

**ESEMBLY INC.**  
a Delaware corporation

**\$349,998.60 Regulation Crowdfunding Offering**

17,535 Common Shares  
\$19.96 per Share

July 2018

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**A CROWDFUNDING INVESTMENT INVOLVES RISK. INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS YOU CAN AFFORD TO LOSE YOUR ENTIRE INVESTMENT.**

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED OR APPROVED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT OR ANY OTHER OFFERING MATERIALS PROVIDED TO INVESTORS.**

**THE U.S. SECURITIES AND EXCHANGE COMMISSION DOES NOT PASS UPON THE MERITS OF ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE ACCURACY OF COMPLETENESS OF ANY OFFERING DOCUMENT OR LITERATURE.**

**THESE SECURITIES ARE OFFERED UNDER AN EXEMPTION FROM REGISTRATION; HOWEVER, THE U.S. SECURITIES AND EXCHANGE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THESE SECURITIES ARE EXEMPT FROM REGISTRATION.**

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## **PROCEDURES**

The offering materials being accessed by you (the "Offering Materials") on the Company's profile page (located at <https://localstake.com/businesses/sembly-inc>) (the "Company Offering Profile") relate to the offer and sale of Class A and Class B Common Shares of the Company (the "Class A Common Shares" and "Class B Common Shares", respectively, and collectively, the "Common Shares"). Esembly Inc, a corporation organized in Delaware (the "Company"). The Company is seeking to raise between a minimum of \$99,999 (the "Minimum Offering Amount") and a maximum of \$349,998 (the "Maximum Offering Amount") from potential investors (each, an "Investor" and collectively, the "Investors") through the offer and sale of the Common Shares.

The Offering shall be available to potential Investors until the final closing of the sale and purchase of the Common Shares (the "Final Closing"), which will occur upon the earlier of (i) the date the Company has closed on the purchase and sale of Common Shares for the Maximum Offering Amount, (ii) 12 months from the date the Offering was initiated, or (iii) the Company terminates the Offering in its sole and absolute discretion (the "Termination Date").

The Common Shares are offered by the Company on a best efforts, minimum-maximum basis as specified herein. As such, the Offering is contingent upon the Company's receipt of the Minimum Offering Amount prior to the Termination Date. All funds received from Investors will be held in an escrow account (the "Escrow Account") established with Kingdom Trust Company (the "Escrow Agent") until the Minimum Offering Amount has been satisfied. Once the Minimum Offering Amount has been received by the Escrow Agent in the Escrow Account, pursuant to the terms of the Escrow Agreement and provided that i) the Company has provided advance written notice to Investors of at least five (5) business days, ii) the Offering has been available on the Company Offering Profile for a minimum of twenty-one (21) days, iii) there has been no material change that would require an extension of the Offering and reconfirmation of the investment commitment, and iv) the Escrow Account continues to meet the Minimum Offering Amount at the end of the five business day period after Investors have been notified of the closing, the Escrow Agent will initiate the transfer of Investor funds (net of the placement fee to be paid to the placement agent, Localstake Marketplace LLC (the "Placement Agent"), on such amounts) from the Escrow Account to a deposit account maintained by the Company (the "Initial Closing"), which funds shall constitute net proceeds usable by the Company for the purposes outlined in the Offering Materials. After the Initial Closing, additional Investor funds will be held in the Escrow Account until, and at such time as, the Placement Agent chooses to, in its sole discretion, direct the Escrow Agent to release the additional Investor funds, (each a "Closing"), to be facilitated using the same procedures identified herein for the Initial Closing. The Company will continue to accept investment commitments up until the occurrence of the Final Closing.

If the Minimum Offering Amount is not received by the Company into the Escrow Account prior to the Termination Date of the Offering, no Common Shares will be sold in the Offering, and the Offering will not be consummated. All investment

commitments will be cancelled and the Escrow Agent will initiate a return of any Investor funds deposited in the Escrow Account to such Investors within ten (10) business days. Investor funds will not earn interest while in escrow and no interest will be returned with Investor funds if the Offering is not consummated. Any Common Shares subscribed for by control persons of the Company or the Placement Agent (or their affiliates or related persons thereof) will not be counted in determining whether the Minimum Offering Amount has been satisfied.

Should a material change be made by the Company to the Offering Materials, including, but not limited to a change to the Termination Date or Minimum Offering Amount, the Company will provide to all Investors who have made investment commitments notice of the material change. If the Investor does not reconfirm his or her investment commitment within five (5) business days of receipt of such notice, the Investor's investment commitment will be cancelled and the Investor will receive a notification verifying that the investment commitment was cancelled, the reason for the cancellation and the refund amount that the Investor should expect to receive. The Escrow Agent will initiate a return of the Investor's funds deposited in the Escrow Account to such Investor within ten (10) business days.

The Company reserves the right to accept, through execution of a countersignature on the Subscription Documents, an Investor's subscription for Common Shares at any time prior to the Termination Date of the Offering and may reject the Subscription Documents based upon the Company's review thereof for any reason or for no reason. Should the Company receive investment commitments for greater than the Maximum Offering Amount, the Company will determine, in its sole discretion, which subscriptions to accept up to the Maximum Offering Amount.

If the Investor has chosen to transfer their investment funds electronically, these funds will be transferred from their linked bank account as specified on the Company Offering Profile to the Escrow Account, forty-eight (48) hours after the Company's acceptance thereof. If the Investor has chosen another form of funds transfer, the Investor will receive a notice containing instructions for transferring funds to the Escrow Account. Investors may cancel their investment commitment in the Common Shares, using the methods made available on the Company Offering Profile, and have their investment funds returned (if applicable) for any reason prior to the Closing applicable to the Investor's investment. If an Investor has not canceled his, her or its investment commitment in the Common Shares prior to such deadline, the Investor's subscription for the Common Shares shall be irrevocable by the Investor, and will be documented through the receipt of an executed copy of the Common Shares, which will also be recorded and maintained on the books of the Company. The Company does not intend to employ the services of a transfer agent.

This Offering is made in reliance upon an exemption from registration under the federal Securities Act of 1933, as amended (the "Securities Act") as set forth in Section 4(a)(6) and in accordance with Section 4A and Regulation Crowdfunding (§ 227.100 et seq.). Regulation Crowdfunding sets forth certain statutory investment limitations for purchasers of securities offered pursuant thereto. The Common Shares will be offered and sold only to persons whose investment in the Common Shares, together with any other investments made in any Regulation Crowdfunding offering during the 12-month period preceding the date of such transaction, does not exceed:

(i) the greater of \$2,200 or 5 percent of the lesser of the investor's annual income or net worth if either the investor's annual income or net worth is less than \$107,000; or (ii) 10 percent of the lesser of the investor's annual income or net worth, not to exceed an amount sold of \$107,000, if both the investor's annual income and net worth are equal to or more than \$107,000 ((i) and (ii) collectively referred to as the "Eligible Investors"). The minimum investment that will be accepted by the Company from an Eligible Investor is \$998 for Class B Common Shares and \$9,999.96 for Class A Common Shares (unless otherwise agreed to by the Company in limited circumstances).

The Company intends to use the net proceeds of this Offering for building inventory, marketing and sales, startup development, and hiring, as explained in further detail on the Funding tab of the Company Offering Profile.

As compensation for Localstake Marketplace LLC's services in connection with the Offering, Localstake Marketplace LLC shall be entitled to receive a placement fee paid by the Company (the "Placement Fee"). Below is a breakdown of the Gross Proceeds, estimated Placement Fee and Net Proceeds for the Offering.

- For Minimum Offering Amount
  - Gross Proceeds: \$99,999
  - Estimated Placement Fee: \$5,000
  - Net Proceeds: \$94,999
- For Maximum Offering Amount
  - Gross Proceeds: \$349,998
  - Estimated Placement Fee: \$17,500
  - Net Proceeds: \$332,498

<sup>(1)</sup> Estimated placement fee payable by the Company to Localstake Marketplace LLC. The Company will pay a Placement Fee of 5.0% on all Gross Proceeds received by the Company from the sale of the Common Shares in the Offering. The resulting aggregate Placement Fee does not include a \$1,000 Offering Preparation fee paid prior to the Offering.

Investors interested in subscribing for the Common Shares will be required to complete and return to the Company an Eligible Investor Questionnaire, Subscription Agreement and counterpart signature page to the Shareholder Agreement (together, the "Subscription Documents"). Payment of the investment amount is preferred via electronic ACH transfer, but may also be made by check or domestic wire. Instructions for each method of payment will be provided upon investment via the Company Offering Profile.

## **DISCLOSURES**

THE COMMON SHARES OFFERED BY THE COMPANY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, NOR ANY APPLICABLE STATE SECURITIES LAWS, IN RELIANCE ON THE EXEMPTION FROM REGISTRATION IN SECURITIES ACT SECTION 4(A)(6) AND IN ACCORDANCE WITH SECTION 4A AND REGULATION CROWDFUNDING (§ 227.100 ET SEQ.). THE INVESTMENT CONTEMPLATED BY THE COMMON SHARES HAS NOT BEEN RECOMMENDED, APPROVED, OR DISAPPROVED BY THE SEC, OR ANY STATE SECURITIES COMMISSION, OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THESE AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE OFFERING MATERIALS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

AN INVESTMENT IN THE COMMON SHARES IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. AN INVESTMENT IN THE COMPANY SHOULD NOT BE MADE BY PERSONS UNABLE TO BEAR THE RISK OF LOSS OF THEIR ENTIRE INVESTMENT OR BY PERSONS WHO MAY HAVE A NEED FOR LIQUIDITY FROM THEIR INVESTMENT. IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED. LIKE ALL INVESTMENTS, AN INVESTMENT IN THE COMPANY INVOLVES THE RISK OF THE LOSS OF CAPITAL, AND THE COMMON SHARES SHOULD NOT BE PURCHASED BY ANYONE WHO CANNOT AFFORD THE LOSS OF HIS, HER OR ITS ENTIRE INVESTMENT. INVESTORS MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE COMPANY FOR AN INDEFINITE PERIOD OF TIME AND BE ABLE TO WITHSTAND A TOTAL LOSS OF THEIR INVESTMENT. INVESTORS ARE ENCOURAGED TO CONSULT THEIR OWN INVESTMENT OR TAX ADVISORS, ACCOUNTANTS, LEGAL COUNSEL, OR OTHER ADVISORS TO DETERMINE WHETHER AN INVESTMENT IN THE COMMON SHARES IS APPROPRIATE.

THE COMMON SHARES WILL NOT BE SOLD TO AN INVESTOR UNTIL SUCH INVESTOR DELIVERS AN EXECUTED REPRESENTATION, AS CONTAINED IN THE ELIGIBLE INVESTOR QUESTIONNAIRE AND SUBSCRIPTION AGREEMENT THAT HE, SHE OR IT IS AN ELIGIBLE INVESTOR AND MEETS CERTAIN STANDARDS. PERSONS WHO ARE NOT ELIGIBLE INVESTORS ARE NOT PERMITTED TO INVEST. THE FACT THAT A PERSON IS AN ELIGIBLE INVESTOR REPRESENTS THE MINIMUM SUITABILITY REQUIREMENT FOR AN INVESTOR, AND COMPLIANCE WITH SUCH STANDARDS DOES NOT NECESSARILY INDICATE THAT THIS WOULD BE A SUITABLE INVESTMENT FOR SUCH PERSON.

THE COMPANY WILL HAVE THE RIGHT TO REFUSE ANY SUBSCRIPTION IN ITS SOLE DISCRETION AND FOR ANY REASON (OR NO REASON), INCLUDING THE COMPANY'S BELIEF THAT AN INVESTOR DOES NOT MEET THE APPLICABLE SUITABILITY REQUIREMENTS OR THAT EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF ANY APPLICABLE JURISDICTION ARE NOT AVAILABLE WITH RESPECT TO THE ISSUANCE OF THE COMMON SHARES TO ANY INVESTOR UNDER THIS OFFERING. THE COMPANY MAY MAKE OR CAUSE TO BE MADE SUCH FURTHER INQUIRY AND OBTAIN SUCH ADDITIONAL INFORMATION AS IT DEEMS

APPROPRIATE WITH REGARD TO THE SUITABILITY OF INVESTORS. THE COMPANY RESERVES THE RIGHT TO MODIFY THE SUITABILITY STANDARDS WITH RESPECT TO CERTAIN INVESTORS IN ORDER TO COMPLY WITH ANY APPLICABLE STATE OR LOCAL LAWS, RULES, REGULATIONS OR OTHERWISE.

THE COMMON SHARES OFFERED BY THE COMPANY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, NOR ANY APPLICABLE STATE SECURITIES LAWS, IN RELIANCE ON THE EXEMPTION FROM REGISTRATION IN SECURITIES ACT SECTION 4(A)(6) AND IN ACCORDANCE WITH SECTION 4A AND REGULATION CROWDFUNDING (§ 227.100 ET SEQ.). AS A RESULT, THE COMMON SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD BY ANY INVESTOR IN THE COMMON SHARES DURING THE ONE-YEAR PERIOD BEGINNING WHEN THE COMMON SHARES WERE ISSUED, UNLESS THE COMMON SHARES ARE TRANSFERRED (I) TO THE COMPANY; (II) TO AN ACCREDITED INVESTOR AS DEFINED IN RULE 501(A) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT; (III) AS PART OF AN OFFERING REGISTERED WITH THE SEC; OR (IV) 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 CIRCUMSTANCE. THE TERM "MEMBER OF THE FAMILY OF THE INVESTOR OR THE EQUIVALENT" INCLUDES A CHILD, STEPCHILD, GRANDCHILD, PARENT, STEPPARENT, GRANDPARENT, SPOUSE OR SPOUSAL EQUIVALENT, SIBLING, MOTHER-IN-LAW, FATHER-IN-LAW, SON-IN-LAW, DAUGHTER-IN-LAW, BROTHER-IN-LAW, OR SISTER-IN-LAW OF THE INVESTOR, AND INCLUDES ADOPTIVE RELATIONSHIPS. THE TERM "SPOUSAL EQUIVALENT" MEANS A COHABITANT OCCUPYING A RELATIONSHIP GENERALLY EQUIVALENT TO THAT OF A SPOUSE. IN ADDITION, THERE IS NO MARKET FOR THE COMMON SHARES BEING OFFERED AND THE COMPANY DOES NOT EXPECT THAT ANY MARKET WILL BE DEVELOPED IN THE FORESEEABLE FUTURE.

THE OFFERING MATERIALS (TOGETHER WITH ANY AMENDMENTS OR SUPPLEMENTS AND ANY OTHER INFORMATION THAT MAY BE FURNISHED BY THE COMPANY) INCLUDES OR MAY INCLUDE CERTAIN FORWARD-LOOKING STATEMENTS, ESTIMATES, AND PROJECTIONS WITH RESPECT TO THE COMPANY'S ANTICIPATED FUTURE PERFORMANCE. EXAMPLES OF FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS REGARDING THE COMPANY'S FUTURE SALES, PURCHASE ORDERS, FINANCIAL RESULTS, OPERATING RESULTS, ACQUISITIONS, BUSINESS AND MONETIZATION STRATEGIES, PROJECTED COSTS, REVENUES, PRODUCTS, COMPETITIVE POSITIONS AND PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS. IN SOME CASES, FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "WOULD," "EXPECTS," "PLANS," "ANTICIPATES," "BELIEVES," "ESTIMATES," "PREDICTS," "POTENTIAL," "CONTINUE," OR THE NEGATIVE OF THESE TERMS OR OTHER COMPARABLE TERMINOLOGY. SUCH FORWARD-LOOKING STATEMENTS, ESTIMATES, AND PROJECTIONS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND REFLECT VARIOUS ASSUMPTIONS OF THE COMPANY'S MANAGEMENT THAT MAY OR MAY NOT PROVE CORRECT AND

INVOLVE VARIOUS RISKS AND UNCERTAINTIES OVER WHICH THE COMPANY MAY HAVE NO INFLUENCE OR CONTROL. NO INDEPENDENT PARTY HAS VERIFIED OR CONFIRMED THE REASONABLENESS OF THE ASSUMPTIONS THAT FORM THE BASIS OF THE FORECASTS. THESE AND MANY OTHER FACTORS COULD AFFECT THE COMPANY'S FUTURE FINANCIAL AND OPERATING RESULTS, AND COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM EXPECTATIONS BASED ON FORWARD-LOOKING STATEMENTS MADE IN THE OFFERING MATERIALS OR ELSEWHERE BY THE COMPANY (OR ON ITS BEHALF). THE LIKELIHOOD OF THE COMPANY'S SUCCESS MUST BE CONSIDERED IN LIGHT OF THE PROBLEMS, EXPENSES, DIFFICULTIES, COMPLICATIONS, AND DELAYS FREQUENTLY ENCOUNTERED IN CONNECTION WITH GROWING A STARTUP BUSINESS. THERE CAN BE NO ASSURANCE THAT THE COMPANY WILL GENERATE ANY PARTICULAR LEVEL OF REVENUE OR WILL BE ABLE TO CONTINUE TO OPERATE PROFITABLY.

ONLY THE INFORMATION EXPRESSLY SET FORTH IN THE OFFERING MATERIALS OR CONTAINED IN DOCUMENTS FURNISHED BY THE COMPANY UPON REQUEST MAY BE RELIED UPON IN CONNECTION WITH THIS OFFERING. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THE OFFERING MATERIALS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. ACCESS TO THE OFFERING MATERIALS AT THIS TIME DOES NOT IMPLY THAT INFORMATION THEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THIS DATE.

THE OFFERING MATERIALS PROVIDED TO INVESTORS DO NOT PURPORT TO BE ALL-INCLUSIVE OR CONTAIN ALL OF THE INFORMATION THAT YOU MAY DESIRE IN INVESTIGATING THE COMPANY. YOU MUST RELY ON YOUR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED IN MAKING AN INVESTMENT IN THE COMMON SHARES. PRIOR TO MAKING AN INVESTMENT DECISION, YOU SHOULD CONSULT YOUR OWN COUNSEL, ACCOUNTANTS, AND OTHER ADVISORS AND CAREFULLY REVIEW AND CONSIDER ALL OF THE OFFERING MATERIALS PROVIDED AND THE OTHER INFORMATION THAT YOU ACQUIRE. YOU SHOULD NOT CONSTRUE ANY STATEMENTS MADE IN THE OFFERING MATERIALS PROVIDED AS INVESTMENT, TAX OR LEGAL ADVICE.

THE COMPANY WILL MAKE AVAILABLE TO YOU, UPON REQUEST, COPIES OF MATERIAL AGREEMENTS AND OTHER DOCUMENTS RELATING TO THE COMPANY AND WILL AFFORD YOU THE OPPORTUNITY TO ASK QUESTIONS AND RECEIVE ANSWERS FROM THE COMPANY CONCERNING ITS BUSINESS AND FINANCIAL CONDITION. THE COMPANY WILL ALSO PROVIDE YOU AN OPPORTUNITY TO MEET WITH OR SCHEDULE A PHONE CONVERSATION WITH REPRESENTATIVES OF THE COMPANY TO OBTAIN OTHER ADDITIONAL INFORMATION.

THE OFFERING MATERIALS DO NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITY IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED. EXCEPT AS OTHERWISE INDICATED, THE OFFERING MATERIALS

SPEAK AS OF THE DATE THE OFFERING WAS INITIATED. NEITHER ACCESS TO THE OFFERING MATERIALS NOR ANY SALE OF THE COMMON SHARES SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE COMPANY'S AFFAIRS FROM THE DATE THE OFFERING WAS INITIATED.

THE TERMS, CONDITIONS AND RESTRICTIONS OF THE COMMON SHARES ARE FULLY SET FORTH IN THE SHAREHOLDER AGREEMENT, WHICH YOU WILL BE REQUIRED TO EXECUTE IF YOU DECIDE TO INVEST, THE FORM OF WHICH HAS BEEN PROVIDED TO YOU IN THE OFFERING MATERIALS SECTION FOR THIS OFFERING ON THE COMPANY OFFERING PROFILE. YOU SHOULD NOT INVEST UNLESS YOU HAVE COMPLETELY AND THOROUGHLY REVIEWED THE PROVISIONS OF THE SHAREHOLDER AGREEMENT. IN THE EVENT THAT ANY OF THE TERMS, CONDITIONS, OR OTHER PROVISIONS OF THE SHAREHOLDER AGREEMENT ARE INCONSISTENT WITH OR CONTRARY TO THE INFORMATION PROVIDED IN THE OFFERING MATERIALS, THAT AGREEMENT WILL CONTROL. ANY ADDITIONAL INFORMATION OR REPRESENTATIONS GIVEN OR MADE BY THE COMPANY IN CONNECTION WITH THE OFFERING, WHETHER ORAL OR WRITTEN, ARE QUALIFIED IN THEIR ENTIRETY BY THE INFORMATION SET FORTH IN THE OFFERING MATERIALS, INCLUDING, BUT NOT LIMITED TO, THE RISKS OF INVESTMENT.

THE OFFER OF THE COMMON SHARES BY THE COMPANY IS SUBJECT TO PRIOR SALE AND CERTAIN OTHER CONDITIONS. THE COMPANY RESERVES THE RIGHT, IN THE COMPANY'S SOLE DISCRETION AND FOR ANY REASON, TO WITHDRAW, CANCEL, OR MODIFY THE OFFERING AND TO ACCEPT OR REJECT SOME OR ALL OF ANY PROSPECTIVE INVESTMENT. THE COMPANY WILL HAVE NO LIABILITY TO ANY INVESTOR IN THE EVENT THAT THE COMPANY TAKES ANY OF THESE ACTIONS.

EACH INVESTOR'S SUBSCRIPTION FOR AND PURCHASE OF THE COMMON SHARES IS GOVERNED BY, AND SUBJECT TO, THE TERMS AND CONDITIONS OF THE INVESTOR REGISTRATION AGREEMENT ENTERED INTO BETWEEN THE PLACEMENT AGENT AND SUCH INVESTOR, INCLUDING, WITHOUT LIMITATION, THE INVESTMENT LIMITS ESTABLISHED BY THE PLACEMENT AGENT FOR SUCH INVESTOR, THE PLACEMENT AGENT'S RIGHTS TO TERMINATE THE OFFERING OR ANY INVESTOR'S REGISTRATION WITH THE PLACEMENT AGENT.



## **CERTAIN TAX CONSIDERATIONS**

INVESTORS IN THE COMMON SHARES ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF ACQUIRING, OWNING, AND DISPOSING OF, THE COMMON SHARES AS WELL AS THE APPLICATION OF STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX LAWS. ANY FEDERAL TAX DISCUSSION CONTAINED IN THESE OFFERING MATERIALS, INCLUDING ANY ATTACHMENTS, WAS WRITTEN IN CONNECTION WITH THE OFFERING OF THE COMMON SHARES BY THE COMPANY, AND IS NOT INTENDED OR WRITTEN TO BE USED, BY ANYONE FOR THE PURPOSE OF AVOIDING FEDERAL TAX PENALTIES THAT MAY BE IMPOSED BY THE FEDERAL GOVERNMENT. NOTHING IN THESE OFFERING MATERIALS SHALL BE DEEMED TAX OR LEGAL ADVICE BY THE COMPANY OR ITS SHAREHOLDERS.

### **General**

The following discussion summarizes certain material United States federal income tax aspects of the purchase, ownership and disposition of the shares of Common Shares. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Department regulations thereunder, published administrative rulings, and judicial decisions in effect as the date of these Offering Materials. No assurance can be given that future legislative or administrative changes or court decisions will not significantly modify the statements expressed herein. Any such changes may or may not be retroactive with respect to transactions completed prior to the effective dates of such changes.

The following discussion is a general discussion of federal income tax consequences of investing in the Company and does not purport to deal with federal income tax consequences applicable thereto or the federal income tax consequences applicable to all categories of investors which may be subject to special rules (such as banks, insurance companies, tax-exempt entities, retirement plans, dealers in securities, brokers, expatriates, partnerships, other pass-through entities, persons who hold our stock as part of a straddle, hedge, conversion transaction or other integrated investment, persons whose functional currency is not the U.S. dollar, persons subject to the alternative minimum tax or persons deemed to sell our stock under the constructive sale provisions of the Code). This discussion does not address any U.S. state and local or non-U.S. tax considerations relating to the acquisition, ownership and disposition of the Common Shares.

### **Dividends**

Distributions, if any, made to a stockholder with respect to the Common Shares generally will be included in the stockholder's income as ordinary dividend income to the extent of the Company's current or accumulated earnings and profits. A corporate stockholder may qualify for a dividends received deduction. Dividends paid to a non-corporate stockholder on or before will generally be taxed at a reduced maximum marginal tax rate. Distributions in

excess of the Company's current and accumulated earnings and profits will be treated as a return of capital to the extent of the stockholder's basis in the Common Shares and thereafter as gain from a sale or exchange of the Common Shares. Such gain generally will be long-term capital gain if the stockholder's holding period in the Common Shares is more than one year at the time of the distribution. In addition to the foregoing, dividends paid to certain taxpayers who do not participate in the management of the Company and who have income in excess of applicable thresholds (e.g., \$200,000 for single taxpayers and \$250,000 for married taxpayers filing joint returns in 2013) generally will be subject to Medicare tax of 3.8% in addition to income taxes.

### **Gain or loss on disposition**

A stockholder generally will recognize gain or loss upon the sale or exchange of the Common Shares equal to the difference between (1) the amount of cash and the fair market value of any property received upon the sale or exchange and (2) the stockholder's adjusted tax basis in the Common Shares. Such gain or loss generally will be long-term capital gain or loss if the stockholder's holding period in the Common Shares is more than one year at the time of the sale or exchange. Long-term capital gains of non-corporate taxpayers are generally taxed at a reduced maximum marginal tax rate. The deductibility of capital losses is subject to limitations.

### **Qualified Small Business Stock**

Investors in the Company may be able to exclude certain gain upon the sale or exchange of the Common Shares subject to certain requirements contained within Section 1202 of the Code. Section 1202 of the Code allows taxpayers to exclude from income one hundred percent (100%) of the gain upon the sale or exchange of qualified small business stock acquired before January 1, 2014 and fifty percent (50%) of the gain upon the sale or exchange of qualified small business stock acquired after December 31, 2013.

Subject to satisfying certain individual requirements, investors in the Company may be eligible for the Section 1202 exclusion as the Company will undertake reasonable efforts to qualify as a Qualified Small Business under Section 1202. Specifically, the Company is an eligible C corporation, its assets are not expected to exceed \$50 million before or immediately after the issuance of the Common Shares, and at least eighty percent (80%) of the Company's assets are expected to be used in the conduct of one or more qualified businesses as detailed in Section 1202(c)(3).

To be eligible for the Section 1202 exclusion, the taxpayer (i) cannot be a corporate entity, (ii) must hold the stock for at least five years, and (iii) must obtain the stock in an original issuance from the Company. To qualify as an original issuance under Section 1202, the stock must be acquired from the Company for money, property other than stock or as compensation for services provided (other than underwriting). Notwithstanding the foregoing, gain may not be excluded from income if there have been any related or significant redemptions either before or after the stock issuance.

Investors are encouraged to consult their tax or financial advisor if they desire to utilize the Section 1202 exclusion. The analysis regarding current compliance for Section 1202 is complex, and many elements of the test are outside of the Company's control. In any event, compliance with numerous other requirements during the time the investor holds the Common Shares (as noted above) is needed for the investor to qualify for the benefits of Section 1202. Neither the Company nor its directors or officers are making any representations or warranties regarding the Company's current and ongoing compliance with the requirements needed for investors to qualify for the benefits of Section 1202 and in no event shall the Company or any of its directors or officers be liable to any purchaser of Common Shares or any other party for any damages or claims related to such purchaser's inability to qualify for the benefits of Sections 1202, whether as a result of actions or omissions by the Company or such purchaser, or otherwise.

### **General taxation of non-US investors**

Generally, ordinary income received by an Investor who is a nonresident alien individual and who is not engaged in the conduct of a United States trade or business will be subject to the 30% federal withholding tax, unless such tax is reduced or eliminated pursuant to a treaty between the United States and the country where the Investor has his or her tax home. Gain realized on the sale, exchange, or redemption of Common Shares by a nonresident alien individual generally will not be subject to tax by the United States. If a nonresident alien individual is present in the United States for 183 days or more during the year, or if such an Investor is engaged in the conduct of a United States trade or business, then the Investor should consult his or her own tax advisor regarding the tax consequences of holding the Common Shares.

## **COMPANY RISKS**

An investment in the Company involves a high degree of risk, and should be regarded as speculative. Investors should carefully consider these investment risks, among others, in addition to the other information presented in the Offering Materials, in evaluating the Company for investment. The risks listed herein are not a complete list of potential risks facing the Company and it may encounter unexpected risks in the future, which, may adversely affect its performance.

### **Limited operating history**

The Company was founded in January 2015, is an early stage company with limited operating history upon which to evaluate its business and has generated limited revenues to date. The Company is not currently profitable. Although management of the Company currently anticipates that its business strategy will be successful, the Company may not be able to achieve the revenue growth in the coming years necessary to achieve profitability. The Company's prospects also must be considered in light of the risks and difficulties frequently encountered by startup companies in today's business environment. The Company may not be successful in addressing these risks, and the business strategy may not be successful.

### **Unpredictability of future revenues; Potential fluctuation in operating results**

Because the Company has limited operating history, the ability to forecast revenues is limited. The Company's future financial performance and operating results may vary significantly from projected amounts and fluctuate substantially from quarter to quarter due to a number of factors, many of which are likely to be outside of the Company's control. These factors, each of which could adversely affect results of operations and future valuation, include:

- demand for the Company's products and services;
- introduction or enhancement of products and services by the Company and its competitors;
- actual capital expenditures required to bring the Company's products and services to market;
- market acceptance of new products and services of the Company and its competitors;
- price reductions by the Company or its competitors or changes in how products and services are priced;
- the Company's ability to attract, train and retain qualified personnel;
- the amount and timing of operating costs and capital expenditures related to the development and expansion of the Company's business, operations and infrastructure;
- unexpected costs and delays relating to the expansion of operations;
- change in federal or state laws and regulations;
- timing and number of strategic relationships that are established;
- loss of key business partners; and
- fluctuations in general economic conditions.

The projections of the Company's future operating costs are based upon assumptions as to future events and conditions, which the Company believes to be reasonable, but which are inherently uncertain and unpredictable. The Company's assumptions may prove to be incomplete or incorrect, and unanticipated events and circumstances may occur. Due to these uncertainties and the other risks outlined herein, the actual results of the Company's future operations can be expected to be different from those projected, and such differences may have a material adverse effect on the Company's prospects, business or financial condition. Any projections that were prepared or provided by the Company were not prepared with a view toward public disclosure or complying with the published guidelines of the American Institute of Certified Public Accountants or the Securities Exchange Commission regarding projected financial information. Under no circumstances should such information be construed to represent or predict that the Company is likely to achieve any particular results.

#### **Need to establish new and maintain existing customer relationships**

The market for the Company's products and services is rapidly evolving. The Company is unable to predict whether its products and services will continue to satisfy new and existing customer demands or if they will be supplanted by new products and services. To date, the Company has developed limited customer relationships. The Company's efforts to market and sell its services could be significantly affected by competitive and technological developments. If this occurs and if the Company is unable to adapt quickly enough to the change, it may fail to develop additional customer relationships, and maintain those relationships, and its business, financial condition and results of operations could be materially adversely affected.

#### **Need to maintain existing, and develop new products and services**

The success of the Company is dependent upon the Company's ability to maintain a certain level of quality in, and enhance existing products and services as well as to develop and introduce in a timely manner new products and services that incorporate technological advances, keep pace with evolving industry standards, and respond to changing customer requirements. If the Company is unable to develop and introduce new products and services or enhancements in a timely manner in response to changing market conditions or customer requirements, while maintaining a certain level of quality in its existing products and services, the Company's business, financial condition and results of operations would be materially adversely affected.

#### **Reliance on key management employees and future personnel**

The success of the Company is dependent on the efforts of a limited number of key people. The Company has not made plans to purchase key person life insurance. The loss of key personnel could have a serious adverse effect on the Company's prospects, business, operating results, and financial condition. To fulfill its operating plans, the Company's future success also depends on its ability to identify, attract, hire, train, retain and motivate additional personnel to fulfill various roles

within the Company. The failure to attract and retain the necessary personnel could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

#### **No assurances of sufficient financing; Additional capital is required**

Although the Company believes the proceeds of this Offering, along with other planned financings, will provide adequate funding to develop and successfully support its business plans, there can be no assurances that such funds will be adequate. If the Company's cash requirements exceed current expectations, the Company may need to raise additional equity or debt capital, beyond what is being sought with current efforts. There can be no assurance that adequate additional financing on acceptable terms will be available when needed. The unavailability of sufficient financing when needed would have a material adverse effect on the Company and could require the Company to terminate its operations. The Company is in the process of securing additional financing through a separate private offering to provide necessary capital for planned capital expenditures not covered under the Offering. If the Company is unable to close the additional financing on the terms and the timeline that is currently anticipated, the Company's financial and operational results may be adversely affected, and if the Company is left without sufficient capital, Investors could lose all, or a significant portion of, their investment.

#### **Competition from other businesses**

The Company will compete in a competitive market with several established cloth diaper brands including GroVia, Applecheeks, and Bum Genius, as well as providers of single-use diapers. The Company expects competition to increase in the future. If and when the Company expands the scope of its product and service offerings, it may compete with a greater number of companies across a wider range of products and services. Many of the Company's current competitors and potential new competitors may have longer operating histories, greater name recognition, larger client bases and significantly greater financial, technical and marketing resources than the Company. These advantages may allow them to respond more quickly to new or emerging technologies, changes in laws or regulations, and changes in client and/or user requirements. There can be no assurance that the Company will be able to compete successfully in its chosen markets and competitive pressures may materially and adversely affect the Company's business, prospects, financial condition and results of operations. Any significant success of the Company's competitors can damage relationships with its customers and service providers, diminish the Company's market share, and present significant obstacles to the further development of the Company.

#### **Limited ability to protect intellectual property rights**

The Company's business model is partially dependent on proprietary technology. As such, licensing, developing and protecting the proprietary nature of this technology is crucial to the success of the Company. The Company has not yet applied for intellectual property protection through trademarks and patents. The Company will rely on intellectual property laws, which offer only limited protection. Competitors may infringe upon any patents or trademarks that the Company takes out on its proprietary technology. Failure to adequately protect its intellectual

property from current competitors or new entrants to the market could have a material adverse effect on the Company's business, operating results, and financial condition. If the Company resorts to legal proceedings to enforce the Company's intellectual property rights, the proceedings could be burdensome and expensive and could involve a high degree of risk. Additionally, the Company may become subject to third-party claims that it infringed upon their proprietary rights or trademarks. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against the Company or the payment of damages by the Company.

### **Sufficient insurance coverage**

The cost of insurance policies maintained by the Company to protect the Company's business and assets could increase in the future. In addition, some types of losses, such as losses resulting from natural disasters, generally are not insured because they are uninsurable or it is not economically practical to obtain insurance to cover them. Moreover, insurers recently have become more reluctant to insure against these types of events. Should an uninsured loss or a loss in excess of insured limits occur, this could have a material adverse effect on the Company's business, results of operations and financial condition.

### **Control of the Company**

The officers and/or directors comprising the Company's management team will have sole management authority over the business of the Company, regardless of the opposition of Investors to pursue an alternate course of action, except as provided for in the Shareholder Agreement for Shareholders of Class A Common Shares. Investors in Class B Common Shares will have no right to vote with respect to the management or to participate in any decision regarding management of the Company's business.

### **The Company is obligated to indemnify its management**

Executive officers and managers of the Company owe certain duties to the Company they serve in connection with the use of its assets. Executive officers and managers are fiduciaries, and as such are under obligations of trust and confidence to the Company and owners to act in good faith and for the interest of the Company and its owners, with due care and diligence. Notwithstanding the foregoing, the Company is obligated to indemnify officers and managers of the Company for actions or omissions to act by such officers and managers of the Company on behalf of the Company that are authorized under the organizational documents of the Company. In addition, an officer may be entitled to advancement of expenses they may incur associated with or in defense of charges, claims or legal action arising from such person's position as an officer or manager of the Company, which could result in a decrease in the assets available for Investors in certain circumstances. The assets of the Company will be available to satisfy these indemnification obligations. Such obligations will survive dissolution of the Company. There are very limited circumstances under which the management of the Company can be held liable to the Company. Accordingly, it may be very difficult for the Company or any Investor to pursue any form of action against the management of the Company.

**Employees or related third parties may engage in misconduct or other improper activities**

The Company is exposed to the risk that employee fraud or other misconduct could occur. Misconduct by employees could include misappropriation of trade secrets or other intellectual property or proprietary information of the Company or other persons or entities and failing to disclose unauthorized activities. It is not always possible to deter or detect employee misconduct, and the precautions taken to prevent and detect this activity may not be effective in controlling unknown or unmanaged risks or losses. The misconduct of one or more of the Company's employees or key third party partners may have a material adverse effect on the Company's business, results of operations, prospects, and financial condition.

**No audited financial statements**

The Company has not yet sought to have its financial information audited by an independent certified public accountant and there is no assurance that it will do so in the future. All financial information provided in the Offering Materials has been prepared by the Company's management team and has been reviewed, but not audited, by an independent accounting firm.

**Reliance on third parties for product inputs**

The Company will rely on various third parties to provide its product inputs and other goods and services. These third parties may become unable to or refuse to continue to provide these goods and services on commercially reasonable terms consistent with the Company's business practices, or otherwise discontinue a service important for the Company to continue to operate under normal conditions. If the Company fails to replace these goods and services in a timely manner or on commercially reasonable terms, the operating results and financial condition of the Company could be harmed. In addition, the Company exercises limited control over third-party vendors, which increases vulnerability to problems with goods and services those vendors provide. If the goods and services of the third parties were to fail to perform as expected, it could subject the Company to potential liability, adversely affect renewal rates, and have an adverse effect on the Company's financial condition and results of operations.

**The Company may be required to hold certain licenses and permits**

The Company operates in a highly regulated industry as a consumer product manufacturer. While there is no licensing required related to the diapers the Company sells, the Company is pursuing CPSIA certification. In addition, the detergent and skincare products the Company sells require PET and RIPT lab testing which is currently underway. The Company has not yet secured these regulatory certifications. The Company expects to have all certifications in place in the coming months, however there is no guarantee they will be successful in doing so. If the Company is unable to secure these certifications, its financial and operational results may be adversely affected. In addition, future changes in licensing requirements, and any violation of the requirements thereof, could result in fines, a cease and desist



order against the subject operations or even suspension of the Company's operations.

#### **Failure to maintain current lease**

The Company is currently operating out of a location run by an entity under common ownership. The Company plans to continue this arrangement for the foreseeable future. Should the entity under common ownership no longer agree to allow the Company to operate out of this location, or should the location otherwise become unavailable, the Company will need to find a suitable replacement location with a reasonable lease cost. Failure to find a suitable replacement location in this situation may have an adverse material affect on the Company's operational and financial performance.

### **SECURITY RELATED RISKS**

#### **Restrictions on transferability**

The Common Shares offered by the Company have not been registered under the Securities Act, nor any applicable state securities laws, in reliance on the exemption from registration in Securities Act Section 4(a)(6) and in accordance with Section 4A and Regulation Crowdfunding (§ 227.100 et seq.). As a result, the Common Shares are subject to restrictions on transferability and resale and may not be transferred or resold by any Investor in the Common Shares during the one-year period beginning when the Common Shares were issued, unless the Common Shares are transferred (i) to the Company; (ii) to an Accredited Investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act; (iii) as part of an offering registered with the SEC; or (iv) 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 circumstance. The term "member of the family of the Investor or the equivalent" includes a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Investor, and includes adoptive relationships. The term "spousal equivalent" means a cohabitant occupying a relationship generally equivalent to that of a spouse. In addition, there is no market for the Common Shares being offered and the Company does not expect that any market will be developed in the foreseeable future.

#### **Purchase price of the Common Shares may not reflect the value of the Common Shares**

The offering price of the Common Shares has been established by the Directors of the Company and is not necessarily indicative of the value of the Common Shares or the Company's asset value, net worth, or other criteria of value. There can be no assurance that this price accurately reflects the current value of the Common Shares.

**No market; Lack of liquidity**

There currently is no public or other trading market for the Common Shares being offered or any other securities of the Company and there can be no assurance that any market may ever exist for the Common Shares being offered or any other securities of the Company. If a public market does develop, factors such as competitors' announcements about performance, failure to meet securities analysts' expectations, changes in laws, government regulatory action, and market conditions for the industry in which the Company operates in general could harm the price of the Company's publicly traded securities. The Company has no obligation to register the Common Shares being offered or any other securities under the Securities Act or any state securities laws. Investors should be prepared to hold their Common Shares for an indefinite period.

**Investors may not receive a return of their investment amounts and there is no guarantee of return**

Investors will be entitled to receive a return on their investment only through the Common Shares and any distributions received from the Company thereunder. The only source of funds for the repayment of the Investors' investment amounts and a return on such investment amounts is the Company's operations. The return to Investors and the future value of the investment will depend on a number of factors which cannot be predicted at this time and which may be beyond the control of the Company. These include the general, local, and industry-related economic conditions. In the event that the Company does not generate sufficient revenues from operations, the Investors may not receive any return at all and may lose a substantial portion (or possibly all) of their investment amounts. Neither the Company nor the Placement Agent makes any representations or warranties with respect to any return on an investment in the Company. There can be no assurance that an Investor will receive any return on an investment in the Company or realize any profits on such Investor's investment in the Company.

**Withdrawal of capital contributions**

Shareholders may not withdraw their capital contributions, except upon dissolution of the Company or as otherwise provided in the Shareholder Agreement. Otherwise, Shareholders will be entitled to receive a return of their capital contributions only through distributions in accordance with the Shareholder Agreement. The only source of funds for the repayment of Shareholders' capital contributions is the Company's operations. In the event that Company does not generate sufficient cash flow from operations, the Shareholders will not receive a return of their capital contributions.

**No distributions**

The Company has never made any distributions to its Shareholders and does not anticipate making any distributions in the foreseeable future. The Company's current policy is to retain earnings, if any, to provide funds for the operation and expansion of the Company's business.

## **Investors may suffer dilution from future offerings, acquisitions, and grants of incentive shares**

The issuance or sale of additional Common Shares or other equity securities of the Company in connection with acquisitions or additional rounds of equity financing or the issuance of incentive shares of the Company to employees or others will have a dilutive effect on existing Shareholders of the Company. As a result, the percentage ownership of a Shareholder and/or such Shareholder's economic interest in the Company may be reduced in the future. In addition, subsequent investors may demand and receive terms more favorable than the terms of the Common Shares in this Offering. Please see the Capitalization of the Company section for detail on additional proposed capital raises, which may have a diluted effect on the Common Shares being offered in this Offering.

## **Additional corporate actions may have a negative impact on Investors**

Approval of the Shareholders is not required in order for the Company to issue additional shares or enter into any other material transactions. In addition to the issuance of additional shares, if the Company were to repurchase securities and there were fewer shares of common stock outstanding, the Company may not have enough cash available for marketing expenses, growth, or operating expenses to reach its goals. If the Company does not have enough cash to operate and grow, it is anticipated that the market price of the Common Shares would decline. A sale of the Company or of the assets of the Company may result in an entire loss of your investment. The Company cannot predict the market value of the Company or of its assets, and the proceeds of a sale may not be cash, but instead, unmarketable securities, or an assumption of liabilities. The Company currently has negative net worth (liabilities exceed assets) and it is unlikely that in the near term, a sale would result in a premium that is significant enough over book value to generate a return to Investors.

## **CONFLICTS OF INTEREST & RELATED PARTIES**

### **Provision of services by management and their affiliates**

The Company is subject to various conflicts of interest arising out of its relationship with an affiliated entity, Diaper Kind Inc. The Company and Diaper Kind Inc. are under common ownership, with the founders of the Company acting as management of both entities. The management of the Company may have conflicts in allocating time, services and functions of management and staff between and among the Company and any other affiliates in which they may be shareholders and other business ventures in which they are involved. The officials representing management believe that they are fully capable of discharging such responsibilities. Management has stated its intent to transition their roles at Diaper Kind Inc. over to a new management team once the Company is fully operational.

### **Officer loan**

A current officer of the Company holds a loan to the business in a current outstanding amount of \$20,000. There are no interest rates or maturity dates tied to

these loans and the Company does not anticipate the officer holding the loan to pursue repayment in the near term. However, should the officer choose to require the Company to begin payment on the loan, the Company will have to either negotiate with the officer to postpone payment or use cash on hand to begin a repayment schedule on the loan. If the Company does not have sufficient cash on hand to meet a negotiated obligation or is unable to reach satisfactory terms with the officer who holds the loan, the Company's operational and financial performance may be adversely affected.

### **Related party participation in the Offering**

Any securities subscribed for by officers, directors, or affiliates of the Company (or their affiliates or related persons thereof) will not be counted in determining whether the Minimum Offering Amount has been raised in the Offering. At the commencement of this Offering, it is not expected that the officers or directors of the Company will participate in the Offering, however, Diaper Kind Inc., an entity under common ownership with the Company, is expected to participate in the Offering, investing up to \$30,000.

## **CAPITALIZATION AND PREVIOUS SECURITIES OFFERINGS**

### **Capitalization of the Company**

<u>Founder</u>	<u>No./Class of Securities</u>	<u>% of Voting Power</u>
Elizabeth Turrigiano	30,000 Class A Common	30.82%
Sarah Edwards	37,348 Class A Common	38.37%
Marta Baumann	30,000 Class A Common	30.82%

The Company has a Services Agreement with KNOCK Inc., a strategic branding agency, which will issue KNOCK Inc., 12.5% of the equity of the Company upon completion of the services, in the form of Class A Common Shares. The Company is expecting staggered completion dates, with 50% being issued on each date: October 2018 and again in March 2019. Additionally, the Company is currently pursuing outside capital under the exemption from securities registration provided by Regulation D, Rule 506(b). The Company is planning to raise \$100,000 in convertible debt, to be converted to Class A Common Shares at a future date through this separate offering. Please see the Company's Pro Forma Cap Table for additional information.

### **Indebtedness of the Company**

The Company has previously raise debt capital according to the following schedule.

	<u>Date Issued</u>	<u>Amount</u>	<u>Terms</u>
Elizabeth Turrigiano <i>Loan for Services</i>	9/2017	\$20,000	2 years @ 5% interest; payments begin once revenues begin.

Jonathan Edwards <i>Personal loan</i>	7/2017	\$50,000	2 years @ 10% interest upon revenue; \$833.33/mo until then.
KNOCK, Inc. <i>Loan for services</i>	5/2017	\$150,000	5 years @ 5% interest; payments begin 2 years post launch. No interest accrual.

#### Previous securities offerings of the Company

The Company has not previously raised outside equity capital.

#### **DIRECTORS AND OFFICERS OF THE COMPANY**

Elizabeth Henry, President: Liz is a founder of the Company. She also has worked, and continues to work, as a founder of Diaper Kind Inc., a cloth diapering service, since its founding in January 2009.

Sarah Edwards, President: Sarah is a founder of the Company. She also has worked, and continues to work, as a founder of Diaper Kind Inc. since its founding in January 2009.

Marta Douglas-Baumann, President: Marta is a founder of the Company. She also has worked, and continues to work, as a founder of Diaper Kind Inc. since its founding in January 2009.

#### **RELATED PARTY TRANSACTIONS**

A summary of the transactions that have occurred between related parties is provided below. As of the date of this Offering, no transactions have been entered into with Diaper Kind Inc., however Diaper Kind Inc., is planning to invest in this Offering, up to \$30,000.

<u>Founder</u>	<u>Amount Contributed</u>	<u>Date</u>
Elizabeth Turrigiano*	\$10,000	1/2015
Sarah Edwards	\$125,000	7/2018
Sarah Edwards	\$10,000	1/2015
Marta Baumann	\$10,000	1/2015

\*Does not include in-kind service contributions as covered in the Indebtedness of the Company section.

Investors should be aware that the Company's management has the sole authority to enter into transactions with related parties that could increase the indebtedness of the Company or create conflicts of interest associated with the operations of the Company, which could have a materially adverse affect on the Company's operations.

### **PENDING LITIGATION**

Although management is unaware of any threatened or pending litigation against the Company or management, there can be no assurance that future claims will not be asserted and that, even if without merit, the cost to defend against such claims would not be significant, thus having a material adverse effect on the Company's business, financial condition and results of operations. The Company has never filed any lawsuit against any other person or entity, or been the subject of a lawsuit.

### **ONGOING REPORTING REQUIREMENTS**

In addition to the Information Rights provided to investors under the Common Shares, the Company will file a report electronically with the SEC annually and post the report on its website, no later than 120 days after the end of each fiscal year covered by the report. Once posted, the annual report may be found on the Company's website at: [http://www.esemblybaby.com/investor\\_reports](http://www.esemblybaby.com/investor_reports)

The Company must continue to comply with the ongoing reporting requirements until:

1. the Company is required to file reports under Section 13(a) or Section 15(d) of the Exchange Act;
2. the Company has filed at least one annual report pursuant to Regulation Crowdfunding and has fewer than 300 holders of record and has total assets that do not exceed \$10,000,000;
3. the Company has filed at least three annual reports pursuant to Regulation Crowdfunding;
4. the Company or another party repurchases all of the Common Shares issued in this Offering, including payment in full of the Common Shares; or
5. the Company liquidates or dissolves its business in accordance with state law.

### **ADDITIONAL INFORMATION**

The Offering Materials for the Offering are available on the Company Offering Profile at <https://localstake.com/businesses/acropolis-games-llc>. All communications or inquiries relating to these materials or to a possible investment in the Company should be made through the Company Offering Profile.

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