Terms and Conditions of the Ethereum Genesis Sale
ethereum.org

NOTICE

This document is not a solicitation for investment and does not pertain in any way to an offering of securities in any jurisdiction.

This document, along with the "Ethereum Development Plan," (***INSERT LINK HERE***) present details regarding the development of the Ethereum open source software platform and details of the sale of the cryptographic fuel, ether, that is required to run applications on the platform.

These are the only official documents that describe the sale and background and the prospective buyer should not rely on any other information when making a purchase decision.

Distributed applications on Ethereum require payments of a token to fuel every computational step and storage operation on the system. Without requiring payments for operations, the system would be vulnerable to many sorts of attacks, would not be viable and would grind to a halt. The payments, in the form of block rewards and transaction/computation fees, are made to owners of computational resources in exchange for securing the Ethereum network, for transmitting transactions and for processing computations required by distributed software applications.

Part of this document describes this process as well as the Genesis Sale and perpetual issuance of the "cryptofuel." Parties interested in purchasing ether (the cryptofuel) in the Genesis Sale to build and power business applications, or to pay for coming distributed application services on Ethereum, are advised to carefully read and understand the risks section at the end of this document. Businesses should carefully weigh the risks, costs and benefits of acquiring the cryptofuel early in the Genesis Sale vs. waiting to purchase it on open third party exchanges once the system is operational and when their businesses actually require it to operate.

Ownership of ether carries no rights express or implied. Buyers should have no expectation of influence over governance of the platform.

WARNING

DO NOT PURCHASE ETHER IF YOU ARE NOT AN EXPERT IN DEALING WITH CRYPTOGRAPHIC TOKENS

Purchases of ether (ETH), Ethereum's cryptofuel should be undertaken only by individuals or companies that have significant experience with and understanding of the usage and intricacies of cryptographic tokens (like bitcoin) and blockchain-based software systems. While Ethereum will provide broad guidelines for user usage and storage of ETH, purchasers should have functional understanding of storage and transmission mechanisms associated with other cryptographic tokens. While Ethereum will work hard to ensure that all ETH purchases are transacted smoothly and the purchased ETH is received by the buyer when it becomes available, Ethereum will not be responsible for lost BTC or ETH resulting from actions taken by, or omitted by purchasers. Particularly, note that ETH purchasers should take great care to write down their wallet password and not lose it so as to be sure that they will be able to access their ETH post-genesis.

WARNING

CRYPTOGRAPHIC TOKENS OF VALUE MAY EXPERIENCE EXTREME VOLATILITY IN PRICING

Cryptographic tokens that possess value in public markets, such as bitcoin, have demonstrated extreme fluctuations in price over short periods of time on a regular basis. A purchaser of ETH should be prepared to expect similar fluctuations, up and down, in the price of ETH denominated in BTC or USD. Such fluctuations are due to market forces and represent changes in the balance of supply and demand. The developers of the Ethereum system do not guarantee market liquidity for ETH and therefore there may be periods of time in which ETH is difficult to sell or buy. Additionally, due to different regulatory dictates in different jurisdictions and the inability of citizens of certain countries to open accounts at exchanges located anywhere in the world, the liquidity of ETH may be markedly different in different countries and this would likely be reflected in significant price discrepancies.

Introduction

The Ethereum Project is developing a global platform and infrastructure for consensus-based applications. Ethereum Switzerland GmbH (EthSuisse) will produce and market a quantity of ether (ETH) in a pre-sale event called the Genesis Sale to be conducted on its web site at https://www.ethereum.org. Purchasers in the Genesis Sale will acquire ETH in exchange for bitcoin (BTC) at predefined sale prices over a period of two months. Purchasers of ETH in the Genesis Sale will be awarded cryptographic receipts in the form of a downloaded "wallet" that will enable them to claim their purchase once the product has been developed and is ready for delivery. All ETH pre-sold in this manner will be delivered to purchasers in the Ethereum genesis block which is expected to be created during the winter of 2014-2015 . Purchasers may claim their ETH at any point after that by taking control of their assigned Ethereum account which holds the ETH.

Issuance Model of Ether

Ether will be created through two processes: a pre-mine which will create a sum of ETH in the genesis block, and the ongoing mining process which secures the Ethereum blockchain.

Ether will be created on an as-ordered basis for the Genesis Sale. The exact amount required by EthSuisse to fulfill all Genesis Sale commitments will be created in the genesis block for allocation to Genesis Sale purchasers of ETH. This is termed the "Genesis Sale quantity of ETH."

In addition to the Genesis Sale quantity of ETH, a pre-mine will place another pools of ETH in the genesis block for direct allocation of ETH to early contributors who have labored to develop the ideas, implementations and supporting structures of The Ethereum Project up to the time of the Genesis Sale.

Once the Ethereum blockchain is operational, new ETH shall be created in each block mined.[1] The annual rate of new issuance will be fixed at an amount of 26% of the Genesis Sale amount of ETH. Beyond these issuance mechanisms, no entity has the ability to create new ETH.

Note that for technical reasons we may choose to modify the mining algorithm and issuance model of Ethereum, e.g. to hybrid proof of stake. In such a case, it will remain invariant that the annual rate of new issuance will not exceed 26% of the Genesis Sale amount of ETH.

Timing

The Genesis Sale will begin at **00:00 midnight GMT on July 28, 2014.**

The Genesis Sale will run for **42 days** and will end at **23:59:59 GMT on September 27, 2014.**

In the event of unavoidable downtime of the www.ethereum.org web site, EthSuisse reserves the right to extend the sale duration.

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[1] See Ethereum Protocol Specification (http://wiki.ethereum.org) for further details.

Pricing

The retail price of ETH is established by EthSuisse a**t 0.000748 BT**C. Early-bird discounts will be offered in the first **36 days** of the Genesis Sale.

In the first two-week period, ETH will be offered at a discounted price: **0.0005 BTC**

After that time, the quantity of ETH that will be purchasable wit**h 1 BTC will decline by 30 per day for 22 d**ays, starting at **1970 ETH (i.e. 1 ETH = 0.000508 BTC approximately) on day 15 and ending at 1340 ETH (ie. 1 ETH = 0.000746 BTC approximately) on day 36.**

The baseline retail price will be offered for the remaining six days.

In the event of unavoidable downtime of the www.ethereum.org web site, EthSuisse reserves the right to extend the duration of any affected discounting periods.

Identity and Privacy

Potentially identifying information in the form of an email address will be required of a purchaser. This address will be used to mail the purchased wallet to the buyer as well as potentially to assist purchasers if necessary throughout the process.

Purchasers are warned to extract the emailed wallet file from the purchase email as quickly as possible and to completely expunge the wallet from their email system. The wallet file should be stored in an extremely secure location.

EthSuisse will never publish any identifying information related to an ETH purchase.

EthSuisse will maintain collected information only until the Genesis Sale is complete and purchasers are in control of their delivered product. Email addresses will be deleted once a purchaser has assumed control.

EthSuisse will cooperate with all law enforcement inquiries, provided they are fully supported and documented by the law in all relevant jurisdictions. In accord with one of the core principles of The Ethereum Project — transparency — EthSuisse will endeavor to publish any legal inquiries upon reception.

Purchase Interface

Instructions for purchasing ETH with BTC in a single transaction will be embedded in the store interface at https://www.ethereum.org.

Instructions for purchasing ETH with BTC in programmed transactions or transactions employing a command line interface will be available at https://www.ethereum.org/commandLineInterface.

Disclosure of Purchases

In the spirit of openness and to enable ETH purchasers to have as much information as possible to guide their decision making process, EthSuisse will publish all purchases (anonymously) so that each purchaser has an understanding of the size of the existing ETH pool at the time of their purchase. In addition, all purchases will be publicly visible on the Bitcoin blockchain at the following genesis address: 3xxxxxxxxx.

Independent Confirmation of Purchases

During the purchase process, purchasers will be given a unique intermediary bitcoin address. Purchasers can track that their bitcoin has made it to that address and has been subsequently and automatically sent to the genesis address. Additionally, a small coded transaction will be lodged in the bitcoin blockchain to serve as an additional purchase confirmation.

Warning of Possible Impostors, Fraudsters and Other Malefactors

There will be one, and only one, official outlet for the ETH sale, at https://www.ethereum.org. There will likely be exchanges offering ETH or ETH derivatives (futures, options, contracts for difference, …). Ethereum strongly cautions against the use of these exchanges for the purchase of Genesis Sale ETH. EthSuisse has created a world-class purchase and storage system for BTC and ETH. Only EthSuisse will be able to audit, document and deliver purchases of ETH in the Genesis Sale. EthSuisse will not be responsible for losses incurred by individuals or groups who choose to patronize derivatives exchanges or other purported vendors of ETH.

There will likely be attempts by malefactors to defraud potential purchasers of ETH. Purchasers should take great care that the site they are buying from looks as is shown in the following web browsers (please ensure that your URL bar is identical to that depicted in the image):

- Windows Browser URL images.

- Mac OS X Browser URL images.

- Linux Browser URL images.

- Mobile (iOS, Android, etc.) Browser URL images.

Purchasers may be contacted by email by EthSuisse regarding your purchase. Such emails will be informational only. EthSuisse will not request any information from purchasers in any email nor will EthSuisse provide URLs in any email for purchasers to click on. All actions required of purchasers will be done on https://www.ethereum.org.

Soft Limits on Purchases

In the interest of maximal fairness and inclusiveness, it is important that as many interested parties as possible have the opportunity to purchase ETH in the Genesis Sale, and avoid a potential situation where ETH is quickly sold out before everyone has a chance to purchase. And it is valuable to the entire Ethereum ecosystem that there is wide participation globally in the Genesis Sale. To this end, no cap is in place to limit the total ETH purchased in the Genesis Sale.

1. There will be no cap on the total amount of ether that can be purchased by the community, so barring unforeseen emergencies the sale will not abruptly end before the scheduled 42-day closing time.

2. To avoid centralization of ETH, we have a commitment to actively prevent any single entity from controlling greater than **12.5%** of the total ETH sold at the end of the product sale. To help enforce this, there is a default limit of **3,000,000 ETH** on purchases. For individuals or groups of legally connected entities (e.g. companies that have the same owner, or two companies, one of which owns the other) wishing to purchase more than **3,000,000 ETH**, please contact us directly at largepurchases@ethereum.org in order to conduct the purchase manually so that we can ensure that you do not end up purchasing more than **12.5**% of the total ETH sold. It is unlikely that we will have to put a cap on any individual purchase, but we reserve the right to do so.

Development of the infrastructure and some other elements of the ecosystem will proceed according to the EthereumDevelopmentPlan & EthereumWhitePaper and will be graduated based on the success of the Genesis Sale. If more ETH is sold, higher targets are reached and development plans associated with those targets become mandated.

Jurisdiction of the Sale

The legal entity conducting the Genesis Sale, Ethereum Switzerland GmbH, is organized in the Canton of Zug, under the laws of Switzerland.

Jurisdictional Restrictions

The ETH Genesis Sale is a legal product sale under Swiss law, but may be interpreted differently by other jurisdictions. It is the responsibility of each potential purchaser of ETH to determine if the purchase of ETH is legal in your home jurisdiction.

Purchaser Acceptance of Terms and Conditions of the ETH Sale

Before completion of an ETH purchase, the purchaser will be presented with this document and a check box indicating that the purchaser understands the Terms and Conditions of the ETH Sale and takes responsibility for any restrictions or issues to which the purchaser may be subject. The purchaser will check the box in order to continue the process. Before completion of the sale, this document will be emailed to all purchasers.

Taxation

It is the responsibility of each purchaser of ETH to determine if the purchase of ETH with BTC or the potential appreciation or depreciation in the value of ETH over time has tax implications for the purchaser in the purchaser's home jurisdiction.

Risks, Usage, Cautions and Ameliorative Steps

Risk of a Diminishment in the Value of the BTC Sale Revenue

In the past few months the Bitcoin exchange rate has evidenced periods of relative stability. Despite recent periods of calm, it is possible that bitcoin will rise significantly in value or drop significantly in value in the near to medium term. Additionally, even if the spot rate of BTC remains relatively high, it is also possible that conditions of market illiquidity or technical issues with the Bitcoin network will prevent EthSuisse from selling BTC to pay urgent fiat expenses without a heavy penalty. In order to guard against catastrophic loss of value in BTC, it is expected that a certain amount bitcoin will be converted to legacy currencies over time to ensure that EthSuisse has sufficient operating resources to accomplish its mission.

Risk of Buyer Error in Storage of Private Keys for Accessing Purchased Ether

Purchasers are in danger of losing access to their purchased ether if they do not store the private access information obtained from the sale site during purchase in a primary safe place and in one or more backup locations that are well separated from the primary location.

Risk of Buyer Error in Sharing of Purchase Password for Accessing Purchased Ether

Purchasers who share their purchase password with another party who has access to the stored private access information obtained from the sale site during purchase risk having the ether stolen.

Risk of Unauthorized Access to Downloaded Wallet from Email Systems

Purchasers will receive a wallet into the email account that they specified when making the purchase of ether. More than one email will be sent containing this encrypted wallet. Any third party that has access to one of these emails will be able to download the wallet. If the encryption password is weak enough and the third party accessing the wallet has criminal intent and password cracking skill, there is a chance that the third party will gain access to the private keys stored in the wallet. Third parties could be known to the purchaser or they could be hackers scanning an email service. To guard against any improper access to the wallet, the purchaser should download the wallet immediately upon reception of the email(s) and store it in multiple safe places. The email should then be expunged from the email system (this will likely involve 2 operations: delete the email and then empty the email system "trash" folder).

Risk of Hostile Regulatory Action in One or More Jurisdictions

The cryptocurrency industry is drawing the attention of regulators and politicians or and under active regulatory review in many global jurisdictions. And the cryptocurrency 2.0 space, due to its even more profound implications, has or will soon capture the attention of the stakeholders of existing political, regulatory and financial systems.

Though Ethereum only needs a small number of favorable jurisdictions to survive and thrive, EthSuisse could find itself in expensive legal and regulatory battles in other jurisdictions which might impede the development of the system and might slow or otherwise impede adoption of the system.

Risk of a Hostile Fork of the Open Source Ethereum Code Base

Once all the heavy lifting is done for version 1.0 of the Ethereum protocol and clients and an ecosystem is established, it is entirely possible that one or more groups will attempt to release a "fork" of Ethereum, using the same code and protocol but substituting the genesis block and issuance model; groups may attempt this for personal profit, in an attempt to offer a different tradeoff of decentralization and transaction fees, or because they feel they have devised a distribution scheme that they consider more equitable. If the Ethereum project conducts its operations in a way that is viewed very unfavorably by the community, such a fork may well gain mindshare and win; this is in some ways the beauty of open source projects.

Certain conditions militate against a successful forking of the project:

- Ethereum has mindshare and community goodwill.
- Much of the value of Ethereum will be in the data infused into the system by users of the system. A fork can take the code, but it cannot readily duplicate the end user data and much of the offerings (contract code and data) businesses who run services on Ethereum.
- Ethereum has a deep bench of cryptocurrency and software engineering talent and will have the ability to attract even more talent upon completion of the Genesis Sale.
- Ethereum is already reaching out to and cooperating with elements of the cryptocurrency 2.0 community to forge alliances, interoperability, joint projects and possible future mergers. Ethereum's ethos is rooted in inclusiveness.
- There will be great incentive to remain within the Ethereum Ecosystem for developers and start-ups who purchase ETH.

Risk of Insufficient Interest in Building Distributed Applications on the Ethereum Platform

It is possible that Ethereum will not attract a large number of external businesses, people and other organizations into the Ecosystem. Regardless, Ethereum anticipates that it will have resources to build out this Ecosystem with apps and services in a timely fashion with its own developer pool.

Risk of Being Eclipsed by an Better Implementation of Similar Principles

Ethereum is not the only group that is attempting to build generalized infrastructure for decentralized applications, and there are other groups pursuing different paradigms as well. It is possible that different technical paradigms than the ones being used in the current Ethereum implementation are optimal.

The existing and rapidly growing mindshare, deep talent pool, inclusiveness, global distribution and potential resources gives the Ethereum project confidence that it will be a leader in this space, and Ethereum has the advantage that many of its team members have studied and internalized lessons from other projects that have come before and have drawn an understanding of what strategies work best and what mistakes to avoid.

Risk of Loss of BTC due to Theft or Incompetence

Extreme security precautions will be taken to safeguard the BTC in Ethereum's possession.

Complete security requires the development of a comprehensive digital and physical system. Multi-factor security measures will be taken to protect BTC and ETH including physical elements, Shamir's Secret Sharing Algorithm, multisignature keys, BIP 32, anti-spear-phishing procedures, splitting of funds and hot/cold wallet partitioning.
The majority of a sizeable group of independent individuals will have to be severely compromised for a theft -- by internal or external perpetrators -- to be successful.

Regular security audits of hot and cold wallets will be conducted by internal and external teams. This information will be made public.
An outline of Ethereum's security procedures will be published on the www.ethereum.org web site. It is expected that the thoroughness of the published outline will not aid potential attackers, but convince them that their time is better spent on less sophisticated targets.

Risk of Security Weaknesses in the Implementation of the Ethereum Core Infrastructure Software

There is a risk that Ethereum will introduce weaknesses or bugs into its own core infrastructural elements causing account holders on the system to lose ETH stored in their accounts or to lose sums of other valued tokens issued on the Ethereum system.

The Cryptocurrency Research Group (CCRG) will likely possess world class cryptography and security talent and may be employed to craft best practices and to audit the system design and operations regularly.

External consultants will be brought in on a regular basis to vet security of the system.

The "Ethereum Usage Terms and Conditions Contract" will stipulate that EthSuisse will build and maintain the infrastructure on a best efforts basis and will not be responsible for losses incurred in Ethereum accounts, or via Ethereum Contracts, unless it can be demonstrated that the losses were the result of willful, gross negligence.

Risk of Weaknesses or Exploitative Breakthroughs in the Field of Cryptography

Cryptography is an art, not a science. And the state of the art can advance, both on the dark side and the light. Advances in code cracking, or technical advances such as the development of quantum computers, could present risk to cryptocurrencies in the form of theft, if these advances are not well telegraphed by public researchers. If advances are known, protocols can be updated and made more secure. This has been a regular rhythm in the field of cryptography as advances necessitate more secure encryption algorithms and parameters.

Risk of 51% Blockchain Security Algorithm Majority or Selfish Mining Attack

Though Ethereum will go to great lengths to create a blockchain proof-of-work security algorithm using a unique implementation of a GHOST-like protocol and possibly hybrid proof-of-stake that drastically reduces the risk of double-spend attacks, majority mining power attacks, "selfish-mining" attacks and race condition attacks, these exploits do present a potential risk, and the inherent uncertainty of technology means that the appearance of a new category of attack is entirely possible..

Risk of Insufficiency of Computational Application Processing Power on the Blockchain

If adoption of the system grows much faster than miners can add processing power to execute distributed applications, the value of ETH could rise dramatically and manifest instability and businesses could be unable to acquire scarce computational resources to run their distributed applications. This would represent revenue losses to businesses or worst case, cause business to cease operations because such operations have become uneconomical due to distortions in the crypto-economy.

Further Information

For further information regarding the ether sale, please contact helpdesk@ethereum.org