

**16 JANUARY 2021**

**RISK FACTORS**

# **TERMS OF SALES**

## **PHUKET HOLIDAY COIN**



## **Risk Factors**

AN INVESTMENT IN SLM (THE “TOKEN”) OFFERED (THE “OFFERING”) BY THE PHUKET HOLIDAY COIN PROJECT (THE “COMPANY”) INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD GIVE CAREFUL CONSIDERATION TO THE FOLLOWING RISK FACTORS IN EVALUATING THE MERITS AND SUITABILITY OF AN INVESTMENT IN THE TOKEN. THE FOLLOWING DOES NOT PURPORT TO BE A COMPREHENSIVE SUMMARY OF ALL OF THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE TOKEN. RATHER, THE FOLLOWING FACTORS ARE ONLY CERTAIN RISKS TO WHICH THE OFFERING AND THE COMPANY ARE SUBJECT TO. PROSPECTIVE INVESTORS SHOULD DISCUSS A POTENTIAL INVESTMENT IN THE TOKEN IN DETAIL WITH THEIR PROFESSIONAL ADVISORS. THIS OFFERING IS HIGHLY SPECULATIVE. NO ONE SHOULD PURCHASE A TOKEN WHO IS NOT PREPARED TO LOSE THE ENTIRETY OF HIS, HER OR ITS INVESTMENT. CAPITALIZED TERMS USED BUT NOT DEFINED HEREIN SHALL HAVE THE MEANING ASCRIBED TO SUCH TERMS IN THE WHITE PAPER.

## Investment Risks

You can lose all of your investment.

The Company can use the Purchasers' investments to develop the Project. The Project has not yet been developed and there is no guarantee that the Company will be able to develop a Project that is operational. After the Project becomes operational, the Company shall take steps as described in the [White Paper] to allow for a decentralized governance of the Project where participants can serve as Custodians and Jurors without the Company having any responsibility or say. As such, Purchasers may lose all of their investment in the Company in the event that the Project does not become operational. Thus, investors are putting capital at risk without any certainty that they will ever receive any Tokens or a return on their investment.

Further, even if the Project becomes operational and the Company purchases and distributes Tokens to Purchasers, there is no assurance that any secondary market for Tokens will develop, or if a secondary market does develop, that it will remain through the life of the investment. Additionally, there are no guarantees that the Tokens will have any value, retain any value, increase in value, or receive any distributions of Token. Accordingly, the value of any investment in the Company and the value of Tokens may vary substantially over time and are subject to loss, including possible loss of the entire amount invested. Accordingly, investors should only invest if they can afford to lose 100% of their investment.

There is no existing trading market for Tokens.

Tokens are new digital assets for which there is no established public market. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide the holders with liquidity of investment or that it will continue for the life of Tokens. The liquidity of any market for Tokens will depend on a number of factors, including, but not limited: (i) the number of Token and Token holders; (ii) the performance of the Tokens; (iii) the market for similar Digital Assets; (iv) the interest of traders in making a market in Tokens; (v) regulatory developments in the digital token or cryptocurrency industries and (vi) legal restrictions on transfer.

Purchasers will not have access to complete information regarding their investment in the Company.

Purchasers may not be able to obtain all information they would want regarding the Tokens or the Project, on a timely basis or at all. It is possible that a Purchaser may not be aware on a timely basis of material adverse changes that have occurred which impact their investments. As a result of these limitations, a Purchaser may not have accurate or complete information about the Tokens or the Project.

Investors need Independent Advice.

The Company has consulted with counsel, accountants and other experts regarding the formation and operations of the Company, as well as this Offering. Each prospective investor should consult his own legal, tax and financial advisors regarding the desirability of an investment in the Company.

## Legal and Regulator

Regulation of Tokens, offerings of Digital Assets, blockchain technologies, and Digital Asset exchanges are currently undeveloped and likely to rapidly evolve, and vary significantly among non-U.S. and U.S. federal, state and local jurisdictions and are subject to significant uncertainty. Various legislative and executive bodies in the United States, South Korea, China, Singapore, among other countries, are currently considering, or may in the future consider, laws, regulations, guidance, or other actions, which may severely impact the Company and Digital Assets. Failure by the Company to comply with any laws, rules and regulations, some of which may not exist yet or are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including criminal and civil penalties and fines. New or changing laws and regulations or interpretations of existing laws and regulations would likely have numerous adverse consequences, including, but not limited to: (i) investors' ability to earn a return on its investment in the Company, (ii) the value of Tokens and the Tokens, (iii) the ability to make distributions of Tokens on Tokens, (iv) the liquidity and market price of the Tokens, (v) investors' ability to access marketplaces on which to trade Tokens, (vi) the Company's ability to operate as an ongoing concern and (vi) the structure, rights and transferability of Tokens. Therefore, there can be no assurance that any new or continuing regulatory scrutiny or initiatives will not have an adverse impact on the value of Tokens or an investment in the Company, or otherwise impede the Company's activities.

Regulatory determinations may make the Tokens illegal in certain jurisdictions or for certain categories of investors.

It is possible that current or future regulations could make one or more of the Company and/or Tokens illegal in some jurisdictions, or for some categories of investors, which could possibly result in a winding down of one or more of the Company, or a decrease in value of the Company or Tokens.

## Application of Securities Laws to the Tokens

The Company's hypothesis in making this Offering is that Tokens will not be "securities" as defined by federal, state and foreign securities laws or, to the extent that they are securities, exemptions from registration under the securities laws will be available for use by the Company, or a compliance regime can be developed to make the operation of the Project fully compliant with applicable law. That hypothesis has not yet been subjected to rigorous analysis. Upon analysis, it may prove to be incorrect or unverifiable. It is expected that the Project can become Operational only if (1) Token is not a security and (2) the Tokens are either not securities or else are securities issuable in transactions exempt from registration under the securities laws or if certain compliance processes can be developed and integrated into the Project.

The Company may choose to seek an interpretative or no-action letter or other assurances or some other reaction from the SEC Staff regarding the proper characterization of the Tokens. There is no assurance, however, that the SEC Staff will entertain such a request, or respond to such a request, let alone respond favorably. The Company intends to take the current views of the SEC and other regulators into account, in determining the proper characterization of Token, the Tokens and the Tokens and the optimal means of structuring the offering, sale and trading of such instruments and the proper functioning of the Project. Failure to obtain a favorable interpretive letter or no-action letter from the SEC Staff would leave the SEC free to sue the Company in an action undertaken to enforce the SEC's view of the law as applied to the Offering or the Project or other facts that come to its attention. Even if the SEC Staff were to provide assurances that it does not disagree with the characterization of Tokens propounded by the Company, private parties such as offerees and purchasers of Token, Tokens and the Tokens would not be bound by the SEC's views and could assert claims against the Company if disappointed with their participation in the Project. Such claims could conceivably include rescission rights and fraud claims grounded in the securities laws.

In addition, state and foreign securities regulators could bring actions against the Company, seeking to vindicate their own views of the proper application of their laws to offers, sales and resales of Token, the Tokens and the Tokens and the operation of the Project.

The results of defending and resolving any and all such possible disputes are impossible to predict but could amount to millions of dollars in defense costs alone. The amounts of damages or other cash awards payable in resolving such disputes are likewise impossible to predict, but could conceivably amount to the entirety of the funds raised by the Company, and more. Sanctions other than rescission and awards of actual damages could include injunctions and other equitable relief, plus, particularly in the case of claims brought by the government, civil money penalties, fines and exemplary or punitive damages.

## Market Risks & Digital Assets are volatile.

The prices of Digital Assets change rapidly. Currently, there is relatively modest use of Digital Assets in the retail and commercial marketplace compared to use by speculators, which contributes to price volatility of Digital Assets. This volatility makes it difficult to use Digital Assets for ordinary, non-speculative transactions. Despite the Company's intent to create a stable Digital Asset to be used in commercial transactions, the price of Digital Assets may be affected by many factors outside the Company's control such as supply and demand; mining incentives, availability and access to Digital Asset service providers (such as payment processors), exchanges, miners or other Digital Asset users and market participants; perceived or actual network or instrument security vulnerability; changes in regulation in the U.S. or other countries, inflation levels; fiscal policy; monetary policy; political, natural and economic events, and many other factors. The volatility of Digital Assets generally could impede the adoption and demand for Tokens, which could negatively impact the value of the Company and Tokens.

Investments in Tokens involve a very high degree of risk.

Financial and operating risks confronting start-ups are always significant. The Company, and by proxy, the Tokens, should be considered even riskier than a traditional start-up. The market in which Tokens will compete should the Project become Operational is highly competitive and the percentage of tokens and other Digital Assets that survive and prosper will likely be small. For the Company and the Tokens to become successful, the Company, which is a start-up in a nascent industry and run by a management team with limited experience operating a business, must likely overcome unexpected problems in the areas of product development, marketing, financing, regulation, and general management, among others, which in many cases, may be impractical or impossible to solve. Accordingly, the probability of failure is high.

## Operation Risks

Risks Involved with Creation of a New Distributed Ledger Network and Ecosystem.

The Project has not yet been developed by the Company and will require significant capital outlays and a large commitment of time and effort by the Company's personnel in order to develop and successfully make the Project Operational. Specifically, Tokens, the Tokens, the Tokens and the Project rely on new, unproven technology, and neither the Company nor its management team has created a product like this before. Throughout the course of development, the Company may have to make changes to the specifications of Token, Tokens, Tokens or the Network, which may significantly increase the time to market. Further, the Project, even if successfully developed and maintained, may not garner sufficient investor or user interest such that the Network is sustainable.

The Digital Asset Market is extremely competitive, and other networks have been and may be developed that are the same or similar to the Network.

The Company is developing technology in a highly competitive and increasingly saturated industry. It is possible that competitive networks could be established that utilize the same or similar open source code and protocol underlying the Project and attempt to implement services that are materially similar to Tokens. The Project may be forced to compete with these competitive networks (including existing networks such as Tether and NuBits), which could negatively impact the adoption of Tokens, which would likely adversely impact the value of the Company and Tokens.

The Company may be forced to Cease Operations or take Actions that Result in a Dissolution Event.

It is possible that, due to any number of reasons, including, but not limited to, an unfavorable fluctuation in the value of Digital Assets or fiat currencies, the inability by the Company to establish a viable financial ecosystem for the Tokens' utility, the failure of commercial relationships, regulatory issues, or intellectual property ownership challenges, the Company may no longer be viable to operate, and may dissolve or take actions that result in a dissolution event.

The Company may be subject to litigation and other claims.

The Company, as an independent legal entity, may be subject to lawsuits or proceedings initiated by government entities or private parties. Any legal expenses and/or liabilities shall be borne by the Company.

The Company may be accused of infringing intellectual property rights of third parties.

The Company has not evaluated whether its technology does not or will not infringe upon the intellectual property rights of any third party, and may be subject to claims of alleged infringement of the intellectual property rights of third parties. Such claims, even if not meritorious, may result in significant expenditure of financial and managerial resources, payment of damages or settlement amounts, and reduced confidence in the Project's viability and the ability of users to hold and transfer Tokens, Tokens and Tokens. Additionally, the Company may become subject to injunctions prohibiting it from using software, business processes, trademarks or other intellectual property that it currently uses or may need to use in the future, or requiring the Company to obtain licenses from third parties when such licenses may not be available on terms feasible or acceptable to the Company.

## **Risks associated with developing a new technology**

The Project will use new technology. There are no guarantees that such technology will be bug-free or accepted by the marketplace. Thus, even should the Project become operational, Tokens, Tokens and Tokens may be subject to the risk of theft, loss, malfunction, or reputational risk, any of which can significantly degrade the value of such instrument.