines, judgements, attorney's fees, and related costs or expenses.

20. Intellectual Property

All materials, documentation, software, tokens, and media associated with the bUSD project are made available under the Commons Attribution-NonCommercial 4.0 International License (CC BY-NC 4.0). Participants may copy, distribute, and adapt project materials for non-commercial purposes only, provided appropriate credit is given and any modifications are clearly indicated. Commercial use of any part of the bUSD project is strictly prohibited without the express written consent of the Burn Agent.

In addition to the terms of the CC BY-NC 4.0 license, no person is permitted to use the project materials, or any derivative thereof, to create, issue, or distribute any token, coin, or digital asset that is identical to, substantially similar to, or intended to serve the same function as bUSD, regardless of name or designation, without the prior written consent of the Burn Agent.

21. Enforceability, Severability, and Reformation

If any provision of this Agreement shall be held invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision shall be deemed to be written, construed, and enforced as so limited.

22. Entire Agreement

This Agreement contains the entire Agreement between the parties related to matters specified herein, and supersedes any prior oral or written statements or Agreements between parties related to such matters.

23. Amendment

No supplement, modification, or amendment to this Agreement shall be binding unless executed in writing and signed by all parties.

24. Agreement Validity

This Agreement shall only be valid and enforceable if executed on a date during which the official BurnAgreement smart contract has designated the `activeAgreementId` as "1.0.0". Any 1.0.0 Agreement executed outside of such a period shall be deemed null and void.