



**Protocol
Labs**

Protocol Labs, Inc.

Confidential Private Placement Offering Memorandum

***Purchase Rights for Tokens pursuant to
Simple Agreement for Future Tokens***

THE OFFERING PERIOD OF THE PLACEMENT WILL EXPIRE ON THE EARLIER TO OCCUR OF: (I) THE DATE ON WHICH THE MAXIMUM PLACEMENT AMOUNT HAS BEEN SUBSCRIBED FOR AND ACCEPTED BY THE COMPANY AND A FINAL CLOSING IS CONDUCTED OR (II) SEPTEMBER 5, 2017, UNLESS EXTENDED BY UP TO 60 DAYS IN THE DISCRETION OF THE COMPANY.

This Confidential Private Placement Offering Memorandum (this “*Memorandum*”) has been prepared by Protocol Labs, Inc. for use by accredited investors to whom Protocol Labs, Inc. is offering (the “*Offering*”) the opportunity to purchase the right to acquire in the future pursuant to a Simple Agreement for Future Tokens (the “*SAFT*”) units of Filecoin tokens to be developed, produced and offered by Protocol Labs, Inc. (“*Filecoin*,” “*FIL*” or the “*Tokens*”). Unless the context requires otherwise, in this Memorandum the terms “*Protocol Labs*,” “*PL*,” “*the Company*,” “*we*,” “*us*” and “*our*” refer to Protocol Labs, Inc. and its subsidiaries and all dollar (\$) amounts set forth herein refer to United States dollars.

This confidential Private Offering Memorandum (the “*Memorandum*”) has been prepared solely for use by the prospective purchasers of Filecoin tokens pursuant to a Simple Agreement for Future Tokens (“*SAFT*”) to be issued by Protocol Labs, Inc. (“*PL*” or the “*Company*”) with respect to certain units of Filecoin of the Company (the “*Tokens*”) and shall be maintained in strict confidence. Each recipient hereof acknowledges and agrees that (i) the contents of this Memorandum constitute proprietary and confidential information, (ii) PL and its affiliates derive independent economic value from such confidential information not being generally known, and (iii) such confidential information is the subject of reasonable efforts to maintain its secrecy. The recipient further agrees that the contents of this Memorandum are a trade secret, the disclosure of which is likely to cause substantial and irreparable competitive harm to the Company. Any reproduction or distribution of this Memorandum, in whole or in part, or the disclosure of its contents, without the prior written consent of the Company, is prohibited. Each person who has received this Memorandum is deemed to agree to return this Memorandum to the Company upon request. The existence and nature of all conversations regarding the Company and this offering must be kept confidential.

This Memorandum has been prepared in connection with a private offering to accredited investors of the SAFT. Each investor will be required to execute a SAFT (as amended, restated and/or otherwise modified from time to time) and investor questionnaire to effect its future investment in the Tokens. This Memorandum contains a summary of the SAFT, the Tokens and certain other documents referred to herein. However, the summaries in this Memorandum do not purport to be complete and are subject to and qualified in their entirety by reference to the actual text of the relevant document, copies of which will be provided to each prospective investor upon request. Each prospective investor should review the SAFT and such other documents for complete information concerning the rights, privileges and obligations of SAFT investors. If any of the terms, conditions or other provisions of the SAFT or such other documents are inconsistent with or contrary to the descriptions or terms in this Memorandum, the SAFT or such other documents shall control. The Company reserves the right to modify the terms of the offering and the SAFTs and the Tokens described in this Memorandum, and the SAFTs are offered subject to the Company’s ability to reject any commitment in whole or in part.

The SAFTs and the Tokens have not been and will not be registered under the United States Securities Act of 1933, as amended (the “*Securities Act*”), or any United States state securities laws or the laws of any foreign jurisdiction. The SAFTs will be offered and sold under the exemption provided by Section 4(A)(2) of the Securities Act and Regulation D promulgated thereunder, or to non-U.S. Persons who are not purchasing for the account or benefit of a U.S. Person as defined under Regulation S under the Securities Act, and other exemptions of similar import in the laws of the states and other jurisdictions where the offering will be made. The Company will not be registered as an investment company under the United States Investment Company Act of 1940, as amended (the “*Investment Company Act*”). Consequently, investors will not be afforded the protections of the Investment Company Act.

The SAFTs described in this Memorandum are subject to restrictions on transferability and resale and may not be transferred or resold. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time.

An investment in the SAFT and the Tokens involves a high degree of risk, volatility and illiquidity. A prospective purchaser should thoroughly review the confidential information contained herein and the terms of the SAFT, and carefully consider whether an investment in the SAFT is suitable to the investor’s financial situation and goals.

No person has been authorized to make any statement concerning the Company or the sale of the SAFTs discussed herein other than as set forth in this Memorandum, and any such statements, if made, must not be relied upon.

Investors should make their own investigations and evaluations of the SAFT and the Tokens that will be delivered pursuant thereto, including the merits and risks involved in an investment therein. Prior to any investment, the Company will give investors the opportunity to ask questions of and receive answers and additional information from it concerning the terms and conditions of this offering and other relevant matters to the extent the Company possesses the same or can acquire it without unreasonable

effort or expense. Investors should inform themselves as to the legal requirements applicable to them in respect of the acquisition, holding and disposition of the SAFTs and the Tokens upon their delivery, and as to the income and other tax consequences to them of such acquisition, holding and disposition.

This Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, an interest in any jurisdiction in which it is unlawful to make such an offer or solicitation. Neither the United States Securities and Exchange Commission nor any other federal, state or foreign regulatory authority has approved an investment in the SAFT. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Memorandum, nor is it intended that the foregoing authorities will do so. Any representation to the contrary is a criminal offense.

Investments in the SAFT are denominated in United States dollars (\$) and Investors may tender United States dollars, Bitcoin, Ether, or ZCash in exchange for the SAFT. Such currencies are subject to any fluctuation in the rate of exchange and, in the case of digital assets, the exchange valuations. Such fluctuations may have an adverse effect on the value, price or income of an investor's investment.

Cautionary Statements Regarding Forward-Looking Statements

Certain statements in this Memorandum constitute forward-looking statements. When used in this Memorandum, the words "may," "will," "should," "project," "anticipate," "believe," "estimate," "intend," "expect," "continue," and similar expressions or the negatives thereof are generally intended to identify forward-looking statements. Such forward-looking statements, including the intended actions and performance objectives of the Company, involve known and unknown risks, uncertainties, and other important factors that could cause the actual results, performance, or achievements of the Company in its development of the Filecoin Network to differ materially from any future results, performance, or achievements expressed or implied by such forward-looking statements. No representation or warranty is made as to future performance or such forward-looking statements. All forward-looking statements in this Memorandum speak only as of the date hereof. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in its expectation with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

Prospective investors are not to construe this Memorandum as investment, legal, tax, regulatory, financial, accounting or other advice, and this Memorandum is not intended to provide the sole basis for any evaluation of an investment in an interest. Prior to acquiring an interest, a prospective investor should consult with its own legal, investment, tax, accounting, and other advisors to determine the potential benefits, burdens, and other consequences of such investment.

PROTOCOL LABS, INC.
SIMPLE AGREEMENT FOR FUTURE TOKENS

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THIS OFFERING IS LIMITED SOLELY TO ACCREDITED INVESTORS AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT. ONLY PERSONS OF ADEQUATE FINANCIAL MEANS WHO HAVE NO NEED FOR PRESENT LIQUIDITY WITH RESPECT TO THIS INVESTMENT SHOULD CONSIDER PURCHASING THE PURCHASE RIGHTS SET FORTH IN THE SAFT OFFERED HEREBY BECAUSE: (I) AN INVESTMENT IN THE SAFTS INVOLVES A NUMBER OF SIGNIFICANT RISKS (SEE “RISK FACTORS”); AND (II) NO MARKET FOR THE SAFTS OR THE PURCHASE RIGHTS CONTAINED THEREIN, AND NONE IS LIKELY TO DEVELOP IN THE REASONABLY FORESEEABLE FUTURE. THIS OFFERING IS INTENDED TO BE A PRIVATE OFFERING THAT IS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. 1

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IN THE EVENT OF A NETWORK LAUNCH FAILURE, THE COMPANY MAY WIND UP ITS OPERATIONS AND DISTRIBUTE ITS ASSETS TO INVESTORS, INCLUDING HOLDERS OF SAFTS, AS MORE FULLY SET FORTH IN THE SAFT. AN INVESTOR WHO RECEIVES COMPANY ASSETS IN EXCHANGE FOR ITS RIGHTS UNDER THE SAFT GENERALLY SHOULD RECOGNIZE TAXABLE GAIN OR LOSS IN AN AMOUNT EQUAL TO THE DIFFERENCE BETWEEN THE FAIR MARKET VALUE OF THE ASSETS THE INVESTOR RECEIVES AND ITS ADJUSTED TAX BASIS IN ITS SAFT (WHICH WILL GENERALLY EQUAL THE AMOUNT OF CASH IT ADVANCED UNDER THE SAFT). 26

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COMPANY OVERVIEW

Overview of Protocol Labs

Protocol Labs, Inc. is a Delaware corporation. Our goal is to build protocols, systems, and tools to improve how the Internet works. Founded in 2014 by Juan Batiz-Benet, we operate a research, development, and deployment lab for network protocols.

Projects led by Protocol Labs include IPFS, the decentralized web protocol; libp2p, a modular network stack for peer-to-peer apps and systems; CoinList, a token sale and investment platform; and Filecoin, a decentralized file storage network and protocol token. Protocol Labs implements its protocols, systems, and tools based on open-source technologies and systems and generally publishes its works via white papers.

Summary of Filecoin

Filecoin is designed as a decentralized storage network, powered by a blockchain and a protocol token (the “*Filecoin Network*”). The object of the Filecoin Network is to unlock existing unused storage to meet the growing demands of tomorrow. Our goal is to make Filecoin the leading mechanism for using and selling cloud storage. By combining PL’s existing inventions in decentralized content storage and distribution with new inventions for blockchain verification and reward, we believe that we have the ability to build a network that is more efficient, resilient and cost effective as compared to today’s centralized and powerful cloud computing organizations.

In addition to this Memorandum, we encourage you to read Filecoin’s Sale Primer, attached to this Memorandum as [Exhibit A](#).

Why Filecoin?

- ***The world’s storage is underutilized.*** More data may be created in 2017 than the previous 5,000 years of humanity. As the amount of global data capacity increases, we believe that Filecoin has the potential to create a market that can utilize unused storage space residing in data centers. With the additional supply created by Filecoin, we believe that this could eventually drop the price of storage while meeting growing demand.
- ***Decentralization can create better networks.*** Filecoin uses IPFS, a peer-to-peer hypermedia protocol. Each file has a unique fingerprint called a cryptographic hash. Indexing files by hash allows us to find and distribute high volumes of data with high efficiency, and fault tolerance. The peer-to-peer network can rebalance and recover in response to events, which can keep data safe

and flowing.

- ***Filecoin is a token related to fundamental value.*** The Filecoin (FIL) token will be the native crypto token of the Filecoin Network, similar to Bitcoin and Ethereum. Today's most valuable blockchains use wasteful proof-of-work consensus for the mining process. As currently envisioned, in the Filecoin Network, miners will earn Filecoin tokens by providing useful and valuable storage. The goal is for Filecoin tokens to eventually be stored in cryptocurrency wallets and freely transacted as users see fit.

The Filecoin Ecosystem

Protocol Labs' goal is to engage key Filecoin ecosystem (the "***Filecoin Ecosystem***") stakeholders by offering certain benefits to clients, miners, partners and vendors.

- ***Filecoin for clients.*** Protocol Labs envisions Filecoin as offering a data storage solution with advantages over today's storage options, including the possibility of lower costs, end-to-end encryption at rest, erasure coding for redundancy and self-healing, and resilience to some kinds of failures and attacks. Furthermore, Protocol Labs plans to allow clients to tune storage strategies to suit their needs, and to balance between redundancy, speed of retrieval, and cost. For example, clients distributing large volumes of data to users around the world (such as for media streaming) may choose to optimize for speed of retrieval.
- ***Filecoin for miners.*** Miners will be the core service providers of Filecoin. Protocol Labs' plan is for miners to use the Filecoin software to mine new blocks of storage, process transactions, store files long term, service retrieval requests, and receive payment for such services in the form of Filecoin tokens. The Filecoin Network is designed to reward participants at multiple levels— from large scale data centers to local entrepreneurs with mining rigs that cover the last mile. Once the network launches, Protocol Labs' goal is for Filecoin to be freely transacted, allowing miners to retain tokens or exchange them for other currencies like ETH, BTC, USD, RMB, EUR, and more.
- ***Filecoin for partners and vendors.*** The Filecoin Network will seek to yield opportunity for additional parties in the storage ecosystem. We believe that Filecoin may drive additional demand for hard drives and other storage hardware. Furthermore, Protocol Labs envisions a scenario where Filecoin mining software will come pre-installed on storage devices, creating a new class of devices optimized for the Filecoin Network. Protocol Labs plans for ISPs, cloud storage providers, and data warehouses may participate both as miners, and as vendors to other miners.

Filecoin will be built on top of IPFS

The InterPlanetary File System (IPFS) is a next-generation protocol developed by Protocol Labs that seeks to make the internet faster, safer, decentralized and permanent. Since the IPFS release in January 2015, it has gained strong traction in a variety of industries and organizations. Today, IPFS is a foundational networking technology for many applications in the blockchain industry. Based on Protocol Labs' own internal monitoring, over 5 billion files have been added to IPFS, spanning scientific data and papers, genetic research, video distribution & streaming, 3D modeling, legal documents, entire blockchains and their transactions, video games and more.

Filecoin is made possible by combining IPFS with new research breakthroughs from Protocol Labs

IPFS and Filecoin are complementary protocols. IPFS addresses and moves content, and the object of Filecoin is to serve as the missing incentive structure.

As part of IPFS, Protocol Labs has developed two new proof systems, *Proof-of-Spacetime* (PoSt) and *Proof-of-Replication* (PoR). Together, they enable miners — the active nodes in the network providing the storage to the clients — to do useful work while mining the Token.

Spacetime is what we call storage space over time. It is the good that Miners sell to clients. Meanwhile, the *Proof-of-Replication* functions cryptographically verify that every copy is stored independently, and allow this fact to be checked periodically. Each unique replica is generated by cryptographically sealing the data at the time of storage, using a per-replica encryption key. The *Seal* and *Proving* functions are chosen such that generating a new *Seal* cannot be performed fast enough to compromise the proof. These proofs also create a publicly verifiable record that the miner correctly stored the data as promised, and was online to serve it. The Filecoin blockchain uses *Proof-of-Replication* in its mining process, to reward miners for storing files, to punish miners who fail their contracts, and to detect and recover any missing pieces.

Additional information is available in the technical papers published at <https://filecoin.io>.

Initial Launch of Filecoin and Filecoin Network

At the time of the public Token distribution event, Protocol Labs' goal is for the Filecoin Network to have the following functionality (the "*Minimum Viable Product*"):

- ***Filecoin for Clients.*** Clients will be able to add data to the Filecoin Network with desired replication, availability, and other storage parameters, and pay for this storage. Additionally, they will be able to monitor activity. This functionality will be available through command line software as well as via a web application.
- ***Filecoin for Miners.*** Miners will be able to rent their storage on the Filecoin Network in exchange for Filecoin tokens. They will be able to view and manage their Filecoin mining notes, and monitor activity. This functionality will be available through command line software as well as via a web application.

Governance by the Filecoin Foundation.

Protocol Labs envisions that the Filecoin Foundation, an as yet to-be-formed independent entity, will act as the long-term governance body for the Filecoin Ecosystem (the "*Filecoin Foundation*"). As currently planned, the Filecoin Foundation's mandate will be to grow an open ecosystem for the buying and selling of decentralized storage, while giving developers an open and sustainable platform to build, enhance and monetize those services. Establishing an independent entity for governance, organization, and legal and financial support is considered a sound and established practice for foundational open source projects; examples include the Apache Software Foundation, the Mozilla Foundation and the Linux Foundation, which is the structure that Protocol Labs is aiming to replicate with the Filecoin Foundation.

Potential Future Competitive Landscape

The cloud storage market is large, highly competitive, and subject to rapidly evolving technology, changing customer needs, as well as constant introductions of new products. Filecoin will face competition from a broad spectrum of technology providers, from large established vendors to smaller and more specialized companies. The basis of this competition may be based on a range of factors including speed of retrieval, speed, availability of storage, reliability, cost and security.

We also expect Filecoin to face competition from other blockchain-based distributed storage companies. Some of these competitors have already launched their underlying tokens, while others may develop and compete in the future.

We believe the value proposition of the Filecoin Network to its prospective clients, miners and partners will enable it to be sufficiently differentiated from the competition. Protocol Labs believes that Filecoin's performance in the areas of technical innovation and ecosystem development, coupled with the automatic incentive structure of its underlying token, will enable it to compete effectively in the large and growing cloud storage market.

Prior Filecoin Sales

Protocol Labs ran an initial SAFT sale from July 21, 2017 to July 24, 2017 limited to existing investors and advisors of the company who have either helped support IPFS and Filecoin in the past, or have shown potential to be valuable partners as the Filecoin network grows (the "*Advisor Sale*").

All tokens offered during the Advisor Sale were subject to a minimum of 1 year of vesting, beginning at the Network Launch. Investors could also select additional vesting options for a discount on token price.

A total of approximately 150 investors participated, consisting of individuals, institutional investors, trusts, and established syndicate investors.

The Advisor Sale also served as an opportunity for Protocol Labs to test the mechanics of the CoinList token sale platform prior to this Offering, where significantly higher traffic is anticipated. Protocol Labs expects thousands of investors to participate in this Offering, which will also be conducted on the CoinList platform.

The Protocol Labs Team and Community

The Protocol Labs core team holds deep expertise in distributed systems, cryptography, networks, blockchains, security, fintech, economics, software engineering and open source. The team's experience includes the top computer science universities, top technology and finance companies, and top systems and blockchain projects.

Furthermore, based on Protocol Labs' internal analysis, over 1,700 individuals and institutions across the globe have contributed to open source projects led by Protocol Labs. Protocol Labs will continue to foster this remarkable community.

Legal Proceedings

From time to time, PL may be involved in legal proceedings. The results of such legal proceedings and claims cannot be predicted with certainty, and regardless of the outcome, legal proceedings could have an adverse impact on PL's business or the development of the Filecoin Network because of defense and settlement costs, diversion of resources and other factors.

Complaints for Patent Infringement

From time to time, the Company is the target of patent infringement suits, typically brought by so-called non-practicing entities (as known as patent trolls). Although these suits must be taken seriously, and PL intends to defend itself vigorously in suits alleging patent infringement, suits involving non-practicing entities often involve non-material monetary settlements

DIRECTORS AND MANAGEMENT

As is common practice in the open source software community, Protocol Labs maintains a flat organization with distributed leadership, with Juan Batiz-Benet serving as Protocol Lab's Chief Executive Officer and sole director.

Mr. Benet is 29 years old and has served as the Company's Chief Executive Officer since he founded the Company in 2014. He is the inventor of IPFS, Filecoin and other internet protocols. He holds a B.S. in Computer Science from Stanford University, where his research focused on distributed computing systems and network protocols.

TERMS OF THE PURCHASE RIGHTS AND THE SAFTS

The summary below describes the principal terms of the SAFTs and the rights to purchase Tokens contained therein. Certain of the terms and conditions described below are subject to important limitations and exceptions. Prospective investors should review the entirety of form of SAFT, available from the Company. The summary below is qualified in its entirety by reference to the actual text of the form of SAFT.

<i>Company:</i>	Protocol Labs, Inc.
<i>Securities:</i>	Right to purchase in the future certain units of Filecoin of the Company (the “ Token ” or “ Filecoin ”) pursuant to a Simple Agreement for Future Tokens (each a “ SAFT ” and together the “ SAFTs ”) issued to investors (each, an “ Investor ”). Each Investor: (a) if in the United States, or a U.S. Person (as defined in Regulation S under U.S. Securities Act of 1933, as amended (the “ Securities Act ”)), must be an accredited investor, as defined in Regulation D under the Securities Act or (b) if in Canada, such Investor must be an accredited investor as defined under applicable Canadian securities laws, or (c) if outside of the United States, must be a non-U.S. Person who is not purchasing for the account or benefit of a U.S. Person as defined under Regulation S under the Securities Act
<i>Form of Payment for SAFT:</i>	U.S. dollars, Bitcoin, Ether and ZCash. The SAFTs shall be deemed in U.S. dollars, and payments in Bitcoin, Ether and Zcash shall be valued in U.S. dollars at an exchange ratio equivalent to the volume-weighted average hourly price of Bitcoin, Ether and ZCash across exchanges in the one hour preceding the entry into this SAFT; <i>provided, however,</i> that in the event that such exchanges experience technical issues in such period that affect the accuracy of the volume-weighted average price, the Company will use its reasonable best efforts to determine the volume-weighted average price of Bitcoin, Ether and Zcash for such period.
<i>Use of Proceeds:</i>	A significant portion of the proceeds of the Offering will be used by the Company to achieve the Minimum Viable Product and subsequently to build-out a decentralized storage network, powered by a blockchain and the Filecoin protocol token.
<i>Automatic Conversion:</i>	The bona fide public release of the Filecoin Genesis Block and a fully functioning and secure Filecoin blockchain running a client that conforms to the Filecoin Protocol as ratified by Protocol Labs, Inc.

Conversion Price:

The conversion price will increase depending on the market for Filecoin SAFTs. You will be able to view the conversion price at <https://CoinList.co>.

Vesting and Discounts:

All Tokens issued as part of this Offering will be subject to a six month vesting period whereby the Investor's will be unable to use any unvested Tokens on the Filecoin Network. The Tokens will begin to vest upon in equal portions as each block of Filecoin is mined following the Network Launch, such that all Tokens acquired pursuant to this Offering shall be fully vested at the end of the six month period (as measured starting from the Network Launch). Investors will have the option to extend the vesting period according to the table below. In exchange for opting into any additional vesting periods, the Company will offer the Investors a discount on the conversion price of the Tokens as indicated in the table below:

<u>Total Vesting Discount Rate</u>	
Six months (minimum)	0%
One years	7.5%
Two years	15%
Three years	20%

Termination:

The SAFT shall terminate upon the earlier of (i) the Network Launch; (ii) July 18, 2022, if the Network Launch has not occurred by such date, provided that, the Company shall have the right to extend by sixty (60) days, in its sole discretion, or (iii) the payment or setting aside of payment of amounts due to the Investor upon a Dissolution Event, which shall include (a) a voluntary termination of operations of the Company, (b) a general assignment for the benefit of the Company's creditors or (c) any other liquidation, dissolution or winding up of the Company, whether voluntary or involuntary.

Priority of Payment:

If, immediately prior to the consummation of the Dissolution Event, the assets of the Company that remain legally available for distribution to the Investors, as determined in good faith by the Company's Board of Directors, are insufficient to permit the return to the Investors of their respective Purchase Amounts, then the remaining assets of the Company legally available for distribution will be distributed with equal priority and pro rata among the Investors in proportion to the Purchase Amounts they would otherwise be entitled to receive.

Documentation:

Purchase and sale of the rights shall be on the terms and conditions set forth in the SAFT, which shall be prepared by Company's counsel, and which will contain certain representations, warranties and covenants of the Company and the Investors, closing conditions and other provisions.

Token Distribution:

The Filecoin Token will be distributed to the 4 major participating groups in the Filecoin Network. These groups are critical to the network's creation, development, growth, and maintenance. This allocation is written into the protocol itself and the Filecoin blockchain's Genesis block. Allocations are vested for multiple years.

70% to Filecoin Miners (Mining block reward) for providing data storage service, maintaining blockchain, and more.

15% to Protocol Labs (Genesis) for research, engineering, deployment, business development, marketing, distribution, and more.

10% to Investors (Genesis) for funding network development, business development, partnerships, support, and more.

5% to Filecoin Foundation (Genesis) for long-term network governance, partner support, academic grants, public works, community building, et cetera.

RISK FACTORS

An investment in the SAFT involves a high degree of risk. You should consider carefully the risks described below, together with all of the other information contained in this Memorandum and the SAFT, before making an investment decision. The following risks entail circumstances under which, our business, financial condition, results of operations and prospects could suffer.

Risks associated with an investment in the SAFT

PL may not successfully develop, market and launch the Minimum Viable Product and Investors may not receive Tokens.

The Filecoin Network has not yet been developed by the Company and will require significant capital funding, expertise of the Company's management, time and effort in order to develop and successfully launch the Filecoin Network. The Company may have to make changes to the specifications of the Filecoin Network or Tokens for any number of legitimate reasons or the Company may be unable to develop the Filecoin Network in a way that realizes those specifications or any form of a functioning network. It is possible that the Tokens and the Filecoin Network may not ever be released and there may never be an operational Token or that the Network Launch will not occur. The Filecoin Network or Tokens, if successfully developed and maintained, may not meet investor expectations at the time of purchase. Furthermore, despite good faith efforts to develop and launch the Filecoin Network and subsequently to develop and maintain the Filecoin Network, it is still possible that the Filecoin Network will experience malfunctions or otherwise fail to be adequately developed or maintained, which may negatively impact the Filecoin Network and Tokens.

The Company will use the proceeds of this Offering to make significant investments to develop and launch a viable Filecoin Network and subsequently to build a fulsome network upon which users can realize utility and value. The Company may not have or may not be able to obtain the technical skills and expertise needed to successfully develop the Filecoin Network and progress it to a successful Network Launch. While the Company has sought to retain and continue to competitively recruit experts, there is a general scarcity of management, technical, scientific, research and marketing personnel with appropriate training to develop and maintain Filecoin and the Filecoin Network. If the Company is not successful in its efforts to demonstrate to users the utility and value of the Filecoin Network, there may not be sufficient demand for the Tokens for the Company to proceed with the Network Launch. As a result, or if the Network Launch does not occur, Investors may lose all of their investment. "**Network Launch**" means the release of software that allows buyers and sellers to exchange storage, using the technologies and market incentives described above in *Company Overview*.

Investments in startups including Protocol Labs involve a high degree of risk. Investments in token pre-sales including the Filecoin Pre-sale may involve an even higher degree of risk.

Financial and operating risks confronting startups are significant: Protocol Labs is not immune to these. The startup market in which Protocol Labs competes is highly competitive and the percentage of companies that survive and prosper is small. Startups often experience unexpected problems in the areas of product development, marketing, financing, and general management, among others, which frequently cannot be solved. In addition, startups may require substantial amounts of financing, which may not be available through institutional private placements, the public markets or otherwise.

PL may be forced to cease operations or take actions that result in a Dissolution Event.

It is possible that, due to any number of reasons, including, but not limited to, an unfavorable fluctuation in the value of cryptographic and fiat currencies, the inability by the Company to establish the Minimum Viable Product or the Tokens' utility, the failure of commercial relationships, or intellectual property ownership challenges, the Company may no longer be viable to operate and the Company may dissolve or take actions that result in a Dissolution Event.

The SAFTs may not be transferred.

The terms of the SAFT prohibit transfer of the SAFT. As a result, Investors will be required to hold their SAFT until the earlier of the Network Launch and the delivery of all of the Tokens, or the termination of the SAFT pursuant to the provisions set forth therein. Consequently, Investors must be prepared to bear the risk of an investment in the SAFT until the termination of the SAFT pursuant to the terms set forth therein.

The tax treatment of the SAFT, the purchase rights contained therein and the Token distribution is uncertain and there may be adverse tax consequences for Investors upon certain future events.

The tax characterization of the SAFT and the Tokens is uncertain, and each Investor must seek its own tax advice in connection with an investment in the SAFT. An investment pursuant to the SAFT and the purchase of Tokens pursuant thereto may result in adverse tax consequences to Investors, including withholding taxes, income taxes and tax reporting requirements. Each Investor should consult with and must rely upon the advice of its own professional tax advisors with respect to the United States and non-U.S. tax treatment of an investment in the SAFT and the purchase rights contained therein.

Risks associated with the Tokens and the Filecoin Network

The Filecoin Network may not be widely adopted and may have limited users.

It is possible that the Filecoin Network will not be used by a large number of individuals, companies and other entities or that there will be limited public interest in the creation and development of distributed ecosystems (such as the Filecoin Network) more generally or distributed applications to be used on the Filecoin Network. Such a lack of use or interest could negatively impact the development of the Filecoin Network and therefore the potential utility of Tokens.

Alternative networks may be established that compete with or are more widely used than the Filecoin Network.

It is possible that alternative networks could be established that utilize the same or similar open source code and protocol underlying the Filecoin Network and attempt to facilitate services that are materially similar to the Filecoin Network's services. The Filecoin Network may compete with these alternative networks, which could negatively impact the Filecoin Network and the Tokens.

The open-source structure of the Filecoin Network protocol means that the Filecoin Network may be susceptible to developments by users or contributors could damage the Filecoin Network and PL's reputation and could affect the utilization of the Filecoin Network and the Tokens.

The Filecoin Network will operate based on an open-source protocol maintained by PL and other contributors. As an open source project, the Filecoin Network will not be represented, maintained or monitored by an official organization or authority. The open-source nature of the Filecoin Network protocol means that it may be difficult for the Company or contributors maintain or develop the Filecoin Network and the Company may not have adequate resources to address emerging issues or malicious programs that develop within the Filecoin Network adequately or in a timely manner. Third parties not affiliated with the Company may introduce weaknesses or bugs into the core infrastructure elements of the Filecoin Network and open-source code which may negatively impact the Filecoin Network. Such events may result in a loss of trust in the security and operation of the Filecoin Network and a decline in user activity and could negatively impact the market price of the Tokens.

The Filecoin Network may be the target of malicious cyberattacks or may contain exploitable flaws in its underlying code, which may result in security breaches and the loss or theft of Tokens. If the Filecoin Network's security is compromised or if the Filecoin Network is subjected to attacks that frustrate or thwart our users' ability to access the Filecoin Network, their Tokens or the Filecoin Network products and services, users may cut back on or stop using the Filecoin Network altogether, which could seriously curtail the utilization of the Tokens and cause a decline in the market price of the Tokens.

The Filecoin Network structural foundation, the open-source protocol, the software application and other interfaces or applications built upon the Filecoin Network are still in an early development stage and are unproven, and there can be no assurances that the Filecoin Network and the creating, transfer or storage of the Tokens will be uninterrupted or fully secure which may result in a complete loss of users' Tokens or an unwillingness of users to access, adopt and utilize the Filecoin Network. Further, the Filecoin Network may also be the target of malicious attacks seeking to identify and exploit weaknesses in the software or the Filecoin Network which may result in the loss or theft of Tokens. For example, if Filecoin and the Filecoin Network are subject to unknown and known security attacks (such as double-spend attacks, 51% attacks, or other malicious attacks), this may materially and adversely affect the Filecoin Network. In any such event, if the Network Launch does not occur or if the Filecoin Network is not widely adopted, Investors may lose all of their investment.

Risks related to blockchain technologies and digital assets

The regulatory regime governing the blockchain technologies, cryptocurrencies, tokens and token offerings such as Filecoin Network and the Tokens is uncertain, and new regulations or policies may materially adversely affect the development of the Filecoin Network and the utility of the Tokens.

Regulation of tokens (including Filecoin) and token offerings such as this, cryptocurrencies, blockchain technologies, and cryptocurrency exchanges currently is undeveloped and likely to rapidly evolve, varies significantly among international, federal, state and local jurisdictions and is subject to significant uncertainty. Various legislative and executive bodies in the United States and in other countries may in the future, adopt laws, regulations, guidance, or other actions, which may severely impact the development and growth of the Filecoin Network and the adoption and utility of the Tokens. Failure by the Company, the Filecoin Foundation or certain users of the Filecoin Network to comply with any laws, rules and regulations, some of which may not exist yet or are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines.

As blockchain networks and blockchain assets have grown in popularity and in market size, federal and state agencies have begun to take interest in, and in some cases regulate, their use and operation.

In the case of virtual currencies, state regulators like the New York Department of Financial Services have created new regulatory frameworks. Others, as in Texas, have published guidance on how their existing regulatory regimes apply to virtual currencies. Some states, like New Hampshire, North Carolina, and Washington, have amended their state's statutes to include virtual currencies into existing licensing regimes. Treatment of virtual currencies continues to evolve under federal law as well. The Department of the Treasury, the Securities Exchange Commission, and the Commodity Futures Trading Commission, for example, have published guidance on the treatment of virtual currencies. The IRS released guidance treating virtual currency as property that is not currency for US federal income tax purposes, although there is no indication yet whether other courts or federal or state regulators will follow this classification. Both federal and state agencies have instituted enforcement actions against those violating their interpretation of existing laws.

The regulation of non-currency use of blockchain assets is also uncertain. The CFTC has publicly taken the position that certain blockchain assets are commodities, and the SEC has issued a public report stating federal securities laws require treating some blockchain assets as securities. To the extent that a domestic government or quasi-governmental agency exerts regulatory authority over a blockchain network or asset, the Filecoin Network and the Tokens may be materially and adversely affected.

Blockchain networks also face an uncertain regulatory landscape in many foreign jurisdictions such as the European Union, China and Russia. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect the Filecoin Network. Such laws, regulations or directives may conflict with those of the United States or may directly and negatively impact our business. The effect of any future regulatory change is impossible to predict, but such change could be substantial and materially adverse to the development and growth of the Filecoin Network and the adoption and utility of the Tokens.

New or changing laws and regulations or interpretations of existing laws and regulations, in the United States and other jurisdictions, may materially and adversely impact the value of the currency in which the Tokens may be exchanged, the value of the distributions that may be made by the Filecoin Foundation, the liquidity of the Tokens, the ability to access marketplaces or exchanges on which to trade the Tokens, and the structure, rights and transferability of Tokens.

This Issuance of Filecoin May Constitute the Issuance of a “Security” Under U.S. Federal Securities Laws

Filecoin is a utility token that has a specific consumptive use – i.e. it allows participants in the Filecoin Network to obtain file storage, and make file storage available, on a distributed network with significant advantages over current cloud-storage solutions. Due to the nature of Filecoin, we do not think it should be considered a “security” as that term is defined in the Act.

On July 25, 2017, the United States Securities and Exchange Commission (the “*Commission*”) issued a Report of Investigation under Section 21(a) of the Securities Exchange Act of 1934 (the “*Exchange Act*”) describing an SEC investigation of The DAO, a virtual organization, and its use of distributed ledger or blockchain technology to facilitate the offer and sale of DAO Tokens to raise capital. The Commission applied existing U.S. federal securities laws to this new paradigm, determining that DAO Tokens were securities. The Commission stressed that those who offer and sell securities in the U.S. are required to comply with federal securities laws, regardless of whether those securities are purchased with virtual currencies or distributed with blockchain technology. The Commission’s announcement, and the related Report, may be found here: <https://www.sec.gov/news/press-release/2017-131>

After reviewing the Report, we believe that Filecoin is substantially different from DAO Tokens, and should not be considered a “security” under U.S. federal securities laws. Nevertheless, as noted by the Commission, the issuance of tokens represents a new paradigm and the application of the federal securities laws to this new paradigm is very fact specific. If Filecoin were deemed to be a security under U.S. federal securities laws then, prior to the issuance of Filecoin pursuant to the SAFT, we may be required to register to such issuance under the Securities Act. The registration of Filecoin under the Securities Act would result in significant delay in the issuance of Filecoin and would require us to incur substantial additional expense.

The Offering may be subject to registration under the Securities Exchange Act of 1934 if the Company has assets above \$10 million and more than 2,000 Investors participate in the Offering

Companies with total assets above \$10 million and more than 2,000 holders of record of its equity securities, or 500 holders of record of its equity securities who are not accredited investors, must register that class of equity securities with the SEC under the Exchange Act. With the capital raised from the Offering, Protocol Labs may surpass \$10 million in assets as it builds out the Filecoin Network. Furthermore, the SAFTs are likely considered a security under U.S. securities law and because there is the possibility that this Offering may surpass 2,000 Investors, Protocol Labs may have more than 2,000 holders of record of its equity securities following the Offering. It is possible that the SAFT is not an equity security even if it is a security. If these two conditions are met then Protocol Labs will have to register this Offering with the SEC, which will be a laborious and expensive process. If such registration takes place, much of the information regarding this Offering will be available to the public. Protocol Labs would have the ability to avoid registration in such a scenario if the SAFTs convert into the Tokens prior to the last day of Protocol Labs’ fiscal year, but, due to the unpredictable nature of complex software development such as the Filecoin Network, there is no guarantee that the Filecoin Network will have launched by such a date.

The Investors will have no control and the Company may only have limited control once the Network Launch occurs.

Filecoin is comprised of open-source technologies that depend on a network of computers to run certain software programs to process transactions. Because of this less centralized model, the Company has limited control over Filecoin and the Filecoin Network once launched. In addition, the Investors are not and will not be entitled, to vote or receive dividends or be deemed the holder of capital stock of the Company for any purpose, nor will anything be construed to confer on the Investors any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted

to stockholders at any meeting thereof, or to give or withhold consent to any corporate action or to receive notice of meetings, or to receive subscription rights or otherwise.

There may be occasions when certain individuals involved in the development and launch of the Filecoin Network may encounter potential conflicts of interest in connection with the Network Launch, such that said party may avoid a loss, or even realize a gain, when other Investors in the Pre-sale or in Filecoin are suffering losses.

There may be occasions when certain individuals involved in the development and launch of the Filecoin Network or Filecoin may encounter potential conflicts of interest in connection with this Offering and the Network Launch, such that said party may avoid a loss, or even realize a gain, when other Investors in the are suffering losses. Investors in SAFTs may also have conflicting investment, tax, and other interests with respect to SAFT investments, which may arise from the terms of the SAFT, the Filecoin's code, the Filecoin Network, the timing of the Network Launch or other token pre-sales, or other factors. Decisions made by the key employees of Protocol Labs on such matters may be more beneficial for some Investors than for others.

Investors may lack information for monitoring their investment.

The Investor may not be able to obtain all information it would want regarding Protocol Labs, Filecoin, or the Filecoin Network, on a timely basis or at all. It is possible that the Investor may not be aware on a timely basis of material adverse changes that have occurred with respect to certain of its investments. While Protocol Labs has made efforts to use open-source development for Tokens, this information may be highly technical by nature. As a result of these difficulties, as well as other uncertainties, an Investor may not have accurate or accessible information about the Filecoin Network.

Filecoin has no history.

Filecoin will be a newly formed token and has no operating history. Each SAFT should be evaluated on the basis that Protocol Labs or any third party's assessment of the prospects of the Filecoin Network may not prove accurate, and that Protocol Labs will not achieve its investment objective. Past performance of Protocol Labs, or any similar token or SAFT, is not predictive of future results.

If the Filecoin Network is unable to satisfy data protection, security, privacy, and other government- and industry-specific requirements, its growth could be harmed.

There are a number of data protection, security, privacy and other government- and industry-specific requirements, including those that require companies to notify individuals of data security incidents involving certain types of personal data. Security compromises could harm the Filecoin Network's reputation, erode user confidence in the effectiveness of its security measures, negatively impact its ability to attract new users, or cause existing users to stop using the Filecoin Network.

The further development and acceptance of blockchain networks, including the Filecoin Network, which are part of a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of blockchain networks and blockchain assets would have an adverse material effect on the successful development and adoption of the Filecoin Network and the Tokens.

The growth of the blockchain industry in general, as well as the blockchain networks with which the Filecoin Network will rely and interact, is subject to a high degree of uncertainty. The factors affecting the further development of the cryptocurrency industry, as well as blockchain networks, include, without limitation:

- Worldwide growth in the adoption and use of Bitcoin, and other blockchain technologies;

- Government and quasi-government regulation of Bitcoin, and other blockchain assets and their use, or restrictions on or regulation of access to and operation of blockchain networks or similar systems;
- The maintenance and development of the open-source software protocol of the Bitcoin networks;
- Changes in consumer demographics and public tastes and preferences;
- The availability and popularity of other forms or methods of buying and selling goods and services, or trading assets including new means of using fiat currencies or existing networks;
- General economic conditions and the regulatory environment relating to cryptocurrencies; or
- A decline in the popularity or acceptance of Bitcoin or other blockchain-based tokens would adversely affect our results of operations.

The slowing or stopping of the development, general acceptance and adoption and usage of blockchain networks and blockchain assets may deter or delay the acceptance and adoption of the Filecoin Network and the Tokens.

The prices of blockchain assets are extremely volatile. Fluctuations in the price of digital assets could materially and adversely affect our business, and the Tokens may also be subject to significant price volatility.

The prices of blockchain assets such as Bitcoin have historically been subject to dramatic fluctuations and are highly volatile, and the market price of the Tokens may also be highly volatile. Several factors may influence the market price of the Tokens, including, but not limited to:

- Global blockchain asset supply;
- Global blockchain asset demand, which can be influenced by the growth of retail merchants' and commercial businesses' acceptance of blockchain assets like cryptocurrencies as payment for goods and services, the security of online blockchain asset exchanges and digital wallets that hold blockchain assets, the perception that the use and holding of blockchain assets is safe and secure, and the regulatory restrictions on their use;
- Investors' expectations with respect to the rate of inflation;
- Changes in the software, software requirements or hardware requirements underlying the Filecoin Network;
- Changes in the rights, obligations, incentives, or rewards for the various participants in the Filecoin Network;
- Interest rates;
- Currency exchange rates, including the rates at which digital assets may be exchanged for fiat currencies;
- Fiat currency withdrawal and deposit policies of blockchain asset exchanges on which the Tokens may be traded and liquidity on such exchanges;
- Interruptions in service from or failures of major blockchain asset exchanges on which the Tokens may be traded;

- Investment and trading activities of large investors, including private and registered funds, that may directly or indirectly invest in the Filecoin Network or Tokens or other blockchain assets;
- Monetary policies of governments, trade restrictions, currency devaluations and revaluations;
- Regulatory measures, if any, that affect the use of blockchain assets such as the Tokens;
- The maintenance and development of the open-source software protocol of the Filecoin Network;
- Global or regional political, economic or financial events and situations; or
- Expectations among Filecoin Network or other blockchain assets participants that the value of the Tokens or other blockchain assets will soon change.

A decrease in the price of a single blockchain assets may cause volatility in the entire blockchain asset industry and may affect other blockchain assets including the Tokens. For example, a security breach that affects investor or user confidence in Bitcoin may affect the industry as a whole and may also cause the price of the Tokens and other blockchain assets to fluctuate.

USE OF PROCEEDS

Protocol Labs expects that a substantial amount of all of the proceeds of the Offering will be used by the Company to originate and subsequently to progress the development of the Filecoin Network and the Filecoin Ecosystem.

PLAN OF DISTRIBUTION

Investor Qualifications

Only persons of adequate financial means who have no need for present liquidity with respect to this investment should consider purchasing the purchase rights set forth in the SAFT offered hereby because: (i) an investment in the SAFTs involves a number of significant risks (See “Risk Factors”); and (ii) no market for the SAFTs or the purchase rights contained therein, and none is likely to develop in the reasonably foreseeable future. This Offering is intended to be a private offering that is exempt from registration under the Securities Act and applicable state securities laws.

This Offering is limited solely to accredited investors as defined in Regulation D under the Securities Act, meaning only those persons or entities coming within any one or more of the following categories:

- (i) Any bank, as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; any broker-dealer registered pursuant to Section 15 of the Exchange Act; any insurance company, as defined in Section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940 or a business development company, as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; and any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, that is either a bank, savings and loan association, insurance company or registered investment advisor, if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by person(s) that are accredited investor(s);
- (ii) Any private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940;
- (iii) Any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, any corporation, Massachusetts or similar business trust, or company, not formed for the specific purpose of acquiring the Common Stock, with total assets in excess of \$5,000,000;
- (iv) Any director or executive officer of the Company;
- (v) Any natural person whose individual net worth, or joint net worth with that person’s spouse, exclusive of the value of the person’s primary residence net of any mortgage debt and other liens, at the time of his or her purchase exceeds \$1,000,000;
- (vi) Any natural person who had an individual income in excess of \$200,000, or joint income with that person’s spouse in excess of \$300,000, in each of the two most recent years and who reasonably expects to reach the same income level in the current year;
- (vii) Any trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Common Stock, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D; or

- (viii) Any entity all of whose equity owners are accredited investors.

The term “net worth” means the excess of total assets over total liabilities, exclusive of the value of your primary residence net of any mortgage debt and other liens. In determining income, you should add to your adjusted gross income any amounts attributable to tax-exempt income received, losses claimed as a limited partner in any limited partnership, deductions claimed for depreciation, contributions to an IRA or Keogh retirement plan, alimony payments and any amount by which income from long-term capital gains had been reduced in arriving at adjusted gross income.

You will be required to represent to the Company in writing that you are an accredited investor under Regulation D, as described above, and may also be required to provide certain documentation in support of such representation. In addition to the foregoing requirement, you must also represent in writing that you are acquiring the SAFT for your own account and not for the account of others and not with a view to resell or distribute such securities.

Other Requirements

The USA PATRIOT Act	What is money laundering?	How big is the problem and why is it important?
<p>The USA PATRIOT Act is designed to detect, deter and punish terrorists in the United States and abroad. The Act imposes new anti-money laundering requirements on brokerage firms and financial institutions. Since April 24, 2002, all United States brokerage firms have been required to have comprehensive anti-money laundering programs in effect. To help you understand these efforts, the Placement Agent wants to provide you with some information about money laundering and the Placement Agent’s efforts to help implement the USA PATRIOT Act.</p>	<p>Money laundering is the process of disguising illegally obtained money so that the funds appear to come from legitimate sources or activities. Money laundering occurs in connection with a wide variety of crimes, including illegal arms sales, drug trafficking, robbery, fraud, racketeering and terrorism.</p>	<p>The use of the United States financial system by criminals to facilitate terrorism or other crimes could taint our financial markets. According to the United States State Department, one recent estimate puts the amount of worldwide money laundering activity at \$1 trillion a year.</p>

What the Company is required to do to help eliminate money laundering?	
<p>Under new rules required by the USA PATRIOT Act, the Company’s anti- money laundering program must designate a special compliance officer, set up employee training, conduct independent audits and establish policies and procedures designed to detect and report suspicious transaction and ensure compliance with the new laws and rules.</p>	<p>As part of the Company’s required program, it may ask you to provide various identification documents or other information. Until you provide the information or documents that the Company needs, it may not be able to effect any transactions for you.</p>

You should check the Office of Foreign Assets Control (the “OFAC”) website at <http://www.treas.gov/ofac> before making the following representations: You represent that the amounts invested by you in this Offering were not and are not directly or indirectly derived from any activities that contravene Federal, state or international laws and regulations, including anti-money laundering laws and regulations. Federal regulations and Executive Orders administered by the OFAC prohibit, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. The lists of the OFAC-prohibited countries, territories, individuals and entities can be found on the OFAC website at <http://www.treas.gov/ofac>. In addition, the programs administered by the OFAC (the “OFAC Programs”) prohibit dealing with individuals¹ or entities in certain countries, regardless of whether such individuals or entities appear on any OFAC list;

- (i) you represent and warrant that none of: (1) you; (2) any person controlling or controlled by you; (3) if you are a privately-held entity, any person having a beneficial interest in you; or (4) any person for whom you are acting as agent or nominee in connection with this investment is a country, territory, entity or individual named on an OFAC list, or a person or entity prohibited under the OFAC Programs. Please be advised that the Placement Agent may not accept any subscription amounts from a prospective investor if such investors cannot make the representation set forth in the preceding sentence. You agree to promptly notify the Company and the Placement Agent should you become aware of any change in the information set forth in any of these representations. You are advised that, by law, the Placement Agent may be obligated to “freeze the account” of any investor, either by prohibiting additional subscriptions from it, declining any redemption requests and/or segregating the assets in the account in compliance with governmental regulations, and that the Placement Agent may also be required to report such action and to disclose such investor’s identity to the OFAC;
- (ii) you represent and warrant that none of: (1) you; (2) any person controlling or controlled by you; (3) if you are a privately-held entity, any person having a beneficial interest in you; or (4) any person for whom you are acting as agent or nominee in connection with this investment is a senior foreign political figure², or any immediate family³ member or close associate⁴ of a senior foreign political figure, as such terms are defined in the footnotes below; and
- (iii) if you are affiliated with a non-U.S. banking institution (a “Foreign Bank”), or if you receive deposits from, make payments on behalf of, or handle other financial transactions related to a Foreign Bank, you represent and warrant to the Company and the Placement Agent that: (1) the Foreign Bank has a fixed address, and not solely an electronic address, in a country in which the Foreign Bank is authorized to conduct banking activities; (2) the Foreign Bank maintains operating records related to its banking activities; (3) the Foreign Bank is subject to inspection by the banking authority that

¹ These individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs.

² A “senior foreign political figure” is defined as a senior official in the executive, legislative, administrative, military or judicial branch of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a “senior foreign political figure” includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.

³ “Immediate family” of a senior foreign political figure typically includes such figure’s parents, siblings, spouse, children and in-laws.

⁴ A “close associate” of a senior foreign political figure is a person who is widely and publicly known to maintain an unusually close relationship with such senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of such senior foreign political figure.

licensed the Foreign Bank to conduct its banking activities; and (4) the Foreign Bank does not provide banking services to any other Foreign Bank that does not have a physical presence in any country and that is not a regulated affiliate.

The Company is entitled to rely upon the accuracy of your representations to each of them. The Company may, but under no circumstances shall it be obligated to, require additional evidence that a prospective investor meets the standards set forth above at any time prior to its acceptance of a prospective investor's subscription. You are not obligated to supply any information so requested by the Company, but the Company may reject a subscription from you or any person who fails to supply such information.

How to Subscribe

To invest in the Offering, Investors will need to first create an account and register on <https://CoinList.co>. Evidence of accreditation status pursuant to Section 506(c) of the Securities Act standards is required to invest. This can be satisfied by completing the accreditation process on CoinList in one of two manners: submitting evidence proving asset worth, or providing the contact information for their lawyer or CPA to attest on the investor's behalf. Additionally, investors will need to provide investment entity information such as address and social security number or tax ID number to pass a KYC (Know Your Customer) and AML (Anti Money Laundering) checks on the CoinList platform.

Once accreditation and KYC/AML steps are complete, Investors will follow the remaining prompts at CoinList.co to specify investment amount and see estimated Filecoin amount, confirm their investment, and make payment to finalize the transaction.

Notice to Prospective Investors in Canada

Each Canadian purchaser who purchases securities on a private placement basis pursuant to this offering memorandum will be deemed to have represented to and agreed with the Company that such purchaser: (i) is resident in Canada; (ii) is purchasing the securities with the benefit of the prospectus exemption provided by Section 2.3 of National Instrument 45-106 – *Prospectus Exemptions* (NI 45106) (that is, such purchaser is an “accredited investor” within the meaning of NI 45-106 and is either purchasing securities as principal for its own account, or is deemed to be purchasing the securities as principal for its own account in accordance with applicable securities laws); (iii) if not an individual, the purchaser was not created or used solely to purchase or hold securities as an accredited investor under NI 45106; and (iv) if required by applicable securities laws, the purchaser will execute, deliver and file or assist the Company in obtaining and filing such certificates, reports, undertakings and other documents relating to the purchase of the securities by the purchaser as may be required by any securities commission or other regulatory authority.

Canadian Resale Restrictions

The distribution of the securities in Canada is being made only on a private placement basis exempt from the requirement that the Company prepare and file a prospectus with the applicable securities regulatory authorities. The Company is not a reporting issuer in any province or territory in Canada and its securities are not listed on any stock exchange in Canada and there is currently no public market for the securities in Canada. The Company currently has no intention of becoming a reporting issuer in Canada, filing a prospectus with any securities regulatory authority in Canada to qualify the resale of the securities to the public, or listing its securities on any stock exchange in Canada. Accordingly, to be made in accordance with securities laws, any resale of the securities in Canada must be made under available statutory exemptions from registration and prospectus requirements or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. **Canadian purchasers are advised to seek legal advice prior to any resale of the securities.**

Purchasers' Rights - Ontario

Securities legislation in certain of the provinces of Canada provides purchasers with rights of rescission or damages, or both, where an offering memorandum or any amendment to it contains a misrepresentation. A “misrepresentation” is an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies must be commenced by the purchaser within the time limits prescribed and are subject to the defenses contained in the applicable securities legislation.

The following is a summary of the statutory rights of rescission or damages, or both, under securities legislation in Ontario, and as such, is subject to the express provisions of the legislation and the related regulations and rules and reference is made thereto for the complete text of such provisions. Such provisions may contain limitations and statutory defenses not described here on which the Company and other applicable parties may rely. The rights described below are in addition to, and without derogation from, any other right or remedy available at law to purchasers of the securities. Purchasers should refer to the applicable provisions of the securities legislation of Ontario for the particulars of these rights or consult with a legal adviser.

Ontario securities legislation provides that where an offering memorandum is delivered to a purchaser and contains a misrepresentation, the purchaser will, except as provided below, have a statutory right of action for damages or for rescission against the Company, without regard to whether the purchaser relied on the misrepresentation; if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Company. No such action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action, or, in the case of any action other than an action for rescission, the earlier of: (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action. The Ontario legislation provides a number of limitations and defenses to such actions, including: (a) the Company is not liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation; (b) in an action for damages, the Company shall not be liable for all or any portion of the damages that the Company proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the securities were offered.

These rights are not available for a purchaser that is: (a) a Canadian financial institution, meaning either: (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a province or territory of Canada to carry on business in Canada or a province or territory of Canada; (b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada); (c) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or (d) a subsidiary of any person referred to in clauses (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

Notice to Prospective Investors in the United Kingdom

With respect to offers and sales of our securities that are the subject of this Memorandum:

- offers or sales of any of such securities to persons in the United Kingdom are prohibited in circumstances which have resulted in or will result in such securities being or becoming the subject of an offer of transferable securities to the public as defined in Section 102B of the Financial Services and Markets Act 2000 (as amended) (the “*FSMA*”);

- all applicable provisions of the FSMA must be complied with, with respect to anything done in relation to such securities in, from or otherwise involving the United Kingdom; and
- any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received in connection with the issue or sale of such securities shall only be communicated, or be caused to be communicated, in circumstances in which Section 21(1) of the FSMA does not apply to us.

Notice to Prospective Investors in China

The SAFTs are not being offered or sold and may not be offered or sold, directly or indirectly, within the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities and other laws and regulations of the People's Republic of China.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

Set forth below is a discussion, in summary form, of certain United States federal income tax consequences relating to investment in a SAFT and the acquisition, ownership and disposition of Tokens issued pursuant to a SAFT. This summary does not attempt to present all aspects of the United States federal income tax laws or any state, local or foreign laws that may affect an investment in a SAFT or in Tokens. In particular, foreign investors, financial institutions, insurance companies, tax-exempt entities, investors subject to the alternative minimum tax and other investors of special status must consult with their own professional tax advisors regarding a prospective investment in the Fund. This summary is by nature general in nature and should not be construed as tax advice to any prospective investor. No ruling has been or will be requested from the Internal Revenue Service (the “*IRS*”) and no assurance can be given that the IRS will agree with the tax consequences described in this summary. The following discussion assumes that each prospective Investor will acquire Tokens as a capital asset (generally, property held for investment).

This description is based on the U.S. Internal Revenue Code of 1986, as amended, (the “Code”), existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as available on the date hereof. All of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion is limited to prospective investors who are “United States Persons” within the meaning of the Code.

Each prospective Investor should consult with its own tax adviser in order to fully understand the United States federal, state, local and foreign income tax consequences of an investment in a SAFT or in Tokens. No formal or legal tax advice is hereby given to any prospective Investor.

Transactions involving a SAFT and similar instruments, as well as Initial Coin Offerings (“ICOs”) and Token transactions, are relatively new and it is more than likely that the IRS will issue guidance, possibly with retroactive effect, impacting the taxation of investors in a SAFT, participants in an ICO, and holders of Tokens. Future tax guidance from the IRS (or guidance resulting from future judicial decisions) could negatively impact investors in the SAFT and holders of Tokens.

- *Tax Treatment of SAFT*

The Company intends to treat the execution of the SAFT as the execution of a contract for the purchase of Tokens, to be delivered to an Investor upon Network Launch, as more fully described in the SAFT. The SAFT will not constitute either an equity or debt interest in the Company.

- *Treatment of Token Sale*

Upon Network Launch, the Company shall issue Tokens to each holder of a SAFT pursuant to the terms of the applicable SAFT. The issuance of Tokens to an investor under a SAFT will be treated as a taxable sale of property by the Company to the investor. An investor should not be taxed upon the acquisition of Tokens pursuant to the SAFT. An investor should generally have a tax basis for U.S. federal income tax purposes in the Tokens it acquires from the Company equal to the amount of money such investor advanced under the SAFT. The investor’s holding period in the Tokens should begin on the day the Tokens are issued to the investor.

- *Disposition of Tokens*

An investor who sells, exchanges, or otherwise disposes of the Tokens for cash or other property (including pursuant to an exchange of such Tokens for other convertible virtual currency) should,

pursuant to Internal Revenue Service Notice 2014-21, recognize capital gain or loss in an amount equal to the difference between the fair market value of the property received in exchange for such Tokens and the investor's adjusted tax basis in the Tokens. This capital gain may be long-term if the investor has held its Tokens for more than one year prior to disposition.

- *Treatment of Conversion of SAFT upon failure of Network Launch*

In the event of a Network Launch failure, the Company may wind up its operations and distribute its assets to investors, including holders of SAFTs, as more fully set forth in the SAFT. An investor who receives Company assets in exchange for its rights under the SAFT generally should recognize taxable gain or loss in an amount equal to the difference between the fair market value of the assets the investor receives and its adjusted tax basis in its SAFT (which will generally equal the amount of cash it advanced under the SAFT).

EACH INVESTOR SHOULD SEEK, AND MUST DEPEND UPON, THE ADVICE OF HIS OR HER TAX ADVISOR WITH RESPECT TO THEIR INVESTMENT, AND EACH INVESTOR IS RESPONSIBLE FOR THE FEES OF SUCH ADVISOR. NOTHING IN THIS MEMORANDUM IS OR SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE TO AN INVESTOR. INVESTORS SHOULD BE AWARE THAT THE INTERNAL REVENUE SERVICE MAY NOT AGREE WITH ALL TAX POSITIONS TAKEN BY THE COMPANY AND THAT CHANGES TO THE INTERNAL REVENUE CODE OR THE REGULATIONS OR RULINGS THEREUNDER OR COURT DECISIONS AFTER THE DATE OF THIS MEMORANDUM MAY CHANGE THE ANTICIPATED TAX TREATMENT TO AN INVESTOR. THE COMPANY WILL NOT OBTAIN ANY RULING FROM THE INTERNAL REVENUE SERVICE WITH REGARD TO THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH INVESTORS UNDER THE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF INVESTMENTS IN THE COMPANY; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

THE TAX TREATMENT OF THE SAFT, THE PURCHASE RIGHTS CONTAINED THEREIN AND THE TOKEN DISTRIBUTION IS UNCERTAIN AND THERE MAY BE ADVERSE TAX CONSEQUENCES FOR INVESTORS UPON CERTAIN FUTURE EVENTS. AN INVESTMENT PURSUANT TO THE SAFT AND THE PURCHASE OF TOKENS PURSUANT THERETO MAY RESULT IN ADVERSE TAX CONSEQUENCES TO INVESTORS, INCLUDING WITHHOLDING TAXES, INCOME TAXES AND TAX REPORTING REQUIREMENTS. EACH INVESTOR SHOULD CONSULT WITH AND MUST RELY UPON THE ADVICE OF ITS OWN PROFESSIONAL TAX ADVISORS WITH RESPECT TO THE UNITED STATES AND NON-TAX TREATMENT OF AN INVESTMENT IN THE SAFT AND THE RIGHTS CONTAINED THEREIN.

EXHIBIT A

Filecoin Primer