

# Risk Disclosure

## Digital Asset-Backed Loans from Salt Lending LLC

Last updated: June 9, 2022

The **Secured Term Loan** (“**Loan**”) is a non-purpose digital asset-backed loan product offered by **Salt Lending LLC** (“**Salt Lending**”), which is secured by assets held in a separate Collateral Account maintained by **Salt Platform, LLC** (“**Platform**”).

(Contact Loan Support at [loansupport@saltlending.com](mailto:loansupport@saltlending.com) for additional details.)

- **ALL LOANS ARE SUBJECT TO BLOCKCHAIN ASSET COLLATERAL MARGIN MAINTENANCE REQUIREMENTS.**
- **BORROWING USING BLOCKCHAIN ASSETS AS COLLATERAL ENTAILS RISKS. SHOULD THE VALUE OF THE BLOCKCHAIN ASSETS IN THE COLLATERAL ACCOUNT DECLINE BELOW THE REQUIRED COLLATERAL MARGIN MAINTENANCE REQUIREMENTS, LENDER MAY REQUIRE THAT YOU POST ADDITIONAL COLLATERAL, REPAY PART OR ALL OF YOUR LOAN, AND/OR ALLOW LENDER TO SELL COLLATERAL OR EXCHANGE COLLATERAL FOR A NEW FORM OF BLOCKCHAIN ASSET. ANY REQUIRED LIQUIDATIONS OR EXCHANGES MAY INTERRUPT YOUR LONG-TERM INVESTMENT STRATEGIES AND MAY RESULT IN ADVERSE TAX CONSEQUENCES (OR OTHER ADVERSE MONETARY IMPACT).**
- **NOTWITHSTANDING A GENERAL POLICY OF GIVING YOU NOTICE OF MARGIN DEFICIENCY, SALT LENDING IS NOT OBLIGATED TO DO SO. SALT LENDING MAY LIQUIDATE BLOCKCHAIN ASSETS IN YOUR ACCOUNT WITHOUT NOTICE TO YOU TO ENSURE THAT MINIMUM MAINTENANCE REQUIREMENTS ARE SATISFIED.**
- **YOUR BLOCKCHAIN ASSET COLLATERAL MAY BE REPLEDGED, SOLD, OR OTHERWISE TRANSFERRED OR USED FOR SALT LENDING’S OWN ACCOUNT AND AT SALT LENDING’S OWN RISK WITHOUT FURTHER CONSENT, AND FREE OF ANY CLAIM, OF BORROWER. SALT LENDING’S USE OF COLLATERAL DOES NOT AFFECT BORROWER’S RIGHT OF REDEMPTION UNDER THE UNIFORM COMMERCIAL CODE OR BORROWER’S OBLIGATIONS UNDER THE AGREEMENT.**
- **IN THE EVENT OF SALT’S BANKRUPTCY, INSOLVENCY, OR OTHER INABILITY TO REPAY ITS OBLIGATIONS, THE CRYPTOCURRENCY PROVIDED AS COLLATERAL FOR A LOAN MAY NOT BE RECOVERABLE AND BORROWER CLAIMS AGAINST SALT FOR THE RETURN OF CRYPTOCURRENCY PROVIDED TO SALT AS COLLATERAL FOR BORROWER LOANS COULD BE TREATED AS GENERAL UNSECURED CLAIMS WITH RESPECT TO THE RETURN OF SUCH COLLATERAL. IN CONNECTION WITH ACCEPTING CRYPTOCURRENCY AS COLLATERAL, SALT MAKES NO REPRESENTATIONS OR WARRANTIES TO THE BORROWER CONCERNING ITS PRESENT OR FUTURE FINANCIAL CONDITION OR ITS CURRENT OR FUTURE ABILITY TO RETURN CRYPTOCURRENCY**

PROVIDED AS COLLATERAL FOR A LOAN OR OTHERWISE.

- YOU HAVE MUST READ AND UNDER THE SALT TERMS OF USE ([www.saltlending.com/terms](http://www.saltlending.com/terms)) (“TERMS OF USE”), YOUR LOAN AND SECURITY AGREEMENT, EACH TRUTH IN LENDING ACT DISCLOSURE, LOAN CONFIRMATION (AS APPLICABLE), AND THIS RISK DISCLOSURE STATEMENT.

### **Purpose**

The Loan is a non-purpose, digital asset-backed term loan with monthly payments due of either interest only or interest and an amortizing principal amount. Proceeds must be used for lawful purposes.

### **Term and credit commitment**

All loan requests are accepted or rejected at Salt Lending’s sole discretion.

### **Eligible borrower types**

Eligible borrowers include US-based businesses and individuals, except in Hawaii, New York, Nevada, North Dakota, and South Dakota. Jurisdictional and regulatory restrictions apply in certain states, please contact [loansupport@saltlending.com](mailto:loansupport@saltlending.com) for current information on eligible borrower types. Salt Lending (or an affiliate) also provides loans in international jurisdictions on a limited basis.

### **Interest rates**

Salt Lending posts current offered interest rates in the loan application portal. Interest rates are based on the amount of collateral, type of collateral, loan term, repayment type, and loan amount. Promotional rates may apply. A higher interest rate means your borrowing costs increase.

### **Payments**

Monthly interest charges are due on each payment due date. If current interest charges are not paid on or before a payment due date, you will be deemed to request a liquidation of your collateral. Salt Lending may, at its sole discretion, honor such a request and either liquidate collateral or put your loan into default. If collateral is liquidated as a result of such non-payment, up to a processing fee may be imposed. See the Fee Schedule for current rates.

You may prepay your Loan in whole or in part at any time. Please note that the assets pledged as collateral for the Loan must be maintained in a Collateral Account until your Loan is paid off in full and closed.

### **Collateral value**

Salt Lending determines the value of collateral in its reasonable discretion based on a proprietary algorithm. The value of collateral is generally determined by (i) calculating the value

of each position of eligible collateral held in the associated Collateral Account and (ii) adding together the value for all such positions.

### **Collateral account**

Salt Lending requires that the assets pledged as collateral for the Loan be held in a separate Collateral Account maintained at Salt Platform, and that, at all times, the value of collateral of the assets held in the Collateral Account equal or exceed the Margin Call Loan-to-Value threshold. Salt Lending will determine, in its sole discretion, what collateral is eligible collateral and the value of collateral.

The Collateral Accounts are:

- Not insured by the FDIC or SIPC;
- Not a deposit or other obligation of, or guaranteed by, Salt Lending; and
- Subject to investment risks, including possible loss of the principal.

Your digital asset collateral held in the Collateral Account will be re-pledged, sold, or otherwise transferred or used for Salt Lending's own account and at Salt Lending's own risk without further consent, and free of any claim, by you as borrower. Salt Lending's use of collateral does not affect your right of redemption under the Uniform Commercial Code or your obligations under your Loan Agreement.

### **Margin Calls, Liquidations, and Stabilization**

At any time, including in the event that the value of collateral is insufficient to satisfy the minimum loan-to-value ratio, Salt Lending may demand immediate payment of all or any portion of the outstanding obligations or require the deposit of additional digital assets to the Collateral Account (a "**Margin Call**"). If the Margin Call is not addressed within 48 hours or if the loan-to-value ratio is equal to or exceeds the Forced Liquidation LTV (90.91%) at any time, the pledged collateral may be liquidated or converted to a stable form of digital asset (i.e., stablecoin) without further notice to you or an extension of time. (Prices of assets in your portfolio are constantly shifting, which can increase the risk of a Margin Call during times of market volatility.) Because the assets are collateral for the loan, Salt Lending has the right to decide which assets to sell in order to protect its interests. If Salt Lending liquidates or stabilizes your collateral as a result of a Margin Call, you will be charged up to a 5% fee.

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If Salt Lending sells or converts some or all of your assets, such transactions made on your pledged collateral assets are accepted or rejected in Salt Lending's sole discretion and may be at prices higher or lower than your initial acquisition cost. In the event of a liquidation or

conversion, Salt Lending may choose to sell some or all of your assets to an affiliate of Salt Lending at applicable market rates.

The liquidation or conversion of pledged assets could result in adverse tax consequences. You should consult your tax advisor in order to fully understand the implications associated with pledging digital assets as loan collateral.

### **Fees**

If Salt Lending liquidates or stabilizes your collateral, you will be charged up to a 5% fee. After a stabilization, if you choose to convert your digital asset to a different form (i.e., convert stablecoin to Bitcoin), you will be charged up to a 1% fee. You may also have the option to redeem SALT tokens to buy down your loan interest rate. See the Fee Schedule for current rates.

### **Responsibility for investment decisions**

Salt Lending does not provide investment advice with respect to the Collateral Account, any digital asset pledged to the Collateral Account, or any transactions therein. Unless otherwise specified or agreed, Salt Lending also does not make recommendations about the Collateral Account, assets pledged to the Collateral Account, or any transactions in the Collateral Account.

### **Suggestions for managing risks**

A decline in the value of the assets in the Collateral Account may result in Salt Lending making a demand that requires either the payment of all or a portion of the Loan obligations, or the addition of more collateral to the collateral account. **You should monitor the collateral value on a regular basis and keep the value of the eligible assets in the Collateral Account at or above what Salt Lending requires.** If the value of the eligible collateral declines, you should deposit sufficient additional funds or acceptable assets as soon as possible. You should consider keeping a readily available cash reserve or additional assets on hand for this purpose. Heighten your monitoring during periods of market volatility. Use online tools or call Salt Lending to access information about your Loan and Collateral Account, including your loan-to-value ratio of collateral.

Maintain a buffer of additional eligible collateral in the Collateral Account. At the time that you establish the Loan, pledge eligible collateral in excess of the amount required to support the Loan. At all times thereafter, in order to prevent a demand, maintain eligible collateral in excess of the amount required to support the minimum loan-to-value ratio of collateral.

Nothing herein should be interpreted as an obligation to lend. Loans are subject to credit and collateral approval. Some restrictions may apply. Loan terms are subject to change without notice.

Salt Lending is not acting or registered as a securities broker-dealer or an investment advisor.

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