

**STORJ LABS (BVI) LTD.
TERMS OF TOKEN SALE**

Last Updated: May 18, 2017

PLEASE READ THESE TERMS OF TOKEN SALE CAREFULLY. NOTE THAT SECTION 15 CONTAINS A BINDING ARBITRATION CLAUSE AND CLASS ACTION WAIVER, WHICH, IF APPLICABLE TO YOU, AFFECT YOUR LEGAL RIGHTS. IF YOU DO NOT AGREE TO THESE TERMS OF SALE, DO NOT PURCHASE TOKENS.

Your purchase of ERC20-based STORJ tokens (“**Tokens**”) during the Token sale period (“**Sale Period**”) from Storj Labs (BVI) Ltd. (“**Company**,” “**we**,” or “**us**”) is subject to these Terms of Sale (“**Terms**”). Each of you and Company is a “**Party**,” and together the “**Parties**.”

By purchasing Tokens from us during the Sale Period, you will be bound by these Terms and all terms incorporated by reference. If you have any questions regarding these Terms, please contact us at hello@storj.io.

You and Company agree as follows:

1. Purpose and Use of Tokens in the Network

The purpose of the Tokens is to facilitate the provision and receipt of data storage and related services (collectively, the “**Services**”) through the open source, cloud storage protocol created and released by Company and its corporate affiliates that allows users to transfer and share data in a decentralized manner (the “**Network**”). Specifically, Tokens are intended to facilitate the provision of Services from Company through Company’s software application (“**Storj**”), which serves as a user interface and development platform on the Network. Important additional details regarding the Network, Services, Storj, and Company are provided in **Exhibit A**.

We do not operate or maintain the Network, and as such, we have no responsibility or liability for the Network or any ability to control third parties’ use of the Network.

Ownership of Tokens carries no rights, express or implied, other than the right to use Tokens as a means to enable usage of and interaction with the Network, if successfully completed and deployed. In particular, you understand and accept that Tokens do not represent or confer any ownership right or stake, share or security or equivalent rights, or any right to receive future revenue shares, intellectual property rights or any other form of participation in or relating to the Network and/or Company and its corporate affiliates, other than rights relating to the provision and receipt of Services in the Network, subject to limitations and conditions in these Terms and applicable Network Terms and Policies (as defined below). The Tokens are not intended to be a digital currency, security, commodity or any other kind of financial instrument.

2. Scope of Terms

Unless otherwise stated herein, these Terms govern only your purchase of Tokens from us during

the Sale Period.

Any use of Tokens in connection with providing or receiving Services in the Network will be governed primarily by other applicable terms and policies, which currently include our Storage Terms of Service (available at storj.io/terms-of-service.html), our Storage Sharing Terms (available at storj.io/storj-share-terms.html), our online and mobile Terms of Use (available at storj.io/terms-of-use.html), and our Privacy Policy (available at storj.io/privacy-policy.html) (collectively, the “**Network Terms and Policies**”). We may add new terms or policies to the Network Terms and Policies in our sole discretion, and may update each of the Network Terms and Policies from time to time according to modification procedures set forth therein.

To the extent of any conflict with these Terms, the Network Terms and Policies shall control with respect to any issues relating to the use of Tokens in connection with providing or receiving Services in the Network.

3. Cancellation; Refusal of Purchase Requests

Your purchase of Tokens from us during the Sale Period is final, and there are no refunds or cancellations except as may be required by applicable law or regulation. We reserve the right to refuse or cancel Token purchase requests at any time in our sole discretion.

4. Discontinuance and Conversion of Pre-Existing Tokens

As of the date of these Terms, Storjcoin X tokens based on the Counterparty protocol (“**Pre-existing Tokens**”) facilitate the provision and receipt of Services in the Network. For commercial and technological reasons explained further in **Exhibit A**, however, Pre-existing Tokens will no longer be usable in the Network after Tokens purchased during the Sale Period are delivered to purchasers. At that point, Pre-existing Tokens should be converted to Tokens through a conversion web application that Company and its corporate affiliates will make available at storj.io/conversion. Conversion procedures are described generally in **Exhibit A**, but more details are available through the conversion web application.

5. Token Sale Procedures and Specifications

Important information about the procedures and material specifications of our Token sale is provided in **Exhibit B**, including, but not limited to, details regarding the timing and pricing of the Token sale, the amount of Tokens we will sell, and our anticipated use of the Token sale proceeds. By purchasing Tokens, you acknowledge that you understand and have no objection to these procedures and material specifications.

6. Acknowledgment and Assumption of Risks

You acknowledge and agree that there are risks associated with purchasing Tokens, holding Tokens, and using Tokens for providing or receiving Services in the Network, as disclosed and explained in **Exhibit C**. If you have any questions regarding these risks, please contact us at hello@storj.io. BY PURCHASING TOKENS, YOU EXPRESSLY ACKNOWLEDGE AND

ASSUME THESE RISKS.

7. Security

You are responsible for implementing reasonable measures for securing the wallet, vault or other storage mechanism you use to receive and hold Tokens you purchase from us, including any requisite private key(s) or other credentials necessary to access such storage mechanism(s). If your private key(s) or other access credentials are lost, you may lose access to your Tokens. We are not responsible for any such losses.

8. Personal Information

We may determine, in our sole discretion, that it is necessary to obtain certain information about you in order to comply with applicable law or regulation in connection with selling Tokens to you. You agree to provide us such information promptly upon request, and you acknowledge that we may refuse to sell Tokens to you until you provide such requested information and we have determined that it is permissible to sell you Tokens under applicable law or regulation.

9. Taxes

The purchase price that you pay for Tokens is exclusive of all applicable taxes. You are responsible for determining what, if any, taxes apply to your purchase of Tokens, including, for example, sales, use, value added, and similar taxes. It is also your responsibility to withhold, collect, report and remit the correct taxes to the appropriate tax authorities. We are not responsible for withholding, collecting, reporting, or remitting any sales, use, value added, or similar tax arising from your purchase of Tokens.

10. Representations and Warranties

By purchasing Tokens, you represent and warrant that:

- (a) You have read and understand these Terms (including all Exhibits);
- (b) You have sufficient understanding of the functionality, usage, storage, transmission mechanisms and other material characteristics of cryptographic tokens, token storage mechanisms (such as token wallets), blockchain technology and blockchain-based software systems to understand these Terms and to appreciate the risks and implications of purchasing the Tokens;
- (c) You have obtained sufficient information about the Tokens to make an informed decision to purchase the Tokens;
- (d) You understand that the Tokens confer only the right to provide and receive Services in the Network and confer no other rights of any form with respect to the Network or Company or its corporate affiliates, including, but not limited to, any voting, distribution, redemption, liquidation, proprietary (including all forms of intellectual property), or other

financial or legal rights;

- (e) You are purchasing Tokens to provide or receive Services in the Network and to support the development, testing, deployment and operation of the Network. You are not purchasing Tokens for any other uses or purposes, including, but not limited to, any investment, speculative or other financial purposes;
- (f) Your purchase of Tokens complies with applicable law and regulation in your jurisdiction, including, but not limited to, (i) legal capacity and any other threshold requirements in your jurisdiction for purchasing the Tokens, using the Tokens in the Network, and entering into contracts with us, (ii) any foreign exchange or regulatory restrictions applicable to such purchase, and (iii) any governmental or other consents that may need to be obtained;
- (g) You will comply with any applicable tax obligations in your jurisdiction arising from your purchase of Tokens;
- (h) If you are purchasing Tokens on behalf of any entity, you are authorized to accept these Terms on such entity's behalf and that such entity will be responsible for breach of these Terms by you or any other employee or agent of such entity (references to "you" in these Terms refer to you and such entity, jointly);
- (i) You are not a resident or domiciliary of New York State or purchasing Tokens from a location in New York State; and
- (j) You are not (i) a citizen or resident of a geographic area in which access to or use of the Services is prohibited by applicable law, decree, regulation, treaty, or administrative act, (ii) a citizen or resident of, or located in, a geographic area that is subject to U.S. or other sovereign country sanctions or embargoes, or (iii) an individual, or an individual employed by or associated with an entity, identified on the U.S. Department of Commerce's Denied Persons or Entity List, the U.S. Department of Treasury's Specially Designated Nationals or Blocked Persons Lists, or the U.S. Department of State's Debarred Parties List. You agree that if your country of residence or other circumstances change such that the above representations are no longer accurate, that you will immediately cease using the Services. If you are registering to use the Services on behalf of a legal entity, you further represent and warrant that (i) such legal entity is duly organized and validly existing under the applicable laws of the jurisdiction of its organization, and (ii) you are duly authorized by such legal entity to act on its behalf.
- (k) You understand and acknowledge that title to, and risk of loss of, Tokens you receive from the Smart Contract System (as defined and explained in **Exhibit A**) passes from Company to you in the British Virgin Islands.

11. Indemnification

- (a) To the fullest extent permitted by applicable law, you will indemnify, defend and hold

harmless Company and our respective past, present and future employees, officers, directors, contractors, consultants, equity holders, suppliers, vendors, service providers, parent companies, subsidiaries, affiliates, agents, representatives, predecessors, successors and assigns (the “**Company Parties**”) from and against all claims, demands, actions, damages, losses, costs and expenses (including attorneys’ fees) that arise from or relate to: (i) your purchase or use of Tokens, (ii) your responsibilities or obligations under these Terms, (iii) your violation of these Terms, or (iv) your violation of any rights of any other person or entity.

- (b) Company reserves the right to exercise sole control over the defense, at your expense, of any claim subject to indemnification under Section 11(a). This indemnity is in addition to, and not in lieu of, any other indemnities set forth in a written agreement between you and Company.

12. Disclaimers

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW AND EXCEPT AS OTHERWISE SPECIFIED IN A WRITING BY US, (A) THE TOKENS ARE SOLD ON AN “AS IS” AND “AS AVAILABLE” BASIS WITHOUT WARRANTIES OF ANY KIND, AND WE EXPRESSLY DISCLAIM ALL IMPLIED WARRANTIES AS TO THE TOKENS, INCLUDING, WITHOUT LIMITATION, IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT; (B) WE DO NOT REPRESENT OR WARRANT THAT THE TOKENS ARE RELIABLE, CURRENT OR ERROR-FREE, MEET YOUR REQUIREMENTS, OR THAT DEFECTS IN THE TOKENS WILL BE CORRECTED; AND (C) WE CANNOT AND DO NOT REPRESENT OR WARRANT THAT THE TOKENS OR THE DELIVERY MECHANISM FOR TOKENS ARE FREE OF VIRUSES OR OTHER HARMFUL COMPONENTS.

Some jurisdictions do not allow the exclusion of certain warranties or disclaimer of implied terms in contracts with consumers, so some or all of the exclusions of warranties and disclaimers in this section may not apply to you.

13. Limitation of Liability

(A) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW: (I) IN NO EVENT WILL COMPANY OR ANY OF THE COMPANY PARTIES BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR EXEMPLARY DAMAGES OF ANY KIND (INCLUDING, BUT NOT LIMITED TO, WHERE RELATED TO LOSS OF REVENUE, INCOME OR PROFITS, LOSS OF USE OR DATA, OR DAMAGES FOR BUSINESS INTERRUPTION) ARISING OUT OF OR IN ANY WAY RELATED TO THE SALE OR USE OF THE TOKENS OR OTHERWISE RELATED TO THESE TERMS, REGARDLESS OF THE FORM OF ACTION, WHETHER BASED IN CONTRACT, TORT (INCLUDING, BUT NOT LIMITED TO, SIMPLE NEGLIGENCE, WHETHER ACTIVE, PASSIVE OR IMPUTED), OR ANY OTHER LEGAL OR EQUITABLE THEORY (EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND REGARDLESS OF WHETHER SUCH DAMAGES WERE FORESEEABLE); AND (II) IN

NO EVENT WILL THE AGGREGATE LIABILITY OF COMPANY AND THE COMPANY PARTIES (JOINTLY), WHETHER IN CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE, WHETHER ACTIVE, PASSIVE OR IMPUTED), OR OTHER THEORY, ARISING OUT OF OR RELATING TO THESE TERMS OR THE USE OF OR INABILITY TO USE THE TOKENS, EXCEED THE AMOUNT YOU PAY TO US FOR THE TOKENS.

(B) THE LIMITATIONS SET FORTH IN SECTION 13(A) WILL NOT LIMIT OR EXCLUDE LIABILITY FOR THE GROSS NEGLIGENCE, FRAUD OR INTENTIONAL, WILLFUL OR RECKLESS MISCONDUCT OF COMPANY.

(C) Some jurisdictions do not allow the limitation or exclusion of liability for incidental or consequential damages. Accordingly, some of the limitations of this section may not apply to you.

14. Release

To the fullest extent permitted by applicable law, you release Company and the other Company Parties from responsibility, liability, claims, demands and/or damages (actual and consequential) of every kind and nature, known and unknown (including, but not limited to, claims of negligence), arising out of or related to disputes between users and the acts or omissions of third parties. **You expressly waive any rights you may have under California Civil Code § 1542 as well as any other statute or common law principles that would otherwise limit the coverage of this release to include only those claims which you may know or suspect to exist in your favor at the time of agreeing to this release.**

15. Dispute Resolution; Arbitration

PLEASE READ THE FOLLOWING SECTION CAREFULLY BECAUSE IT CONTAINS ADDITIONAL PROVISIONS APPLICABLE ONLY TO INDIVIDUALS LOCATED, RESIDENT OR DOMICILED IN THE UNITED STATES. IF YOU ARE LOCATED, RESIDENT OR DOMICILED IN THE UNITED STATES, THIS SECTION REQUIRES YOU TO ARBITRATE CERTAIN DISPUTES AND CLAIMS WITH COMPANY AND LIMITS THE MANNER IN WHICH YOU CAN SEEK RELIEF FROM US.

(a) ***Binding Arbitration.*** Except for any disputes, claims, suits, actions, causes of action, demands or proceedings (collectively, “**Disputes**”) in which either Party seeks injunctive or other equitable relief for the alleged unlawful use of intellectual property, including, without limitation, copyrights, trademarks, trade names, logos, trade secrets or patents, you and Company (i) waive your and Company’s respective rights to have any and all Disputes arising from or related to these Terms resolved in a court, and (ii) waive your and Company’s respective rights to a jury trial. Instead, you and Company will arbitrate Disputes through binding arbitration (which is the referral of a Dispute to one or more persons charged with reviewing the Dispute and making a final and binding determination to resolve it instead of having the Dispute decided by a judge or jury in court).

(b) ***No Class Arbitrations, Class Actions or Representative Actions.*** Any Dispute arising

out of or related to these Terms is personal to you and Company and will be resolved solely through individual arbitration and will not be brought as a class arbitration, class action or any other type of representative proceeding. There will be no class arbitration or arbitration in which an individual attempts to resolve a Dispute as a representative of another individual or group of individuals. Further, a Dispute cannot be brought as a class or other type of representative action, whether within or outside of arbitration, or on behalf of any other individual or group of individuals.

- (c) **Federal Arbitration Act.** These Terms affect interstate commerce and the enforceability of this Section 15 will be both substantively and procedurally governed by and construed and enforced in accordance with the Federal Arbitration Act, 9 U.S.C. § 1 et seq. (the “FAA”), to the maximum extent permitted by applicable law.
- (d) **Notice; Informal Dispute Resolution.** Each Party will notify the other Party in writing of any Dispute within thirty (30) days of the date it arises, so that the Parties can attempt in good faith to resolve the Dispute informally. Notice to Company shall be sent by e-mail to Company at hello@storj.io. Notice to you shall be by email to the then-current email address in your Account. Your notice must include (i) your name, postal address, email address and telephone number, (ii) a description in reasonable detail of the nature or basis of the Dispute, and (iii) the specific relief that you are seeking. If you and Company cannot agree how to resolve the Dispute within thirty (30) days after the date notice is received by the applicable Party, then either you or Company may, as appropriate and in accordance with this Section 15, commence an arbitration proceeding or, to the extent specifically provided for in Section 15(a), file a claim in court.
- (e) **Process.** Any arbitration will occur in New Castle County, Delaware. Arbitration will be conducted confidentially by a single arbitrator in accordance with the rules of the Judicial Arbitration and Mediation Services (“JAMS”), which are hereby incorporated by reference. The state and federal courts located in New Castle County, Delaware will have exclusive jurisdiction over any appeals and the enforcement of an arbitration award. You may also litigate a Dispute in the small claims court located in the county where you reside if the Dispute meets the requirements to be heard in small claims court.
- (f) **Authority of Arbitrator.** As limited by the FAA, these Terms and the applicable JAMS rules, the arbitrator will have (i) the exclusive authority and jurisdiction to make all procedural and substantive decisions regarding a Dispute, including the determination of whether a Dispute is arbitrable, and (ii) the authority to grant any remedy that would otherwise be available in court; provided, however, that the arbitrator does not have the authority to conduct a class arbitration or a representative action, which is prohibited by these Terms. The arbitrator may only conduct an individual arbitration and may not consolidate more than one individual’s claims, preside over any type of class or representative proceeding or preside over any proceeding involving more than one individual.
- (g) **Rules of JAMS.** The rules of JAMS and additional information about JAMS are available on the [JAMS website](#). By agreeing to be bound by these Terms, you either (i)

acknowledge and agree that you have read and understand the rules of JAMS, or (ii) waive your opportunity to read the rules of JAMS and any claim that the rules of JAMS are unfair or should not apply for any reason.

(h) ***Severability of Dispute Resolution and Arbitration Provisions.*** If any term, clause or provision of this Section 15 is held invalid or unenforceable, it will be so held to the minimum extent required by law, and all other terms, clauses and provisions of this Section 15 will remain valid and enforceable. Further, the waivers set forth in Section 15(b) are severable from the other provisions of these Terms and will remain valid and enforceable, except as prohibited by applicable law.

16. Governing Law and Venue

These Terms will be governed by and construed and enforced in accordance with the laws of the British Virgin Islands, without regard to conflict of law rules or principles (whether of the British Virgin Islands or any other jurisdiction) that would cause the application of the laws of any other jurisdiction. Any Dispute between the Parties arising out or relating to these Terms or its subject matter or formation (including non-contractual Disputes of claims) that is not subject to arbitration will be resolved in the courts of the British Virgin Islands.

17. Severability

If any term, clause or provision of these Terms is held unlawful, void or unenforceable, then that term, clause or provision will be severable from these Terms and will not affect the validity or enforceability of any remaining part of that term, clause or provision, or any other term, clause or provision of these Terms.

18. Miscellaneous

These Terms constitute the entire agreement between you and us relating to your purchase of Tokens from us. We may make changes to these Terms from time to time as reasonably required to comply with applicable law or regulation. If we make changes, we will post the amended Terms at storj.io/saleterms.pdf and update the “Last Updated” date above. The amended Terms will be effective immediately. We may assign our rights and obligations under these Terms. Our failure to exercise or enforce any right or provision of these Terms will not operate as a waiver of such right or provision. We will not be liable for any delay or failure to perform any obligation under these Terms where the delay or failure results from any cause beyond our reasonable control. Purchasing Tokens from us does not create any form of partnership, joint venture or any other similar relationship between you and us. Except as otherwise provided in herein, these Terms are intended solely for the benefit of you and us and are not intended to confer third-party beneficiary rights upon any other person or entity. You agree and acknowledge that all agreements, notices, disclosures, and other communications that we provide to you, including these Terms, will be provided in electronic form.

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Exhibit A

Description of Company, Network and Tokens

1. Overview of Company and Affiliates

The Company is a business company incorporated in the British Virgin Islands that aims to bring decentralized cloud storage to the average business and consumer by leveraging the Network. The Company provides data as a service (or DaaS), and helps to build tools and application program interfaces (or APIs) for users to be able to interface with its new decentralized cloud storage model.

Until recently, the Network and Services were developed and operated principally from Company's affiliate, Storj Labs Inc. ("**Storj U.S.**"). As the Company developed an ambitious international growth strategy, as described more fully in Section 8 to **Exhibit B**, the Company and its corporate affiliates decided that it would be in the best interest of those respective entities to undertake future development and operation of the Network and Services from Company rather than Storj U.S. As part of this international growth strategy and reorganization, it is anticipated that Storj U.S. will provide certain administrative, technical and development services to Company.

2. Overview of Management

The Company's core management team is as follows:

- *James Prestwich: Chief Executive Officer and Co-founder.* Mr. Prestwich is responsible for managing and executing the Company's plans for growth and development. Mr. Prestwich assumed this role in May 2017 as part of a managerial reorganization in advance of the Token sale. Prior to May 2017, Shawn Wilkinson held both the CEO and Chief Technical Officer roles, but in light of the Company's ambitious growth and development plans following the Token sale, Mr. Wilkinson suggested that he hand over CEO responsibilities to Mr. Prestwich in order to focus solely on his CTO responsibilities, as discussed further below. The Company determined this change to be in the Company's best interest given the respective backgrounds, attributes and anticipated responsibilities of both Mr. Prestwich and Mr. Wilkinson.
- *Shawn Wilkinson: Chief Technical Officer and Co-founder.* Mr. Wilkinson created the Storj project in his dorm room in 2014 and has been the driving force behind it since its creation. As noted above, Mr. Wilkinson served as CEO of Storj U.S. until May 2017, but is now focusing entirely on his CTO responsibilities, which are integral to the Company's plans for development of Storj and the Network. In particular, Mr. Wilkinson's role as CTO will center on enhancing the codebase for Storj and the Network and working with the community to advance the state of open source distributed storage.
- *Tome Boshevski: Chief Design Officer and Co-founder.* Mr. Boshevski joined the Storj

project in 2014 and focuses on all design elements as well as UI/UX. Mr. Boshevski directs user interface and user experience design, as well as manages marketing, media, and branding operations. Mr. Boshevski works closely with the development team to ensure that products are built with world class design and usability in mind.

- *John Quinn: Chief Business Development Officer and Co-founder.* Mr. Quinn spent close to 10 years as a technology focused investment banker at Credit Suisse, Elbrus Capital and Deutsche Bank. In addition, Mr. Quinn was a Managing Director of a \$200 million private equity firm, Alfa Capital Partners, in addition to being an active seed investor.

3. Overview of Network and Services

The Network is comprised of nodes run by users around the world according to two open source software applications offered under the GNU Affero General Public License - Storj Share and Bridge. The “**Storj Share**” application allows users known as “**Farmers**” (or “**Farming nodes**”) to rent out their excess hard drive space or bandwidth to other nodes on the Network in exchange for Tokens, through a practice known as “**Drive Farming**.”

The “**Bridge**” application allows users to purchase excess hard drive space or bandwidth from Farmers by exchanging Tokens. Bridge nodes are standalone verification nodes that communicate with Farming nodes on the Network, locate available storage resources, manage files on the Network, provide users and applications with information about those files, and facilitate access to those files. The Storj protocol defines the interactions of Bridge and Farmer nodes.

Farmers set asking prices for their storage space, and Bridge nodes can bid on that space. “**Clients**,” which may include libraries and applications, do not directly participate in the Network but rather entrust a Bridge node with the negotiation and management of storage space contracts. When a Farmer and a Bridge node reach an agreement on price, they enter into a mutually enforceable smart contract. Files loaded by Network users for storage are encrypted by the Client. The Client generates a private decryption key during this encryption process, and Company never has access to such key. Files are then split into portions of a file known as a “**shard**” in a process known as “**sharding**.” Additional parity shards may be created via Reed-Solomon erasure coding. Shards are pre-processed to enable the Heartbeat verification system (as described below).

A Farmer is automatically paid by the counterparty to the contract, in the amount of Tokens corresponding to the agreed upon price, when the Farmer’s node passes a challenge known as a “**Heartbeat**,” which verifies that the Client’s file is in fact stored, unmodified, and available on that Farmer’s node. Any Farmer that attempts to alter or tamper with a file will fail the Heartbeat challenge. After a certain number of failed Heartbeats, any smart contracts linked to that Farmer’s node will be automatically revoked and redistributed to other Farmers’ nodes. Likewise, if a Farmer’s node goes offline (for whatever reason), the Bridge node (that is the counterparty to the contract) will automatically negotiate new contracts with other Farming nodes so that the file remains available.

Company may also act as a re-seller of the storage services offered by Farmers (“**Managed Service**”). Under the Managed Service option, users pay Company for the storage of the files they upload to the Network through Storj Share in Tokens, Bitcoin, or U.S. dollars. Files are prepared by the Client software, undergoing sharding, erasure coding, encryption, and Heartbeat pre-processing. Once file shards are prepared, the Bridge node negotiates storage contracts for each file shard, stores shard metadata, and assumes responsibility for maintaining the integrity of the file shard. Each file shard is transferred to at least three (3) separate locations. For additional redundancy, users may choose to add more locations for an additional cost.

Managed Service users are billed monthly based on their usage in the prior month. In turn, Company pays Farmers in Tokens via the payment address provided through Storj Share, according to a transparent formula (available on Company’s GitHub at gist.github.com/super3/a36a3d4967951ec678200f499364b81a). As part of the Managed Service, Company accumulates certain reliability data on a given Farmer, which may include bandwidth, uptime statistics, and past payment history. This data enables Company to intelligently allocate storage space on the Network to maximize its performance. In this way, the Token can help the Company measure a Farming node’s past performance. Company hopes to improve this process by further leveraging the Token via Ethereum smart contracts to bond Farmers and measure their reputation, which, in large part, is motivating the Company’s intention to phase out Pre-existing Tokens and introduce the upgraded Network and Tokens (as further described below).

4. Overview of Tokens, Pre-existing Tokens and Conversion Procedures

The Tokens are based on the Ethereum protocol and conform to the widely-used ERC20 standard. The utility of the Tokens will be enhanced over time to the extent that more Drive Farming and Bandwidth Farming resources are added to the Network, such that the amount of storage that can be obtained for each Token will grow. Company will not support or otherwise facilitate any secondary trading or external valuation of Tokens.

Storj U.S. published a distribution allocation of Pre-existing Tokens that allocated 70% of Pre-existing Tokens for Bitcoin sales, 15% for a developer pool and 15% for a community pool. Pre-existing Tokens were also purchased by users in exchange for bitcoin during a sale that ran from July 18, 2014 to August 18, 2014, the terms of which can be found here: storj.io/CrowdsaleTerms.pdf. At present, the total supply of Pre-existing Tokens is 500 million, 51,173,144 of which are in Pre-existing Tokens in circulation (“**Circulating Pre-existing Tokens**”). As of April 1, 2017, Storj U.S. held 448,967,875 Pre-existing Tokens (“**Storj U.S. Pre-existing Tokens**”).

Company and its corporate affiliates intend to phase out Pre-existing Tokens for both technical and commercial reasons. From a technical standpoint, the utility of the Pre-existing Tokens is hampered by limitations of the Counterparty protocol and the depreciation of certain critical features of the Counterparty platform. Company also wishes to provide users with access to better tools, such as improved wallets, and to ensure its own access to future technical improvements and extensions on the Ethereum blockchain. From a commercial standpoint, Company seeks to promote the Storj community and ecosystem, while simultaneously lowering

the costs of ecosystem development.

Promptly after Tokens purchased during the Sale Period are delivered to purchasers, Company and its corporate affiliates will no longer provide software support for Pre-existing Tokens relating to the Network, Services or any other operational matters. The only software support Company will provide with respect to Pre-existing Tokens will relate to the conversion process referenced in Section 4 of these Terms. Although Company cannot and will not force any Pre-existing Token holders to convert their Pre-existing Tokens to Tokens, Company anticipates that the lack of operational software support will create a strong incentive for Pre-existing Token holders to do so, since the practical utility of Pre-existing Tokens will likely diminish rapidly once Company no longer supports them. Promptly discontinuing all operational support for Pre-existing Tokens is also necessary to ensure a full, effective and swift transition from the Counterparty protocol to the Ethereum protocol for the Network and Services, and by extension, to minimize the risk that a “legacy” or “classic” version of the Company’s technology persists on the Counterparty protocol.

Prior to the Launch Date (as defined below), Company will create and deploy an Ethereum-based smart contract system (“**Smart Contract System**”), which creates and maintains a ledger that maps Ethereum addresses to Token balances and implements the Ethereum ERC20 standard.

Company will also generate two sets of replacement Tokens prior to the Launch Date.

The first set of replacement Tokens is intended to replace the Circulating Pre-existing Tokens over time. Promptly after generation, this first set of replacement Tokens will be locked by Company in the Smart Contract System. Upon accessing the conversion web application through the link provided in Section 4 of these Terms, holders of Circulating Pre-existing Tokens will be prompted to provide an ERC20-compatible Ethereum delivery address at which Tokens may be delivered. The web application will then generate a unique conversion address and provide it to the holder of Circulating Pre-existing Tokens. Sending Circulating Pre-existing Tokens to the conversion address will cause Tokens to be delivered to the delivery address via the Smart Contract System (as defined below). Storj U.S. will burn the Circulating Pre-existing Tokens that are sent to conversion addresses. More details regarding the conversion of Circulating Pre-existing Tokens to Tokens are available through the link provided in Section 4 of these Terms.

The second set of replacement Tokens will replace the Storj U.S. Pre-existing Tokens. Promptly after generation, this second set of replacement Tokens will be transferred to a Company-managed custodial wallet (the “**Company Custodial Wallet**”), at which point Storj U.S. will then burn the Storj U.S. Pre-existing Tokens. The Company will transfer a certain number of Tokens from the Company Custodial Wallet to the Smart Contract System in order to be sold and delivered to purchasers of Tokens during the Sale Period, according to procedures set forth in **Exhibit B** below.

Exhibit B

Token Sale Procedures and Specifications

1. Token Price

The price per Token will be \$0.50 in either Bitcoin or Ether, the two assets that Company will accept as payment for Tokens, according to applicable U.S. dollar/Bitcoin and U.S. dollar/Ether exchange rates published on cryptocompare.com as of the time your unique deposit address receives Bitcoin or Ether from you as payment for Tokens, according to the procedures set forth in Section 3 of this **Exhibit B**. Company reserves the right to lower the price per Token, at its sole discretion, during the Sale Period.

2. Commencement, Duration and Completion of Token Sale

The Company will conduct a token sale (the “**Sale Period**”), which will begin at 11:00 EDT (3:00 PM UTC) on May 19th, 2017 (the “**Launch Date**”) and end on 11:00 EDT (3:00 PM UTC) June 19th, 2017 or when \$30,000,000 has been received, whichever is earlier.

If less than \$10,000,000 in proceeds has been received by the termination of the Sale Period (the “**Minimum Threshold**”), the Smart Contract System will not deliver Tokens and will instead return all Bitcoin and Ether received from purchasers to the return addresses provided by purchasers (as discussed further below). In that circumstance, Company will have no further obligations to purchasers, under these Terms or any other agreement, after such purchasers’ Bitcoin or Ether is sent to the return address provided.

3. Procedures for Buying and Receiving Tokens

To purchase Tokens during the Sale Period, you must have certain token wallets established and operational. Specifically, you must have: (i) either an Ethereum wallet if you wish to purchase Tokens using Ether or a Bitcoin wallet if you wish to purchase Tokens using Bitcoin, and (ii) an Ethereum wallet that supports the ERC20 token standard in order to receive Tokens that you purchase from the Company. Company reserves the right to prescribe additional guidance regarding specific wallet requirements.

At the Launch Date, Company will make available a web application to facilitate your purchase and receipt of Tokens. If you wish to purchase Tokens, you must first provide either your Bitcoin address (if you wish to purchase Tokens using Bitcoin) or your Ethereum address (if you wish to purchase Tokens using Ether) to the web application as a return address. Company is collecting return addresses so that it may return purchasers’ Bitcoin or Ether in case the Minimum Threshold is not reached (as described in Section 2 of this **Exhibit B**) or in the event that unforeseen circumstances otherwise cause Company to decide to not proceed with the sale of Tokens. Second, you will need to provide an Ethereum ERC20 compatible wallet address for the delivery of Tokens you purchase via the Smart Contract System. Company may also request certain optional information, such as an email address, through the web interface.

The web application will then send you a unique deposit address for Bitcoin (if you provided a Bitcoin address) or Ether (if you provided an Ethereum address). Once the unique deposit address has received Bitcoin or Ether from you, Company will authorize the Smart Contract System to deliver Tokens to the Ethereum ERC20 wallet address that you provided to Company for delivery of the Tokens. The Smart Contract System is deployed by Company from the British Virgin Islands, and is programmed so that all transactions it executes will be executed in the British Virgin Islands. As such, title to, and risk of loss of, Tokens delivered by the Smart Contract System passes from Company to purchasers in the British Virgin Islands.

The Company anticipates that delivery of Tokens from the Smart Contract System to purchasers will occur within one week after the Sale Period concludes, but reserves the right to delay delivery up to four weeks after the conclusion of the Sale Period. Although the Company does not anticipate any security issues arising from the sale of Tokens, this four week timeframe is intended as a precautionary buffer period for Company to resolve any such security issues.

4. Tokens to be Sold

The Company anticipates selling approximately 75 million Tokens during the Sale Period. The Tokens to be sold during the Sale Period will be from a pool of Company-owned Tokens transferred from the Company Custodial Wallet to the Smart Contract System. All Tokens will be of equal value and functionality. During the Sale Period, Company will burn at least one Token in the Company Custodial Wallet for each Token it sells.

5. Tokens Retained by Company

Tokens not sold or burned during the Sale Period will be retained by the Company (the “**Retained Tokens**”). At least 80% of Retained Tokens retained will be placed into time-locked smart contracts and remain in a locked state for at least six (6) months. Although it has no plans to do so at this time, the Company reserves the right to burn Retained Tokens at any point during or after the Sale Period.

Over time, the Company currently anticipates using the Retained Tokens to compensate employees (including salaries and non-salary compensation), to fund future development of Storj and the Network, provide grants to (or purchase equity stakes in) third-parties working on projects in the Storj ecosystem, donate Tokens to non-profit entities, and support general development of the Storj ecosystem. These anticipated purposes are listed for illustration only, and Company reserves the right to use Reserved Tokens for these purposes (or others) at its sole discretion.

6. Tokens or Sale Proceeds Retained by Founders and Existing Investors

Except to the extent paid as compensation for work performed for the Company, neither the founders nor the existing investors of the Company will receive Retained Tokens from Company or any amount of the Ether or Bitcoin that is used to purchase Tokens from Company during the Sale Period.

7. Pre-Sales of Tokens

The Company may commit to sell a certain portion of Tokens before the Launch Date (“**Token Pre-Sales**”). Under such Token Pre-Sale arrangements, by agreeing to pay Company for Tokens before the Launch Date, a Token Pre-Sale purchaser may purchase Tokens at a discounted rate. Token Pre-Sale purchasers must acknowledge and agree to be bound by these Terms, and receive Tokens pursuant to the procedures for receiving Tokens set forth in Section 3 of this **Exhibit B**, but must consent to receiving Tokens in a time-locked smart contract that will not permit further disposition of the Tokens for a certain period of time thereafter (which is generally in the range of 3 to 4 months after receipt). The discounts and time-lock periods under Token Pre-Sale arrangements generally depend on the amount of Tokens that the Pre-Sale purchaser agrees to purchase.

8. Use of Proceeds from Token Sale

The Bitcoin and Ether proceeds from Company’s sale of Tokens will be used to compensate technical and non-technical staff, cover marketing costs and operating expenses, and develop technical infrastructure.

Currently, we envision that our development of technical infrastructure will focus on two primary areas. The first area of development involves strengthening and enhancement of our existing Network, Services and related infrastructure, as described in Section 2 of **Exhibit A** above (“Overview of Network and Services”).

The second area of development involves our anticipated initiatives for creating new tools, capabilities and functions for the Services and Network on an international basis. These initiatives are currently anticipated to include (i) Federated Bridges (providing untrusted 3rd-party gateways to content on the network), (ii) developing a variety of free software business tools that are useful to the broader ecosystem, including a full featured billing system, (iii) financing external teams working on applications leveraging Storj, (iv) developing and contribute to industry standards for distributed storage systems, (v) creating ancillary technology related to storage, like novel erasure codes, and (vi) developing integrations via partnerships (e.g. Heroku, Filezilla). These anticipated initiatives are described in more detail in our Industry and Business Overview (refer to section titled “Our Growth Strategy”, available at storj.io/industryoverview.pdf).

At a more detailed level, the following is an overview of how the Company currently anticipates using the Bitcoin and Ether proceeds from the sale of Tokens:

- a) *Technical development and staff (estimated 45% of proceeds)*. The Company aims to grow from 10 full-time engineers to 45 full-time engineers during the next two years. Qualified engineers are expensive and attract an average salary of \$130,000 and up. Company anticipates that it will need to attract and assign engineers with a variety of skillsets, in order to fully staff its different development teams. These include dedicated teams working on tools, upgrades to the distributed systems, infrastructure and network stability, smart contracts and other novel technologies (e.g., specific state channels), and

general research.

- b) *Non-technical staff (estimated 30% of proceeds)*. The Company aims to grow from 2 people to 25 non-technical staff over the course of two years. This will entail a dedicated sales team that will manage the sales process for small/medium enterprises and undertake project management to coordinate with engineering teams. Company will also build out a dedicated marketing team, which will drive awareness and adoption of the Network, plan and execute marketing initiatives (as discussed further below), and develop documentation and tutorials with the goal of encouraging adoption. Furthermore, Company will have a dedicated support and customer success team that is community-led and will also contribute to the development of documentation and tutorials relating to the Storj Network. Finally, a back office team will be built, with a generalist staff that handles human resources, bookkeeping and logistics, and with an office manager for each physical location.
- c) *Marketing expenses (estimated 10% of proceeds)*. Through its marketing staff, as discussed above, Company will undertake a variety of marketing-related projects and initiatives, including in-person events, press outreach, advertisements, and promotional content, analytics and customer management tools.
- d) *Infrastructure expenses (estimated 8% of proceeds)*. Company's anticipated infrastructure expenses will focus on establishing and maintaining geographically-redundant bridge servers, co-locating critical infrastructure, and acquiring and maintaining physical hardware (as necessary).
- e) *Other operating expenses (estimated 7% of proceeds)*. Company's other operating expenses are currently anticipated to include (i) rent for its physical premises in the British Virgin Islands, Atlanta, Salt Lake City, and potentially other international locations, (ii) outside legal and advisory expenses, including a reserve for potential future professional services, and (iii) office furniture and computers.

The envisioned expenditures and areas of development described above are provided for illustrative purposes only, and Company reserves the right to allocate its resources, including proceeds from the sale of Tokens toward such areas of development at its sole discretion.

Exhibit C

Certain Risks Relating to Purchase, Sale and Use of Tokens

Important Note: As noted elsewhere in these Terms, the Tokens are not being structured or sold as securities or any other form of investment product. Accordingly, none of the information presented in this Exhibit C is intended to form the basis for any investment decision, and no specific recommendations are intended. Company expressly disclaims any and all responsibility for any direct or consequential loss or damage of any kind whatsoever arising directly or indirectly from: (i) reliance on any information contained in this Exhibit C, (ii) any error, omission or inaccuracy in any such information or (iii) any action resulting from such information.

By purchasing, holding and using Tokens, you expressly acknowledge and assume the following risks:

1. Risk of Losing Access to Tokens Due to Loss of Private Key(s)

A private key, or a combination of private keys, is necessary to control and dispose of Tokens stored in your digital wallet or vault. Accordingly, loss of requisite private key(s) associated with your digital wallet or vault storing Tokens will result in loss of such Tokens. Moreover, any third party that gains access to such private key(s), including by gaining access to login credentials of a hosted wallet service you use, may be able to misappropriate your Tokens.

2. Risks Associated with the Ethereum Protocol

Because Tokens and the Network are based on the Ethereum protocol, any malfunction, breakdown or abandonment of the Ethereum protocol may have a material adverse effect on the Network or Tokens. Moreover, advances in cryptography, or technical advances such as the development of quantum computing, could present risks to the Tokens and the Network by rendering ineffective the cryptographic consensus mechanism that underpins the Ethereum protocol.

3. Risk of Mining Attacks

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

4. Risk of Hacking and Security Weaknesses

Hackers or other malicious groups or organizations may attempt to interfere with the Network or the Tokens in a variety of ways, including, but not limited to, malware attacks, denial of service

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

5. Risks Associated with Markets for Tokens

The Tokens are intended to be used solely within the Network, and Company will not support or otherwise facilitate any secondary trading or external valuation of Tokens. This restricts the contemplated avenues for using Tokens to the provision or receipt of Services, and could therefore create illiquidity risk with respect to the Tokens you hold. Even if secondary trading of Tokens is facilitated by third party exchanges, such exchanges may be relatively new and subject to little or no regulatory oversight, making them more susceptible to fraud or manipulation. Furthermore, to the extent that third parties do ascribe an external exchange value to Tokens (e.g., as denominated in a digital or fiat currency), such value may be extremely volatile and diminish to zero.

6. Risk of Uninsured Losses

Unlike bank accounts or accounts at some other financial institutions, Tokens are uninsured unless you specifically obtain private insurance to insure them. Thus, in the event of loss or loss of utility value, there is no public insurer, such as the Federal Deposit Insurance Corporation, or private insurance arranged by us, to offer recourse to you.

7. Risks Associated with Uncertain Regulations and Enforcement Actions

The regulatory status of the Tokens and distributed ledger technology is unclear or unsettled in many jurisdictions. It is difficult to predict how or whether regulatory agencies may apply existing regulation with respect to such technology and its applications, including the Network and the Tokens. It is likewise difficult to predict how or whether legislatures or regulatory agencies may implement changes to law and regulation affecting distributed ledger technology and its applications, including the Network and the Tokens. Regulatory actions could negatively impact the Network and the Tokens in various ways, including, for purposes of illustration only, through a determination that Tokens are a regulated financial instrument that require registration or licensing. Company may cease operations in a jurisdiction in the event that regulatory actions, or changes to law or regulation, make it illegal to operate in such jurisdiction, or commercially undesirable to obtain the necessary regulatory approval(s) to operate in such jurisdiction.

8. Risks Arising from Taxation

The tax characterization of Tokens is uncertain. You must seek your own tax advice in connection with purchasing Tokens, which may result in adverse tax consequences to you, including withholding taxes, income taxes and tax reporting requirements.

9. Risk of Alternative Networks

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

10. Risk of Insufficient Interest in the Network or Distributed Applications

It is possible that the 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 Network) more generally. Such a lack of use or interest could negatively impact the development of the Network and therefore the potential utility of Tokens.

11. Risks Associated with the Development and Maintenance of the Network

The Network is still under development and may undergo significant changes over time. Although we intend for the Tokens and Network to follow the specifications set forth in **Exhibit A**, and intend to take commercially reasonable steps toward those ends, we may have to make changes to the specifications of the Tokens or Network for any number of legitimate reasons. This could create the risk that the Tokens or Network, as further developed and maintained, may not meet your expectations at the time of purchase. Furthermore, despite our good faith efforts to develop and maintain the Network, it is still possible that the Network will experience malfunctions or otherwise fail to be adequately developed or maintained, which may negatively impact the Network and Tokens.

12. Risk of an Unfavorable Fluctuation of Ether and Other Currency Value

The Company team intends to use the proceeds from selling Tokens to fund the maintenance and development of the Network, as described further in **Exhibit B**. The proceeds of the Token sale will be denominated in Ether or Bitcoin, and converted into other cryptographic and fiat currencies. In addition, some pre-sales of the Tokens may also be denominated in fiat currencies. If the value of Ether or other currencies fluctuates unfavorably during or after the Sale Period, the Company team may not be able to fund development, or may not be able to develop or maintain the Network in the manner that it intended.

13. Risk of Dissolution of the Company or Network

It is possible that, due to any number of reasons, including, but not limited to, an unfavorable fluctuation in the value of Ether (or other cryptographic and fiat currencies), decrease in the Tokens' utility, the failure of commercial relationships, or intellectual property ownership challenges, the Network may no longer be viable to operate and the Company may dissolve.

14. Risks Arising from Lack of Governance Rights

Because Tokens confer no governance rights of any kind with respect to the Network or

Company or its corporate affiliates, all decisions involving the Network or Company will be made by Company at its sole discretion, including, but not limited to, decisions to discontinue the Network, to create and sell more Tokens for use in the Network, or to sell or liquidate the Company. These decisions could adversely affect the Network and the Tokens you hold.

15. Risks Involving Cloud Storage

As the Company provides a decentralized cloud storage service to individual and institutional clients, including users and applications, the Services are susceptible to a number of risks related to the storage of data in the cloud. While the Company does not have access to the contents of the data stored through the Services, the Services may involve the storage of large amounts of sensitive and/or proprietary information, which may be compromised in the event of a cyber-attack or other malicious activity. Similarly, the Services may be interrupted and files may become temporarily unavailable in the event of such an attack or malicious activity. Because users can use a variety of hardware and software that may interface with the Network, there is the risk that the Services may become unavailable or interrupted based on a failure of interoperability or an inability to integrate these third-party systems and devices that the Company does not control with the Company's Services. The risk that the Services may face increasing interruptions and the Network may face additional security vulnerabilities could adversely affect the Network and therefore the future utility of any Tokens that you hold.

16. Unanticipated Risks

Cryptographic tokens such as the Tokens are a new and untested technology. In addition to the risks included in this **Exhibit C**, there are other risks associated with your purchase, holding and use of Tokens, including those that the Company cannot anticipate. Such risks may further materialize as unanticipated variations or combinations of the risks discussed in this **Exhibit C**.