UMC Creation and Umbrella Coin Project Creation Conditions: Explanatory Note & Governance Terms

1.   Principles

1 By transferring Ether (ETH) or other accepted ERC20 tokens to the Smart Contract System and the Smart Contract System creating Umbrella Coin Tokens ("UMC"), the User understands and accepts that the User contributes into a Smart Contract System for the development of the Umbrella Coin Project, as described in the Umbrella Coin Project Crowdfunding Whitepaper ("Umbrella Coin Project" / "the Whitepaper"). For the Whitepaper and/or further information on the Umbrella Coin Project, visit: www.umbrellacoin.org. 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 emitties, including Umbrella Coin LLC (under formation, hereinafter "Umbrella Coin"), assigned to this task will make reasonable efforts to develop and complete the Umbrella Coin Project, **it is possible that such development may fail and User's UMC become useless and/or valueless due to technical, commercial, regulatory or any other reasons** (see also Chapter 5 regarding Risks).

3 The User is also aware of the risk that even if all or parts of the Umbrella Coin Project are successfully developed and released in full or in parts, due to a lack of public interest, the Umbrella Coin Project could be fully or partially abandoned, remain commercially unsuccessful or shut down for lack of interest, regulatory or other reasons. **The User therefore understands and accepts that the transfer of ETH or other ERC20 tokens to the Smart Contract System and the creation of UMC by the Smart Contract System carry significant financial, regulatory and/or reputational risks (including the complete loss of value of created UMC if any, and attributed features of the Umbrella Coin Project)**.

4 The User furthermore understands and accepts that - as the creation of the UMC as well as the assignment of the execution of the Umbrella Coin Project are smart contract based - the terms and conditions applicable thereon are set forth in the Smart Contract System Code, consisting of multiple interconnected software codes, existing on the Ethereum blockchain at as set forth on the website: www.umbrellacoin.org. **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 to Umbrella Coin or publisher of these terms or developer of the Smart Contract System and/or any other person, entity and/or affiliates involved with the deployment of the Smart Contract System and the setting up of the Umbrella Coin Project beyond those set forth in the Smart Contract System.**

5 By transferring ETH or other ERC20 tokens to the Smart Contract System, the User

expressly agrees to all the terms and conditions set forth in Smart Contract System Code existing on the Ethereum blockchain (at the addresses set forth under para 4, including 0x1A3C91B9Dfa069f5da7f24001777B161f5e0Fe60) and in this document (together the "Terms"). **The User further confirms to have carefully reviewed the Smart Contract System Code, its functions and the terms and conditions set forth in this document and to fully understand the risks and costs of creating UMC and contributing into a Smart Contract System for the development of the Umbrella Coin Project.**

6 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 initial public offering or a share/equity offering 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.

7 By transferring ETH or other ERC20 tokens to the Smart Contract System and/or receiving UMC, no form of partnership, joint venture or any similar relationship between the Users and Umbrella Coin and/or other individuals or entities involved with the deployment of the Smart Contract System and the setting up of the Umbrella Coin Project is created.

8 The contribution into the Smart Contract System will not involve any Fiat currencies and will strictly be done in Ethereum cryptocurrency (ETH).

2. UMC Creation Function

2.1 Contribution

9 **Accepted ERC20 token:** The Smart Contract System accepts contributions of the following token: ETH ("Contribution Tokens").

10 **Token Pools:** During the Creation Period, an open amount of UMC is planned to be created by the Smart Contract System, all equal value and functionality, however, divided by the Smart Contract System into four different pools.

- **Pool A consisting of 70% of the total amount of UMC,** intended to be created by the Smart Contract System during the Creation Period for public backers and early contributors, together defined as users participating in UMC Token Sale.

- **Pool B of 20% of the total amount of UMC**, 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 another smart-contract which allows Umbrella Coin to call a sell function triggering the distribution of all or parts of the UMC held by this smart-contract ("float"); Pool B UMC will be locked and not transferable for 3 months, starting at the end of the Creation Period.

- **Pool C of 10% of the total amount of UMC**, 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 UMC to Umbrella Coin for Talent Token Pool, to be allocated to the current members and future hires of the Umbrella Coin Project.

11 **Target Contribution Quantity:** The Target Contribution Quantity is 100,000 contributed in ETH. Only contributions made in ETH will be allowed. If during the 30-day Creation Period, the Target Contribution Amount has been reached, the Creation Period will last a final 7 Days as have detailed in para 14. Each UMC will have the same functions implemented.

12 **Maximum Contribution Quantity:** The Maximum Contribution Quantity is 3,000 in ETH.

Only contribution made in ETH will be allowed. If during the 7 Day Extension, thee Maximal Contribution Amount has been reached, the Creation Period will automatically end. Each UMC will have the same functions implemented.

13 **Creation Period:** The Creation Period starts with the deployment of the Smart Contract System and the initiation of its start function ("Start of the Creation Period") and lasts for a maximal duration of 30 days (Maximal Duration of Creation Period, unless extended by the 7 Day Extension period according to para. 15 or reduced if the Maximum Contribution Quantity has been reached according to para. 12).

14 **7 Days Extension period**: If ETH contributions in the quantity of 100,000ETH have been made, the Creation Period shall last an additional 7 days (even if thereby extending or reducing the duration of the Creation Period) and then automatically terminate. If within these 7 days, ETH contributions total 222,222ETH, the 7-day period will end and the Creation Period will finish.

15 **Creation and Allocation of UMC:** The creation and allocation of UMC of Pool A by the Smart Contract System are initiated by the User sending an amount of Contribution Tokens to the Smart Contract System, located on the Ethereum blockchain at the addresses set forth under para 4, which triggers a smart contract operation. The Smart Contract System creates and allocates the corresponding UMC to the User's wallet address, in an amount calculated according to para 23 hereinafter, from where the Contribution Tokens were sent from. **User therefore shall assure to make his contribution using an address to which the Smart Contract System can send back ETH and/or UMC to (e.g. not an address of a currency exchange or other provider such as Coin base**). Issuance of UMC (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.

16 **No Guarantee of Returns:** The User understands and accepts that all contributions / purchases of UMC are to be used for funding the UMC project and the tokens they receive are not distributed for the purpose to grow in value. The coins are to be used on the UMC network. Any third party placing monetary value on UMC tokens is not under the control of the Umbrella Coin Project.

17 **No Refund:** The User understands and accepts that all contributions / purchases of UMC are final and may not be reversed. Contributions of Contribution Tokens and purchases of UMC are non-refundable. By purchasing UMC, the user acknowledges that he has no right to request a refund for any reason, and that the User will not receive money or other compensation for any UMC that is not used or remains unused.

18 **Assure to use the original Smart Contracts**: Only the Smart Contract(s) existing at the addresses set forth under para 4 will issue UMC during the Creation Periods. Access to this Smart Contract will be available through the Umbrella Coin website at www.umbrellacoin.org.To the extent that any third-party website, service or smart-contracts offers UMC during the Creation Periods or facilitates the sale or transfer of UMC in any way during the Creation Periods or at any time up to the release of the Genesis Block, such third-party websites or services are, unless explicitly mentioned on the Umbrella Coin website at www.umbrellacoin.org, not authorized by Umbrella Coin and have no relationship in any way with Umbrella Coin.

19 **Transferability of UMC during the Creation Period:** All UMC will be locked, and are therefore not transferable, until Creation Period has ended as set forth in the Smart Contract System. After the end of the Token Sale, all UMC in Pool A will become tradable. For avoidance of doubt, all UMC in Pools B and C will not be tradable for a period of 3 months since the Token Creation Date.

2.2   Pricing

20 **Creation Rate:** The Creation Rate during Creation Period for each UMC of Pool A shall be available at a rate of 600 UMC to 1 ETH. The Umbrella Coin project reserves the right to change the rate during extension sale and pre-sale periods.

2.3   UMC Functionality

21 UMC are only for use about the Umbrella Coin Project under the terms of the Smart Contract System and under the terms of the Umbrella Coin Project (to be released), and only constitute a transferable representation of attributed functions of the Smart Contract System.

22 Through the allocation of UMC to a User, the User receives the right to claim, by triggering the "Cash and Burn" function of the Smart Contract System and thereby burning the respective UMC, a pro-rata share of net license revenue (License Revenues) generated by the intellectual property rights developed as part of the Umbrella Coin Project (IPR) as specified in the (Reward) Smart Contract System Code, if - and only if - the Umbrella Coin Project successfully generates such License Revenues. The User understands and hereby agrees that the sole and exclusive usage rights of these IPR are assigned to Umbrella Coin. Beyond this, ownership of UMC carries no rights express or implied. User understands and accepts that he has no right to claim as holder of UMC any equity or equivalent rights or any other form of participation in or relating to the Umbrella Coin Project and/or Umbrella Coin.

2.4   Representation and Warranties of User

23 By transferring Contribution Tokens to the Smart Contract and creating UMC, the User represents and warrants that:

- the user is not a citizen or resident of a country, whose legislation conflicts with the present sale of UMC and/or the Umbrella Coin Project in general.

- the User confirms not be a US-citizen and/or US-resident.

- The User confirms not be a Hong Kong S.A.R.-citizen and/or Hong Kong S.A.R.-

resident

- The User confirms not be a Singapore-citizen and/or Singapore-resident.

- The User confirms not be an India-citizen and/or India-resident.

- 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 understands and accepts that there is no warranty or assurance e that the network of miners will allocate the UMC to the Users as proposed by these Terms.

- the User has carefully reviewed the code of the Smart Contract System located on the Ethereum blockchain at the addresses set forth under para 4 and fully understands and accepts the functions implemented therein;

- the User is legally permitted to transfer Contribution Tokens to the Smart Contract System, create and obtain UMC in the User's jurisdiction;

- User will contribute Contribution Tokens from a Wallet or Wallet service provider that technically supports the UMC. User understands and accepts, that failure to assure this may have the result that User will not gain access to his UMC;

- the User is legally permitted to receive software and contributing to the Smart Contract System for the development of the Umbrella Coin Project;

- the User is of a sufficient age to legally create and obtain UMC;

- the User will take sole responsibility for any restrictions and risks associated with the creation of UMC by the Smart Contract System as set forth below;

- the User is not submitting Contribution Tokens to the Smart Contract System to obtain UMC for speculative investment;
- the User is not obtaining or using UMC for any illegal purposes;

- the User is purchasing the functionality of the UMC issued by the Smart Contract System primarily to support the development, testing, deployment and operation of the Umbrella Coin Project, being aware of the commercial risks associated with the Umbrella Coin Project;

- the User waives the right to participate in a class action lawsuit or a class wide arbitration against any entity or individual involved with the creation of UMC;

- the User understands the creation of UMC 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 Contribution Tokens to the Smart Contract System, the creation of UMC and the development of the Umbrella Coin 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 UMC, the Smart Contract System and/or the success of the Umbrella Coin Project, expressed or implied, to the extent permitted by law, and that the Smart Contract System is used and UMC 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 16), no right against any other party to request any refund of the Contribution Tokens submitted to the Smart Contract System for the creation of the MCO under any circumstance; and that

- the User understands about UMC no market liquidity may be guaranteed and that the value of UMC 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 Umbrella Coin Project, the transfer of Contribution Tokens to the Smart Contract System, the creation, ownership or use of UMC, the potential appreciation or depreciation in the value of UMC over time, the sale and purchase of UMC and/or any other action or transaction related to the Umbrella Coin Project have tax implications for him; by creating, holding or using UMC, 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 UMC or any other action or transaction related to the Umbrella Coin Project.

- 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 UMC by the Smart Contract System, the UMC 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 UMC 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 UMC

3.   Umbrella Coin Project Execution

24 The User understands and accepts that the development and execution of the Umbrella Coin Project will be released by the Smart Contract System to the wallet of the development team. Umbrella Coin shall use the funds only for the development and execution of the Umbrella Coin Project and has the right to engage subcontractors to perform the entire or partial development and execution of the Umbrella Coin Project.

25 The User understands and accepts that for the development and execution of the Umbrella Coin Project, Umbrella Coin receives a flat fee consisting of 10% of total UMC (100% of Pool C) and the full amount of Contribution Tokens transferred to the Smart Contract System during the Creation Period. This flat fee covers expenses, charges and other costs that may arise by Umbrella Coin and/or its subcontractors as part of the development and execution of the Umbrella Coin Project. It remains at Umbrella Coin's sole discretion to decide how to allocate the funds to develop and execute the Umbrella Coin Project.

26 The User understands and accepts that the User may not have any expectation of influence over governance on the Umbrella Coin Project.

- The User understands and accepts that the Umbrella Coin Project 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 UMC may be required (hard-fork of UMC) and that, if User decides not to participate in such upgrade, he may no longer use his UMC and that non-upgraded UMC may lose their functionality in full.

4.   Audit of the Smart Contract System

27 The Smart Contract System has been, on a reasonable effort basis, audited and approved by technical experts. The technical experts have confirmed that the Smart Contract System has, about both accuracy and security, been programmed according to the current state of the art.

28 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 UMC are fit for a purpose or do not contain any weaknesses, vulnerabilities or bugs which could cause, inter alia, the complete loss of

Contribution Tokens and/or UMC.

5.   Risks

29   The User understands and accepts the risks about transferring Contribution Tokens to the Smart Contract System and creating UMC as exemplary set forth above and hereinafter. 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 UMC 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 Contribution Tokens and/or UMC.

▪   **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 Umbrella Coin Project, including its termination and the loss of UMC for the User.

▪   **Risk of abandonment / lack of success**: The User understands and accepts that the creation of the UMC and the development of the Umbrella Coin Project may be abandoned for many 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 Umbrella Coin Project is partially or fully developed and launched, the User will receive any benefits through the UMC held by him.

Risk associated with other applications:

The User understands and accepts that the Umbrella Coin Project and/or Umbrella Coin Projects may give rise to other, alternative projects, promoted by unaffiliated third parties, under which UMC will have no intrinsic value.

▪   **Risk of loss of funds:** Umbrella Coin is not deemed to be insurance, does not claim to be and does not guarantee returns or payouts from the float fund.

▪   **Risk of loss of private key**: UMC 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 UMC 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 could result in theft or loss of UMC or Contribution Tokens, impacting the ability to develop the Umbrella Coin 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 UMC transactions, and expected proper execution and sequencing of contract computations.

- **Risk of incompatible Wallet service:** The User understands and accepts, that the Wallet or Wallet service provider used for the contribution, must be technically compatible with the UMC. The failure to assure this may have the result that User will not gain access to his UMC.

6.   Taxation

30   The User bears the sole responsibility to determine if his contribution into the Smart Contract System for the development of the Umbrella Coin Project, the creation, ownership or use of UMC, the potential appreciation or depreciation in the value of UMC over time, the sale and purchase of UMC and/or any other action or transaction related to the Umbrella Coin Project have tax implications for him.

31   By creating, holding or using UMC, 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 UMC or any other action or transaction related to the Umbrella Coin Project.

7.   No Liability

32   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 UMC, the Smart Contract System and/or Umbrella Coin liable for any and all damages or injury whatsoever caused by or related to the use of, or the inability to use, UMC 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 UMC and/or the Umbrella Coin 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 Umbrella Coin Project and/or UMC.

33   The User further specifically acknowledges that developers, auditors, contractors or founders

of the UMC, Smart Contract System and/or the Umbrella Coin 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 UMC, and that the risk of creating, holding and using UMC rests entirely with the User.

34 By creating, holding or using UMC, 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 UMC or any other action or transaction related to the Umbrella Coin Project.

8. Miscellaneous

35 The User understands and accepts that the network of miners will be ultimately in control of the Smart Contract System. The User understands that most 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 UMC losing intrinsic value.

36 The Smart Contract System is in Redmond. Consequently, the UMC creation and allocation and the assignment of the development and execution of the Umbrella Coin Project to Umbrella Coin (to be founded) are executed in Redmond.

37 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.

38 The Terms govern the creation, ownership and use of UMC and supersede any public statements about the launch of UMC and/or the Smart Contract System made by anyone in the past, present and future.