

GNT Creation and GOLEM Project Creation Conditions:

Explanatory Note & Governance Terms

1. Principles

- 1 By transferring Ether (ETH) to the Smart Contract System and the Smart Contract System creating GOLEM Network Tokens (“GNT”), the User understands and accepts that the User makes a contribution into a Smart Contract System for the development of the GOLEM Network, as described in the GOLEM Project Crowdfunding Whitepaper (“GOLEM Project” / “the Whitepaper”). For the Whitepaper and/or further information on the GOLEM Project, visit: <https://golem.network>. The information contained in the Whitepaper and on the website are of descriptive nature only, are not binding and do – unless explicitly referred to herein – not form part of the Terms as set forth under para. 4 below.
- 2 The User understands and accepts that while the individuals and entities, including Golem Factory GmbH (to be incorporated in Switzerland, hereinafter “the Factory”), assigned to this task will make reasonable efforts to develop and complete the GOLEM Project, **it is possible that such development may fail and User’s GNT become useless and/or valueless due to technical, commercial, regulatory or any other reasons** (see also Chapter 5 regarding Risks). The User is also aware of the risk that even if all or parts of the GOLEM Project are successfully developed and released in full or in parts, due to a lack of public interest, the GOLEM Project could be fully or partially abandoned, remain commercially unsuccessful or shut down for lack of interest or other reasons. **The User therefore understands and accepts that the transfer of ETH to the Smart Contract System and the creation of GNT by the Smart Contract System carry significant financial, regulatory and/or reputational risks (including the complete loss of value of created GNT, if any, and attributed features of the GOLEM Project).**
- 3 The User furthermore understands and accepts that - as the creation of the GNT, any implemented governing rights of the User as well as the assignment of the execution of the GOLEM Project are smart contract based - the terms and conditions applicable thereon are set forth in the Smart Contract System Code, consisting of software code, existing on the Ethereum blockchain at address **0xa74476443119A942dE498590Fe1f2454d7D4aC0d**. **To the extent the terms contained herein or in any other document or communication contradict to the ones set forth in the Smart Contract System, the terms of the Smart Contract System prevail. Furthermore, neither this document nor any other document or communication may modify or add any additional obligations or covenants to the Factory or publisher of these terms or developer of the Smart Contract System functions and/or any other person, entity and/or affiliates involved with the deployment of the Smart Contract System and the setting up of the GOLEM Project beyond those set forth in the Smart Contract System.**
- 4 By transferring ETH to the Smart Contract System, the User expressly agrees to all of the terms and conditions set forth in Smart Contract System Code existing on the Ethereum blockchain (at the addresses set forth under para 3) and in this document (together the “Terms”), which is incorporated by reference herein. **The User further confirms to have carefully reviewed the Smart Contract System Code, its functions and these Terms and to fully**

understands the risks and costs of creating GNT and contributing into a Smart Contract System for the development of the GOLEM Project.

- 5 This document does not constitute a prospectus of any sort, is not a solicitation for investment and does not pertain in any way to an offering of securities in any jurisdiction. It is a description of the functionality of a Smart Contract System.
- 6 By transferring ETH to the Smart Contract System and/or receiving GNT, no form of partnership, joint venture or any similar relationship between the Users and/or other individuals or entities involved with the deployment of the Smart Contract System and the setting up of the GOLEM Project is created.

2. GNT Creation Function

- 7 During the Creation Period, up to a total of **1 billion GNT** (Maximal Launch Quantity) are planned to be created by the Smart Contract System, all of equal value and functionality, however, divided by the Smart Contract System into three different pools
 - **Pool A of 82% of total GNT created, in maximum 820 million GNT** intended to be created by the Smart Contract System during the Creation Period;
 - **Pool B of 12% of total GNT created, in maximum 120 million GNT**, intended to be created by the Smart Contract System at the end of Creation Period: If Creation Period has ended, the Smart Contract System allocates the Pool B to the Factory pursuant the Smart Contract (see below para 13);
 - **Pool C of 6% of total GNT created, in maximum 60 million GNT**, intended to be created by the Smart Contract System at the end of Creation Period: If Creation Period has ended, the Smart Contract System allocates the Pool C to early contributors and team members pursuant the Smart Contract (see below para 13).
- 8 **Creation Period:** The Creation Period starts with the deployment of the Smart Contract System and lasts until the 820 million GNT of Pool A have been created or for a maximal duration of 3 calendar weeks (maximal duration of Creation Period), whichever is earlier.
- 9 **Activation Threshold:** If less than 150 million GNT of Pool A are created during the maximal duration of the Creation Period (Activation Threshold), the project is considered to have failed and each User will have the possibility to initiate the transfer of the respective amount of ETH submitted to the Smart Contract System from the Smart Contract System's address back to the address used to transfer the ETH to the Smart Contract System.
- 10 **Creation of GNT:** The creation and allocation of GNT of Pool A by the Smart Contract System are initiated by the User sending an amount of ETH to the Smart Contract System, located on the Ethereum blockchain at the addresses set forth under para 3, which triggers a smart contract operation. The Smart Contract System creates and allocates the corresponding GNT to the User's wallet address, from where the ETH were sent from. Issuance of GNT (meaning that respective entries of the Public Key (PUK) of User) are made by the Smart Contract System on the blockchain according to the allocation information in the Smart Contract System.

- 11 **Maximum GNT Quantity:** If during the Creation Period the Activation Threshold has been reached but less than 820 million GNT of Pool A have been created, no additional GNT will be created. Each GNT will have the same functions implemented.
- 12 **Creation Rate:** The Creation Rate during Creation Period for each GNT of Pool A will be 0.001 ETH (i.e. 1000 GNT per 1 ETH).
- 13 **Pre-allocated GNT:** The User understands and accepts that out of the Maximal Launch Quantity,
 - **12% of total GNT created, i.e. a maximum of 120 million GNT (Pool B)** will be directly released by the Smart Contract System to the Factory for payment of future expenses as part of the development and execution of the GOLEM Project. These GNT are locked through a smart contract function and may not be transferred by the Factory for a period of 6 months starting the end of the Creation Period.
 - **6% of total GNT created, i.e. a maximum of 60 million GNT (Pool C)** will be directly released by the Smart Contract System to early contributors and team members who have made early financial contributions, worked to develop the ideas, implementations and supporting structures of the GOLEM Project. These GNT are locked through a smart contract function and may not be transferred by the early contributors and team members for a period of 6 months starting the end of the Creation Period.
- 14 **Transferability of GNT during the Creation Period:** Any and all GNT will be locked, and are therefore not transferable, until Creation Period has ended as set forth in the Smart Contract System.
- 15 **GNT are only for use in connection with the GOLEM Project under the terms of the Smart Contract System and under the terms of the GOLEM Network (to be released), and only constitute a transferable representation of attributed functions of the Smart Contract System.**
- 16 **Ownership of GNT carries no rights express or implied other than the right to use GNT as a means to enable usage of and interaction with the GOLEM Network, if successfully completed and deployed (see section 3). In particular, User understands and accepts that GNT do not represent or constitute any ownership right or stake, share or security or equivalent rights or any right for receive future revenues shares, IP rights or any other form of participation in or relating to the GOLEM Project and/or the GOLEM Network and/or the Factory. The GOLEM Network shall be released under an open source license and each User shall have the right to further develop and suggest modifications to the GOLEM Network.**
- 17 **Through the allocation of GNT to a User, the User receives no right to receive any revenues generated by the intellectual property rights developed as part of the GOLEM Project or any other assets. The User understands and hereby agrees that the sole and exclusive usage rights of these IPR are assigned to the Factory. Beyond this, the User understands and accepts that GNT do not represent or constitute any ownership right or stake, share or security or equivalent right in or relating to the GOLEM Project, the Factory, the GOLEM Network and/or any software, any public or private company, corporation, entity or property.**

18 By transferring ETH to the Smart Contract and creating GNT, the User represents and warrants that:

- the User has a deep understanding of the functionality, usage, storage, transmission mechanisms and intricacies associated with cryptographic tokens, like bitcoin (BTC) and Ether (ETH), and blockchain-based software systems;
- the User has carefully reviewed the code of the Smart Contract System located on the Ethereum blockchain at the addresses set forth under para 3 and fully understands and accepts the functions implemented therein;
- the User is legally permitted to transfer ETH to the Smart Contract System, create and obtain GNT in the User's jurisdiction;
- the User is legally permitted to receive software and contributing to the Smart Contract System for the development of the GOLEM Project;
- the User is of a sufficient age to legally create and obtain GNT;
- the User will take sole responsibility for any restrictions and risks associated with the creation of GNT by the Smart Contract System as set forth below;
- the User is not submitting ETH to the Smart Contract System to obtain GNT for the purpose of speculative investment;
- the User is not obtaining or using GNT for any illegal purposes;
- the User is purchasing the functionality of the GNT issued by the Smart Contract System primarily to support the development, testing, deployment and operation of the GOLEM Project, being aware of the commercial risks associated with the GOLEM Project;
- the User waives the right to participate in a class action lawsuit or a classwide arbitration against any entity or individual involved with the creation of GNT;
- the User understands the creation of GNT does not involve the purchase of shares or any equivalent in any existing or future public or private company, corporation or other entity in any jurisdiction;
- the User understands that the transfer of ETH to the Smart Contract System, the creation of GNT and the development of the GOLEM Project carries significant financial, regulatory and reputational risks as further set forth in the Terms;
- the User understands and expressly accepts that there is no warranty whatsoever on GNT, the Smart Contract System and/or the success of the GOLEM Project, expressed or implied, to the extent permitted by law, and that the Smart Contract System is used and GNT are created and obtained at the sole risk of the User on an "as is" and "under development" basis and without, to the extent permitted by law, any warranties of any kind, including, but not limited to, warranties of title or implied warranties, merchantability or fitness for a particular purpose;

- the User understands that the User has, other than as implemented in the Smart Contract System in case the Activation Threshold has not been reached (see para 9), no right against any other party to request any refund of the ETH submitted to the Smart Contract System for the creation of the GNT under any circumstance; and that
 - the User understands with regard to GNT no market liquidity may be guaranteed and that the value of GNT over time may experience extreme volatility or depreciate in full;
 - the User understands that the User bears the sole responsibility to determine if the User's contribution to the Smart Contract System for the development of the GOLEM Project, the transfer of ETH to the Smart Contract System, the creation, ownership or use of GNT, the potential appreciation or depreciation in the value of GNT over time, the sale and purchase of GNT and/or any other action or transaction related to the GOLEM Project have tax implications for him; by creating, holding or using GNT, and to the extent permitted by law, the User agrees not to hold any third party (including developers, auditors (e.g. contractors or founders) liable for any tax liability associated with or arising from the creation, ownership or use of GNT or any other action or transaction related to the GOLEM Project.
- 19 As part of the creation process the User will use own account (address) on the Ethereum network, with a private key associated to this address and password. The password is used to encrypt the User's private key. Following the creation of GNT by the Smart Contract System, the GNT will be transferred to the User's address by the Smart Contract System. The User understands that the User must keep his password and private key safe and that the User may not share them with anybody. The User further understands that if his private key and/or password is lost or stolen, the User will not be able to generate a new password or recover his private key, and if the User also loses his private keys and password, the GNT associated with the User's account (address) will be unrecoverable and will be permanently lost. Furthermore, the User understands that there is no recovery mechanism for lost keys and passwords, so no one will be able to help the User retrieve or reconstruct a lost password and private keys and provide the User with access to any lost GNT.

3. GOLEM Project Execution

- 20 The User understands and accepts that the development and execution of the GOLEM Project will be released by the Smart Contract System to the wallet of a third party contractor, Golem Factory GmbH to be incorporated in Switzerland (acting as "the Factory"). The Factory has the right to engage subcontractors to perform the entire or partial development and execution of the GOLEM Project. The scope of the development work will be triggered by the amount of contribution received during the Contribution Period as set forth in the Whitepaper (Golem Roadmap).
- 21 The User understands and accepts that for the purpose of the development and execution of the GOLEM Project, the Factory receives a flat fee consisting of 12% of total GNT created, i.e. in maximum 120 Million GNT (Pool B), and the full amount of ETH transferred to the Smart Contract System during the Creation Period. This flat fee covers expenses, charges and other costs that may arise by the Factory and/or its subcontractors as part of the development and execution of the GOLEM Project. It remains at the Factory's sole discretion to decide how to allocate the funds in order to develop and execute the GOLEM Project.

- 22 The User understands and accepts that the User may not have any expectation of influence over governance on the GOLEM Project.
- 23 The User understands and accepts that the GOLEM Project and/or GOLEM Network will need to go through substantial development works as part of which they may become subject of significant conceptual, technical and commercial changes before release. User understands and accepts that as part of the development, an upgrade of the GNT Token may be required (hard-fork of GNT Token) and that, if User decides not to participate in such upgrade, he may no longer use his GNT token in the GOLEM Network and that non upgraded GNT Token may lose their functionality in full.

4. Audit of the Smart Contract System

- 24 The Smart Contract System has been, on a reasonable effort basis, audited and approved by legal and technical experts with regard to the conformity of the Smart Contract System's functionality to the content of these Terms. The technical experts have further confirmed that the Smart Contract System has, with regard to both accuracy and security, been programmed according to the current state of the art.
- 25 However, the User understands and accepts that smart contract technology is still in an early development stage and its application of experimental nature which carries significant operational, technological, financial, regulatory and reputational risks. Accordingly, while the audit conducted raises the level of security and accuracy, the User understands and accepts that the audit does not amount to any form of warranty, including direct or indirect warranties that the Smart Contract System and the GNT are fit for a particular purpose or do not contain any weaknesses, vulnerabilities or bugs which could cause, inter alia, the complete loss of ETH and/or GNT.

5. Risks

- 26 The User understands and accepts the risks in connection with transferring ETH to the Smart Contract System and creating GNT as exemplary set forth above and hereinafter. In particular, but not concluding, the User understands the inherent risks listed hereinafter:
- **Risk of software weaknesses:** The User understands and accepts that the Smart Contract System concept, the underlying software application and software platform (i.e. the Ethereum blockchain) is still in an early development stage and unproven, why there is no warranty that the process for creating GNT will be uninterrupted or error-free and why there is an inherent risk that the software could contain weaknesses, vulnerabilities or bugs causing, inter alia, the complete loss of ETH and/or GNT.
 - **Regulatory risk:** The User understands and accepts that the blockchain technology allows new forms of interaction and that it is possible that certain jurisdictions will apply existing regulations on, or introduce new regulations addressing, blockchain technology based applications, which may be contrary to the current setup of the Smart Contract System and which may, inter alia, result in substantial modifications of the Smart Contract System and/or the GOLEM Project, including its termination and the loss of GNT for the User.

- **Risk of abandonment / lack of success:** The User understands and accepts that the creation of the GNT and the development of the GOLEM Project may be abandoned for a number of reasons, including lack of interest from the public, lack of funding, lack of commercial success or prospects (e.g. caused by competing projects). The User therefore understands that there is no assurance that, even if the GOLEM Project is partially or fully developed and launched, the User will receive any benefits through the GNT held by him.
- **Risk associated with other applications:** The User understands and accepts that the GOLEM Project and/or particular GOLEM Projects may give rise to other, alternative projects, promoted by unaffiliated third parties, under which GNT will have no intrinsic value.
- **Risk of loss of private key:** GNT can only be accessed by using an Ethereum wallet with a combination of User's account information (address), private key and password. The private key is encrypted with a password. The User understands and accepts that if his private key file or password respectively got lost or stolen, the obtained GNT associated with the User's account (address) or password will be unrecoverable and will be permanently lost.
- **Risk of theft:** The User understands and accepts that the Smart Contract System concept, the underlying software application and software platform (i.e. the Ethereum blockchain) may be exposed to attacks by hackers or other individuals that that could result in theft or loss of GNT or ETH, impacting the ability to develop the GOLEM Project.
- **Risk of Ethereum mining attacks:** The User understands and accepts that, as with other cryptocurrencies, the blockchain used for the Smart Contract System is susceptible to mining attacks, including but not limited to double-spend attacks, majority mining power attacks, "selfish-mining" attacks, and race condition attacks. Any successful attacks present a risk to the Smart Contract System, expected proper execution and sequencing of GNT transactions, and expected proper execution and sequencing of contract computations.

6. Taxation

- 27 The User bears the sole responsibility to determine if his contribution into the Smart Contract System for the development of the GOLEM Project, the creation, ownership or use of GNT, the potential appreciation or depreciation in the value of GNT over time, the sale and purchase of GNT and/or any other action or transaction related to the GOLEM Project have tax implications for him.
- 28 By creating, holding or using GNT, and to the extent permitted by law, the User agrees not to hold any third party (including developers, auditors, contractors or founders) liable for any tax liability associated with or arising from the creation, ownership or use of GNT or any other action or transaction related to the GOLEM Project.

7. No Liability

- 29 The User acknowledges and agrees that, to the fullest extent permitted by any applicable law, the User will not hold any developers, auditors contractors or founders of the GNT, the Smart Contract System and/or the Factory liable for any and all damages or injury whatsoever caused by or related to the use of, or the inability to use, GNT or the Smart Contract System under any cause or action whatsoever of any kind in any jurisdiction, including, without limitation, actions for breach of warranty, breach of contract or tort (including negligence) and that developers, auditors contractors or founders of the Smart Contract System, the GNT and/or the GOLEM Project shall not be liable for any indirect, incidental, special, exemplary or consequential damages, including for loss of profits, goodwill or data, in any way whatsoever arising out of the use of, or the inability to use of the Smart Contract System, the GOLEM Project and/or GNT.
- 30 The User further specifically acknowledges that developers, auditors, contractors or founders of the GNT, Smart Contract System and/or the GOLEM Project are not liable, and the User agrees not to seek to hold them liable, for the conduct of third parties, including other creators of GNT, and that the risk of creating, holding and using GNT rests entirely with the User.
- 31 By creating, holding or using GNT, and to the extent permitted by law, the User agrees not to hold any third party (including developers, auditors, contractors or founders) liable for any regulatory implications or liability associated with or arising from the creation, ownership or use of GNT or any other action or transaction related to the GOLEM Project.

8. Miscellaneous

- 32 The User understands and accepts that the network of miners will be ultimately in control of the Smart Contract System. The User understands that a majority of these miners could agree at any point to make changes to the official Smart Contract System and to run the new version of the Smart Contract System. Such a scenario could lead to GNT losing intrinsic value.
- 33 The Smart Contract System is located in Alderney. Consequently, the GNT creation and allocation and the assignment of the development and execution of the GOLEM Project to the Factory (to be founded) are considered to be executed in Alderney.
- 34 The User agrees that if any portion of these Terms is found illegal or unenforceable, in whole or in part, such provision shall, as to such jurisdiction, be ineffective solely to the extent of such determination of invalidity or unenforceability without affecting the validity or enforceability thereof in any other manner or jurisdiction and without affecting the remaining provisions of the Terms, which shall continue to be in full force and effect.
- 35 The Terms govern the creation, ownership and use of GNT and supersede any public statements about the launch of GNT and/or the Smart Contract System made by anyone in the past, present and future.
- 36 The applicable law is Swiss law. Any dispute arising out of or in connection with the creation of the GNT and the development and execution of the GOLEM Project shall be finally settled by the ordinary courts of the registered domicile of the defendant.