

Risk Factors: TopiaCoins and TopiaCoin Generation Event

Second Quarter 2019

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 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 Tokens, the Protocol, 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 Tokens. 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 Tokens 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 the Tokens, and there will be no public market for the Tokens for U.S. Purchasers. The Tokens may not be offered, sold or transferred in the United States absent registration or an applicable exemption from the registration requirements. In particular, the Tokens 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, unless and until such time as the Company reasonably determines and advises holders that the Tokens are not securities and freely tradeable. Any transfer of Tokens made in violation of these restrictions will be void.*

Will my Tokens increase in value?

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

Crypto assets such as the Tokens are a new and relatively untested product. There is considerable uncertainty about their long-term viability, which could be affected by a variety of factors, including many market-based factors such as economic growth, inflation, and others. In addition, the success of the Tokens and other types of crypto assets will depend on whether blockchain and other new technologies related to the Tokens turn out to be useful and economically viable. The Company does not control any of these factors, and therefore may not be able to control the long-term success of the Tokens as a feature of the Network, or the ability of the Tokens to maintain their value.

We anticipate that the Tokens will grow in value based on increasing demand for the Tokens on the Network. However, there can be no guarantee that the Tokens will hold its value or increase in value. Many factors will influence this outcome, some of which are described in these Risk Factors.

Will my Tokens fluctuate in value relative to other crypto assets, dollars, or other currency?

The volatility and unpredictability of the price of crypto assets, including the Tokens and its denominating virtual currency, Ether, relative to fiat currency may result in significant loss over a short period of time.

The Tokens are acquired through an exchange of Ether for Tokens. As a result, the value of the Tokens may in part be derived from the continued willingness of market participants to exchange fiat currency for Ether, which may result in the potential for permanent and total loss of value of the Tokens should the market for Ether disappear.

Is there any guarantee or insurance supporting the value of my Tokens?

No. The Company provides no guarantee that the amount of the Tokens you purchase will retain their value, and you may lose all or some of that value. The Company does not plan to maintain any type of bond or trust account designed to protect holders of the Tokens. Even if the Company did so, you should be aware that any bond or trust account maintained by the Company for the benefit of its customers may not be sufficient to cover all losses incurred by customers.

What are the tax consequences of owning or utilizing the Tokens?

The tax characterization of the Tokens is uncertain as are the consequences of transactions utilizing the Tokens. If the Tokens are characterized as a “virtual currency” for income purposes, then, under a Notice issued by the U.S. Internal Revenue Service in 2014, the general rules applicable to property transaction would apply. See [Notice 2014-21, 2014-16 I.R.B. 938](#). You must seek your own tax advice in connection with purchasing and utilizing the Tokens, which may result in adverse tax consequences to you. Accordingly, you are strongly encouraged to seek independent legal and tax advice regarding your individual circumstances and objectives in determining whether to purchase the Tokens.

Are the Tokens legal tender? Are deposits of the Tokens protected by Federal Deposit Insurance Corporation and/or Securities Investor Protection Corporation protections?

No. the Tokens are not legal tender, are not backed by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation or Securities Investor Protection Corporation protections.

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

No. The Company believes that because the Tokens only give holders the ability to engage in certain transactions in connection with the Network, the Tokens are not securities, futures, swaps, or any similar type of instrument. However, because a U.S. regulator could disagree with that assessment, the Company is treating the Tokens as securities for purposes of the Token Generation Event with respect to U.S. investors. Therefore, in compliance with the safe harbor for private offerings in the United States under the Securities Act, the Company is only allowing non-U.S. persons and U.S. persons who are “accredited investors” to purchase the Tokens. This means that purchasers of the Tokens will not be provided the full set of protections that registration or associated regulations under the Securities Act would otherwise give them.

Based on the anticipated development of the Tokens and the Network, the Company believes that over time, the Tokens will reasonably be treated as non-securities for purposes of U.S. law. In particular, the Company believes that the current utility and added utility that will be built into the Tokens with respect to the Network will, over time, cause the Tokens to take on additional characteristics of non-securities. At the point when the Company believes that this has occurred, it will notify holders of the Tokens. There is no guarantee that this will occur. In addition, there is no guarantee that a regulator will agree with the Company’s analysis. If a regulator disagrees, the Company may need to make significant changes with respect to how the Tokens are structured, how they are purchased and sold, and other issues, which could greatly increase the Company’s costs in creating and facilitating transactions in the Tokens. This development could also lead to the termination of the Tokens. Further, a regulator could take action against the Company if it views the Tokens as out of compliance with law. Any of these outcomes would negatively affect the value of the Tokens.

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 the Tokens and

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 Tokens subject to any non-US regulation?

The regulatory risks described above take into consideration U.S. law only. It is anticipated that the Tokens will also be sold or resold outside the United States, which could subject the Company or the Tokens 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 Tokens and/or cause the Company to cease operations.

Could changes in international, federal, state, or local laws impact the value of the Tokens and/or my ability to engage in transactions using the 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 Tokens. You should be aware that 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 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, including the Tokens and the Network. Regulatory actions could negatively impact the Tokens and the Network in various ways, including, for example, through a determination that the Tokens are a regulated financial instrument required to be registered with the appropriate regulatory agency.

Are there any regulatory considerations related to the activities that will occur on the Network?

The Company intends to comply with the regulatory requirements for handling sensitive data. Third-party's building their solutions on top of the network will be responsible for meeting regulatory compliance for handling of sensitive data within their solution. The Company will not be responsible for the compliance obligations of such third-party solution providers.

How will transactions in the Tokens be recorded?

The Tokens transactions shall be deemed to be made when recorded on a public ledger, which is not necessarily the date or time that you initiate the transaction.

Will the Company and its affiliates always accept the Tokens?

There is no assurance that any person who accepts the Tokens as payment today will continue to do so in the future.

Are my Tokens 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 Tokens or the Network 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.

Furthermore, because the Network is based on open-source software, there is a risk that a third party, the Company, or an affiliate may intentionally or unintentionally introduce weaknesses into the core infrastructure of the Network, which could negatively affect the Tokens and the Network. 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 Tokens 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.

Is the Network vulnerable to similar cyberattacks?

The Company develops the Network and other digital data security, integrity, and privacy products for military and highly regulated enterprise applications (collectively, the “**Services**”). The Services are possible in part by leveraging distributed computing and storage resources available through wide area network connections (the “**Cloud**”), and as a result the Services are susceptible to a number of risks related to Cloud-based computing and data storage. While the Company does not have access to the encrypted contents of the data stored through the Services, the Services may involve the storage of large amounts of sensitive and/or proprietary information, which may be compromised in the event of a cyberattack or other malicious activity. Similarly, the Services may be interrupted and files may become temporarily unavailable in the event of such an attack or malicious activity. Because users can use a variety of hardware and software that may interface with the Network, there is the risk that the Services may become unavailable or interrupted based on a failure of interoperability or an inability to integrate these third-party systems and devices that the Company does not control with the Company’s Services. The risk that the Services may face increasing interruptions and the Network may face additional security vulnerabilities could adversely affect the Network and therefore the future value and utility of the Tokens.

What happens if I lose my private keys?

Your Token balances are 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 the Tokens or I am misled into spending the Tokens?

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

Are the Tokens susceptible to mining attacks?

As with other decentralized cryptographic tokens based on the Ethereum protocol, the Tokens are susceptible to attacks by miners in the course of validating the Token transactions on the Ethereum blockchain. Such attacks include double-spend attacks, majority mining power attacks, and selfish-mining attacks, among others. Any successful attacks present a risk to the Tokens and the Network, including, but not limited to, accurate execution and recording of transactions involving the Tokens.

Will the Company ever experience a disruption in its business operations and services that prevent me from accessing or transacting in the Tokens?

The digital nature of the Tokens means that any technological difficulties experienced by the Company and its affiliates may prevent the access or use of your Tokens. 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.

Will the supply of the Tokens ever decrease?

It is anticipated that the supply of tokens will be negatively impacted in several ways, some of which are described here. It is the nature of crypto assets that wallets will be abandoned or lost. If lost wallets contain Tokens, then such tokens may never reenter the Token supply. Additionally, the Company will maintain a reserve of 15% of the Token supply (the "**Token Reserve**"). If the Token Reserve exceeds 15%, the Company will either sell the excess Tokens or "burn" such amount. Burning tokens destroys the Tokens and removes them from the Token supply.

Will the supply of the Tokens ever increase?

The Company may issue and distribute an approximate maximum of 300 million Tokens through the Token Generation Event. The exact number of Tokens issued and distributed during the Token Generation event will be determined by the amount purchased through the SAFTs.

Although the Company may sponsor future Token Generation Events, none are currently scheduled. It is anticipated that any future Token Generation Event would support the creation of new Protocol features and enhancements to encourage the broad and continuous adoption of the Network across multiple industries.

Is there a chance that I will not be able to take advantage of all of the functions associated with the Tokens?

Yes.

Is it guaranteed that I will be able to sell my Tokens or exchange the Tokens for other virtual or fiat currencies?

No. It is possible that third-party currency exchanges and/or cryptocurrency wallets will allow users to exchange the Tokens to and from other currencies on demand. There can be no guarantee, however, that any such mechanisms will develop or be available at any given time, and the Company is not currently involved in supporting those exchanges or encouraging them to transact in the Tokens. In the event that secondary trading of the Tokens are facilitated by third party exchanges, such exchanges may be relatively new and subject to little or no regulatory oversight, making them more susceptible to fraud or manipulation. Furthermore, to the extent that third parties do ascribe an external exchange value to the Tokens, such value may be extremely volatile and diminish to zero. Holders of the Tokens should be prepared to hold onto their Tokens if necessary for an indefinite period.

In addition, the Tokens are being offered in reliance upon exemptions from the registration requirements of the Securities Act. As a result, the Tokens 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, unless and until such time as the Company reasonably determines and advises holders that the Tokens are not securities and freely tradeable. Any transfer of the Tokens made in violation of these restrictions will be void.

Is it guaranteed that I can redeem my Tokens for Ether directly from the Company?

No. The Company does not anticipate supporting redemptions of Tokens between Token holders and the Company.

Is there a guarantee that I can use the Tokens on other platforms?

No. The Company is designing the Tokens for use on the Network, the success of which relies in part on the adoption of the Network and Protocol by third-parties. Although third parties could also build systems that also allow the use of the Tokens, the Company does not anticipate any involvement in those uses of the Tokens and has no responsibility for them. There is no guarantee that any third parties will develop alternative uses of the Tokens.

Will I be able to cast a vote or otherwise have a say in how the Tokens are administered or governed?

No. Holders of the Tokens do not have any right to vote on any aspect of how the Network (or any Network participant) is administered or governed. As a result, holders will not have control over many key aspects of how the Tokens and the Protocol are administered and are reliant on the Company and its personnel for those operations and the success of the Tokens.

Accordingly, because the Tokens confer no governance rights of any kind with respect to the Network, the Company, or its corporate affiliates, all decisions involving the Network or the Tokens will be made by the Company in its sole discretion, including, but not limited to, decisions to discontinue the Network, to create and sell more Tokens for use on the Network, or to sell or liquidate the Company. These decisions could adversely affect the Network and the Tokens.

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 negatively impact the Tokens and the Network.

Does the success of the Tokens depend on third-party service providers or systems that the Company does not control?

Yes. Because the Network and the Tokens are built on the Ethereum blockchain and ERC20, they are in part dependent on Ethereum's effectiveness and success, as well as the success of other blockchain and decentralized data storage systems that are incorporated into the Network, such as Kademia, S/Kademia, and the Micro Transport Protocol. There is no guarantee that any of these systems or their sponsors will continue to exist or be successful, in which case the Company would need to modify its platform to adapt to a new way of providing

its services. This could lead to disruptions of the Network and could negatively affect the Tokens, their functionality, and their value.

Moreover, advances in cryptography, or technical advances such as the development of quantum computing, could present risks to the Tokens and the Network by undermining or vitiating the cryptographic consensus mechanism that underpins the Ethereum protocol. Similarly, legislatures and regulatory agencies could prohibit the use of current and/or future cryptographic protocols which could limit the utility of the Tokens, resulting in a significant loss of value or the termination of the Tokens and the Network.

Does the Company control the conduct of users of the Network?

The Company anticipates that the Network will attract individuals and enterprises with a need to securely transfer Digital Assets. There can be no guarantee, however, that users of the Network will not engage in misconduct. Such behavior could negatively impact the Tokens and the Network, both on a short-term and long-term basis. The Company is not responsible for the conduct of the users of the Network and makes no guarantees that users will interact with the Network in the manner intended.

Will the value of Ethereum impact the success of the Token Generation Event?

Management intends to use the proceeds from selling the SAFTs to support development of the network; for sales, marketing and token community development; for special projects; and for administrative and professional services, as described further in the Term Sheet for the Tokens and Token Generation Event (<https://topiacoin.io/TokenTermSheet.pdf>). The proceeds of the SAFT 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 before, during or after the Token Generation Event, Management may not be able to fund development, or may not be able to develop or maintain the Network in the manner that it intended.

What happens if there is low demand for the Tokens or no one buys the Tokens through the offer and sale of SAFTs?

It is possible that there will be minimal to no demand for the Tokens. 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 Tokens.