

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM C-AR**

**UNDER THE SECURITIES ACT OF 1933**

(Mark one.)

- ☐ Form C: Offering Statement
- ☐ Form C-U: Progress Update
- ☐ Form C/A: Amendment to Offering Statement
  - ☐ Check box if Amendment is material and investors must reconfirm within five business days.
- ☒ Form C-AR: Annual Report
- ☐ Form C-AR/A: Amendment to Annual Report
- ☐ Form C-TR: Termination of Reporting

***Name of Issuer:***

ElectroSpit Inc.

***Legal status of Issuer:***

***Form:***

Corporation

***Jurisdiction of Incorporation/Organization:***

Delaware

***Date of Organization:***

November 15, 2017

***Physical Address of Issuer:***

2781 Telegraph Avenue, Oakland, CA 94612, United States

***Website of Issuer:***

<http://ElectroSpit.com>

***Current Number of Employees:***

4

	<b>Most recent fiscal year-end (2022)</b>	<b>Prior fiscal year-end (2021)</b>
<b>Total Assets</b>	\$252,749	\$355,001
<b>Cash &amp; Cash Equivalents</b>	\$44,702	\$229,554
<b>Accounts Receivable</b>	\$121,692	\$0
<b>Current Liabilities</b>	\$32,142	\$49,418
<b>Long-term Debt</b>	\$254,200	\$312,040
<b>Revenues/Sales</b>	\$140,954	\$290,536
<b>Cost of Goods Sold*</b>	\$86,832	\$112,456
<b>Taxes Paid</b>	\$284	\$0
<b>Net Income/(Net Loss)</b>	\$(156,274)	\$127,147

\*Cost of Revenues

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April 26, 2023

ELECTROSPIT INC.



This Form C-AR (including the cover page and all exhibits attached hereto, the “**Form C-AR**”) is being furnished by ElectroSpit Inc. (“**ElectroSpit**,” the “**Company**,” “**we**,” “**us**,” or “**our**”) for the sole purpose of providing certain information about the Company as required by the U.S. Securities and Exchange Commission (“**SEC**” or “**Commission**”).

No federal or state securities commission or regulatory authority has passed upon the accuracy or adequacy of this document. The SEC does not pass upon the accuracy or completeness of any disclosure document or literature. The Company is filing this Form C-AR pursuant to Regulation CF (§ 227.100 et seq.) which requires that it must file a report with the Commission and annually post the report on its website at <http://ElectroSpit.com> no later than 120 days after the end of each fiscal year covered by the report. The Company may terminate its reporting obligations in the future in accordance with Rule 202(b) of Regulation CF (§ 227.202(b)) by (1) being required to file reports under Section 13(a) or Section 15(d) of the Exchange Act of 1934, as amended, (2) filing at least one annual report pursuant to Regulation CF and having fewer than 300 holders of record, (3) filing annual reports for three years pursuant to Regulation CF and having assets equal to or less than \$10,000,000, (4) the repurchase of all the Securities sold pursuant to Regulation CF by the Company or another party or (5) the liquidation or dissolution of the Company.

The date of this Form C-AR is April 26, 2023.

***THIS FORM C-AR DOES NOT CONSTITUTE AN OFFER TO PURCHASE OR SELL SECURITIES.***

**ABOUT THIS FORM C-AR**

You should rely only on the information contained in this Form C-AR. We have not authorized anyone to provide any information different from that contained in this Form C-AR. If anyone provides you with different or inconsistent information, you should not rely on it. Statements contained herein as to the content of any agreements or other documents are summaries and, therefore, are necessarily selective and incomplete and are qualified in their entirety by the actual agreements or other documents.

You should assume that the information contained in this Form C-AR is accurate only as of the date of this Form C-AR, regardless of the time of delivery of this Form C-AR. Our business, financial condition, results of operations, and prospects may have changed since that date.

**FORWARD-LOOKING STATEMENTS**

This Form C-AR and any documents incorporated by reference herein or therein, including Exhibit A and Exhibit B, contain forward-looking statements and are subject to risks and uncertainties. All statements other than statements of historical fact or relating to present facts or current conditions included in this Form C-AR are forward-looking statements. Forward-looking statements give the Company’s current reasonable expectations and projections regarding its financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “should,” “can have,” “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events.

The forward-looking statements contained in this Form C-AR and any documents incorporated by reference herein are based on reasonable assumptions the Company has made in light of its industry experience, perceptions of historical trends, current conditions, expected future developments and other factors it believes are appropriate under the circumstances. As you read and consider this Form C-AR, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (many of which are beyond the Company's control) and assumptions. Although the Company believes that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual operating and financial performance and cause our performance to differ materially from the performance anticipated in the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove incorrect or change, our actual operating and financial performance may vary in material respects from the performance projected in these forward-looking statements.

Any forward-looking statements made in this Form C-AR or any documents incorporated by reference herein or therein is accurate only as of the date of this Form C-AR. Factors or events that could cause our actual operating and financial performance to differ may emerge from time to time, and it is not possible for the Company to predict all of them. Except as required by law, the Company undertakes no obligation to publicly update any forward-looking statements for any reason after the date of this Form C-AR, whether as a result of new information, future developments or otherwise, or to conform these statements to actual results or to changes in our expectations.

## **OTHER INFORMATION**

**The Company has not failed to comply with the ongoing reporting requirements of Regulation CF § 227.202 in the past.**

### **Bad Actor Disclosure**

The Company is not subject to any Bad Actor Disqualifications under any relevant U.S. securities laws.

## SIGNATURE

Pursuant to the requirements of Sections 4(a)(6) and 4A of the Securities Act of 1933 and Regulation Crowdfunding (§ 227.100 et seq.), the issuer certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form C-AR and has duly caused this Form C-AR to be signed on its behalf by the duly authorized undersigned.

The issuer also certifies that the attached financial statements are true and complete in all material respects.

/s/ Bosco Kante

(Signature)

Bosco Kante

(Name)

Chief Executive Officer

(Title)

Pursuant to the requirements of Sections 4(a)(6) and 4A of the Securities Act of 1933 and Regulation Crowdfunding (§ 227.100 et seq.), this Form C-AR has been signed by the following persons in the capacities and on the dates indicated.

/s/ Bosco Kante

(Signature)

Bosco Kante

(Name)

Director

(Title)

April 26, 2023

(Date)

/s/ Maya Kante

(Signature)

Maya Kante

(Name)

Director

(Title)

April 26, 2023

(Date)

***Instructions.***

1. The form shall be signed by the issuer, its principal executive officer or officers, its principal financial officer, its controller or principal accounting officer and at least a majority of the board of directors or persons performing similar functions.
2. The name of each person signing the form shall be typed or printed beneath the signature. Intentional misstatements or omissions of facts constitute federal criminal violations. See 18 U.S.C. 1001.

**EXHIBIT A**  
**ANNUAL REPORT**  
**(EXHIBIT A TO FORM C-AR)**  
**April 26, 2023**

**ELECTROSPIT INC.**



**SUMMARY**

*The following summary is qualified in its entirety by more detailed information that may appear elsewhere in the Form C-AR and the Exhibits hereto. This summary may not contain all of the information that may be important to you. You should read the entire Form C-AR carefully, including this Exhibit A and Exhibit B therein.*

**Description of the Business**

ElectroSpit Inc. is a business which creates new musical instruments for the band of the future, infused with technology that unlocks the creativity of any player at any level. The Company was incorporated in Delaware as a corporation on November 15, 2017.

The Company is located at 2781 Telegraph Avenue, Oakland, CA 94612, United States.

The Company's website is <https://www.ElectroSpit.com>.

The Company is headquartered and qualified to conduct business in California. The Company also sells its products through the Internet and throughout the United States and internationally.

The Company, having sold securities pursuant to Regulation Crowdfunding under the Securities Act of 1933, is filing this annual report pursuant to Rule 202 of Regulation Crowdfunding for the fiscal year ended December 31, 2022. We have filed this report as of the filing date above, and the report may be found on the Company's website.

The information on the Company available on or through our website is not a part of this Form C-AR.



## RISK FACTORS

*The SEC requires the Company to identify risks that are specific to its business and financial condition. The Company is still subject to all the same risks that all companies in its business, and all companies in the economy, are exposed to. These include risks relating to economic downturns, political and economic events and technological developments (such as hacking and the ability to prevent hacking). Additionally, early-stage companies are inherently riskier than more developed companies. You should consider general risks as well as specific risks, including, but not limited to, those noted herein.*

### **Risks Related to the Company's Business and Industry**

***We have a limited operating history upon which you can evaluate our performance, and accordingly, our prospects must be considered in light of the risks that any new company encounters.***

The Company is still in an early phase and we are just beginning to implement our business plan. There can be no assurance that we will ever operate consistently profitably. The likelihood of our success should be considered in light of the problems, expenses, difficulties, complications and delays usually encountered by early-stage companies. The Company may not be successful in attaining the objectives necessary for it to overcome these risks and uncertainties.

***Global crises and geopolitical events, including without limitation, COVID-19 can have a significant effect on our business operations and revenue projections.***

A significant outbreak of contagious diseases, such as COVID-19, in the human population could result in a widespread health crisis. Additionally, geopolitical events, such as wars or conflicts, could result in global disruptions to supplies, political uncertainty and displacement. Each of these crises could adversely affect the economies and financial markets of many countries, including the United States where we principally operate, resulting in an economic downturn that could reduce the demand for our products and services and impair our business prospects, including as a result of being unable to raise additional capital on acceptable terms, if at all.

***The amount of capital the Company has on hand may not be enough to sustain the Company's current business plan.***

In order to achieve the Company's near and long-term goals, the Company may need to procure additional funds. There is no guarantee the Company will be able to raise such funds on acceptable terms or at all. If we are not able to raise sufficient capital in the future, we may not be able to execute our business plan, our continued operations will be in jeopardy and we may be forced to cease operations and sell or otherwise transfer all or substantially all of our remaining assets, which could cause an Investor to lose all or a portion of their investment.

***We may face potential difficulties in obtaining capital.***

We may have difficulty raising needed capital in the future as a result of, among other factors, a lack of revenues from sales, as well as the inherent business risks associated with our Company and present and future market conditions. Our business currently has limited sales and future sources of revenue may not be sufficient to meet our future capital requirements. We may require additional funds to execute our business strategy and conduct our operations. If adequate funds are unavailable, we may be required to delay, reduce the scope of or eliminate one or more of our research, development or commercialization programs, product launches or marketing efforts, any of which may materially harm our business, financial condition and results of operations.

***We may implement new lines of business or offer new products and services within existing lines of business.***

As an early-stage company, we may implement new lines of business at any time. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved, and price and profitability targets may not prove feasible. We may not be successful in introducing new products and services in response to industry trends or developments in technology, or those new products may not achieve market acceptance. As a result, we could lose business, be forced to price products and services on less advantageous terms to retain or attract clients or be subject to cost increases. As a result, our business, financial condition or results of operations may be adversely affected.

***We depend on third party providers, suppliers and licensors to supply some of the hardware, software and operational support necessary to provide some of our services.***

We obtain these materials from a limited number of vendors, some of which do not have a long operating history, or which may not be able to continue to supply the equipment and services we desire. Some of our hardware, software and operational support vendors represent our sole source of supply or have, either through contract or as a result of intellectual property rights, a position of some exclusivity. If demand exceeds these vendors' capacity or if these vendors experience operating or financial difficulties or are otherwise unable to provide the equipment or services we need in a timely manner, at our specifications and at reasonable prices, our ability to provide some services might be materially adversely affected, or the need to procure or develop alternative sources of the affected materials or services might delay our ability to serve our customers. These events could materially and adversely affect our ability to retain and attract customers, and have a material negative impact on our operations, business, financial results and financial condition.

***One of the potential risks we face in the distribution of our products is liability resulting from counterfeit or tainted products infiltrating the supply chain.***

Because we source parts from various sources, we rely on various suppliers and their quality control measures. While we have procedures to maintain the highest quality levels in our products, we may be subject to faulty, parts or components in our products, which would negatively affect our products and our customers' experience with them and could decrease customer demand for our products. In addition, if there are serious illness or injury due to our products, there can be no assurance that the insurance coverage we maintain is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide us with adequate protection.

***Manufacturing or design defects, unanticipated use of our products, or inadequate disclosure of risks relating to the use of the products can lead to injury or other adverse events.***

These events could lead to recalls or safety alerts relating to our products (either voluntary or required by governmental authorities) and could result, in certain cases, in the removal of a product from the market. Any recall could result in significant costs as well as negative publicity that could reduce demand for our products. Personal injuries relating to the use of our products can also result in product liability claims being brought against us. In some circumstances, such adverse events could also cause delays in new product approvals. Similarly, negligence in performing our services can lead to injury or other adverse events.

***In general, demand for our products and services is highly correlated with general economic conditions.***

A substantial portion of our revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. Declines in economic conditions in the U.S. or in other countries in which we operate may adversely impact our consolidated financial results. Because such declines in demand are difficult to predict, we or the industry may have increased excess capacity as a result. An increase in excess capacity may result in declines in prices for our products and services.

***Maintaining, extending and expanding our reputation and brand image are essential to our business success.***

We seek to maintain, extend, and expand our brand image through marketing investments, including advertising and consumer promotions, and product innovation. Increasing attention on marketing could adversely affect our brand image. It could also lead to stricter regulations and greater scrutiny of marketing practices. Existing or increased legal or regulatory restrictions on our advertising, consumer promotions and marketing, or our response to those restrictions, could limit our efforts to maintain, extend and expand our brands. Moreover, adverse publicity about regulatory or legal action against us could damage our reputation and brand image, undermine our customers' confidence and reduce long-term demand for our products, even if the regulatory or legal action is unfounded or not material to our operations.

In addition, our success in maintaining, extending, and expanding our brand image depends on our ability to adapt to a rapidly changing media environment. We increasingly rely on social media and online dissemination of advertising campaigns. The growing use of social and digital media increases the speed and extent that information or misinformation and opinions can be shared. Negative posts or comments about us, our brands or our products on social or digital media, whether or not valid, could seriously damage our brands and reputation. If we do not establish, maintain, extend and expand our brand image, then our product sales, financial condition and results of operations could be adversely affected.

***We must correctly predict, identify, and interpret changes in consumer preferences and demand, offer new products to meet those changes, and respond to competitive innovation.***

Consumer preferences to our products change continually. Our success depends on our ability to predict, identify, and interpret the tastes and habits of consumers and to offer products that appeal to consumer preferences. If we do not offer products that appeal to consumers, our sales and market share will decrease. We must distinguish between short-term fads, mid-term trends, and long-term changes in consumer preferences. If we do not accurately predict which shifts in consumer preferences will be long-term, or if we fail to introduce new and improved products to satisfy those preferences, our sales could decline. If we fail to expand our product offerings successfully across product categories, or if we do not rapidly develop products in faster growing and more profitable categories, demand for our products could decrease, which could materially and adversely affect our product sales, financial condition, and results of operations.

In addition, achieving growth depends on our successful development, introduction, and marketing of innovative new products and line extensions. Successful innovation depends on our ability to correctly anticipate customer and consumer acceptance, to obtain, protect and maintain necessary intellectual property rights, and to avoid infringing the intellectual property rights of others and failure to do so could compromise our competitive position and adversely impact our business.

***We may not be able to adapt to new content distribution platforms and to changes in consumer behavior resulting from these new technologies.***

We must successfully adapt to technological advances in our industry, including the emergence of alternative distribution platforms. Our ability to exploit new distribution platforms and viewing technologies will affect our ability to maintain or grow our business and may increase our capital expenditures. Additionally, we must adapt to changing consumer behavior driven by advances such as DVRs, video-on-demand, online based content delivery, Blu-ray™ players, game consoles and mobile devices. Such changes may impact the revenue we are able to generate from our traditional distribution methods by decreasing the viewership of our networks on cable and other MVPD systems. If we fail to adapt our distribution methods and content to emerging technologies, our appeal to our targeted audiences might decline and there would be a materially adverse effect on our business and results of operations.

***New technologies may make our products and services obsolete or unneeded.***

New and emerging technological advances, such as mobile computing devices that allow consumers to obtain information and view content may adversely impact or eliminate the demand for our products and services. The increasing availability of content on such devices, the improved video quality of the content on such devices and faster wireless delivery speeds may make individuals less likely to purchase our services. Our success can depend on new product development. The entertainment and communications industry is ever-changing as new technologies are introduced. Advances in technology, such as new video formats, downloading or alternative methods of product delivery and distribution channels, such as the Internet, or certain changes in consumer behavior driven by these or other technologies and methods of delivery, could have a negative effect on our business. These changes could lower cost barriers for our competitors desiring to enter into, or expand their presence in, the interactive services business. Increased competition may adversely affect our business and results of operations.

***We face risks relating to competition for the leisure time and discretionary spending of audiences, which has intensified in part due to advances in technology and changes in consumer expectations and behavior.***

Our business is subject to risks relating to increasing competition for the leisure time and discretionary spending of consumers. We compete with all other sources of entertainment and information delivery. Technological advancements, such as new video formats and Internet streaming and downloading of programming that can be viewed on televisions, computers and mobile devices have increased the number of entertainment and information delivery choices available to consumers and intensified the challenges posed by audience fragmentation. The increasing number of choices available to audiences, including low-cost or free choices, could negatively impact consumer demand for our products and services. Our failure to effectively anticipate or adapt to new technologies and changes in consumer expectations and behavior could significantly adversely affect our competitive position and its business and results of operations.

***Piracy of the Company's content may decrease the revenues received from the sale of our content and adversely affect our businesses.***

The piracy of our content, products and other intellectual property poses significant challenges for us. Technological developments, such as the proliferation of cloud-based storage and streaming, increased broadband Internet speed and penetration and increased speed of mobile data transmission have made it easier to create, transmit, distribute and store high quality unauthorized copies of content in unprotected digital formats, which has in turn encouraged the creation of highly scalable businesses that facilitate, and in many instances financially benefit from, such piracy. Piracy is particularly prevalent in many parts of the world that lack effective copyright and technical legal protections or enforcement measures, and illegitimate operators based in these parts of the world can attract viewers from anywhere in the world. The proliferation of unauthorized copies and piracy of the Company's content, products and intellectual property or the products it licenses from others could result in a reduction of the revenues that the Company receives from the legitimate sale, licensing and distribution of its content and products. The Company devotes substantial resources to protecting its content, products and intellectual property, but there can be no assurance that the Company's efforts to enforce its rights and combat piracy will be successful.

***The Company could be negatively impacted if found to have infringed on intellectual property rights.***

Technology companies, including many of the Company's competitors, frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. As the Company grows, the intellectual property rights claims against it will likely increase. The Company intends to vigorously defend infringement actions in court and before the U.S. International Trade Commission. The plaintiffs in these actions frequently seek injunctions and substantial damages. Regardless of the scope or validity of such patents or other intellectual property rights, or the merits of any claims by potential or actual litigants, the Company may have to engage in protracted litigation. If the Company is found to infringe one or more patents or other intellectual property rights, regardless of whether it can develop non-infringing technology, it may be required to pay substantial damages or royalties to a third-party, or it may be subject to a temporary or permanent injunction prohibiting the Company from marketing or selling certain products. In certain cases, the Company may consider the desirability of entering into licensing agreements, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur. These licenses may also significantly increase the Company's operating expenses.

Regardless of the merit of particular claims, litigation may be expensive, time-consuming, disruptive to the Company's operations and distracting to management. In recognition of these considerations, the Company may enter into arrangements to settle litigation. If one or more legal matters were resolved against the Company's consolidated financial statements for that reporting period could be materially adversely affected. Further, such an outcome could result in significant compensatory, punitive or trebled monetary damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief against the Company that could adversely affect its financial condition and results of operations.

***We currently obtain components from single or limited sources, and are subject to significant supply and pricing risks.***

Many components, including those that are available from multiple sources, are at times subject to industry-wide shortages and significant commodity pricing fluctuations. While the Company has entered into agreements for the supply of many components, there can be no assurance that we will be able to extend or renew these agreements on similar terms, or at all. A number of suppliers of components may suffer from poor financial conditions, which can

lead to business failure for the supplier or consolidation within a particular industry, further limiting our ability to obtain sufficient quantities of components. The follow-on effects from global economic conditions on our suppliers, also could affect our ability to obtain components. Therefore, we remain subject to significant risks of supply shortages and price increases.

Our products often utilize custom components available from only one source. Continued availability of these components at acceptable prices, or at all, may be affected for any number of reasons, including if those suppliers decide to concentrate on the production of common components instead of components customized to meet our requirements. The supply of components for a new or existing product could be delayed or constrained, or a key manufacturing vendor could delay shipments of completed products to us adversely affecting our business and results of operations.

***We rely on various intellectual property rights, including trademarks, in order to operate our business.***

The Company relies on certain intellectual property rights to operate its business. The Company's intellectual property rights may not be sufficiently broad or otherwise may not provide us a significant competitive advantage. In addition, the steps that we have taken to maintain and protect our intellectual property may not prevent it from being challenged, invalidated, circumvented or designed-around, particularly in countries where intellectual property rights are not highly developed or protected. In some circumstances, enforcement may not be available to us because an infringer has a dominant intellectual property position or for other business reasons, or countries may require compulsory licensing of our intellectual property. Our failure to obtain or maintain intellectual property rights that convey competitive advantage, adequately protect our intellectual property or detect or prevent circumvention or unauthorized use of such property, could adversely impact our competitive position and results of operations. We also rely on nondisclosure and noncompetition agreements with employees, consultants and other parties to protect, in part, trade secrets and other proprietary rights. There can be no assurance that these agreements will adequately protect our trade secrets and other proprietary rights and will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information or that third parties will not otherwise gain access to our trade secrets or other proprietary rights. As we expand our business, protecting our intellectual property will become increasingly important. The protective steps we have taken may be inadequate to deter our competitors from using our proprietary information. In order to protect or enforce our intellectual property rights, we may be required to initiate litigation against third parties, such as infringement lawsuits. Also, these third parties may assert claims against us with or without provocation. These lawsuits could be expensive, take significant time and could divert management's attention from other business concerns. We cannot assure you that we will prevail in any of these potential suits or that the damages or other remedies awarded, if any, would be commercially valuable.

***The Company's success depends on the experience and skill of its executive officers and key personnel.***

We are dependent on our executive officers and key personnel. These persons may not devote their full time and attention to the matters of the Company. The loss of our executive officers and key personnel could harm the Company's business, financial condition, cash flow and results of operations.

***Although dependent on certain key personnel, the Company does not have any key person life insurance policies on any such people.***

We are dependent on certain key personnel in order to conduct our operations and execute our business plan, however, the Company has not purchased any insurance policies with respect to those individuals in the event of their death or disability. Therefore, if any of these personnel die or become disabled, the Company will not receive any compensation to assist with such person's absence. The loss of such person could negatively affect the Company and our operations. We have no way to guarantee key personnel will stay with the Company, as many states do not enforce non-competition agreements, and therefore acquiring key man insurance will not ameliorate all of the risk of relying on key personnel.

***In order for the Company to compete and grow, it must attract, recruit, retain and develop the necessary personnel who have the needed experience.***

Recruiting and retaining highly qualified personnel is critical to our success. These demands may require us to hire additional personnel and will require our existing management and other personnel to develop additional expertise. We face intense competition for personnel, making recruitment time-consuming and expensive. The failure to attract and retain personnel or to develop such expertise could delay or halt the development and commercialization of our product candidates. If we experience difficulties in hiring and retaining personnel in key positions, we could suffer

from delays in product development, loss of customers and sales and diversion of management resources, which could adversely affect operating results. Our consultants and advisors may be employed by third parties and may have commitments under consulting or advisory contracts with third parties that may limit their availability to us, which could further delay or disrupt our product development and growth plans.

***The products we sell are advanced, and we need to rapidly and successfully develop and introduce new products in a competitive, demanding and rapidly changing environment.***

To succeed in our intensely competitive industry, we must continually improve, refresh and expand our product and service offerings to include newer features, functionality or solutions, and keep pace with changes in the industry. Shortened product life cycles due to changing customer demands and competitive pressures may impact the pace at which we must introduce new products or implement new functions or solutions. In addition, bringing new products or solutions to the market entails a costly and lengthy process, and requires us to accurately anticipate changing customer needs and trends. We must continue to respond to changing market demands and trends, or our business operations may be adversely affected.

***The development and commercialization of our products is highly competitive.***

We face competition with respect to any products that we may seek to develop or commercialize in the future. Our competitors include major companies worldwide. Many of our competitors have significantly greater financial, technical and human resources than we have and superior expertise in research and development and marketing approved products and thus may be better equipped than us to develop and commercialize products. These competitors also compete with us in recruiting and retaining qualified personnel and acquiring technologies. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. Accordingly, our competitors may commercialize products more rapidly or effectively than we are able to, which would adversely affect our competitive position, the likelihood that our products will achieve initial market acceptance, and our ability to generate meaningful additional revenues from our products.

***Industry consolidation may result in increased competition, which could result in a loss of customers or a reduction in revenue.***

Some of our competitors have made or may make acquisitions or may enter into partnerships or other strategic relationships to offer more comprehensive services than they individually had offered or achieve greater economies of scale. In addition, new entrants not currently considered to be competitors may enter our market through acquisitions, partnerships or strategic relationships. We expect these trends to continue as companies attempt to strengthen or maintain their market positions. The potential entrants may have competitive advantages over us, such as greater name recognition, longer operating histories, more varied services and larger marketing budgets, as well as greater financial, technical and other resources. The companies resulting from combinations or that expand or vertically integrate their business to include the market that we address may create more compelling service offerings and may offer greater pricing flexibility than we can or may engage in business practices that make it more difficult for us to compete effectively, including on the basis of price, sales and marketing programs, technology or service functionality. These pressures could result in a substantial loss of our customers or a reduction in our revenue.

***Damage to our reputation could negatively impact our business, financial condition and results of operations.***

Our reputation and the quality of our brand are critical to our business and success in existing markets and will be critical to our success as we enter new markets. Any incident that erodes consumer loyalty for our brand could significantly reduce its value and damage our business. We may be adversely affected by any negative publicity, regardless of its accuracy. Also, there has been a marked increase in the use of social media platforms and similar devices, including blogs, social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability of information on social media platforms is virtually immediate as is its impact. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our performance, prospects or business. The harm may be immediate and may disseminate rapidly and broadly, without affording us an opportunity for redress or correction.

***Our business could be negatively impacted by cyber security threats, attacks and other disruptions.***

We may face advanced and persistent attacks on our information infrastructure where we manage and store various proprietary information and sensitive/confidential data relating to our operations. These attacks may include sophisticated malware (viruses, worms, and other malicious software programs) and phishing emails that attack our

products or otherwise exploit any security vulnerabilities. These intrusions sometimes may be zero-day malware that are difficult to identify because they are not included in the signature set of commercially available antivirus scanning programs. Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of our customers or other third-parties, create system disruptions, or cause shutdowns. Additionally, sophisticated software and applications that we produce or procure from third-parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the operation of the information infrastructure. A disruption, infiltration or failure of our information infrastructure systems or any of our data centers as a result of software or hardware malfunctions, computer viruses, cyber-attacks, employee theft or misuse, power disruptions, natural disasters or accidents could cause breaches of data security, loss of critical data and performance delays, which in turn could adversely affect our business.

***Security breaches of confidential customer information, in connection with our electronic processing of credit and debit card transactions, or confidential employee information may adversely affect our business.***

Our business requires the collection, transmission and retention of personally identifiable information, in various information technology systems that we maintain and in those maintained by third parties with whom we contract to provide services. The integrity and protection of that data is critical to us. The information, security and privacy requirements imposed by governmental regulation are increasingly demanding. Our systems may not be able to satisfy these changing requirements and customer and employee expectations, or may require significant additional investments or time in order to do so. A breach in the security of our information technology systems or those of our service providers could lead to an interruption in the operation of our systems, resulting in operational inefficiencies and a loss of profits. Additionally, a significant theft, loss or misappropriation of, or access to, customers’ or other proprietary data or other breach of our information technology systems could result in fines, legal claims or proceedings.

***The use of individually identifiable data by our business, our business associates and third parties is regulated at the state, federal and international levels.***

The regulation of individual data is changing rapidly, and in unpredictable ways. A change in regulation could adversely affect our business, including causing our business model to no longer be viable. Costs associated with information security – such as investment in technology, the costs of compliance with consumer protection laws and costs resulting from consumer fraud – could cause our business and results of operations to suffer materially. Additionally, the success of our online operations depends upon the secure transmission of confidential information over public networks, including the use of cashless payments. The intentional or negligent actions of employees, business associates or third parties may undermine our security measures. As a result, unauthorized parties may obtain access to our data systems and misappropriate confidential data. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography or other developments will prevent the compromise of our customer transaction processing capabilities and personal data. If any such compromise of our security or the security of information residing with our business associates or third parties were to occur, it could have a material adverse effect on our reputation, operating results and financial condition. Any compromise of our data security may materially increase the costs we incur to protect against such breaches and could subject us to additional legal risk.

***The Company is not subject to Sarbanes-Oxley regulations and may lack the financial controls and procedures of public companies.***

The Company may not have the internal control infrastructure that would meet the standards of a public company, including the requirements of the Sarbanes Oxley Act of 2002. As a privately-held (non-public) Company, the Company is currently not subject to the Sarbanes Oxley Act of 2002, and its financial and disclosure controls and procedures reflect its status as a development stage, non-public company. There can be no guarantee that there are no significant deficiencies or material weaknesses in the quality of the Company's financial and disclosure controls and procedures. If it were necessary to implement such financial and disclosure controls and procedures, the cost to the Company of such compliance could be substantial and could have a material adverse effect on the Company’s results of operations.

***Changes in federal, state or local laws and government regulation could adversely impact our business.***

The Company is subject to legislation and regulation at the federal and local levels and, in some instances, at the state level. New laws and regulations may impose new and significant disclosure obligations and other operational, marketing and compliance-related obligations and requirements, which may lead to additional costs, risks of non-

compliance, and diversion of our management's time and attention from strategic initiatives. Additionally, federal, state and local legislators or regulators may change current laws or regulations which could adversely impact our business. Further, court actions or regulatory proceedings could also change our rights and obligations under applicable federal, state and local laws, which cannot be predicted. Modifications to existing requirements or imposition of new requirements or limitations could have an adverse impact on our business.

***We operate in a highly regulated environment, and if we are found to be in violation of any of the federal, state, or local laws or regulations applicable to us, our business could suffer.***

We are also subject to a wide range of federal, state, and local laws and regulations. The violation of these or future requirements or laws and regulations could result in administrative, civil, or criminal sanctions against us, which may include fines, a cease and desist order against the subject operations or even revocation or suspension of our license to operate the subject business. As a result, we may incur capital and operating expenditures and other costs to comply with these requirements and laws and regulations.

***Changes in employment laws or regulation could harm our performance.***

Various federal and state labor laws govern our relationship with our employees and affect operating costs. These laws include minimum wage requirements, overtime pay, healthcare reform and the implementation of the Patient Protection and Affordable Care Act, unemployment tax rates, workers' compensation rates, citizenship requirements, union membership and sales taxes. A number of factors could adversely affect our operating results, including additional government- imposed increases in minimum wages, overtime pay, paid leaves of absence and mandated health benefits, mandated training for employees, increased tax reporting and tax payment requirements for employees who receive tips, a reduction in the number of states that allow tips to be credited toward minimum wage requirements, changing regulations from the National Labor Relations Board and increased employee litigation including claims relating to the Fair Labor Standards Act.



## BUSINESS

### Description of the Business

ElectroSpit offers the ability to create new musical instruments for the band of the future, infused with technology that unlocks the creativity of any player at any level. Our first product, the ESX-1 mobile talkbox, has been used by well-known disc jockeys, including David Guetta, and appears on the hit single “Levitating” from Dua Lipa’s 2020 Grammy-winning album.

### Business Plan

Our business model relies on developing and marketing each electronic instrument in close association with music influencers. The process cultivates an active fan base for each instrument. Influencers create new music and video with ElectroSpit instruments, driving sales. Influencers and power users host Electro-Jam Sessions where customers interact with their favorite influencers, ElectroSpit instruments and each other, building community and customer loyalty to our brand. We utilize our marketing and online presence to win with consumers at the ‘zero moment of truth’— when they are searching for information about a brand or product. We work collaboratively with our customers to improve the online presence of our products and win the ‘first moment of truth’— when a consumer is browsing on social media. We must also win the ‘second moment of truth’— when a consumer uses the product, evaluates how well it met his or her expectations and decides whether it was a good value. We believe we must continue to provide new, innovative products and branding to the consumer in order to grow our business. Research and product development activities, designed to enable sustained organic growth, carry a high priority. We believe these activities demonstrate our commitment to future growth. We develop and distribute our ESX-1 and Talkbox Synth App to serve diverse audiences worldwide. We manage our brands with creativity, expertise and discipline to produce and distribute entertainment experiences across a wide variety of media platforms and engage consumers in many facets of their lives.

With a strategic focus on content, we aim to: \* expand, enhance and evolve our brands worldwide by creating and acquiring popular content and other interactive experiences, building new networks and digital properties and innovating in other forms of entertainment; \* foster a creative, dynamic and diverse corporate culture that reflects the diverse audiences we serve and strengthens our position as a leader in music creation for consumers around the world; \* deepen our connection with audiences by investing wisely in content & products that fit our core businesses and brand portfolios and resonates with targeted audiences; \* continue to develop and refine innovative ways to distribute our products; \* fuel organic growth by developing products with local, regional and multinational appeal; \* limit the impact of intellectual property theft by providing compelling, legitimate offerings, as well as through technology solutions, communications, legal enforcement and other activities; \* drive efficiencies, execute strategies and maintain a strong financial position through operational discipline; and \* generate significant long-term value for our stockholders.

The Company intends to grow by completing manufacturing and delivery of the ESX-1 to existing customers, offering the ESX-1 for immediate purchase via online and offline retailers, marketing our products with top music influencers and in person influencer product demo meet-ups. Any capital we raise in the future will empower us to expand our product development, increase sales and marketing efforts and grow out our infrastructure as we continue to aggressively grow and expand our business.

### The Company’s Products and/or Services

Product / Service	Description	Current Market
ESX-1 Mobile Talkbox	The ESX-1 enables both pros and first timers to produce the iconic talkbox sound. Now everyone can master the art of unsinging — shape your sound without even using your vocal cords. You can create new and different sounds using our instrument and App. Our cutting-edge tech gives you new ways of producing melodic and musical sound while forming words.	ElectroSpit’s target market is active music superfans of pop, hip hop, EDM, and R&B music genres. It includes musicians of all skill levels, and non-musician superfans who actively participate in music via music games like Rock Band, karaoke, or upload musical content to social music sites like Tik Tok,

	The ESX-1 is a versatile instrument that is so easy to use, it removes all the barriers, allowing everyone to connect with the talkbox sound and with each other. We are unlocking the imagination of music creators around the world by showing them how simple and expressive an instrument can truly be.	Smule and YouTube. Age ranges 12-55.
<b>Talkbox Synth App</b>	The Talkbox Synth App by ElectroSpit connects to the ESX-1 and makes it easy for anyone to jam, play melodies, or improvise without requiring musical training.	ElectroSpit's target market is active music superfans of pop, hip hop, edm, and r&b music genres. It includes musicians of all skill levels, and non-musician superfans who actively participate in music via music games like Rock Band, karaoke, or upload musical content to social music sites like Tik Tok, Smule and YouTube. Age ranges 12-55.

### Competition

The markets for the ElectroSpit's products and services are highly competitive and the Company is confronted by aggressive competition in all areas of its business. These markets are characterized by frequent product introductions and rapid technological advances that have substantially increased the capabilities and use of mobile music making apps and electronic instruments. Music Influencer excitement and use of our products has been a key differentiating factor aiding our ability to compete effectively. Our competitors may aggressively cut prices or lower their product margins to gain or maintain market share. Principal competitive factors important to the Company include price, product features, relative price/performance, product quality and reliability, design innovation, a strong third-party software and accessories ecosystem, marketing and distribution capability, service and support and corporate reputation.

The Company's primary competitors are Roli, Smule, & Rocktron.

### Customer Base

The Company's customers are music superfans. Customer Segment 1 is pro music producers, keyboardists, and guitarists. Customer Segment 2 is hobbyist music producers, and musicians. Customer Segment 3 is non-musician music gamers, including fans of games like Rock Band and Guitar Hero.

### Supply Chain

Although the Company is dependent upon certain third party vendors, particularly in regards to PCBs, subassembly, electronic components, injection molding and 3D printed parts, the Company has access to alternate service providers in the event its current third-party vendors are unable to provide services or any issues arise with its current vendors where a change is required to be made. Except for electronic components and injection molding vendors in light of current global supply chain issues, the Company does not believe the loss of a current third-party vendor or service provider would cause a major disruption to its business, although it could cause short-term limitations or disruptions.

## Intellectual Property

Application or Registration #	Title	Description	File Date	Grant Date	Country
US10,755,682	A NOVEL APPARATUS FOR SOUND MODULATION	Patent  A hands-free musical instrument apparatus used to modulate sound. The sound emanated from the device travels throughout the user's mouth. The hands-free musical instrument apparatus can be employed to give individual users the ability to modulate sounds that are generated by the apparatus or an external source. The device functions as a musical instrument and helps facilitate musical improvisation and sound effect creation.	November 8, 2017	August 25, 2020	USA

## Licenses

Licensor	Licensee	Description of Rights Granted
Pete Ho	ElectroSpit Inc.	Licensor licenses the following compositions and masters to Company for use in Social Media, Content Marketing, and promoting Company's products and services, including synchronization with video. Investor agrees that no additional fees or payments shall be due from Company for these uses. Licensed Compositions: "Now is so last year" "No Chutes" "Central Navigation"
Lance Coleman	Music Compositions	MUSIC LICENSE Contractor hereby retroactively licenses the following Compositions and Masters to Company for use in Social Media, Content Marketing, and promoting Company's products and services, including synchronization with video. Contractor agrees that no additional fees or payments shall be due from Company for these uses. Company shall not license Compositions and Masters to third parties for non-promotional use without Contractor's consent. Licensed Compositions: "Now is so last year" "No Chutes" "Central Navigation"

All other intellectual property is in the form of trade secrets, licenses, business methods and know-how and is protected through intellectual assignment and confidentiality agreements with Company employees, advisors and consultants.

## Domain Names

The Company owns the <https://electrospit.com> domain name.

**Governmental/Regulatory Approval and Compliance**

The Company is subject to and affected by the laws and regulations of U.S. federal, state and local governmental authorities. These laws and regulations are subject to change.

**Litigation**

The Company is not subject to any current litigation or threatened litigation.

## DIRECTORS, OFFICERS, MANAGERS AND KEY PERSONS

The directors, officers, managers and key persons of the Company are listed below along with all positions and offices held at the Company and their principal occupation and employment responsibilities for the past three (3) years.

Name	Positions and Offices Held at the Company	Principal Occupation and Employment Responsibilities for the Last Three (3) Years	Education
Bosco Kante	CEO, Co-Founder and Director	CEO, ElectroSpit Inc., 2017— Present  Responsible for business strategy, product management, engineering, and general CEO responsibilities	University of Southern California, B.S., Mechanical Engineering, 1994
Maya Kante	CMO, Secretary and Co-Founder and Director	CMO, ElectroSpit Inc., 2017— 2020, 2021- Present  Responsible for business strategy, marketing, and general CMO and Secretary responsibilities	University of California, Berkeley, B.A., Sociology, 1998

### Biographical Information

Bosco Kante: Bosco is the CEO and Co-Founder of the Company. He is a Grammy winning producer, talk box artist and USC-trained Mechanical Engineer. His vast network of music influencers and intimate knowledge of the tech and customer value propositions provide the Company with a unique advantage in crafting innovative music creation hardware/software.

Maya Kante: Maya is the CMO and Co-Founder of the Company. She is also a Business Strategist, a UC-Berkeley grad, and a Certified Spiritual Life Coach who has led online, offline, and live-event marketing campaigns for lifestyle brands, top-selling beer and wine makers, and musical artists. Maya built the Company's online presence, developed branding and collateral, and drove the Company's hugely successful Kickstarter campaign, achieving the Company's fundraising goal in the first 48 hours.

### Indemnification

Indemnification is authorized by the Company to directors, officers or controlling persons acting in their professional capacity pursuant to Delaware law. Indemnification includes expenses such as attorney's fees and, in certain circumstances, judgments, fines and settlement amounts actually paid or incurred in connection with actual or threatened actions, suits or proceedings involving such person, except in certain circumstances where a person is adjudged to be guilty of gross negligence or willful misconduct, unless a court of competent jurisdiction determines that such indemnification is fair and reasonable under the circumstances.

### Employees

The Company currently has 4 employees. The Company also utilizes independent contractors and advisors.

## CAPITALIZATION, DEBT AND OWNERSHIP

### Capitalization

The Company's authorized capital stock consists of 10,000,000 shares of common stock, par value \$0.00001 per share (the "**Common Stock**"). At the closing of this Offering, assuming only the Target Offering Amount is sold, 7,333,333 shares of Common Stock will be issued and outstanding.

### *Outstanding Capital Stock*

As of the date of this Form C-AR, the Company's outstanding capital stock consists of:

Type	Common Stock
Amount Outstanding	7,333,333
Par Value Per Share	\$0.00001
Voting Rights	1 vote per share
Anti-Dilution Rights	None
How this security may limit, dilute or qualify the Security issued pursuant to Regulation CF	The Company may issue additional shares of Common Stock at a later date. The issuance of such additional shares of Common Stock would be dilutive, and could adversely affect the value of the Securities issued pursuant to Regulation CF.

### *Outstanding Options, Safes, Convertible Notes, Warrants*

As of the date of this Form C-AR, the Company has the following additional securities outstanding:

Type	Simple Harmonious Agreement for Revenue and Equity ("SHARE Note")
Amount Outstanding	\$65,000
Voting Rights	None until conversion
Anti-Dilution Rights	Yes
Other Rights	1. Converts into Preferred Stock upon Equity Financing* 2. Valuation Cap of \$2 million 3. Varying revenue sharing percentages between 0.3% and 0.75% 4. Maximum revenue multiple of 3
How this security may limit, dilute or qualify the Security issued pursuant to Regulation CF	The Company may issue additional SHARE Notes which may dilute the Security.

<b>Type of security</b>	Startup Equity Agreement
<b>Amount outstanding</b>	N/A
<b>Voting Rights</b>	In the event of conversion to Common Stock, the stockholder would receive voting rights equivalent to other Common Stockholders
<b>Anti-Dilution Rights</b>	Agreement to allocate a percentage of equity as follows: (a) 2% equity in the Company's fully-diluted capital stock upon completion of a Series A Preferred Stock financing; or (b) 2.5% equity of the Company's fully-diluted capital stock upon an acquisition, initial public offering, or another form of exit or change of control, whichever occurs first.
<b>How this security may limit, dilute or qualify the Security issued pursuant to Regulation CF</b>	The Company may issue additional Startup Equity Agreements which may dilute the Security.

<b>Type</b>	MicroVentures SAFE (Simple Agreement for Future Equity)
<b>Face Value</b>	\$62,531
<b>Voting Rights</b>	The holders of SAFEs are not entitled to vote.
<b>Anti-Dilution Rights</b>	None
<b>Material Terms</b>	Valuation cap of \$5,000,000 and a Discount of 20%  Automatic conversion upon equity financing of \$1 million or more in gross proceeds to the Company
<b>How this security may limit, dilute or qualify the Security issued pursuant to Regulation CF</b>	The Company may issue additional SAFEs which may dilute the Security.

<b>Type</b>	SAFE (Simple Agreement for Future Equity)
<b>Face Value</b>	\$10,000
<b>Voting Rights</b>	The holders of SAFEs are not entitled to vote.
<b>Anti-Dilution Rights</b>	None
<b>Material Terms</b>	Valuation cap of \$8,000,000
<b>How this security may limit, dilute or qualify the Security issued pursuant to Regulation CF</b>	The Company may issue additional SAFEs which may dilute the Security.

Type	Impact Note
Face Value	\$250,000
Voting Rights	The holders of Impact Notes are not entitled to vote.
Anti-Dilution Rights	None
Material Terms	Valuation cap of \$6,000,000 or a Discount of 20% Most Favored Nations Clause
How this security may limit, dilute or qualify the Security issued pursuant to Regulation CF	The Company may issue additional Impact Notes which may dilute the Security.

Type	Crowd SAFE Reg CF Offering (Simple Agreement for Future Equity)
Face Value	\$136,226*
Voting Rights	The holders of SAFEs are not entitled to vote.
Anti-Dilution Rights	None
Material Terms	Valuation cap of \$8,000,000; Discount of 20%
How this security may limit, dilute or qualify the Security issued pursuant to Regulation CF	The Company may issue additional SAFEs which may dilute the Security.

\*Includes \$2,671 in Crowd SAFEs issued to the intermediary.

### Outstanding Debt

The Company has the following debt outstanding:

Type	Loan from KIVA
Amount Outstanding	\$4,200
Interest Rate and Amortization Schedule	0% interest Monthly payments of 416.67
Description of Collateral	Unsecured
Other Material Terms	N/A
Maturity Date	February 14, 2025



## Previous Offerings of Securities

We have made the following issuances of securities within the last three years:

Security Type	Principal Amount of Securities Sold	Amount of Securities Issued	Use of Proceeds	Issue Date	Exemption from Registration Used or Public Offering
MicroVenture Crowd Note	\$62,531	188	General Marketing; Manufacturing	October 1, 2019	Regulation CF
SAFE (Simple Agreement for Future Equity)	\$10,000	1	General Working Capital	July 1, 2021	Section 4(a)(2)
Impact Note	\$250,000	1	General Working Capital	December 6, 2021	Section 4(a)(2)
Crowd SAFE (Simple Agreement for Future Equity)	\$136,226*	263	Product Development and General Working Capital	December 29, 2022	Reg. CF

\*Includes \$2,671 in Crowd SAFEs issued to the intermediary.

See the section titled “*Capitalization, Debt and Ownership*” for more information regarding the securities issued in our previous offerings of securities.

## Ownership

The table below lists the beneficial owners of twenty percent (20%) or more of the Company’s outstanding voting equity securities, calculated on the basis of voting power, are listed along with the amount they own.

Name	Amount and Type or Class Held	Percentage Ownership (in terms of voting power)
Maya Kante	3,333,333 shares of Common Stock	45.45%
Bosco Kante	4,000,000 shares of Common Stock	54.55%

## FINANCIAL INFORMATION

Please see the financial information listed on the cover page of this Form C-AR and in the financial statements attached hereto as Exhibit B, in addition to the following information.

### Operations

ElectroSpit Inc. (the “**Company**”) was incorporated on November 15, 2017 under the laws of the State of Delaware, and is headquartered in Oakland, CA.

### Cash and Cash Equivalents

As of March 31, 2023, the Company had an aggregate of approximately \$92,998 in cash and cash equivalents, leaving the Company with 10 months of runway. Runway is calculated by dividing cash-on-hand by average monthly net loss (if any).

### Liquidity and Capital Resources

In December 2022, the Company completed an offering pursuant to Regulation CF and raised \$133,555.

### Capital Expenditures and Other Obligations

The Company does not intend to make any material capital expenditures in the near future.

### Valuation

The Company has ascribed no valuation to the Company; the securities are priced arbitrarily.

### Material Changes and Other Information

#### *Trends and Uncertainties*

After reviewing the above discussion of the steps the Company intends to take, potential Investors should consider whether achievement of each step within the estimated time frame will be realistic in their judgment. Potential Investors should also assess the consequences to the Company of any delays in taking these steps and whether the Company will need additional financing to accomplish them.

The financial statements are an important part of this Form C-AR and should be reviewed in their entirety. Please see the financial statements attached as Exhibit B.

#### *Restrictions on Transfer*

Any Securities sold pursuant to Regulation CF being offered may not be transferred by any Investor of such Securities during the one-year holding period beginning when the Securities were issued, unless such Securities are transferred: (1) to the Company; (2) to an accredited investor, as defined by Rule 501(d) of Regulation D promulgated under the Securities Act; (3) as part of an IPO; or (4) to a member of the family of the Investor or the equivalent, to a trust controlled by the Investor, to a trust created for the benefit of a member of the family of the Investor or the equivalent, or in connection with the death or divorce of the Investor or other similar circumstances. “Member of the family” as used herein means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother/father/daughter/son/sister/brother-in-law, and includes adoptive relationships. Each Investor should be aware that although the Securities may legally be able to be transferred, there is no guarantee that another party will be willing to purchase them.

In addition to the foregoing restrictions, prior to making any transfer of the Securities or any capital stock into which they are convertible, such transferring Investor must either make such transfer pursuant to an effective registration statement filed with the SEC or provide the Company with an opinion of counsel reasonably satisfactory to the Company stating that a registration statement is not necessary to effect such transfer.

In addition, the Investor may not transfer the Securities or any capital stock into which they are convertible to any of the Company’s competitors, as determined by the Company in good faith.

Furthermore, upon the event of an IPO, the capital stock into which the Securities are converted will be subject to a lock-up period and may not be lent, offered, pledged, or sold for up to 180 days following such IPO.

## **TRANSACTIONS WITH RELATED PERSONS AND CONFLICTS OF INTEREST**

From time to time the Company may engage in transactions with related persons. Related persons are defined as any director or officer of the Company; any person who is the beneficial owner of twenty percent (20%) or more of the Company's outstanding voting equity securities, calculated on the basis of voting power; any promoter of the Company; any immediate family member of any of the foregoing persons or an entity controlled by any such person or persons.

The Company has conducted the following transactions with related persons:

- (1) On January 1, 2021, KSP, an entity owned by Bosco Kante, the CEO of the Company, loaned the Company \$3,661. The payback terms were open and interest free. This loan was paid off in June 2022.
- (2) Win Win Every Time, LLC (WWET), owned by the son of the Company's Co-Founders, Bosco Kante and Maya Kante, and managed by Bosco and Maya Kante, provides certain assembly services to the Company. The Company paid Win Win Every Time, LLC approximately \$33,250 year in 2022 and 30,000 in 2021 for assembly services. The Company does not have an outstanding balance with Win Win Every Time, LLC as of the date of the filing of this Form C-AR.
- (3) On January 1, 2021, the Company received a loan from WWET in the amount of \$47,613. The payback terms of the loan were open and interest-free. The Company paid off this WWET loan in 2022.
- (4) In 2022, the Company paid certain expenses of Hip Hop Soul, an entity owned by Bosco Kante, the Co-Founder of the Company, which totaled \$11,857. The payback terms of the advance were open and interest-free. This loan is expected to be paid back to Hip Hop Soul to the Company in 2023.

**EXHIBIT B**  
**FINANCIALS (UNAUDITED)**  
**(EXHIBIT B TO FORM C-AR)**  
**April 26, 2023**

**ELECTROSPIT INC.**



	ElectroSpit Inc.		
	<b>Income Statement for Year Ending December 31, 2022</b>		
	(unaudited)		
	<b>Sales</b>		
	Sales Revenue	\$ 140,954.26	
	Total Sales Revenue	\$ 140,954.26	
	<b>Cost of Goods Sold</b>		
	COGS	\$ 86,832.11	
	Total Cost of Goods Sold	\$ 86,832.11	
	<b>Gross Profit</b>	\$ 54,122.15	
	<b>Advertising</b>		
	Advertising & Marketing	\$ 60,173.59	
	Total Advertising & Marketing	\$ 60,173.59	
	<b>Operating Expenses</b>		
	CA State Taxes	\$ 425.00	
	Interest Expense	\$ 319.35	
	Office Expense	\$ 8,594.57	
	Payroll Expenses	\$ 28,415.49	
	Licenses, Taxes & Permits	\$ 283.53	
	Total Operating Expenses	\$ 38,037.94	
	<b>General &amp; Administrative</b>		
	General & Administrative	\$ 148,922.78	
	Total General & Administrative Expenses	\$ 148,922.78	
	Total Expenses	\$ 247,134.31	
	<b>Other Income</b>		
	Grant Income	20,000.00	
	Other Income	\$ 18,293.84	
	Total Other Income	38,293.84	
	<b>Other Expenses</b>		
	Other Expenses	\$ 1,555.85	
	Total Other Expenses	\$ 1,555.85	
	Net Other Income / (Loss)	\$ 36,737.99	
	<b>Net Operating Income/(Loss)</b>	(193,012.16)	
	<b>Net Income / (Loss)</b>	(156,274.17)	
	Mon, April 24, 2023 4:53 PM		

ElectroSpit Inc.					
Balance Sheet as of December 2022					
(unaudited)					
Current Assets					
Cash				\$	44,702.82
Inventory				\$	44,616.90
Accounts Receivable				\$	121,692.08
Total Current Assets				\$	211,011.80
Other Assets					
Loan to WWET				\$	11,857.32
Total Other Assets				\$	11,857.32
Fixed Assets					
Property, Plant and Equipment					29,728.05
Accumulated Depreciation					(13,802.31)
Total Fixed Assets				\$	15,925.74
Intangible Assets					
Patent				\$	9,550.00
Music License				\$	5,025.00
Service Mark				\$	9,975.00
Accumulated Amortization				-\$	10,595.17
Total Intangible Assets				\$	13,954.83
Total Assets				\$	252,749.69
Liabilities					
Current Liabilities					
Accounts Payable				\$	4,640.00
Payroll Liabilities				\$	99.71
State Equalization				\$	5,407.92
Credit Cards				\$	11,525.11
Deferred Manufacturing				\$	10,470.00
Total Current Liabilities				\$	32,142.74
Long Term Liabilities					
ICA Fund Loan				\$	250,000.00
KIVA Loan				\$	4,200.01
Total Long Term Liabilities				\$	254,200.01
Total Liabilities				\$	286,342.75
Stockholders' Equity					
Common Stock					
8,000,000 shares common stock authorized, par value \$0.00001					
7,333,333 shares issued and outstanding				\$	73.33
APIC Revenue SHARES				\$	65,000.00
APIC SAFES				\$	194,223.08
Retained Earnings				-\$	136,615.30
Net Income/(Loss)					(156,274.17)
Total Stockholders' Equity					(33,593.06)
Total Liabilities and Stockholders' Equity					\$252,749.69
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