

# Term Sheet: TopiaCoins and TopiaCoin Generation Event

Second Quarter 2019

## **Introduction**

*This document (the “**Term Sheet**”) describes certain terms of TopiaCoins (the “**Tokens**”) that you purchased through a Simple Agreement for Future Tokens (the “**SAFT**”) and that will be issued by Topia Technology Inc. (the “**Company**”) in a token generation event (the “**Token Generation Event**”).*

*By submitting a SAFT Purchase Agreement for the Tokens (the “**Purchase Agreement**”), you will agree to be bound by the terms and conditions set forth in this Term Sheet, the Purchase Agreement, the Risk Factors of TopiaCoins and TopiaCoin Generation Event (the “**Risk Factors**”), and/or any other offering materials provided to you with respect to the Tokens, including, but not limited to, the white paper describing the Tokens and Token Generation Event (available at <https://topiacoin.io/SDFS.pdf>) (collectively, the “**Offering Materials**”). You are solely responsible for familiarizing yourself with the information and terms provided in the Offering Materials, including without limitation the risks of purchasing Tokens through a SAFT discussed in the Purchase Agreement and Risk Factors.*

## **What U.S. Securities law issues apply to the Tokens?**

*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 initially 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 law, and may only be transferred in a transaction outside the United States to non-U.S. persons, unless and until the Company reasonably determines and notifies holders that the Tokens are not securities and freely tradeable. Any transfer of the Tokens made in violation of these restrictions will be void.*

## **Background**

### **What is the purpose of this Term Sheet?**

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 Tokens during 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. This Term Sheet provides additional background on the Tokens, the Network, and the Token Generation Event.

## ***Background***

### **What are “TopiaCoins” the Tokens?**

The Tokens are a form of crypto asset, or virtual currency, that can be used for certain functions related to securely transferring Digital Assets and other data using the Protocol and Network developed and operated by the Company. Additional details on the Tokens and the Protocol can be found below.

### **What is “Topia Technology Inc.” the Company?**

The Company is a for-profit U.S. company that, among other things, supports the development of secure decentralized file sharing systems for the purpose of authenticating and encrypting Digital Assets at rest and in transit. The Company’s premier enterprise data security technology is Secrata. Secrata is a patented security product developed by the Company that shreds and encrypts data end-to-end to harden security for cloud, mobile, and “Big Data.” In connection with its development of Secrata, the Company develops the Protocol for activities using the Network. More detailed information on the Company, Protocol, and Network is available at [topiatechnology.com](http://topiatechnology.com).

### **What is the “Token Generation Event”?**

The Token Generation Event is the point in time when the Tokens you purchased through the SAFT will be delivered to you. The Token Generation Event is anticipated to be held in the second quarter of 2019. More details are provided below under “The Token Generation Event.”

### **Who is issuing and managing Tokens and sponsoring the Tokens Token Generation Event?**

The Company.

## ***The Tokens***

### **What can I do with my Tokens on the Network?**

The Tokens will be used for certain services and to reward Network participants for the healthy functioning of the Network. Uses of the Tokens include, but are not limited to:

- Tokens will be used to pay workspace creation fees. A “**Workspace**” is a file sharing space where all file-sharing transactions within the Workspace are recorded to a unique Workspace-specific blockchain shared by all members of the Workspace. These fees will

be kept small and will allow users to securely share Digital Assets with other Network participants. This fee may be split between the Company and 3rd party developers.

- Tokens are used to pay other Workspace members (“**Replicators**”) to replicate files. To pay for file replication, a user will deposit a small amount of Tokens in the Workspace. Periodically, the Replicators will provide proof of replication. If the proof is accepted as valid, they will earn a small amount of Tokens, taken from the amount deposited by the file's owner.
- Third-party developers will use the Tokens to pay the licensing fees associated with using the Network and Protocol.
- Third-party developers will be able to implement the Tokens as a primary virtual currency within their applications. Because the Network is already built to use the Tokens as its underlying virtual currency, third-party developers can extend their use of the Tokens to allow their customers to pay for services within these third-party applications.
- The Tokens will be transferable between holders. This may include the ability for a Token holder to "tip" another holder or Network participant in exchange for a service, among other things. Transfers of Tokens will be subject to the restrictions and limitations described in the section, “*Additional Acquisitions and Liquidity of Tokens.*”

#### **When can I use my Tokens on the Network?**

It is anticipated that Token holders will be able to use the Tokens immediately.

#### **Can I do anything else with my Tokens?**

The Company intends for the Tokens to be used to pay for creating Workspaces and securely sharing digital assets, among other things. The utility of the Tokens therefore relies in part on the third-party adoption of the Network for secure file sharing. There is no guarantee that such adoption will occur. It is possible that the Company may develop additional uses for the Tokens, but no additional uses are anticipated at this time. It is also possible that third-party exchange services may accept the Tokens and exchange them for sovereign fiat currency or other crypto assets. There is no guarantee, however, that any third party uses of Tokens or the Network will develop.

#### **Do Tokens have any relationship to Ethereum or other blockchain systems?**

Yes. The Tokens are built on the Ethereum blockchain system, using the ERC20 standard as the backbone for many of its functions. ERC20 is a standardized mechanism for exchanges and other forms of smart contracts.

### **How many Tokens are initially available?**

The Company will 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 SAFTs.

### **How much does each Token cost?**

No Tokens will be sold during the Token Generation Event.

### **Will the supply of 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. More information can be found in the white paper available at <https://topiacoin.io/SDFS.pdf>

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

We anticipate that Tokens will grow in value based on increasing demand for Tokens resulting from, among other things, an increasing number of Enterprises adopting the Network. However, there can be no guarantee that Tokens will hold their value or increase in value. Many factors will influence this outcome, some of which are described below under “What risks are involved in Tokens?”

### **Do Tokens give me other rights, such as profit rights, governance rights, or others?**

No. Tokens do not give holders the rights to any of the profits or revenue of the Company or any Enterprise using the Network. Holders also do not have any right to vote on any aspect of how the Network (or any Enterprise) is governed.

### **Will the characteristics of Tokens ever change?**

The Company does not anticipate changing the characteristics of the Tokens. However, as Network utilization increases, the Company will continue to monitor the Tokens and the performance of the Network and, as a result of those observations, may decide to alter the characteristics of the Tokens.

### **Will additional Tokens be available for purchase in the future?**

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.

## **What is the Company's purpose in issuing Tokens?**

As part of the introduction of the Network, the Company will release the Tokens. This Token will be used in multiple contexts within the Network to pay for services as well as reward users who contribute to the healthy functioning of the Network. In this way, Tokens are integral to the development and operations of the Network. (More about the Network is available on this <https://topiacoin.io>) In short, the Company will use Tokens to do the following:

- **Incentivize the adoption of the Network and Protocol by third-party developers**
- **Incentivize the participation of Replicators in the Workspace ecosystem**
- Incentivize the hardening of commercial and economic infrastructures by creating a reward-based model for adopting an efficient and cryptographically secure mechanism for transferring Digital Assets
- Allow early purchasers of Tokens to potentially enjoy any appreciation in value

The purpose and functions of Tokens are discussed in more detail in our White Paper on the Tokens and the Token Generation Event (<https://topiacoin.io/SDFS.pdf>).

## ***The Token Generation Event***

### **What are the dates of the Token Generation Event?**

The Company's first Token Generation Event is anticipated to occur during the second quarter of 2019.

### **Who can receive Tokens in the Token Generation Event?**

Only holders of SAFTs may receive Tokens during the Token Generation Event.

As noted above, the Tokens are being offered in reliance upon exemptions from the registration requirements of the Securities Act. As a result, there are substantial restrictions on the purchase and transferability of the Tokens, and there will initially 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 law, and may only be transferred in a transaction outside the United States to non-U.S. persons, unless and until the Company reasonably determines and notifies holders that the Tokens are not securities and freely tradeable. Any transfer the Tokens made in violation of these restrictions will be void.

New York residents are prohibited from purchasing the Tokens.

### **How can I be sure to receive notices and updates on the Token Generation Event?**

Topia will be updating their Investors on a regular basis. Please refer to [TopiaCoin.io](https://topiacoin.io) for information on how to register for updates.

### **Can I view the code for the Token Contract?**

The final Token Contract will be available on [GitHub](#).

**How will Tokens be delivered to me?**

If purchase is accepted, the Company will contact the Email address provided in the purchase agreement, 30 to 45 days before the Token Generation Event, to obtain the Purchaser's Public Address of their Digital Wallet. Tokens will be delivered to that Public Address.

**Is there a minimum purchase of Tokens?**

No.

**Will I be charged any fees when I receive Tokens?**

No.

***Holding and Using Tokens***

**How will I keep track of how many Tokens I own and how much they are worth?**

Your Ethereum wallet can be used to keep track of your Tokens balance. The value of the Tokens will be determined by market forces and the Company expects that Token holders will turn to third-party exchanges to determine the value of Tokens. There can be no guarantee, however, that such exchanges will be able to provide data on the value of the Tokens and the value of Tokens may be the price at which another party is willing to pay for them.

**How is the value of Tokens determined?**

The Company will not maintain a conversion rate or other valuation mechanism. The value of the Tokens will be determined by market forces.

**Will I receive reports on my Tokens?**

No. However, token balances can be checked on the public blockchain as described above.

**How do I use Tokens to purchase data?**

Holders of Tokens may use the Company's Protocol to effect a secure file share transaction or to license the Protocol in exchange for Tokens using the process described [here](#).

**Will I be charged any fees when I use Tokens?**

No.

## ***Additional Acquisitions and Liquidity of Tokens***

### **Can I acquire additional Tokens through the Network outside the Token Generation Event?**

Yes. Tokens may be acquired through the Network:

- **Transferring Digital Assets.** After the Token Generation Event, Enterprises who license the use of the Network may earn Tokens based on providing consumers and other Enterprises a secure means to share their Digital Assets using the process described [here](#).

### **Can I sell my Tokens after I purchase them?**

Yes, subject to certain transfer restrictions described below under “Are there restrictions on my ability to transfer my Tokens?”

### **Can I exchange or redeem my Tokens if I want to?**

Holders of the Tokens can exchange Tokens for other cryptocurrencies (such as ETH or Bitcoin) or fiat currencies using third-party exchanges such as Poloniex, Kraken, and others, subject to the restrictions described below under “Are there restrictions on my ability to transfer my Tokens?” The Token Contract supports the exchange of Tokens for Ether, and exchanging Ether for other currencies is widely supported at this time by third-parties not affiliated with the Company. However, there is no guarantee that you will be able to freely exchange Tokens for Ether or any other currency.

The Company does not anticipate supporting redemptions of Tokens between Token holders and the Company.

Subject to applicable law, Tokens may be transferred after the Token Generation Event, which means that a holder can sell Tokens to persons not prohibited from purchasing the crypto assets that require Tokens to engage in transactions on the Network. All such transactions are verifiable and secured on the public Ethereum blockchain.

### **What does the Company do with the Tokens it receives in connection with transactions on the Network?**

The Company anticipates maintaining a reserve of Tokens representing 15% of the Token supply. The Company may burn excess Tokens above the 15% reserve or sell excess Tokens on a third-party exchange.

### **Are there any restrictions on my ability to transfer my Tokens?**

Yes. The Tokens are being offered in reliance upon exemptions from registration under the Securities Act. Therefore, 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 laws, and may only be transferred in a transaction outside the United States to non-U.S. persons, unless and until the Company reasonably determines and notifies holders

that the Tokens are not securities and freely tradeable. Any transfer made in violation of these provisions will be void.

Based on the anticipated utility and 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, at which point the Company will notify holders of the finding and that the Tokens are freely tradeable. There is no guarantee that this will occur. For more on the regulatory status of the Tokens, see the discussion under “Are the Tokens registered with any state or federal regulators?”

### ***Other Issues***

#### **Are Tokens registered with any state or federal regulators?**

No. Because the Tokens only give users the ability to transact with Network participants and are not securities, futures, swaps, or any similar type of instrument, the Company has no securities or commodities registration requirements with respect to the Tokens or its activities related to the Tokens. 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 current utility and anticipated development of the Tokens and the Network, the Company believes that it is reasonable to conclude that, over time, the Tokens will 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, their offer, or any other transaction in connection with the Tokens as violating applicable law. Any of these outcomes would negatively affect the value of the Tokens.

The Company does not hold a New York “BitLicense,” which means that residents of New York are not permitted to purchase Tokens in the Token Generation Event.



### **Are Tokens taxable?**

Any returns you receive based on appreciation of the Tokens or as a result of transactions on the Network could be taxable. Holders of the Tokens should discuss these issues with their tax advisers.

### **Can I use Tokens on any other networks or platforms?**

As discussed above, the Company is designing the Tokens to initially facilitate its Network for securely transferring Digital Assets. However, third-parties could also build APIs based on the Network. There is no guarantee that any third parties will develop alternative uses of Tokens or the Network.

### **What risks are involved with holding Tokens?**

There is no guarantee that Tokens will hold their value or increase in value, and you may lose all or some of the money you spend on Tokens. The value and success of Tokens depends on the commercial success of the Company. In addition, there is no guarantee that the Company will continue indefinitely as a successful entity or that any of the Company's service providers will continue as viable companies. The utility and value of Tokens depend on the Company's success and support of the Network.

Crypto assets, such as the Tokens, are a new and relatively untested product. There is considerable uncertainty about its long-term viability, which could be affected by a variety of factors, including many market-based factors such 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.

The company is offering the Tokens under an exemption from registration under the Securities Act, and neither the Company nor any affiliate will be registered under any U.S. securities or commodities laws. It is possible that a regulator could disagree with the Company's position that it is not required to register under those laws. This could lead to significant changes with respect to 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 Tokens. It could even lead to the termination of the Tokens. Further, a regulator could take action against the Company if it views the Tokens and their offering as a violation of existing law. Any of these outcomes would negatively affect the value of the Tokens.

The regulatory risks described above take into consideration U.S. law only. It is anticipated that Tokens will also be sold 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.

Because the Tokens are built on the Ethereum blockchain and ERC20, it is in part dependent on Ethereum's effectiveness and success, as well as the success of other blockchain and decentralized data storage and transfer systems that are incorporated in to the Network. There is no guarantee that any of these systems or their sponsors will continue to exist or be successful, in which case the Tokens and the Network would need to modify their Protocol to adapt to a new way of providing their services. This could lead to disruptions of the Network and could negatively affect the Tokens, their functionality, and their value.

**Additional risk disclosures are provided [here](#).**