

Mellow

Risk Disclosure Statement

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Acceptance. This Risk Disclosure Statement is a part of and shall be read in conjunction with the [Mellow Terms of Service](#) (the “**Terms**”). Capitalised terms used in this Risk Disclosure Statement shall have the meanings assigned to them in the Terms. Any access to or use of the Services shall be subject to your acceptance and assumption of the risks set out in this Risk Disclosure Statement. You should note that all risks set out herein are not intended to be exhaustive nor to be presented in any assumed order of priority.

Risk of Legal Uncertainty. The Services and their functionality may be subject to various laws and regulations in the jurisdictions where they operate or intend to operate, including obtaining different licences or other permissive documents, if so directed by applicable laws. Furthermore, according to the laws of the jurisdiction where you are located, it may become illegal to use the Services or transact in any Digital Assets. Penalties for any such potential violation would be unknown. Additionally, changes in applicable laws or regulations, or evolving interpretations of existing law could, in certain circumstances, result in increased compliance costs or capital expenditures, which could affect the development, operation, and maintenance of the Services. No Mellow Party shall be responsible for, and you should always independently assess the legal consequences applicable to you in connection with, any transactions made through the Services or involving any Digital Assets.

Volatility. In general, Digital Assets are not backed by any physical assets and do not have any intrinsic value. Digital Assets are extremely volatile and their value and applicable exchange rates may change dramatically in a very short time depending on various factors and forces. Furthermore, the composition of Digital Assets transferred to certain Vaults may change, their value may go up or down, or drop significantly. Due to the nature and operation of blockchain protocols, the total amount of Digital Assets or Digital Assets in circulation could increase through, inter alia, the adoption of a new patch, upgrade of the source code, or additional mint. In no event shall we be responsible for or held liable in connection with any damages or losses that you may incur as a result of or in connection with the change in the composition, supply, value or price of any Digital Assets, including those placed in any Vault.

Liquidity and Market Risks. There is no guarantee that there is or will be an active market to buy or sell the Digital Assets. There may be no liquidity or market for the Digital Assets at all, and they may become useless or abandoned. Fluctuations in the price of the Digital Assets could materially and adversely affect their value, Vaults, Mellow Protocol and its underlying logic or performance.

Risk of Software Weaknesses. Although we make reasonable efforts to ensure that the Services and related software follow the high-security standards, we do not warrant or represent that the Services or any related software are secure or safe, or protected from phishing, malware or other malicious attacks. Further, the Services and related software may contain weaknesses, bugs, vulnerabilities, viruses or other defects which may have a material adverse effect on the operation thereof, or may lead to losses and damages for you.

Risk Inherent in the Blockchain. All transactions you make through the Services take place on the

blockchain and are processed by the respective underlying blockchain networks and applicable software implemented thereon. Advances in cryptography, or technical advances, such as the development of quantum computing, could present risks to the Services and related blockchain software by rendering ineffective the cryptographic consensus mechanism that underpins the blockchain. The smart-contract concept, the underlying software and software platforms, including the blockchain networks, are still in an early development stage and unproven. The blockchain networks can be attacked which may result in downtime, consensus split, long reorganisation of the chain, 51% attack or other adverse outcomes, which may lead to partial or complete loss of your Digital Assets.

Risk of Flawed Logic of the Services. The underlying logic of the Services may be flawed, defective or impaired, which can result in the software and underlying infrastructure operating incorrectly or not as expected, or transactions being executed in violation of the logic which underpins the respective software, infrastructure, or associated smart-contracts, and can lead to partial or complete loss of the Digital Assets used in the respective transaction made through or in relation to the Services.

Risks Relating to Downtime and Maintenance of Services. The Services or their components may become inaccessible or inoperable from time to time due to various reasons, such as maintenance procedures, updates, disruptions, third-party interferences, etc. Any of the above may lead to the downtime and/or lack of access to the Services or their components, potentially resulting in a delay or cancellation of any transactions to be processed, your inability to complete any transactions, and/or partial or complete loss of the Digital Assets used in the respective transaction.

Risk Associated with Hard Fork. Any hard fork on the underlying blockchain network of Mellow Protocol or any of its components could require significant changes, potentially making smart-contracts used within the Mellow Protocol incompatible, dysfunctional, uneconomic, or more costly. This could impair the execution and interaction of smart-contracts essential to the Services, Mellow Protocol, and/or Vaults. Adapting to one or more forks or consensus rule changes may demand significant resources and time, which might be unavailable or uneconomical. As a result, the continued operation of the Mellow Protocol and Services cannot be guaranteed.

Risk Associated with Lack of Remediation. The Mellow Protocol and any associated smart-contracts may contain certain errors or vulnerabilities, which may not be readily apparent, and any attempts to fix them could be challenging or ineffective. Many smart-contracts are immutable by design, which renders impossible any changes thereto. Any remediation of flaws, defects, errors or vulnerabilities in blockchain software may also be disruptive, risky, complex, expensive, and time-consuming, and there is no guarantee that any adverse outcomes arising in connection with the foregoing, including complete or substantial loss of your Digital Assets transferred to any smart-contracts, can be prevented.

Risk of Insufficient Interest. There is no assurance that there will be a public interest in the Services or that the Services will be used by a significant number of users, or will be used at all. Such a lack of use or interest could negatively impact the development of the Services and the business activities of Mellow and/or Affiliates.

Risk of Unofficial Projects. There is always a risk of alternative projects producing similar products, or competing teams, including those forking (cloning) the Services and associated software, that may negatively impact the Services. Additionally, you may become a target of fraudulent websites, emails, text messages, and social media accounts impersonating the Mellow or Services to defraud you, steal your Digital Assets, or otherwise unlawfully profit. Exercise extreme caution regarding websites, emails, text messages, and social media accounts, as well as any embedded or published links, especially those directing you to any sources other than the Websites or Apps, or asking you to connect your Wallet.

Risks Associated with Slashing. In certain circumstances, the Digital Assets transferred to a Vault may be subject to slashing, which could lead to substantial or complete loss of such Digital Assets. Slashing, slashing attacks, or perceptions of unfair slashing could result in users refraining from using the Services. A sudden change in the size and composition of the pool of Digital Assets supporting the validation of AVS or SSN could disrupt AVS, SSN or the Mellow Protocol, or cause disruptive changes in the prices of validation services. Any of the foregoing circumstances could diminish the use and viability of the Mellow Protocol, adversely impact you, as well as lead to partial or complete loss of Digital Assets that you assign to validating any AVS or SSN.

Risks Associated with Concentration of Digital Assets. If Digital Assets contributed to validation of AVS become excessively concentrated, a limited number of users might wield disproportionate governance powers that could unduly influence economic and technical decisions and interaction within the Mellow Protocol, potentially favouring the interests of such users to the detriment of the other Mellow Protocol users. Such concentration may be facilitated by the creation of alternative Liquid Staking Tokens (LSTs) or Liquid Restaking Tokens (LRTs), offering indirect access to AVS and liquidity for staking. Any decisions made by these dominant LSTs and LRTs issuers, including due to poor risk management, de-pegging, or fraud, could have a negative impact on the overall stability and functionality of the Mellow Protocol, potentially resulting in significant financial losses for all users of Mellow Protocol.

Risks Associated with the Vaults. The Mellow Protocol allows for creating, transacting in, or otherwise interacting with the Vaults. We are neither manager nor administrator or operator of the Vaults, and are not responsible for their performance. There is always a risk that the Vault or any Actor may not perform as intended or represented, or meet your expectations. You shall conduct your own research and due diligence on each Vault which you are willing to transact in or otherwise interact with.

Decision-Making Process Risks. Immediate action may be necessary in some situations, and swift analysis of available data will be crucial for informed decisions. However, there is always an inherent risk of potential delays in the provision of necessary information. The failure to make decisions promptly may result in partial or complete loss of Digital Assets.

Counterparty Risks. You should always be diligent when interacting with third parties regarding the Digital Assets. Such third parties refer to any third persons, including any Actors and other counterparties to a transaction. There is always a risk that such third persons will not act in a timely or reliable manner, or as expected or intended, or may fail to act, which can lead to inaccessibility of the functionality of the Services, or partial or complete loss of your Digital Assets.

Risk of Third-Party Illegal Behaviour. Due to the nature of permissionless blockchain software, there is a risk that the Mellow Protocol could be misused for illegal activities, including, inter alia, fraud, money laundering, tax evasion, sanctions evasion, scams, etc., that could lead to legal and regulatory repercussions affecting the Mellow Protocol, its operation and development. While we cannot control users' activities, any misuse could expose us, the Services, as well as their users, to lawsuits, government investigations or other enforcement actions. Any of the above could lead to liability and reputational damage for Mellow or Affiliates, thereby, negatively impacting further operation and development of the Services, as well as their business activities.

Risks Associated with the Credentials. It is your responsibility to ensure the security and confidentiality of the credentials associated with your Wallets, as well as the security and integrity of any devices or systems (both hardware and software) used by you to access and use the App and/or Wallet. If your credentials or any devices used in connection with the App are compromised or stolen, intruders may access your Wallets and dispose of the Digital Assets held within them. We encourage you to properly

back up all credentials associated with your Wallets used within or in connection with the App.

Risk of Theft. There is no assurance that there will be no theft of the Digital Assets as a result of hacks, sophisticated cyber-attacks, distributed denials of service or errors, double-spent attacks, flash-loan attacks, vulnerabilities or defects of the Services, Mellow Protocol, underlying blockchain networks, or related software. Such events may include, for example, flaws in programming or source code leading to exploitation or abuse thereof. Any of the above may lead to partial or complete stealing or loss of the Digital Assets used in transactions carried out through the App.

Risk of Inaccurate Data. The Services may derive certain information from the blockchain network(s) or certain other third-party software in an automated manner, which means that such information is not verified or checked manually. As a result, such information can be incorrect, incomplete, untimely, inaccurate, or insufficient. No warranties are being made that any information provided through or in relation to the Services will be complete or accurate.

Risks Arising From the Tax Obligations. Any acquisition, holding, use or disposition of the Digital Assets, and any transactions carried out through or in relation to the App may have certain tax consequences for you, imposed and levied by any state or government authority. Tax laws and their interpretations with regard to the Digital Assets may be uncertain or not clearly established in the jurisdiction where you reside. Furthermore, the current interpretation of the tax laws and regulations may be subject to change, and the existing laws may be altered with a retrospective effect. You are solely responsible for fulfilling your tax obligations, and any failure to collect, withhold, report or remit any applicable Taxes may result in penalties, fines, or other legal consequences to you.

Risk of Confusing User Interface. Certain Services' interface elements or design decisions can be confusing or mislead you, resulting in the execution of a different action or transaction than intended or desired, or connection to a wrong Wallet or network.

Unanticipated Risks. In addition to the risks set forth herein, there are risks that cannot be anticipated. Further risks may materialise as unanticipated combinations or variations of the discussed risks or the emergence of new risks.