

# RISK FACTORS: SIMPLE AGREEMENT FOR FUTURE TOKENS ("SAFT")

ISSUED BY

TOPIA TECHNOLOGY INC.

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Topia Technology, Inc. (the "**Company**") develops digital data security, integrity, and privacy products for military and highly regulated enterprise applications. The Company recognizes the need to securely share and electronically transfer a class of sensitive data such as medical records, contracts, tax records, wills, voting ballots, tickets, software, and images, among others, (collectively as a class, "**Digital Assets**"). To fulfill this need, the Company is now combining the blockchain and peer-to-peer data transfer protocols with the security of Secrata, its premier enterprise data security technology, to create a secure distributed file sharing system (the "**Network**"). The Network will allow users to securely share Digital Assets as files or pieces of a file with the confidence of a cryptographically verified record of all transactions. In connection with the Network, the Company is sponsoring an issuance and release of TopiaCoins (the "**Tokens**") during the TopiaCoin Generation event (the "**Token Generation Event**"). The Company is also offering interests in Tokens for future delivery through Simple Agreements for Future Tokens (each, a "**SAFT**"). The Tokens will allow, among other things, holders to transact on the Network using the application programming interfaces ("**API(s)**"), programming libraries, and protocols (collectively, the "**Protocol**") developed by the Company. These "**Risk Factors**" provide additional background on the risks associated with the SAFTs, the Tokens, the Network, and the Token Generation Event.

***Important:** None of the information presented in these Risk Factors is intended to form the basis for any investment decision. The Company does not intend to make any recommendations regarding whether or not any particular person should purchase the SAFT. The Company expressly disclaims any and all responsibility for any direct or consequential loss or damage of any kind whatsoever arising directly or indirectly from (i) reliance on any information contained in these Risk Factors or any information provided to investors as part of the Token Generation Event (collectively, the "**Offering Information**"), (ii) any error, omission or inaccuracy in any such information or (iii) any action resulting from such information.*

*The SAFT are being offered in reliance upon exemptions from the registration requirements of the U.S. Securities Act of 1933 ("**Securities Act**"). As a result, there are substantial restrictions on the transferability of a SAFT, and there will be no public market for the SAFTs for U.S. Purchasers. The SAFTs may not be offered, sold or transferred in the United States absent registration or an applicable exemption from the registration requirements. In particular, the SAFTs may not be transferred within the United States or to a "U.S. person" unless such transfer is made to an "accredited investor" in compliance with applicable securities law, and may only be transferred in a transaction outside the United States to non-U.S. persons. Any transfer of a SAFT made in violation of these restrictions will be void.*

**Will I receive Tokens immediately after executing the SAFT?**

No. The SAFT is a purchase of Tokens for future delivery. The Company anticipates delivering Tokens on the first day of the Company's first Token Generation Event. This is expected, but is not required, to occur in the second quarter of 2019.

**Is it guaranteed that the Company will release Tokens?**

The Company is issuing the SAFTs in part to facilitate the development of the Tokens and the Network. Many factors could influence the success of the Company and the anticipated timeline for the Token Generation Event, some of which are out of the Company's control. There can be no guarantee that the Company will ultimately be successful in developing the tokens and the Network, and, as a result, there is no guarantee that the Company will release Tokens.

**Can I get my money back that I used to purchase the SAFT?**

The SAFT is not a promise or guarantee that the Tokens will ever be issued. If there is a Dissolution Event or the Company otherwise forgoes its plan for issuing the Tokens, the Company will make commercially reasonable efforts to reimburse Investments received from Investors, but the Company cannot guarantee that sufficient funds will be available for any such reimbursement. The Company will give priority to the Pre-Sale Class of Investors before all other Investors.

**“Dissolution Event”** means: (i) a voluntary termination of operations; (ii) a general assignment for the benefit of the Company's creditors; (iii) the failure of the Company to hold a Network Launch within three (3) years from April 23, 2018; or (iv) any other liquidation, dissolution or winding up of the Company, whether voluntary or involuntary. A change of control and an initial public offering will not constitute a Dissolution Event.

**Will the terms and characteristics of the Tokens change prior to the Token Generation Event?**

The Company is issuing the SAFTs before the Tokens and the Network are fully developed. As is normal and expected in any research and development cycle, the Company may be prevented from developing the Tokens and Network in the form contemplated at the time a SAFT was executed. Accordingly, the terms and conditions of the Tokens and Network may be substantially different at the time of the Token Generation Event.

**Are the SAFTs being offered on the same terms?**

No. As explained in greater detail in the SAFT Term Sheet (<https://topiacoin.io/SAFTPrincipleTerms.pdf>), the Company is offering the SAFTs in multiple series of offerings defined by the class of investor to which the SAFTs are being offered. The price at which you are able to purchase Tokens for future delivery through the SAFT is different based on your class, and is the lowest for the Employee Sale. Accordingly, if you purchase a SAFT as an accredited investor in the ICO, your terms will be less favorable than had you been eligible to purchase in the Employee Sale. More details on the terms of each series can be found in the SAFT Term Sheet.

**Are the SAFTs registered with any U.S. state or federal securities or commodities regulators?**

No. The Company believes there is some uncertainty about the regulatory treatment of the SAFT, and is therefore treating the SAFTs as securities for purposes of their offer and sale with respect to U.S. investors. In compliance with the safe harbor for private offerings in the United States under the Securities Act, and unless another exemption applies, the Company is only allowing non-U.S. persons and U.S. persons who are “accredited investors” to purchase the SAFTs. This means that purchasers of the SAFTs will not be provided the full set of protections that registration or associated regulations under the Securities Act would otherwise give them.

It is possible that a regulator may disagree with the Company’s assessment that the SAFTs are securities and that, instead, purchasers of the SAFTs are required to meet a higher standard of sophistication. Such a determination could negatively impact the Company and could lead to the termination of the SAFTs, Tokens, and the Network.

### **Is the SAFT freely transferable?**

The SAFTs are being offered in reliance upon exemptions from the registration requirements of the Securities Act and, as a result, will fall within the definition of “restricted securities,” as set forth in Securities Act Rule 144. As a result, the SAFTs may not be transferred except in compliance with applicable securities law. Any transfer of the SAFTs made in violation of Securities Act restrictions will be treated by the Company as void. Holders of the SAFT should be prepared to hold on to the SAFT for an indefinite period of time.

### **Will my SAFT increase in value?**

There is no guarantee that the SAFT will hold its value or increase in value, and you may lose the amount of any payment for the SAFT in whole or in part.

### **Is the Company registered as a money transmitter or money services business?**

No. The Company believes that it is not a money transmitter (“MT”) or a money services business (“MSB”). If the Company was deemed to be a MT and/or MSB, it would be subject to significant additional regulation. This could lead to significant changes with respect to the Network, how the Tokens are structured, how they are purchased and sold, and other issues, and would greatly increase the Company’s costs in creating and facilitating transactions in the Tokens. It could lead to the termination of the Tokens. Further, a regulator could take action against the Company if it views the Tokens and the Network as a violation of existing law. Any of these outcomes would negatively affect the value of the Tokens and/or could cause the Company to cease operations.

### **Is the Company licensed to conduct a virtual currency business in New York?**

No. The Company does not intend to operate in states that require a license to conduct a virtual currency business. If you are a resident of a state that requires a license to conduct a virtual currency business, the Company will not allow you to purchase a SAFT, the Tokens, or participate on the Network. Currently, only New York has this type of requirement, but other states may adopt similar requirements.

If the Company were deemed to be conducting an unlicensed virtual currency business it would be subject to significant additional regulation and/or regulatory consequences. This could

lead to significant changes with respect to the Network, how the Tokens are structured, how they are purchased and sold, and other issues, and would greatly increase the Company's costs in creating and facilitating transactions in the Tokens. It could lead to the termination of the Tokens. Further, a regulator could take action against the Company if it views the Tokens and the Network as a violation of existing law. Any of these outcomes would negatively affect the value of the Tokens and/or could cause the Company to cease operations.

**Are the SAFTs subject to any non-US regulation?**

The regulatory risks described above take into consideration U.S. law only. It is anticipated that the SAFTs will also be sold or resold outside the United States, which could subject the Company or the SAFTs to non-U.S. legal requirements, which could be significant. Non-U.S. regulation could lead to the same types of changes and outcomes described above with respect to U.S. regulation, and any of these outcomes would negatively affect the value of the SAFTs and/or cause the Company to cease operations.

**Could changes in international, federal, state, or local laws impact the value of the SAFTs and/or the Company's ability to develop the Network and Tokens?**

Yes. Legislative and regulatory changes or actions at the State, Federal, or international level may adversely affect the use, transfer, exchange, and value of the SAFTs. You should be aware that, in addition to the regulatory uncertainty of the SAFTs, the regulatory status of the Tokens and similar crypto assets is unclear or unsettled in many jurisdictions. It is difficult to predict how or whether regulatory agencies may apply existing or new regulation with respect to such technology and its applications, including the SAFTs, the Tokens, and the Network. Further, it is difficult to predict how or whether legislatures or regulatory agencies may implement changes to law and regulation affecting distributed ledger technology and its applications. Regulatory actions could negatively impact the SAFTs, the Tokens, and the Network in various ways, including, for example, through a determination that the SAFTs and Tokens are regulated financial instruments required to be registered with the appropriate regulatory agency. Any of these outcomes could prevent the company from fully developing the Tokens and the Network.

**By investing in a SAFT, am I vulnerable to social engineering, phishing emails, man-in-the-middle, phone hijacking, ransomware, denial of service, hacking, and other cyberattacks?**

The nature of crypto assets, such as Ether and the Tokens, may lead to an increased risk of fraud or cyberattack. Hackers or other malicious groups or organizations may attempt to interfere with the purchase of SAFTs with virtual currency in a variety of ways, including, but not limited to, malware attacks, denial of service attacks, consensus-based attacks, Sybil attacks, smurfing, spoofing, social engineering, phishing emails, man-in-the-middle, phone hijacking, and ransomware.

Recently, other platforms that sponsor and engage in transactions in crypto assets have been the subject of cyberattacks that have resulted in a loss of crypto assets. Among other things, you could lose your investment of virtual currency due to these types of threats, or the Company could experience a loss of Ether in its own wallet, which would undermine core components of the Network and put the Company at financial risk.

You are responsible for educating yourself on protecting your personally identifiable information and on cybersecurity best practices. While the Company will take all steps that are commercially reasonable and customary to prevent or mitigate the impact of cyberattacks, there can be no guarantee that the Company will be successful in preventing all cyberattacks on its systems.

**What happens if I lose my private keys?**

Once the Tokens are distributed, your Token balance is associated with your Ethereum public key address, which is in turn associated with your Ethereum private key address. You are responsible for knowing your private key address and keeping it a secret. Because a private key, or a combination of private keys, is necessary to control and dispose of the Tokens stored in your digital wallet or vault, the loss of one or more of your private keys associated with your digital wallet or vault storing the Tokens will result in the loss of your Tokens. Moreover, any third party that gains access to one or more of your private keys, including by gaining access to login credentials of a hosted wallet service you use, may be able to misappropriate your Tokens. The Company and its affiliates will never ask you for your private key address and you should never share them with someone you do not know.

**What happens if I accidentally spend virtual currency or I am misled into spending virtual currency when investing in the SAFT?**

Transactions in virtual currency may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable.

**Will the Company ever experience a disruption in its business operations and services that prevent me from investing in the SAFT?**

The digital nature of the SAFT offering means that any technological difficulties experienced by the Company and its affiliates may prevent the access or use of the Company's website. While the Company will take all steps that are reasonable and customary to prevent or mitigate the impact of disruptions in the Company's business operations and services, there can be no guarantee that the Company will be successful in preventing all such disruptions.

**Is the Company affiliated with any entity that controls, is controlled by, or is under common control with the Company and that conducts business in a materially similar business or market as the Company?**

No.

**Does the Company's management team have experience successfully operating other businesses utilizing crypto assets and distributed ledger technology?**

The Tokens and the Network represent a new business venture for the Company's management team ("**Management**"). Further, crypto assets such as the Tokens are a new and untested technology. While Management has prior business experience, this is Management's first business venture focused on developing a cryptocurrency to be used in connection with a product similar to the Network. Management's past successes do not guarantee future outcomes or the long-term success of the Tokens and the Network.

### **What happens if a competitor offers the same or similar service as the Company?**

It is possible that alternative platforms could be established that utilize the same technology and Protocol underlying the Network, either directly or indirectly through reverse engineering, and attempt to facilitate materially similar services as the Company. The Network may compete with these alternative networks, which could lead the Company to forego the development of the Tokens and Network, leading to the loss of your investment.

### **Will the value of Ethereum impact the success of the SAFT offering?**

Management intends to use the proceeds (net of federal and state taxes) from selling the SAFTs to pay for Network development, marketing, administrative fees, and professional fees, as described further in the SAFT Term Sheet (<https://topiacoins.io/SAFTPrincipleTerms.pdf>). Some of the proceeds of the offering will be denominated in Ether, and may be converted by the Company into other cryptographic and fiat currencies in its sole discretion. If the value of Ether or other currencies fluctuates unfavorably during or after the sale period of the SAFTs, Management may not be able to fund development of the Tokens and the Network in the manner that it intended.

### **What happens if there is low demand for the SAFTs or no one buys the SAFTs during the offering?**

It is possible that there will be minimal to no demand for the SAFTs. In such an event, the short-term and long-term viability of the Tokens and the Network will be in doubt, and the Company may terminate the Tokens and cease all operations. Moreover, the crypto asset market is a new and untested market, the characteristics and behavior of which, in the context of domestic and global markets, is not fully understood.

### **What happens if the Company ceases operations and goes out of business?**

There is no guarantee that the Company or any of its affiliates will continue as viable companies. The utility and value of the Tokens depend on the Company's success and support of the Network. If the Company ceases operations and goes out of business, you may lose 100% of the value of your SAFTs.