

# The MELON CONTRIBUTION Terms

## Preamble

The MELON PROJECT is approximated to be a two-year development project led by Melonport AG ("MELONPORT") as a Workshop to build an open source blockchain protocol for digital asset management called MELON PROTOCOL. Initially the protocol is aimed to be based on Ethereum with a view to be deployable on further Blockchains as new technology develops.

Please note that this document does not constitute to be a prospectus of any sort, is not a solicitation for investment or an initial public offering or share/equity offering and does not pertain in any way to an offering of securities in any jurisdiction.

The contribution to the MELON PROJECT does not involve the exchange of cryptocurrencies for any form of ordinary shares in MELONPORT, neither does the MELON TOKEN holder receive any form of dividend or other revenue right that is guaranteed. MELON TOKEN only provide their holder – if and to the extent the MELON PROTOCOL is successfully developed and deployed – with a limited right to use the MELON PROTOCOL (usage license).

This contribution will not involve any fiat currencies and will strictly be done in cryptocurrencies.

## Definitions

- **MELONPORT** shall mean Melonport AG.
- **MELON** or **MELON PROJECT**, shall mean the development of an open source blockchain protocol, referred to as MELON PROTOCOL, for digital asset management initially based on Ethereum, with a view to be deployable on further Blockchains as well.
- **MELON PROTOCOL** shall mean the blockchain protocol for digital asset management as outlined in the Greenpaper (<https://github.com/melonproject/greenpaper/blob/master/melonprotocol.pdf>).
- **WORKSHOP COMPLETION** or protocol deployment, shall mean the final deployment of the MELON PROTOCOL to a live consensus network such as a Blockchain network upon which any and all responsibility such as maintenance, further development and governance will be given to the TOKENHOLDERS. MELONPORT will retain no special privilege, right or obligation other than its TOKENHOLDER function in the MELON PROTOCOL itself.

- **MELON TOKEN** (or **TOKEN** or **MLN TOKEN** or **MLN**) shall mean the cryptographic tokens which are held on the Ethereum Blockchain. Contributors to MELON will receive MELON TOKEN. Once the MELON PROTOCOL is successfully deployed, TOKEN shall be the cryptographic tokens which represent a usage right (usage license) to the deployed MELON PROTOCOL.
- **CONTRIBUTION PERIOD** shall mean the time period of four weeks starting February 15<sup>th</sup> in which contributors to MELON may receive MLN through the CONTRIBUTION SMART CONTRACT SYSTEM.
- **CONTRIBUTION SMART CONTRACT SYSTEM** (or **SMART-CONTRACT SYSTEM**) shall mean the SMART CONTRACT deployed and used for the MELON contribution and existing on the Ethereum blockchain at [0x3BF541f87056D134E0109BE1Be92978b26Cb09e0](https://etherscan.io/address/0x3BF541f87056D134E0109BE1Be92978b26Cb09e0)).
- **TOKENHOLDERS** shall mean the community of holders of MLN TOKEN.

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## I. Executive Summary

General Information	
About the MELON PROJECT	The development of an open source blockchain protocol, referred to as MELON PROTOCOL, for digital asset management. Initially based on Ethereum with a view to be deployable on further Blockchains as well.
About the MELON PROTOCOL	The MELON PROTOCOL is a blockchain protocol for digital asset management as outlined in the Greenpaper ( <a href="https://github.com/melonproject/greenpaper/blob/master/melonprotocol.pdf">https://github.com/melonproject/greenpaper/blob/master/melonprotocol.pdf</a> ).
Issuing Address of CONTRIBUTION SMART CONTRACT SYSTEM	<a href="https://etherscan.io/address/0x3BF541f87056D134E0109BE1Be92978b26Cb09e0">0x3BF541f87056D134E0109BE1Be92978b26Cb09e0</a>
Jurisdiction of CONTRIBUTION SMART CONTRACT SYSTEM	Alderney (Channel Islands)
Symbol of MELON TOKEN	MLN
Functionality of the MLN TOKEN	MLN TOKEN represent a limited usage right (usage license) to the MELON PROTOCOL (if successfully developed and released).  MLN TOKEN <u>do not</u> represent any ownership right, stake, share, security or right to receive future revenues from MELONPORT and/or the MELON PROJECT.
Number of CONTRIBUTION PERIODS	2
Maximum amount of MLN TOKEN which can be created across both CONTRIBUTION PERIODS	1,250,000 MLN TOKEN
Maximum amount of MLN TOKEN available to the public in total during CONTRIBUTION PERIODS	1,000,000 MLN TOKEN  These MLN TOKEN may be created in two rounds of token issuance.

Inflation amount on MLN TOKEN after deployment of the MELON PROTOCOL	<p>After deployment of the MELON PROTOCOL, an initial inflation rate will be set by MELONPORT. The number of new tokens to be created per year is expected to be around 300,000.</p> <p>MELONPORT reserves the right to issue the initial inflation rate at a maximum of 625,000 new MLN TOKEN per year if deemed necessary.</p> <p>MELONPORT does not warrant that the TOKENHOLDERS will not change the inflation mechanism of the MELON PROTOCOL as deployed by MELONPORT.</p> <p>The purpose of the inflation is to incentivise development of modules and essentially incentivise future development.</p>
Minimum contribution amount per user	None
Maximum contribution per User	None
Use and allocation of contributed funds (ETH)	<p>The Ether (ETH) contributed to the CONTRIBUTION SMART CONTRACT SYSTEM will end up in a multi-signature wallet held and controlled by MELONPORT.</p> <p>MELONPORT shall use the funds to complete the deployment of the MELON PROTOCOL as per the specifications document.</p> <p>It remains in MELONPORT's sole discretion to decide how to allocate the Ether (ETH) in order to conduct the development tasks assigned to MELONPORT as part of the execution of the MELON PROJECT.</p>
Reach of maximum MLN amount	If the maximal MLN TOKEN amount in any CONTRIBUTION PERIOD is reached, the CONTRIBUTION SMART CONTRACT SYSTEM will automatically stop accepting Ether (ETH) and the CONTRIBUTION PERIOD will terminate as expected (four weeks after the February 15 <sup>th</sup> start date).
Warnings / Risks	The User understands and accepts the risks as set forth in the Terms (Section 7).
<b>Initial CONTRIBUTION PERIOD</b>	
Start of Initial CONTRIBUTION PERIOD	15 <sup>th</sup> February 2017
Duration of Initial CONTRIBUTION PERIOD	4 weeks
CONTRIBUTION CAP	Max. 227'000 Ether (ETH)
Maximum amount of MLN TOKEN which can be created in the Initial CONTRIBUTION PERIOD	Max. 750'000 MLN TOKEN

Maximum amount of tradable MLN TOKEN to be created for the public (Pool A)	<p>Max. 500,000 MLN TOKEN (tradeable after end of the Initial CONTRIBUTION PERIOD)</p> <p>User understands and accepts that MELONPORT has the right to implement in the SMART-CONTRACT SYSTEM a pre-allocation of up to 25% of Pool A MLN TOKEN to third parties for public sale at the same price.</p>
Maximum amount of non-tradable MLN TOKEN to be created for Founders, Advisors and corporate partnerships (Pool B)	<p>Max. 150,000 MLN TOKEN (non-tradeable for two years after end of the Initial CONTRIBUTION PERIOD)</p>
Total amount of tradable MLN TOKEN to be created at discretion of MELONPORT (Pool C):	<p>Max. 100,000 MLN TOKEN (tradeable after end of the Initial CONTRIBUTION PERIOD)</p>
Pricing	<p>The Ether (ETH) price of MLN TOKEN to be sold to the public (Pool A) will be set by MELONPORT prior to the beginning of the Initial CONTRIBUTION PERIOD and is intended to be equivalent to approx. 5 CHF per MLN TOKEN with a price mechanism increasing in four steps.</p>
<b>Second CONTRIBUTION PERIOD</b>	
Start of Second CONTRIBUTION PERIOD	<p>To be announced at the discretion of MELONPORT. The starting date of the Second CONTRIBUTION PERIOD is likely to be around February 2018.</p>
Duration of Second CONTRIBUTION PERIOD	<p>4 weeks</p>
CONTRIBUTION CAP	<p>A CONTRIBUTION CAP will be set by MELONPORT prior to the beginning of the Second CONTRIBUTION PERIOD.</p> <p>The CONTRIBUTION CAP and the SMART-CONTRACT SYSTEM for the Second CONTRIBUTION PERIOD may differ to the one of the Initial CONTRIBUTION PERIOD.</p>
Maximum amount of MLN TOKEN which can be created in the Second CONTRIBUTION PERIOD	<p>The amount of MLN TOKEN required to make the combined amount of MLN TOKENS across both CONTRIBUTION PERIODS equal to 1,250,000 MLN.</p>
Pricing	<p>The price of MLN will be set by MELONPORT prior to the beginning of the Second CONTRIBUTION PERIOD.</p>
Participation	<p>Participation in the Initial CONTRIBUTION PERIOD does not entitle a contributor to participate in the Second CONTRIBUTION PERIOD.</p>

## II. Token Contribution Term Documentation

- 1 The following Token Contribution Term Documentation describes the contributions to the MELON PROJECT in return for MLN TOKEN as specified in the SMART-CONTRACT SYSTEM. These Terms shall apply to all Users of MLN TOKEN ("Users" collectively, and "User" individually) participating in the sale.

### 1. Important Principles

- 2 By transferring Ether (ETH) to the SMART-CONTRACT SYSTEM and the SMART-CONTRACT SYSTEM creating and assigning MLN TOKEN to User, User confirms to understand and accept that User makes a contribution into a SMART-CONTRACT SYSTEM for the development of software, in particular the MELON PROTOCOL and the respective IP rights, including security audits, marketing & communication and research activities related to the development of the MELON PROTOCOL (together "MELON PROJECT") as described under Section 3 of this document.
- 3 User further confirms to understand and accept that while the individuals and entities assigned to this task, in particular MELONPORT and its subcontractors, will make reasonable efforts to develop and complete the MELON PROJECT, it is possible that such development may partially or fully fail and User's MLN TOKEN become useless-and/or valueless due to technical, commercial, regulatory or any other reasons (see also Section 7 regarding risks).
- 4 User is also aware of the risk that even if all or parts of the MELON PROTOCOL are successfully developed and released in full or in parts, due to a lack of public interest, the MELON PROJECT could be fully or partially abandoned, remain commercially unsuccessful or be shut down for lack of interest or other reasons. User therefore confirms to understand and accept that the transfer of Ether (ETH) to the SMART-CONTRACT SYSTEM and the creation of MLN TOKEN carries significant financial and/or regulatory risks (including the complete loss of the contributed Ether (ETH) or the loss of any value or functionality of allocated MLN TOKEN).

By transferring Ether (ETH) to the SMART-CONTRACT SYSTEM, User expressly agrees to all of the terms and conditions set forth in SMART-CONTRACT SYSTEM (existing on the Ethereum blockchain at [\(0x3BF541f87056D134E0109BE1Be92978b26Cb09e0\)](#) and in this document (together the "Terms"). User further confirms to have carefully reviewed the SMART-CONTRACT SYSTEM's Code and the terms and conditions set forth in this document and fully understands the risks and costs of participating in contribution and contributing Ether (ETH) into the SMART-CONTRACT SYSTEM for the development of the MELON PROJECT.

- 5 The User also understands and accepts that - as the creation of the MLN TOKEN as well as the assignment of the development of the MELON PROJECT and the respective network/protocol to MELONPORT are smart contract based - the functions, terms and conditions applicable thereon are set forth in the SMART-CONTRACT SYSTEM, existing on the Ethereum blockchain at the address set forth under para. 5. **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, no other document or communication may modify or add any additional obligations or covenants to MELONPORT or publisher of the Terms or developer of the SMART-CONTRACT SYSTEM's functions and/or any other person, entity and/or affiliates involved with the deployment of the SMART-CONTRACT SYSTEM and the setting up of MELONPORT and/or the MELON PROTOCOL beyond those set forth in the SMART-CONTRACT SYSTEM or in this document.

- 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 offering of securities in any jurisdiction. It is a description of the functionality of a smart contract.

## **2. Token Contribution and MLN TOKEN**

### **2.1 Usage License; No Ownership, Revenue or Governance Rights**

- 7 **Usage License:** Ownership of MLN TOKEN carries no rights express or implied other than a limited right (license) to use the MELON PROTOCOL, if and to the extent the MELON PROTOCOL has been successfully completed and deployed.
- 8 **No Ownership, Revenue or Governance Rights:** In particular, User understands and accepts that **MLN TOKEN do not represent or constitute any ownership right or stake, share or security or equivalent rights nor any right to receive future revenues shares or any other form of participation or governance right in or relating to the MELON PROJECT (i.e. the MELON PROTOCOL) and/or MELONPORT.**

### **2.2 General Contribution Principles**

- 9 **Contribution Periods:** There will be two CONTRIBUTION PERIODS, each lasting for 4 weeks.
- 10 **Minimal / Maximal contribution amounts per User:** No minimal or maximal contribution amounts per User are inbuilt in the SMART-CONTRACT SYSTEM. MELONPORT reserves the right to place a cap on the number of MLN TOKEN that can be created by each User prior to or during each CONTRIBUTION PERIOD.
- 11 **Maximal Amount of MLN TOKEN:** Throughout both CONTRIBUTION PERIODS, a maximal amount of 1,250,000 MLN TOKEN may be created by the SMART-CONTRACT SYSTEM. Out of these, maximal 750,000 MLN TOKEN may be created during the Initial CONTRIBUTION PERIOD (see Section 2.3 below). If the respective maximal MLN TOKEN creation amount has been reached in each CONTRIBUTION PERIOD, the SMART CONTRACT SYSTEM will automatically stop accepting Ether (ETH) contributions and the CONTRIBUTION PERIOD will end at the pre-determined time (four weeks after start time).



- 12 **Creation and Allocation of MLN TOKENS:** The creation of the MLN TOKEN will be conducted through the SMART-CONTRACT SYSTEM. All MLN TOKEN are equal in their respective functionality.

**Pool A:** Once the SMART-CONTRACT SYSTEM receives Ether (ETH), it creates and allocates the amount of MLN TOKEN corresponding to the Ether (ETH) amount transferred by User at the Price implemented in the SMART-CONTRACT SYSTEM (see Section 2.5) to the User's wallet address from where the Ether (ETH) were sent from. Pool A MLN TOKEN become transferable after the end of the 4 week CONTRIBUTION PERIOD.

**Pool B and C:** The creation and allocation of the MLN TOKEN will be conducted through the SMART-CONTRACT SYSTEM at deployment and as specified in the SMART-CONTRACT SYSTEM and further set forth under Section 2.3.

- 13 **No Refund:** The User understands and accepts that all contributions are final and may not be reversed. Contributions are non-refundable. By transferring Ether (ETH) to the SMART-CONTRACT SYSTEM, 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 MLN TOKEN that is not used or remains unused.
- 14 **Assure to use the original SMART-CONTRACT SYSTEM:** Only the SMART-CONTRACT SYSTEM existing at the address set forth under para 5 will create and allocate MLN TOKEN during the CONTRIBUTION PERIODS. Access to this SMART-CONTRACT SYSTEM will be available through the MELONPORT website. To the extent that any third-party website, service or smart-contracts offers MLN TOKEN during the CONTRIBUTION PERIODS or facilitates the sale or transfer of MLN TOKEN in any way during the CONTRIBUTION 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 MELONPORT website, not authorised by MELONPORT and have no relationship in any way with MELONPORT.
- 15 **Contribution Freeze:** During each Contribution Period, MELONPORT may at any time stop the contribution function for security reasons. As long as MELONPORT upholds such contribution freeze, no further contribution will be possible. The CONTRIBUTION PERIOD is not extended for the duration of such contribution freeze.

### 2.3 Initial CONTRIBUTION PERIOD

- 16 **Start Date:** The Initial CONTRIBUTION PERIOD will start February 15, 2017.
- 17 **Contribution Cap:** During the Initial CONTRIBUTION PERIOD, a maximal amount of 220,000 Ether (ETH) may be contributed. If the CONTRIBUTION CAP has been reached, the SMART-CONTRACT SYSTEM will immediately stop accepting Ether (ETH) contributions and the CONTRIBUTION PERIOD will end at the pre-determined date.

- 18 **Maximal Amount of MLN TOKEN:** During the Initial CONTRIBUTION PERIOD, MLN TOKEN up to a maximal amount of 750,000 MLN TOKEN may be created. Out of these, **only parts (i.e. maximal 500,000 MLN TOKEN out of Pool A) are assigned to the Users** making contributions during the CONTRIBUTION PERIODS, as further set forth below:

- **Pool A consisting of max. 500,000 MLN TOKEN** to be allocated to Users having made contributions to the SMART-CONTRACT SYSTEM as part of the Initial CONTRIBUTION PERIOD. Once the SMART-CONTRACT SYSTEM receives Ether (ETH), it creates and allocates the amount of MLN TOKEN corresponding to the Ether (ETH) amount transferred by User at the Price implemented in the SMART-CONTRACT SYSTEM (see Section 2.5) to the User's wallet address from where the Ether (ETH) were sent from. These MLN TOKEN become transferrable at the end of the CONTRIBUTION PERIOD.

User understands and accepts that MELONPORT has the right to implement in the SMART-CONTRACT SYSTEM a pre-allocation of up to 25% of Pool A MLN TOKEN to third parties for public sale at the same price.

- **Pool B consisting of 150,000 MLN TOKEN to be allocated to Early Project Supporters** (i.e. founders, advisors, corporate partners, ambassadors and specialists) of the MELON PROJECT: Upon deployment, the SMART-CONTRACT SYSTEM will directly create and allocate 150,000 MLN TOKEN to Early Project Supporters for their financial and other contributions to the MELON PROJECT made in the past and as set forth in the SMART-CONTRACT SYSTEM.

TOKEN of Pool B may not be transferred for a period of 2 years plus 4 weeks upon start of the Initial CONTRIBUTION PERIOD, as specified in SMART-CONTRACT SYSTEM.

- **Pool C consisting of 100,000 MLN TOKEN to be allocated to MELONPORT:** Upon deployment, the SMART-CONTRACT SYSTEM will directly create and allocate 100,000 MLN TOKEN to a public address controlled by MELONPORT as set forth in the SMART-CONTRACT SYSTEM. The MLN TOKEN in Pool C shall be used in the sole discretion of MELONPORT to cover the costs for future bug bounty programmes, network adoptions, code improvements and/or other projects that serve to market, maintain or further develop the MELON PROJECT.

## 2.4 Second CONTRIBUTION PERIOD

- 19 **Start Date:** The start date of the Second CONTRIBUTION PERIOD will be set by MELONPORT.
- 20 **Contribution Cap:** Prior to the Second CONTRIBUTION PERIOD, MELONPORT may set a CONTRIBUTION CAP for the Second CONTRIBUTION PERIOD.

- 21 **Maximal Amount of MLN TOKEN:** In the course of the Second CONTRIBUTION PERIOD, The SMART-CONTRACT SYSTEM may create MLN TOKEN until the total maximal amount of 1,250,000 MLN TOKEN have been created throughout both CONTRIBUTION PERIODS. All TOKEN created during the Second CONTRIBUTION PERIOD qualify as Pool A TOKEN (see above Section 2.3) and will therefore be allocated to Users having made contributions to the SMART-CONTRACT SYSTEM as part of the CONTRIBUTION PERIODS.

## **2.5 Pricing**

- 22 The Price of MLN TOKEN will be set by MELONPORT prior to the beginning of each CONTRIBUTION PERIOD and may contain an increasing price mechanism.
- 23 For the Second CONTRIBUTION PERIOD; MELONPORT reserves the right to place a cap on the number of TOKEN that can be created and/or to change the price, quantity, duration of sales (tranches) of the TOKEN during the CONTRIBUTION PERIOD.

## **3. MELON PROJECT Development**

### **3.1 Principles**

- 24 The User understands and accepts that further development and completion of the MELON PROJECT (development, security, documentation, usability and applicability) will be assigned by the SMART-CONTRACT SYSTEM to MELONPORT. MELONPORT has the right to engage subcontractors (developers) to perform the entire or partial development of the MELON PROJECT.
- 25 The User understands and accepts that for the purpose of the development of the MELON PROJECT, MELONPORT receives remuneration in the amount of the Tokens in Pool C as well as the full amount of Ether (ETH) contributed during the CONTRIBUTION PERIODS. For this purpose, the SMART-CONTRACT SYSTEM will assign all Ether (ETH) contributions and MLN TOKEN to a wallet address(es) controlled by MELONPORT. It remains in MELONPORT's sole discretion to decide how to allocate Ether (ETH) contributions and MLN TOKEN in order to conduct the development work assigned to MELONPORT. It also remains in MELONPORT's sole discretion to decide how much of these Ether (ETH) contributions and MLN TOKEN shall be used to remunerate its subcontractors.
- 26 The User understands and accepts that the scope of the development of the MELON PROJECT and the works of MELONPORT (and its subcontractors to the extent MELONPORT engages subcontractors) will be subject to the amount of Ether (ETH) received during the CONTRIBUTION PERIODS. If insufficient Ether (ETH) is being contributed in either CONTRIBUTION PERIOD, MELONPORT may decide to only partially develop the MELON PROJECT or to abandon the MELON PROJECT, which could have the consequence that MLN TOKEN become useless and/or valueless (see also Section 7 regarding risks).

### **3.2 Development of MELON PROTOCOL**

- 27 A prototype of the MELON PROTOCOL has already been developed and will be open-sourced in February 2017. A website application has also been built in parallel for the protocol prototype. The MELON PROTOCOL consists of a coherent Greenpaper and a set of Modules with various user functionalities.
- 28 MELONPORT will use Ether (ETH) transferred to the SMART-CONTRACT SYSTEM for the further development and completion of the MELON PROJECT (development, security, documentation, usability and applicability).

## **4. Deployment of the MELON PROTOCOL**

### **4.1 MLN TOKEN Functionality**

- 29 In the case that the MELON PROJECT is successfully developed, the usage of the MELON PROTOCOL as deployed by MELONPORT shall:
- a. Be subject to the payment of MLN TOKEN as a usage license fee;
  - b. Contain the usage right functionality (usage license) of the MLN TOKEN as set forth under herein;
  - c. Contain changes to take additionally required MELON PROTOCOL and/or MLN TOKEN functionality into account.
- 30 However, the User acknowledges and understands that, after WORKSHOP COMPLETION, it remains in the TOKENHOLDERS' discretion whether or not to adopt the smart contract proposals of the MELON PROTOCOL and the functionality of MLN TOKEN as deployed by MELONPORT. The User acknowledges and understands that MELONPORT may not warrant or assure that the TOKENHOLDERS will not change the functionality of the MLN TOKEN and/or of the MELON PROTOCOL as proposed by MELONPORT (and set forth herein) and that such conduct could have the consequence that MLN TOKEN become useless and/or valueless (see also Section 7 regarding risks).
- 31 MLN TOKEN are only for use in connection with the MELON PROJECT under the Terms of the respective smart contracts of the MELON PROTOCOL to be deployed and only constitute a transferable representation of the functions inbuilt therein.

### **4.2 Inflation Mechanism**

- 32 The User acknowledges and understands that, after WORKSHOP COMPLETION, the MELON PROTOCOL will have an implemented inflation mechanism. The initial inflation amount specified in the MELON PROTOCOL will be set by MELONPORT at an absolute maximum of 625,000 additional MLN TOKEN per year. The purpose of the inflation mechanism is to incentivise future development and innovation within the MELON

PROJECT and the MELON PROTOCOL. Such inflation mechanism may lead to a dilution of a value, if any, and functionality of TOKEN.

- 33 However, after WORKSHOP COMPLETION, it may remain in the TOKENHOLDERS' discretion to amend the inflation mechanism as deployed by MELONPORT's chosen future governance system. MELONPORT may not warrant or assure that the TOKENHOLDERS will not change the inflation mechanism of the MELON PROTOCOL as deployed by MELONPORT (and set forth herein).

## **5. Representations and Warranties of User**

- 34 By transferring Ether (ETH) to the SMART-CONTRACT SYSTEM, User represents and warrants that
- a) User is not a citizen or resident of the United States of America;
  - b) User has a deep understanding of the functionality, usage, storage, transmission mechanisms and intricacies associated with cryptographic tokens, smart contracts, and blockchain-based software;
  - c) User has carefully reviewed the code of the SMART-CONTRACT SYSTEM located on the Ethereum blockchain at the addresses set forth under para 5 and fully understands and accepts the functions implemented therein;
  - d) User has carefully reviewed the content of this document and has understood and agrees with the terms and conditions contained herein;
  - e) User is legally permitted to create, receive, hold and use TOKENS in User's jurisdiction;
  - f) User will contribute Ether (ETH) from a Wallet or Wallet service provider that technically supports the MLN TOKEN. User understands and accepts, that failure to assure this may have the result that User will not gain access to his MLN TOKENS.
  - g) User is legally permitted to receive software and contribute to the SMART-CONTRACT SYSTEM for the development of the MELON PROJECT;
  - h) User is of a sufficient age to legally create, receive, hold and use TOKEN;
  - i) User will take sole responsibility for any restrictions and risks associated with the creation, allocation, ownership and use of the TOKEN as set forth below;
  - j) User is not submitting Ether (ETH) to the SMART-CONTRACT SYSTEM to obtain TOKEN for the purpose of speculative investment;
  - k) User is not obtaining or using TOKEN for any illegal purposes;

- l) User is obtaining TOKEN primarily to enable and support the development, testing, deployment and operation of the MELON PROTOCOL and is aware of the commercial risks associated with User contribution;
- m) User understands that a part of the TOKEN are pre-allocated as set forth under Section 2.3;
- n) User waives the right to participate in a class action lawsuit or a classwide arbitration against any entity or individual involved with the MELON PROJECT and the contribution;
- o) User understands that the creation and ownership of TOKEN does not involve the purchase of shares or security or equivalent rights or any right for receive future revenues shares or any other form of participation in or relating to the MELON PROJECT and/or the MELON PROTOCOL and/or MELONPORT;
- p) or any equivalent in any existing or future public or private company, corporation or other entity in any jurisdiction;
- q) User understands that the transfer of Ether (ETH) to the SMART-CONTRACT SYSTEM, the creation, allocation, ownership and use of TOKEN and the development of the MELON PROJECT carries significant financial, regulatory and reputational risks as further set forth in this document;
- r) User understands and expressly accepts that there is no warranty whatsoever on TOKENS, the SMART-CONTRACT SYSTEM and/or the success of the MELON PROJECT, expressed or implied, to the extent permitted by law, and that the SMART-CONTRACT SYSTEM is used and TOKEN are created and obtained at Users sole risk 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;
- s) User understands that User other than set forth in the Terms, has no right against any other party to request any refund of the Ether (ETH) submitted to the SMART-CONTRACT SYSTEM under any circumstance;
- t) User understands that TOKEN are not designed to form any form of currency, that no market liquidity may be guaranteed and that the value of TOKEN over time, if any, may experience extreme volatility or depreciate in full;
- u) 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 MELON PROJECT, the transfer of Ether (ETH) to the

SMART-CONTRACT SYSTEM, the creation, allocation, ownership and use of TOKEN, the potential appreciation or depreciation in the value of TOKEN over time (if any), the sale and purchase of TOKEN and/or any other action or transaction related to the MELON PROJECT have tax implications for User; by creating, receiving, holding or using TOKEN, and to the extent permitted by law, User agrees not to hold any third party (including developers, MELONPORT, the founders, early contributors and MELONPORT's employees, officers, contractors of MELONPORT, etc.) liable for any tax liability associated with or arising from the creation, allocation, ownership or use of TOKEN or any other action or transaction related to the MELON PROJECT.

#### **6. User's Loss of the PASSWORD of the ETHEREUM ACCOUNT used to contribute will Cause the Loss of the Created TOKEN**

- 35 The User understands that if the PASSWORD and the private key is lost, the User will not be able to generate a new PASSWORD or recover his private keys. The User accepts that the loss of the PASSWORD and/or the private key will cause the permanent loss of the created TOKEN.
- 36 Unauthorized access by any party to a User's CONTRIBUTION PASSWORD along with access to the downloaded wallet, will enable that unauthorized party to access the created TOKEN and the TOKEN will be lost.
- 37 By creating, receiving, holding and using TOKEN, and to the extent permitted by applicable law, the User agrees not to hold any of MELONPORT's parties, developer, or MELONPORT itself liable for any losses arising out of, or in any way connected to, User's failure to properly secure and keep private the CONTRIBUTION PASSWORD and/or the private key.

#### **7. Risks Associated with the Creation, Allocation, Ownership and Use of TOKEN**

- 38 The User understands and accepts the risks in connection with transferring Ether (ETH) to the SMART-CONTRACT SYSTEM and creating, receiving, holding and using TOKEN as exemplary set forth above and hereinafter. In particular, but not limited to, the User understands the inherent risks listed hereinafter.

##### **7.1 Risk of Project Failure due to a Diminishment in the Value of the Ether (ETH)**

- 39 All Users acquiring TOKEN are transferring Ether (ETH) to the SMART-CONTRACT SYSTEM. The Ether (ETH) will be assigned to MELONPORT to cover the future costs arising in connection with the development of the MELON PROTOCOL. In the past, the value of Ether (ETH) has been very volatile. The User understands and accepts that it is possible that the value of Ether (ETH) will drop significantly in the future, depriving

MELONPORT of sufficient financial resources to continue to operate and continue to further develop the MELON PROJECT.

## **7.2 Risk of Losing Access to TOKEN**

- 40 As noted above, TOKEN will be stored in a wallet, which can only be accessed with the CONTRIBUTION PASSWORD and a private key. The User understands and accepts that if his CONTRIBUTION PASSWORD respectively his private key got lost or stolen, the obtained Token associated with the User's wallet or CONTRIBUTION PASSWORD will be unrecoverable and will be permanently lost.

## **7.3 Risk of Unauthorized Access to a Downloaded Wallet**

- 41 Any third party that gains access to the User's Contribution Email will be able to download the wallet file and potentially access the wallet by deciphering or cracking the User's CONTRIBUTION PASSWORD.

## **7.4 Risk of Regulatory Action in One or More Jurisdictions**

- 42 Cryptocurrencies have been the subject of regulatory scrutiny by various regulatory bodies around the globe. 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 and which may, inter alia, impede or limit the development of the MELON PROJECT, resulting in substantial modifications of the MELON PROJECT, including its termination and the loss of TOKEN for the User.

## **7.5 Risk of Alternative, Unofficial MELON PROJECT Networks**

- 43 Following the launch, and the development of the initial version of the MELON PROJECT and User clients it is possible that alternative unofficial networks could be established, which utilize the same open source code and open source protocol underlying the MELON PROJECT. The official MELON PROJECT may compete with these alternative, unofficial networks, which could potentially negatively impact the MELON PROJECT and TOKEN.

## **7.6 Risk of Insufficient Interest in the MELONPORT or Distributed Applications**

- 44 The User understands and accepts that It is possible that the MELON PROTOCOL will not be used by a large number of external businesses, individuals, and other organizations and that there will be limited public interest in the creation and development of distributed applications. Such a lack of interest could impact the development of the MELON PROTOCOL and potential uses of TOKEN. Therefore, the development of the MELON PROTOCOL may be abandoned for a number of reasons, including lack of



interest from the public, lack of funding, lack of commercial success, success of competitors or lack of prospects (e.g. caused by competing projects). The User therefore understands that there is no assurance that, even if the MELON PROTOCOL is partially or fully developed and launched, the transfer of Ether (ETH) to the SMART-CONTRACT SYSTEM and the creation, allocation, ownership and use of TOKEN carries significant financial risks, including the complete loss of the contributed Ether (ETH) or the loss of any value or functionality of created TOKEN.

#### **7.7 Risk that the Development Results will not Meet the Expectations of User**

- 45 The User recognizes that the MELON PROTOCOL is presently under development and may undergo significant changes before release. User acknowledges that his expectations regarding the form and functionality of the MELON PROTOCOL may not be met upon release of the MELON PROTOCOL, for any number of reasons including a change in the design and implementation plans and execution of the implementation of the MELON PROTOCOL.

#### **7.8 Risk that the MELON Project may Never be Completed or Released**

- 46 User understands that while the Developer will make reasonable efforts to complete the MELON PROJECT, it is however possible that an official completed version of the MELON PROTOCOL may not be released and there may never be an operational MELON PROTOCOL.

#### **7.9 Risk of Theft**

- 47 User understands and accepts that the SMART-CONTRACT SYSTEM, the MELON PROTOCOL and the underlying blockchain (e.g. the Ethereum Blockchain) may be exposed to attacks by hackers or other individuals that that could result in theft or loss of TOKENS or Ether (ETH), impacting the ability to develop the MELON PROJECT.

#### **7.10 Risk of Security Weaknesses in the Core Infrastructure Software**

- 48 The MELON PROTOCOL is built on open-source software, and there is a risk that the developer, or other third parties not directly affiliated with MELONPORT, may introduce weaknesses or bugs into the core infrastructural elements of the MELON PROTOCOL causing the system to lose TOKEN stored in one or more User wallets or other wallets or lose sums of other valued TOKENS issued on the MELON PROTOCOL.
- 49 Developer has taken steps to build, maintain, and secure the infrastructure of MELONPORT, and will continue to do so after the Launch. For example, MELONPORT intends to hire external consultants on a periodic basis to assess and audit the security of the MELON PROTOCOL and will work with cryptography and security experts to develop and employ best practices to audit the MELON PROTOCOL. Despite these measures, the User understands and accepts that the smart-contract concept, the underlying software application and software portal (i.e. the Ethereum Blockchain and other

blockchains) are still in an early development stage and unproven, why there is no warranty that the process of creating, receiving, holding, using and storing TOKEN 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 Ether (ETH) and/or TOKEN.

#### **7.11 Risk of Weaknesses or Exploitable Breakthroughs in the Field of Cryptography**

- 50 Although MELONPORT will continuously strive to maintain best practice in the field of Cryptography, there remains a risk that the state of the art can be overhauled over time due to advances in code cracking, or technical advances such as the development of quantum computers, could present risks to cryptocurrencies, the MELON PROTOCOL and/or the underlying network (e.g. Ethereum protocol), which could result in the theft or loss of TOKEN.

#### **7.12 Risk of TOKEN Mining Attacks**

- 51 As with other cryptocurrencies, the blockchain used for the MELON PROTOCOL 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 MELON PROTOCOL, expected proper execution and sequencing of TOKEN transactions, and expected proper execution and sequencing of contract computations.
- 52 User understands and accepts that despite the efforts of the developer, known or novel mining attacks may be successful, resulting in the loss of TOKEN and/or Ether (ETH).

#### **7.13 Risk of volatile crypto currencies**

- 53 User understands and accepts that an instability in the demand for Ether (ETH) and/or MLN could arise, leading to oscillations and instability in the respective values as denominated in currencies that MLN-based businesses use to pay operating costs. This could result in the MELON PROJECT being unable to continue to operate economically, which would represent losses to businesses or worst case, cause business to cease operations.

#### **7.14 Risk of Rapid Adoption and Insufficiency of Computational Application Processing Power on MELONPORT Network**

- 54 If the MELON PROTOCOL is rapidly adopted, the demand for transaction processing and distributed application computations could rise dramatically and at a pace that exceeds the rate with which TOKEN miners can bring online additional mining power. Under such a scenario, the entire MELON PROTOCOL could become destabilized, due to the increased cost of running distributed applications. In turn, this could dampen interest in the MELONPORT PROJECT and TOKEN.

- 55 Insufficiency of computational resources and an associated rise in the price of TOKEN could result in businesses being unable to acquire scarce computational resources to run their distributed applications. This would represent revenue losses to businesses or worst case, cause businesses to cease operations because such operations have become uneconomical due to distortions in the crypto-economy.

## **8. Taxation of TOKEN and Taxation Related to the Launch**

- 56 MELONPORT makes no representations concerning the tax implications of the creation, allocation, ownership or use of TOKEN. The User bears the sole responsibility to determine if the User's contribution to the SMART-CONTRACT SYSTEM for the development of the MELON PROJECT, the transfer of Ether (ETH) to the SMART-CONTRACT SYSTEM, the creation, allocation, ownership and use of TOKEN, the potential appreciation or depreciation in the value of TOKEN over time (if any), the sale and purchase of TOKEN and/or any other action or transaction related to the MELON PROJECT has tax implications for the User.
- 57 By creating, receiving, holding or using TOKEN, and to the extent permitted by law, the User agrees not to hold any third party (including developers, MELONPORT, the founders, early contributors and MELONPORT's employees, officers, contractors of MELONPORT, etc.) liable for any tax liability associated with or arising from the creation, allocation, ownership or use of TOKEN or any other action or transaction related to the MELON PROJECT.

## **9. Disclaimer**

- 58 The User expressly agrees that he/she/it is creating, receiving, holding and using TOKEN at its' sole risk and that TOKEN is provided on an "as is" basis without warranties of any kind, including, but not limited to, warranties of title or implied warranties, merchantability or fitness for a particular purpose.
- 59 Without limiting the foregoing, neither MELONPORT nor any other person, entity and/or affiliates involved with the deployment of the SMART-CONTRACT SYSTEM and the setting up of MELONPORT and/or the MELON PROTOCOL can warrant that the process for creating, receiving, holding and using TOKEN will be uninterrupted or error-free.

## **10. Waiver of Liability**

- 60 The User acknowledges and agrees that, to the fullest extent permitted by any applicable law, the disclaimers of liability contained herein apply to any and all damages whatsoever caused by or related to use of, or inability to use, TOKEN or the MELON PROTOCOL 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). User acknowledges and agrees that neither MELONPORT (including MELONPORT's founders, officers, directors, agents, joint ventures, employees, advisors and suppliers), nor any other person, entity and/or affiliates involved with the deployment of the SMART-

CONTRACT SYSTEM and the setting up of MELONPORT and/or the MELON PROTOCOL, nor any developer, subcontractor or founder of MELONPORT shall be liable for any damages, including direct or 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 inability to use, or creation of, or inability to create, TOKEN.

- 61 The User further specifically acknowledges that neither MELONPORT (including MELONPORT's officers, directors, agents, joint ventures, employees, advisors and suppliers), nor any other person, entity and/or affiliates involved with the deployment of the SMART-CONTRACT SYSTEM and the setting up of MELONPORT and/or the MELON PROTOCOL, the developers, subcontractors or founders of MELONPORT are liable, and the User agrees not to seek to hold any of the them liable, for the conduct of third parties, including other Users of TOKEN, and that the risk of creating, receiving, holding and using TOKEN rests entirely with the User.
- 62 The User further agrees not to hold liable MELONPORT (including MELONPORT's founders, officers, directors, agents, joint ventures, employees, advisors and suppliers), nor any other person, entity and/or affiliates involved with the deployment of the SMART-CONTRACT SYSTEM and the setting up of MELONPORT and/or the MELON PROTOCOL, nor any developer, subcontractor or founder of MELONPORT for any regulatory implications or liability associated with or arising from the creation, allocation, ownership or use of TOKEN or any other action or transaction related to the SMART CONTRACT or the MELON PROTOCOL.

### **III. Miscellaneous**

- 63 Launch Location: The Launch of the SMART-CONTRACT SYSTEM is located in Alderney, Channel Islands. Consequently, the creation and allocation of TOKEN and the assignment of the development of the MELON PROTOCOL to MELONPORT are considered to be executed in Alderney, Channel Islands.
- 64 Applicable Law: The applicable law is Swiss law.
- 65 Dispute Resolution: Any dispute arising out of or in connection with the creation of the TOKEN and the development of the MELON PROJECT shall be finally settled by the courts of the Canton Zug, Switzerland.
- 66 Complete Sales Governance Terms: These Terms along with SMART-CONTRACT SYSTEM, sets forth the entire understanding of each User with respect to the purchase and sale of TOKEN.
- 67 For facts relating to the sale and purchase, the User agrees to rely only on these Terms and the SMART-CONTRACT SYSTEM in determining purchase decisions and understands that these Terms and the SMART-CONTRACT SYSTEM govern the creation and allocation of TOKEN and supersede any public statements about the Launch made

by third parties or by MELONPORT, the MELON Team or individuals associated with MELONPORT or the MELON Team, past and present and during the Launch.

- 68 Severability: The User and MELONPORT agree 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.
- 69 Updates to the Terms: MELONPORT reserves the right, at its sole discretion, to change, modify, add, or remove portions of the Terms at any time during the contribution by posting the amended Terms on the website. Any User will be deemed to have accepted such changes by creating, receiving, holding or using TOKEN.
- 70 If at any point User do not agree to any portion of the then-current version of the Terms, User should not create, receive, hold or use TOKEN.
- 71 To the extent these Terms conflict with the SMART-CONTRACT SYSTEM, the SMART-CONTRACT SYSTEM shall govern.