

Khala Network

Terms and Conditions for Parachain Slot Campaign

The following Terms and Conditions ("**Terms and Conditions**") govern the participation of any person, individual or corporation eligible to participate ("**You**", "**Your**", "**Participant**") in the Khala Parachain Slot Campaign (defined below) launched by HashForest Technology Pte. Ltd. ("**Company**").

Any person, individual or corporation which engages in any activity in connection with the Khala Parachain Slot Campaign shall immediately be deemed a Participant and shall be deemed to have agreed to be bound by these Terms and Conditions. These Terms and Conditions shall be deemed entered into between the Participant and the Company each a "**Party**", collectively the "**Parties**".

If you do not agree or you do not accept these Terms and Conditions, You may not participate in the Khala Parachain Slot Campaign and therefore should not engage in any activity in connection with the same. In accordance with Section 10, the Company reserves all rights to carry out all means necessary to prevent your participation accordingly.

PHA are not intended to constitute securities of any form, units in a business trust, units in a collective investment scheme or any other form of investment in any jurisdiction. This document and these Terms and Conditions do not constitute a prospectus or offer document of any sort and are not intended to constitute an offer of securities of any form, units in a business trust, units in a collective investment scheme or any other form of investment, or a solicitation for any form of investment in any jurisdiction. No regulatory authority has examined or approved of these Terms and Conditions. No such action has been or will be taken by the Company under the laws, regulatory requirements or rules of any jurisdiction. The provision of these Terms and Conditions to you does not imply that the Applicable Laws, regulatory requirements or rules have been complied with.

In particular, PHA (a) is not a loan to the Company or any Affiliate; (b) does not provide the holder with any ownership or other interest in the Company or any Affiliate, or any other company, enterprise or undertaking, or any kind of venture; (c) is not intended to be a representation of currency or money (whether fiat or virtual or any form of electronic money), security, commodity, bond, debt instrument, unit in a collective investment scheme or any other kind of financial instrument or investment; (d) is not intended to represent any rights under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss; (e) is not a commodity or asset that any person is obliged to redeem or purchase; (f) is not any note, debenture, warrant or other certificate that entitles the holder to interest, dividend or any kind of return from any person; (g) is not intended to be a security, commodity, financial derivative, commercial paper or negotiable instrument, or any other kind of financial instrument between the relevant holder and any other person, nor is there any expectation of profit; and (h) is not an offer or solicitation in relation to gaming, gambling, betting, lotteries and/or similar services and products.

The following definitions shall apply in the interpretation of these Terms and Conditions:

"Applicable Laws" means, with respect to each Party and any person, any and all applicable laws to which such Party or person is subject, including any and all jurisdictions which may apply;

"Affiliate" means with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with such person;

"Digital Wallet" means the digital asset wallet that is compatible with the Kusama Network and the Phala Network that the Participant shall use for the purpose of participation in the Khala Parachain Slot Campaign;

"Indemnified Persons" means the Company, the Company's Group Entities as well as their 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;

"Khala Network" means the Canary Network for Phala Network, further details at <https://phala.network/en/khala/>;

"Kusama Address Module" means the Kusama blockchain address delegated to receive KSM for the Khala Parachain Slot Campaign;

"Khala Launch" means the main net launch of Khala Network, subject to the Company securing a successful Bid and such other technical or project considerations as the Company deems appropriate;

"Kusama Network" means the multichain blockchain network, as described at <https://guide.kusama.network/>;

"Kusama Slot Auction" means the Parachain slot auction mechanism on the Kusama blockchain, further detailed at <https://kusama.network/auctions/>;

"KSM" means the native cryptographically-secured token of the Kusama Network;

"PHA" means the cryptographically-secured native token of the Phala Network;

"Phala Network" means the interoperable substrate-based cross-chain blockchain, further detailed at <https://phala.network/en/pha/>; and

"Polkadot Javascript Extension" means the extension available at <https://polkadot.js.org/extension/>.

IT IS HEREBY AGREED:

1. KUSAMA SLOT AUCTION

- 1.1.** The Company will participate in the Kusama Slot Auction and will be submitting bid(s) ("**Bids**") to secure access to (i.e. lease) a Kusama Network parachain slot for a contiguous period of 48 weeks.
- 1.2.** To support these Bids, the Company will run a crowd loan campaign ("**Khala Parachain Slot Campaign**") to receive contributions from Participants for the purpose of the Bids (the "**Khala Crowdloan**"). The Khala Parachain Slot Campaign shall run for a duration of five (5) weeks, or such other period as may be specified by the Company ("**Campaign Duration**").
- 1.3.** Contributions from Participants will be received in the form of KSM, which will be pooled and shall be used by the Company for their Bids.
- 1.4.** The application for the Khala Crowdloan may be accessed from 11 June 2021 during the Campaign Duration at <https://crowdloan.phala.network/en/>.

2. PARTICIPATION

- 2.1.** Participants have until the expiry of the Campaign Duration to contribute KSM to the Khala Crowdloan. This shall be done by:
 - (a) Accessing the application on the website for the Khala Crowdloan;
 - (b) Installing the Polkadot Javascript Extension;

- (c) Connecting the Participant's Digital Wallet to the Kusama Address Module; and
- (d) Submitting a transaction on the Khala Crowdloan.

- 2.2. All KSM that have been contributed to the Khala Crowdloan and deemed not to be in excess of the required contributions (in accordance with Section 2.3) ("**Participant Contributions**") shall be locked for the Campaign Duration.
- 2.3. The Company reserves its rights to cease the use of the Khala Crowdloan or acceptance of Participants' Contributions at any time immediately and without notice to Participants if the purpose of the cease is that there are sufficient contributions. In the event of such, the Company shall refund any excess contributions (if any) to the Participant.

3. SUCCESSFUL BID

- 3.1. Where the Bid is successful, Participants will be entitled to receive certain Rewards (defined below) in accordance with Section 5. After the expiry of the Subsequent Lock Up Period (defined below), the Participant Contributions shall be unlocked and the Participant may withdraw their Participant Contributions ("**Contribution Withdrawal**") within a duration to be specified by the Company.
- 3.2. A Contribution Withdrawal may be performed in accordance with such procedures as may be prescribed by the Company.
- 3.3. Any Participant that has not claimed or withdrawn their Participant Contributions within the specified time shall be deemed to have waived their right to a Contribution Withdrawal, and the Company may transfer or use the tokens as it sees fit (including but not limited to transferring to a Company treasury).

4. FAILED BID

- 4.1. Where a Bid is unsuccessful and the Campaign Duration has not expired, the Company shall place further Bids on the next round of the Kusama Slot Auction during the Campaign Duration. The Participant Contributions may be withdrawn after the expiry of the Campaign Duration by the Participant within a duration to be specific by the Company and in accordance with Section 3.2.
- 4.2. Any Participant that has not claimed or withdrawn their Participant Contributions within the specified time shall be deemed to have relinquished their right to a Contribution Withdrawal, and the Company may transfer or use the tokens as it sees fit (including but not limited to transferring to a Company treasury).

5. REWARDS FOR SUCCESSFUL BID

- 5.1. If a Bid is successful, the Company shall launch their rewards program to distribute a total of up to **15,150,000 PHA** (the "**Reward Tokens Pool**") to the participants who meet the relevant conditions under Section 5.3, 5.4 and 5.5.
- 5.2. Participants may accumulate rewards in two ways in connection with a Bid (subject to the following "**Rewards Conditions**" being met):

Reward name	Recipient of reward	Reward	Rewards Condition
Contribution reward	Participant	100 PHA	100 PHA is awarded for every 1 KSM contributed by a Participant. (Example: 100 PHA for 1 KSM, 200 PHA for 2 KSM).
Referral reward	Participant	Each party will receive an additional 0.5% of the Invitee's contribution in the equivalent PHA.	1. Participant (who may be an Invitee) contributes at least 0.1 KSM.
	Invitee		2. Participant invites another party (the "Invitee"), who proceeds to contribute at least 0.1 KSM during the Kusama Slot Auction.

5.3. Rewards cap

5.3.1. The maximum number of KSM contributions that may qualify for the rewards is capped at **150,000 KSM** (the "**KSM Limit**"). Any Participants that provide contributions of KSM after this total number of KSM has been met shall not receive any rewards.

5.3.2. Notwithstanding Section 5.5.1 and subject to Section 2.3, the Company reserves the right to impose any further restrictions at its sole and full discretion.

5.4. Distribution of Reward Tokens Pool

Subject to a successful Bid, the distribution of the Reward Tokens Pool shall take place in two phases, whereby participants will automatically receive their PHA earned in their respective Digital Wallets:

5.4.1. The first phase of distribution shall occur promptly after the date of the Khala Launch, whereby 34% of the PHA earned will be distributed; and

5.4.2. The remaining 66% of the PHA earned shall vest over the next 11 months thereafter.

5.5. In the event of a successful Bid, all Participant Contributions are immediately subject to a further lock up period for the entire duration of the lease of the Kusama Network parachain slot, which will commence after the Campaign Duration ("**Subsequent Lock Up Period**"), or such other longer period as may be determined by the Company. The Participant may only withdraw their Participant Contributions in accordance with Section 3.

5.6. For the avoidance of doubt, any rewards described under this Section 5 shall only be awarded if the Company has secured a successful Bid. There shall be no distribution of the Rewards Token Pool unless and until there is the requisite successful Bid.

6. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

6.1. You, the Participant, agree, represent and warrant that:

- (a) You have read and understood the provisions of these Terms and Conditions, including all relevant schedules and annexes that may be attached hereto;
- (b) You have full power and authority to enter into and give effect to Your obligations and undertakings under these Terms and Conditions, and in the case where You are a corporation or acting on behalf of a corporation:
 - (i) the corporation is a duly organised and validly existing corporation in its place of incorporation and it is not in receivership or liquidation or judicial management or any analogous situation; and
 - (ii) the corporation has full power and authority to enter into and give effect to its obligations under these Terms and Conditions and all corporate steps required to give effect to the entry of these Terms and Conditions have been properly taken.
- (c) these Terms and Conditions constitute a legal and binding obligation and undertaking, and may be enforced to the full extent of the law;
- (d) where required, any approvals under any Applicable Laws for the participation in the Khala Parachain Slot Campaign and or Khala Crowdloan have been sought and obtained;
- (e) any expenses that the You may incur in observing these Terms and Conditions shall be at Your own expense and cost;
- (f) You have not engaged in Disqualifying Conduct (defined below).
- (g) You understand that and no materials, commentary, content provided by the Company and/or the Indemnified Parties shall be considered financial advice, and any financial advice sought by the You in relation to Your participation in the Khala Parachain Slot Campaign shall be at Your own costs and expense;
- (h) You are responsible and shall bear all expenses and costs involved (including but not limited to accountant fees) in determining the tax implications in Your participation of the Khala Parachain Slot Campaign and the observance of these Terms and Conditions;
- (i) You are responsible for ensuring that Your Digital Wallet is functional and the keys for such, secure, and that it is Your responsibility to contact the Company through the appropriate avenue to resolve any issue with the Digital Wallet;
- (j) You have a good understanding of investments, cryptocurrencies and blockchain technology including the use of wallets and other blockchain-based software;
- (k) You or (if participating on behalf of a corporation) any of the corporation's related corporations, directors, officers, employees, agents or any person acting on the corporation's behalf is NOT an individual or entity that is or is owned or controlled by an individual or entity that ("**Sanctioned Persons**"):
 - a. is listed by the Monetary Authority of Singapore ("**MAS**") as designated individuals or entities defined in the respective regulations promulgated under the Monetary Authority of Singapore Act (Chapter 186) of Singapore, the United Nations Act (Chapter 339) of Singapore or the Terrorism (Suppression of Financing) Act (Chapter 325) of Singapore or such other law, regulation or rule as may be prescribed by the MAS from time to time;

- b. is currently the subject of any sanction administered by the United States Office of Foreign Assets Control of the United States Department of the Treasury ("**OFAC**") or any other United States government authority, is not designated as a "Specially Designated National" or "Blocked Person" by OFAC or subject to any similar sanctions or measures imposed or administered by the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom or similar sanctions administered or imposed by the government of Singapore or any other country (collectively, the "**Sanctions**");
- c. is located, organised or resident in a country or territory that is the subject of such Sanctions (including, without limitation, the Democratic People's Republic of Korea, the Democratic Republic of Congo, Eritrea, Iran, Libya, Somalia, South Sudan, Sudan and Yemen); or
- d. has engaged in and is not now engaged in any dealings or transactions with any government, person, entity or project targeted by, or located in any country or territory, that at the time of the dealing or transaction is or was the subject of any Sanctions.

6.2. _____ You are aware of and agrees that the Khala Parachain Slot Campaign, Khala Crowdloan and any participation in cryptocurrency investments generally involves significant risk, and the You hereby agree to accept the full consequences of all risks that may arise during, before, after and in connection to:

- (i) the Distribution of the Reward Tokens;
- (ii) the Campaign Duration and the Subsequent Lock Up Period;
- (iii) the use of KSM and PHA, and any participation in the Khala Parachain Slot Campaign; and
- (iv) any potential delay, postponement, suspension or abandonment of the Khala Parachain Slot Campaign.

6.3. The list under Section 6.2 shall not be regarded as an exhaustive list of the potential risks associated with Your participation in the Khala Parachain Slot Campaign and Khala Crowdloan, and You agree to accept full responsibility for Your own knowledge of all risks that may arise.

7. DISCLAIMERS OF WARRANTIES

7.1. The Company hereby disclaims and does not provide a warranty of any kind, whether implied, express or statutory, including but not limited to the respect of the matters listed in Section 7.2. Where the Applicable Laws does not allow the disclaimer or exclusion of such warranties, the defective disclaimer shall apply to the full extent as permitted by the Applicable Laws.

7.2. _____ You hereby and expressly agree that Your participation in the Khala Parachain Slot Campaign and/or Khala Crowdloan is at Your sole risk and agree that in no event shall the Company be liable to You or any corporation or entity You represent for:

- (a) any interruption, error, defect, flaw or unavailability of the Khala Crowdloan;
- (b) any fraudulent or illegal use of Your Digital Wallet, or any loss of possession and destruction of Your private keys of any wallet;

- (c) Your inability to use the Khala Crowdloan or any transactions You may undertake on the Khala Crowdloan;
 - (d) any virus, malware, trojan or similar that may affect the Khala Crowdloan, the Kusama Network or Your devices from use of any resources provided by the Company, despite the Company's best reasonable precautions in place to prevent as such;
 - (e) any delay, postponement, suspension or abortion of the Khala Parachain Slot Campaign;
 - (f) the non-disclosure of information relating to Khala Parachain Slot Campaign;
 - (g) Your disqualification for failing to recognise Yourself as a Sanctioned Person or the failure of the Company to recognise You as such;
 - (h) any and all risks to You in Your participation in the Khala Campaign;
- 7.3. You agree that the Company may, at any time and in its absolute discretion, delay, postpone, suspend or abort the Khala Parachain Slot Campaign. You agree that, where such should occur, the Company and the Indemnified Parties shall not be liable for any loss (including but not limited loss of use, revenue, income, profits, damages) in accordance with Section 12.

8. INFORMATION PROVIDED TO THE COMPANY

- 8.1.** You shall ensure that any documents and information provided by You in connection with Your participation in the Khala Parachain Slot Campaign is true, accurate and complete.
- 8.2.** Where it occurs any event that may render such provided information under Section 8.1 false, misleading, incomplete or altered, You shall, at the earliest possible, take such acts necessary to notify the Company and/or their Indemnified Parties of the event and corresponding change.

9. TAXES

The Parties shall seek their own advice on any tax that may be payable in connection with the performance of matter under these Terms and Conditions. The Parties should be aware that this may include tax consequences including but not limited to tax reporting, income tax, transfer taxes and withholding tax. For the avoidance of doubt, the Company shall not be in any way reasonable for any claims, fines, penalties or other liabilities that any other party these Terms and Conditions may incur.

10. DISQUALIFICATION FROM PARTICIPATING

- 10.1.** The Company reserves the right, in its absolute discretion, to disqualify You from their participation in the Khala Parachain Slot Campaign, and Company and the Indemnified Parties shall not be liable for any losses or damages that may arise for such disqualification and in accordance with Section 12.
- 10.2.** This may include but is not limited to where You have encouraged, instigated and/or engaged in Disqualifying Conduct (defined below) that may be harmful to the Company. The Company reserves the right to take any action as necessary, including but not limited to legal proceedings, to protect the Company from the harm, losses, damage arising or connected to such conduct.

10.3. **"Disqualifying Conduct"** refers to exploitative, abusive and excessive conduct, and shall include but is not limited to, at the sole and full discretion and judgement of the Company:

- (i) Introducing or using any malware, virus, trojan horses or other material that may alter or be harmful to technology in any way;
- (ii) Gain and/or engage in unauthorised excess and use of any materials of the Company and its Indemnified Parties;
- (iii) Interfering with the operation of Khala Parachain Slot Campaign;
- (iv) Impersonating the Company and/or the Indemnified Parties (such as but not limited to the use of e-mail or screen names);
- (v) Using any materials produced for the Khala Parachain Slot Campaign in a way that is inappropriate and violates any Applicable Laws.

10.4. The Company reserves the right to implement the measures it deems necessary and fit to ensure that any Participant that has engaged in Disqualifying Conduct does not have access to the Khala Parachain Slot Campaign.

11. DISCLOSURE OF INFORMATION

11.1. The Company does not warrant the completeness and accuracy of any information relating to the Company, Khala Network and the Khala Parachain Slot Campaign that is online and may originate from but not limited to the following:

- (i) the website(s) at <https://phala.network/en> or <https://medium.com/phala-network>, the Khala Network's Telegram channel at <https://t.me/phalanetwork>, and/or the Khala Network's Twitter account (<https://twitter.com/PhalaNetwork>); or
- (ii) any website or other social media channels directly or indirectly linked to the Company.

11.2. You hereby agree that the Company and/or its Indemnified Parties shall be free of any liability arising from any reliance on such materials.

12. LIABILITY AND INDEMNITY

12.1. To the fullest extent permitted by Applicable Laws:

You will indemnify, defend and hold harmless the Company and/or the Indemnified Parties from and against any and all claims, demands, actions, liabilities, costs, expenses for any type of loss (including but is not limited to damages, fines, punitive damages, personal injury, pain and suffering, emotional distress, revenue and profit loss, business and anticipated savings loss and data loss) that may arise in any kind (in tort, contract or otherwise), directly, indirectly, incidental or consequential, from or in connection with the matters dealt with and described in these Terms and Conditions, including:

- (i) Losses that may be incurred by actions taken by the Company and/or Indemnified Parties against participants engaged in Disqualifying Conduct under Section 10.3;
- (ii) Any and all changes to the operations, management and organisation of the Khala Parachain Slot Campaign including but not limited to any potential delay, postponement, suspension or abandonment of the Khala Parachain Slot Campaign; and

- (iii) Any loss that may be incurred as a result of the classification of the Participant as a Sanctioned Person as described under Section 6.1(k).
- 12.2. You hereby agree that You waive all rights to assert any claims against the Company and/or the Indemnified Parties under any Applicable Laws. This shall include the right to participate in any class action lawsuit or class wide arbitration against the Company, the Indemnified Parties and/or any other Participant.
- 12.3. Notwithstanding Section 7.1, the Company agrees that the extent to which they may be held liable under any Applicable Laws shall be the aggregate number of Reward Tokens that a Participant is entitled to receive, if any.

13. ASSIGNMENT

- 13.1.** You may not assign or transfer all or part of its rights or obligations under these Terms and Conditions without the prior written consent of the Company. The Company may refuse to recognise any such assignment, transfer or any other transaction resembling such.
- 13.2.** The Company may assign, as it sees fit and in its full discretion, any of its rights, obligations and duties under these Terms and Conditions.

14. NO WAIVER

- 14.1.** The Company's failure or delay to exercise or enforce any right or provision of these Terms and Conditions will not operate as a waiver of such right or provision, nor will any single or partial exercise of any right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy.
- 14.2.** Any provision in these Terms and Conditions may be waived by written and signed consent of the Company. A waiver of any provision or terms shall not be deemed a waiver of any breach of the provision or term, or any other provision or term. For the avoidance of doubt, the Company may waive, by written and signed consent, any breach by any other Party to these Terms and Conditions.

15. GOVERNING LAW AND DISPUTE RESOLUTION

- 15.1.** These Terms and Conditions are governed by the laws of Singapore, without regard to conflict of law rules or principles (whether of Singapore or any other jurisdiction) that would cause the application of the laws of any other jurisdiction.
- 15.2.** Any dispute arising out of or related to these Terms and Conditions, as well as any issue on its validity and existence, shall be referred to and finally resolved by arbitration administered by the Singapore International Arbitration Centre (**SIAC**) in accordance with the Arbitration Rules of the Singapore International Arbitration Centre (**SIAC Rules**) for the time being in force. The seat of the arbitration shall be Singapore. The Tribunal shall consist of 1 arbitrator, appointed by the Company. The language of the arbitration shall be English.

16. ENTIRE AGREEMENT

These Terms and Conditions sets forth the entire agreement and understanding between the Parties in connection with the matters dealt with and described herein, and supersedes all prior oral and

written agreements, memoranda, understandings and undertakings between the Parties in connection with the matters dealt with and described herein.

17. THIRD PARTIES

Save as expressly provided for in these Terms and Conditions, a person who is not a party to these Terms and Conditions has no right under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore or any law of any jurisdiction to enforce or to enjoy the benefit of any term of these Terms and Conditions.

18. INVALIDITY AND SEVERANCE

If any provision of these Terms and Conditions shall be held to be illegal, void, invalid or unenforceable, the provision shall be deemed illegal, void, invalid or unenforceable to that extent. The remaining provisions of these Terms and Conditions shall remain fully valid, legal and enforceable to the extent that they are unaffected by the defective provision, and the illegality, invalidity or unenforceability of the defective provision in one jurisdiction does not affect its legality, validity and enforceability under any other jurisdiction. The Parties agree to use all commercially reasonable efforts to explore other means of achieving the same result as if the provision had been entirely valid, legal and enforceable.