



## **\*\*Legal Notes and Key Risks\*\*** - Early Adopter Program

The ecosystem participant(s) in the Early Adopter Incentive program (the “**Participant(s)**”) understands and accepts that the WATR token is the native utility token of the Watr Protocol, allowing interaction with the various features of the Watr Protocol. Usage of the WATR tokens is specifically in connection with the Watr Protocol and constitutes only a transferable representation of attributed features as specified by the Watr Protocol.

The Participant further understands and accepts that WATR tokens do not represent or constitute any ownership rights, shares, security, or stake in Watr Protocol, and/or the Foundation, nor equivalent rights, including any rights to share and/or receive future revenues or equity in or relating to the Watr Protocol and/or the Foundation. Furthermore, the Participant understands and accepts that the Foundation is a non-profit foundation whose purpose is to develop a common utility and grow the Watr ecosystem. While the Watr tokens may provide for a voting functionality in the Watr Protocol (governance function) for WATR token holders, WATR tokens do not represent any form of participation, governance rights in, and/or relating to the Foundation.

The WATR tokens do not create or confer any enforceable contractual or other obligations against any party(ies), including the Foundation, the Watr Protocol team members, developers, consultants, advisors, contractors, auditors, or founders associated with the Foundation). Watr Protocol's distributed governance system retains complete discretion in conjunction with WATR token holders participating in Watr's governance to propose and implement adjustments to the governance function as part of the continued development of the Watr Protocol.

In addition, the Participant understands and accepts that it has no right to claim, as holder of WATR tokens, any intellectual property rights, equity or equivalent rights or any other form of participation in or relating to the Watr Protocol (other than certain technical voting functionalities according to the governance function) and/or the Foundation.

Finally, the Participant(s) understands and agrees that any decision on whether any Participant is provided with any budget for participation in an executive program or a hackathon, run collator nodes, have governance seats on the Watr Protocol governance board, as well as any other token or on-token incentive program, is at the sole discretion of Watr Foundation and Neo Holdings.

### **1. Tax**

All taxes (including VAT, if any), charges, levies, assessments and other fees of any kind imposed on the receipt or purchase of WATR tokens by the Participant shall be the responsibility of, and for the account of, the Participant.



## 2. Risks

The Participant understands and accepts the risks connected to WATR tokens. In particular, but not exhaustively, the Participant understands the inherent risks listed hereinafter.

### a. Decentralized Governance and Risk of Software Weaknesses

The Participant understands and accepts that, upon deployment, the Watr Protocol is fully decentralized, immutable and not under the control of the Foundation. Consequently, any changes to the Watr Protocol can only be made via the decentralized governance mechanism of the Watr Protocol and thus are dependent on the respective decision of the WATR token holders.

The Participant understands and accepts that the underlying software application and software platform, the Watr Protocol, other involved software and technology as well as technical concepts and theories are still unproven in a live (non-test-) environment, which is why there is no warranty that the process for receiving, using and ownership of the WATR tokens will be uninterrupted or error-free, creating an inherent risk of the software and related technologies and theories containing weaknesses, vulnerabilities or bugs causing, inter alia, partial or the complete loss of the WATR tokens, respectively their functionality.

### b. Regulatory Risk

The Participant understands and accepts that the blockchain technology used by the Watr Protocol allows new forms of interaction. There is a possibility that certain jurisdictions will apply existing regulations, or introduce new regulations addressing blockchain technology-based applications, which may be contrary to the current setup and which may, inter alia, result in substantial modification of the Watr Protocol, including its termination and the loss of the WATR tokens or their functionality for the Participant.

The Participant understands and accepts that even if WATR tokens do not create or confer any contractual or other obligations against any party(ies) (including the Foundation, the Watr Protocol team members, or other developers, consultants, advisors, contractors, auditors, contractors or founders associated with the Foundation), certain regulators may nevertheless qualify WATR tokens as securities or other financial instruments under their applicable law. It remains the Participant's responsibility to comply with any and all applicable laws and regulations when holding or dealing with WATR tokens.

The regulatory regime governing blockchain technologies and WATR tokens is complex, and new regulations or policies may materially adversely affect the Foundation, the Watr Protocol and the WATR tokens. In many jurisdictions, regulation of WATR tokens is currently undeveloped and likely to rapidly evolve as government agencies take a greater interest in them. Regulation varies significantly among jurisdictions and is subject to significant regulatory interpretation. Various legislative and executive bodies in the United States and in other countries may in the future adopt laws, regulations, or guidance, or take other actions, which



may impact the Foundation, the Watr Protocol and the WATR tokens. Failure by the Foundation or WATR token holders to comply with any laws, rules and regulations, some of which may not yet exist or that are subject to interpretations that may be subject to change, could result in a variety of adverse consequences, including penalties and fines.

If the WATR tokens are deemed to be securities, in one or more jurisdictions, or this Agreement or the issuance of the WATR tokens constitutes a non-exempt forward contract, or the Foundation or its affiliates are required to register with a regulatory agency, the WATR tokens and the Foundation could be subject to significant additional regulation, including restrictions on transferability and resale or operational activity. This could lead to significant changes with respect to WATR tokens, how WATR tokens are structured, how they are purchased and sold, and other issues, and would greatly increase the Foundation's costs in creating and facilitating transactions in WATR tokens. Such regulation could affect the value and functionality of the WATR tokens and/or could cause the Foundation to cease operations.

#### **c. Risk of Abandonment / Lack of Success**

The Participant understands that there are no assurances that the Common Digital Protocols will achieve commercial success or that the Participant will receive any commercial benefits through the WATR tokens held by it.

#### **d. Third-Party Risk**

The Foundation may use third parties to manage and operate the Contribution processes. The Foundation has no visibility into, or possibility to control, the software or mechanisms used by such third parties, and cannot verify or guarantee the proper functionality of the third-party software or operations.

#### **e. Risk Associated with other Applications / Third Party use of Watr Protocol Code**

The Participant understands and accepts that the Watr Protocol may give rise to other, alternative projects which may rely partially or fully on the Watr Protocol's source code, promoted by unaffiliated third parties, in which WATR tokens will have no intrinsic value.

#### **f. Risk of Private Key Loss**

WATR tokens allocated to a particular address can only be accessed with the private key that corresponds to that address. The Participant understands and accepts that if its private key file or wallet password were lost or stolen, the allocated WATR tokens associated with the Participant's account (address) or password would be unrecoverable and would be permanently lost. The Foundation has no control over the WATR tokens; therefore, the Participant shall have no recourse to seek any refunds, recovery or replacements from the Foundation in the event that the WATR tokens are lost or stolen.



**g. Risk of Theft**

The Participant understands and accepts that, while best efforts are made to reduce potential software attacks on the Watr Protocol, other involved software, other technology components and/or platforms may be exposed to attacks by hackers or other individuals that could result in theft or loss of the WATR tokens.

**h. Risk of Protocol Attacks**

The Participant understands and accepts that the blockchain technology used for the Watr Protocol, could be susceptible to consensus-related attacks, including but not limited to double-spend attacks, majority validation power attacks, censorship attacks, and byzantine behavior in the consensus algorithm. Any successful attack presents a risk to the Watr Protocol, the expected proper execution and sequencing of Token-transactions and the expected proper execution and sequencing of contract computations.

**i. Risk of Incompatible Wallet Service**

The Participant understands and accepts that the wallet or wallet service provider used for the management of the Private Key must be technically compatible with the Token. The failure to ensure this may result in the Participant failing to gain access to his or her WATR tokens.

**j. Risk of Depreciation**

The Participant understands that with regards to the WATR tokens, no market liquidity may be guaranteed and that the value (if any) of the WATR tokens over time may experience extreme volatility or depreciate resulting in loss that will be borne exclusively by the Participant.

**3. Representations and Warranties**

- a. The Participant understands that no public market now exists for the WATR tokens, and the Foundation has made no assurances that a public market will ever exist for the WATR tokens;
- b. The Participant has such knowledge and experience in financial and business matters that the Participant is capable of making an informed contribution decision and evaluating the merits and risks of entering into this program respectively of such contribution and being allocated the WATR tokens, is able to incur a complete loss of such contribution without impairing the Participant's financial condition and is able to bear the economic risk of such contribution for an indefinite period of time;



- c. The Participant has a deep understanding of the functionality, usage, storage, transmission mechanisms and intricacies associated with cryptographic WATR tokens, like BTC and ETH, and blockchain-based software systems and intends to obtain WATR tokens for the use of the Watr Protocol;
- d. The Participant understands that according to Swiss law the holding of WATR tokens and the participation in the Watr Protocol does not involve the purchase of shares, securities exchangeable into shares or any equivalent in any existing or future public or private company, corporation or other entity in any jurisdiction;
- e. The Participant understands that it bears sole responsibility to determine if the allocation, use or ownership of WATR tokens, the potential appreciation or depreciation in the value of WATR tokens over time (if any), the sale and purchase of WATR tokens and/or any other action or transaction related to the Watr Protocol have tax implications; by receiving, using or holding WATR tokens and to the extent permitted by law, the Participant agrees not to hold any associated party (including developers, auditors, contractors or founders) liable for any tax liability associated with or arising from the allocation, use or ownership of WATR tokens or any other action or transaction related to the Watr Protocol;
- f. The WATR tokens have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the “**U.S. Securities Act**”) or any other law or regulation governing the offering, sale or exchange of securities in the United States or in any other jurisdiction;