



swapblocks

**SWAPBLOCKS, INC.
(THE “COMPANY”)**

**OFFERING OF COMPANY TOKEN
(THE “TOKEN”)**

**PURSUANT TO RULE 506 OF REGULATION D OF THE
SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)
(THE “OFFERING”)**

**DISCLOSURE NOTEBOOK
AUGUST 10, 2018**

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**SWAPBLOCKS, INC.
TOKEN OFFERING**

TABLE OF CONTENTS

Company Overview	5
Company Management.....	8
Risk Factors	9
Use of Proceeds	17
Terms of the Token Purchase Agreement	18
Plan of Distribution	19
AML/KYC Policy Qualification	21
How to Subscribe.....	22
 IN THE EVENT OF A NETWORK LAUNCH FAILURE, THE COMPANY MAY WIND UP ITS OPERATIONS AND DISTRIBUTE ITS ASSETS TO INVESTORS, INCLUDING HOLDERS OF THE TOKEN, AS MORE FULLY SET FORTH IN THE TOKEN PURCHASE AGREEMENT. A TOKEN HOLDER WHO RECEIVES COMPANY ASSETS IN EXCHANGE FOR ITS RIGHTS UNDER THE TOKEN PURCHASE AGREEMENT GENERALLY SHOULD RECOGNIZE TAXABLE GAIN OR LOSS IN AN AMOUNT EQUAL TO THE DIFFERENCE BETWEEN THE FAIR MARKET VALUE OF THE ASSETS THE TOKEN HOLDER RECEIVES AND ITS ADJUSTED TAX BASIS IN ITS TOKEN (WHICH WILL GENERALLY EQUAL THE AMOUNT OF CASH IT ADVANCED UNDER THE TOKEN PURCHASE AGREEMENT)	23
Securities Law Legends.....	26

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Company Overview

Overview of Swapblocks

Swapblocks, Inc. (“Swapblocks”) is a Delaware corporation, which was incorporated in 2018 by Brandon McPherson (CEO) and Lance Rogers (CTO), the management of Swapblocks. Their biographical descriptions can be found on Page 8 of this Disclosure Notebook.

The primary goal of Swapblocks is to utilize blockchain and cryptographic technology in order to develop a new distributed ledger transaction verification protocol designed to enable asset managers to control the cost associated with transaction verification, data storage and transmission of their managed assets on a public ledger. Ideally, this protocol will allow for centralized, semi-centralized and decentralized control of assets registered on the ledger. Swapblocks implements its protocols, systems, and tools based on open-source technologies and systems and generally publishes its works via white papers, a copy of which can be found at the following link: https://view.publitas.com/swapblocks/swapblocks_wp/page/1

Summary of Swapblocks

Swapblocks is developing a proprietary public blockchain protocol designed as a complement to distributed ledger technology that enables asset managing entities to register and control the transfer of assets on a distributed ledger (the “*Swapblocks Network*”). The Swapblocks Network intends to create a network of clearinghouses, making automated swap transactions between all asset classes possible. If successfully developed, Swapblocks believes that the Swapblocks Network could remove many of the costs associated with hiring expert facilitators, provide a publicly verifiable lineage of each asset, and eliminate the need for two parties to convert to a common currency.

In addition to this Disclosure Notebook, we encourage you to read additional literature found on the Swapblocks webpage, <http://swapblocks.io/>, as well as contact Brandon McPherson, the Swapblocks CEO for additional information you may request to review this Offering.

Why Swapblocks?

Swapblocks believes that successful development of the Swapblocks Network has the potential to create the following features and functions:

- **Asset Management, Exchange and Clearinghouse Functions.** Currently, capital markets operate with significant need for manual validation and intermediation by means of extensive middle and back office resources. The Swapblocks Network will explore opportunities to create a marketplace for participants to operate with increased freedom and efficiency, enable participants to form sub-markets that enable governance based on specific needs associated with a given asset class, geographic location or other distinguishing factors. Moreover, Swapblock's intent to utilize a consortium model with respect to the Swapblocks Network could allow groups of participants to take advantage of the benefits of distributed ledger technology while ensuring assets are traded within the confines of any rules, laws or regulations applicable to that market. A key distinction of the Swapblocks Network will be its ability to allow entities to engage in the digital economy without requiring them to make unreasonable leaps away from existing systems and market needs by integrating the Swapblocks Network with existing technology.
- **Back Office Automation.** Most back-office trading functions that exist today are comprised of three primary functions: settlement; compliance; and, data governance. The Swapblocks Network aims to streamline these functions through the integration of two-party existing systems through the use of blockchain technology, whereby both parties may reference the same transaction on the public ledger. By integrating both parties' back-office systems with the Swapblocks Network, Swapblocks believe that users will be able to more efficiently track and report on transaction settlement.
- **Automated Asset Registration.** The development of the Swapblocks Network by means of a tiered approach to transaction validation has the potential to create opportunities in other markets. If successfully developed, the Swapblocks Network could allow an entity desiring to notate ownership of an asset with an appropriate level of verification. Swapblocks believes that an entity could, at a future state, automatically verify ownership in an asset or a personal record by utilizing a successfully developed Swapblocks Network.

The Swapblocks Network

Swapblocks intends to develop the Swapblocks network by integrating the following high-level functionality and features. *Any such functionality or features are subject to change at any time and may not be developed at all.*

The Swapblocks Network intends to register assets on the network by creating a new asset object containing a unique_id, a pointer to the issuer, an asset_id created by hashing the pointer and unique_id, a prepended weight associated with the number of signatures needed for transactions to be considered valid and a valid_through_date. Once the asset is created, Swapblocks intends to have the asset signed by the issuer and broadcasted to the network as an asset genesis transaction. The issuer may then be able to run a node supporting the network and listening for transactions containing

its managed assets. If a transaction is detected containing a managed asset, the issuer would be able to process the transaction and decide to approve or reject the transaction. This approval could be determined by any pre-set or future case rules determined by the issuer. To approve a transaction the issuer would have to sign the transaction and rebroadcast the transaction to the network. If the transaction were to be signed by the issuer, the transaction would be eligible for the next block. If the issuer does not approve the transaction, it would time out and be cleared from all network nodes.

The Swapblocks Network intends to utilize node APIs in order to enable integration into existing record keeping infrastructure and encourage fast adoption. These features should enable regulated and physical assets to be exchanged as quickly, cheaply and easily as cryptocurrency.

DPOS Blockchain

The Swapblocks Network intends to utilize a Delegated Proof of Stake consensus algorithm to secure the blockchain. The base blockchain used for the Swapblocks Network is intended to be based on ARK in order to allow users to run delegate nodes if elected, vote for delegates, and transfer SBX (as described below) between accounts. Subject to the successful development of the Swapblocks Network, users may be able to register assets, earn additional SBX for running delegate and routing nodes and trade assets registered on the Swapblocks Network.

SBX Tokens

In furtherance of the Swapblocks Network, Swapblocks intends to create native cryptographic tokens (SBX), which it intends to utilize as software licenses used to grant owners certain rights to utilize the Swapblocks Network. These rights may include the right to execute transactions on the Swapblocks Network, and the right to vote for delegates who may be tasked with further developing or securing the blockchain technology in relation to the Swapblocks Network. Swapblocks intends to utilize SBX as a necessary license in order for a user to have access to the Swapblocks Network.

Initial Launch of the Swapblocks Network

At the time of a Qualifying Token Generation event, Swapblocks' goal is for the Swapblocks Network to have the following functionality (the "*Minimum Viable Product*"):

- ***SBX for Users.*** Clients will be able to access the Swapblocks Network and facilitate asset management functions, and pay for the features on the Swapblocks Network. Additionally, they will be able to access and view the public ledger and vote for delegate nodes. This functionality will be available through a web application.
- ***SBX for Developers.*** Developers will be able to access the Swapblocks Network and develop functional nodes on the Swapblocks Network whereby they may receive rewards for developing such nodes. Additionally, they will be able to access and view the public ledger and vote for delegate nodes. This functionality will be available through a web application.

Company Management

Swapblocks maintains a flat organization with distributed leadership, with Brandon McPherson serving as the Chief Executive Officer and Lance Rogers serving as the Chief Technology Offer, each, directors of the Company.

Management Team

Brandon McPherson, CEO

After completing his BBA in finance from Francis Marion University, Brandon spent four years in consumer lending where he joined a small credit union in credit sales and portfolio analysis for consumer and mortgage lending.

Later, after completed his MS in finance with an investments and securities focus from Southern New Hampshire University, Brandon went to work in brokerage analytics for a US bank in the Wealth and Investment Management division, with roles in both portfolio analytics and client analytics.

Lance Rogers, CTO

Lance has vast experience developing software solutions across a range of industries including corporate treasury for a US investment bank. Beyond treasury, his development experience also includes software solutions for a global payment provider.

Risk Factors

The purchase of the Token involves a high degree of risk and should be regarded as speculative. As a result, the Purchaser should be able to withstand a total loss of his, her or its investment. Such Purchaser of the Token should carefully consider, in addition to matters set forth elsewhere in this Disclosure Notebook, the following factors relating to the business of the Company and the Token:

The Purchasers are not holders of capital stock of the Company. The Purchasers are not and will not be entitled, to vote or be deemed the holder of capital stock of the Company for any purpose, nor will anything be construed to confer on the Purchasers any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action or to receive notice of meetings, or to receive subscription rights or otherwise.

Expectation of future losses; early stage corporation. The Company currently is not profitable. The Company anticipates that it will lose money in the foreseeable future and the Company may not be able to achieve profitable operations. In order to achieve profitable operations, the Company needs to complete development, including, but not limited to, creation of its blockchain platform as well as the utility and functionality of any of its cryptographic tokens, and achieve significant sales revenues in order to establish its customer base. The Company cannot be certain that its business will be successful or that it will generate significant revenues and become profitable, or the that Token purchased herein will acquire or possess any future value.

No experience or history of operations or earnings. The Company is wholly dependent on its ability to develop, market and sell its products and services for future earnings. The continued development of the Company's products and services involves significant risks, which a combination of experience, knowledge and careful evaluation may not be able to overcome. There can be no assurance that unanticipated problems will not occur which would result in material delays in the Company's continued product development or that its efforts will result in successful product commercialization, including, but not limited to, the commercialization of its blockchain platform as well as the utility and functionality of any of its cryptographic tokens. A purchase of a Token issued by the Company is *highly speculative* and no assurance can be given that holders of a Token will realize any return on their investment or that they will not lose their entire investment.

Need for additional funding. The Company may have substantial future cash requirements, but no assured financing source to meet such requirements. The Company will continue its development activities which require working capital. The Company's continuing development activities will require a commitment of substantial additional funds. The Company's future capital requirements will depend on many factors, including continued progress in development programs, the magnitude of these programs, the time and costs involved in obtaining any required regulatory approvals, the costs involved in preparing, filing, prosecuting, maintaining and enforcing patents, successful completion of technological, and marketing requirements, and establishing collaborative arrangements, as well as other, currently unforeseen, costs. The Company does not know whether additional financing will be available when needed, or on terms favorable to it or to the holders of the Token. The Company may raise necessary funds through public or private equity offerings, public or private alternative security offerings, debt financings, corporate collaboration arrangements,

or public or private non-security offerings of additional cryptographic tokens (subject to applicable law and regulatory restrictions). To the extent the Company raises additional capital by issuing additional securities, the holders of the Token will most likely experience dilution in the intrinsic value of the Token to the extent the Token holds any such value. If the Company raises funds through debt financings, the Company may become subject to restrictive covenants which could impair the value of the Token. To the extent that the Company raises additional funds through collaboration arrangements, the Company may be required to relinquish some rights to its technologies or product candidates, or grant licenses on terms that are not favorable to it. If adequate funds are not available, the Company may be required to delay, scale back or eliminate its development programs or obtain funds through collaborative partners or others that may require it to relinquish rights to certain of its potential products that the Company would not otherwise relinquish. There can be no assurance that additional financing via any form will be available on acceptable terms or at all, if and when required.

Product development. The market for products and services such as those to be offered by the Company is characterized by rapid technological change, changing customer needs, frequent new product introductions, evolving industry standards, and evolving regulatory environments. These market characteristics are exacerbated by the emerging nature of this market and the fact that many companies are expected to introduce continually new and innovative products and services. The Company's success will depend partially on its ability to introduce the initial and new products, services and technologies continually and on a timely basis and to continue to improve the performance, features and reliability of its products and services in response to both evolving demands of prospective customers and competitive products.

There can be no assurance that the Company will not experience difficulties that could delay or prevent the successful development, introduction or marketing of its initial products or new or enhanced products and services, or that its new products and services will adequately satisfy the requirements of prospective customers and achieve significant acceptance by those customers. Because of certain market characteristics, including technological change, changing customer needs, frequent new product and service introductions and evolving industry standards, the continued introduction of new products and services is critical. Delays in the introduction of new products and services may result in customer dissatisfaction and may delay or cause a loss of revenue. There can be no assurance that the Company will be successful in developing its initial products or new products or services or improving existing products and services that respond to technological changes or evolving industry standards.

Additionally, there can be no assurance that the Company will not experience difficulties that could delay or prevent the successful development, introduction and marketing of new or improved products and services, or that its new products and services will adequately satisfy the requirements of prospective customers and achieve acceptance by those customers. In addition, new or enhanced products and services introduced by the Company may contain undetected errors that require significant design modifications. This could result in a loss of customer confidence which could adversely affect the use of the Company's products, which in turn, could have a material adverse effect upon the Company's business, results of operations or financial condition. If the Company is unable to develop and introduce new or improved products or services in a timely manner in response to changing market conditions or customer requirements, the Company's business, operating results and financial condition will be materially adversely affected.

No marketing experience, sales force or distribution capabilities for this product. If the Company is unable to recruit key personnel to perform these functions, the Company may not be able to commercialize its products successfully. The Company's ability to produce revenues and create value in the Token ultimately depends on its ability to sell its products if and when development is complete. If the Company fails to establish successful marketing and sales capabilities or to enter into successful marketing arrangements with third parties, the Company's ability to generate revenues and ultimately create value in the Token will suffer.

Protection of proprietary technology. The Company believes that its success, to some degree, will depend upon its ability to protect any proprietary technology that it develops, licenses and otherwise acquires. Other companies may develop similar or superior technologies and systems that may not be covered by the Company's intellectual property rights, attempt to duplicate the Company's technology, or design around the Company's technologies. The Company can make no assurances that it would have the financial resources to bring suits against third parties who may infringe on the Company's intellectual property rights.

Necessary licenses. If the Company is unable to obtain necessary licenses or consents from governmental or other agencies or entities, the Company may not be successful in getting its products to market. The utilization or other exploitation of the products and services developed by the Company may require it to obtain licenses or consents from regulatory agencies or from other producers or holders of patents, copyrights or other similar rights relating to the Company's products and services. In the event the Company is unable, if so required, to obtain any necessary license or consent on terms and conditions which the Company considers to be reasonable, the Company may be required to stop developing, utilizing, or exploiting products and services affected by government regulation or by patents, copyrights or similar rights. In the event the Company is challenged by a government regulatory agency, or by the holders of patents, copyrights or other similar rights, there can be no assurance that the Company will have the financial or other resources to defend any resulting legal action, which could be significant.

Lack of sales and market recognition. The Company's ability to finance its development and operations and to achieve profitability will depend, in large part, on the Company's ability to introduce and successfully market its products. Market acceptance and recognition generally require substantial time and effort. While the Company believes certain of its technology to be proprietary and believes that reasonable market penetration will provide market recognition, management makes no assurances that the market will be penetrated as planned, or if it is, that the level of penetration will be successful in helping the Company realize a competitive advantage over others who may enter the market. There can be no assurance that any of the Company's new or proposed products or services will maintain the market acceptance. The Company's failure to design, develop, test, market and introduce new and enhanced products, technologies and services successfully so as to achieve market acceptance could have a material adverse effect upon the Company's business, operating results and financial condition.

Competition. Although the Company believes that the products and services it is developing will possess advantages, considerable competition in the market for the Company's products and services exists. Many of the Company's potential competitors have substantially greater financial, research and development, marketing and other resources than the Company. Because of rapid technological changes that may occur in the industry, no assurances can be made that competitors

will not develop products with superior technology or products with similar capabilities but at a lower cost to the industry that will render the Company's anticipated technology obsolete or noncompetitive.

Lack of public market; illiquidity. There is no public market for the Token and the Company does not expect that such a market will develop in the near future. The Token will not be registered under the Securities Act or any state securities laws and is being offered and sold in reliance on exemptions from the registration requirements of such laws. The purchaser of the Token will be required to represent that he, she or it is purchasing the Token for investment and agree to restrictions on transfer of the Token. The certificates representing the Token will bear legends describing such restrictions. Consequently, the Purchaser may be unable to liquidate his, her or its investment and should be prepared to hold the Token indefinitely.

Decentralized Business Model; lack of control. The Company utilizes a "decentralized business model", which is comprised of technologies that depend on a network of independent computers and users to run certain software programs to process information. Because of this decentralized model, the Company has limited control over its products and services once launched into the network of independent computers and users.

Lack of information for monitoring Purchaser's investment. A Purchaser of the Token may not be able to obtain all information he, she, or it would want regarding the Company's development of products and services on a timely basis or at all. It is possible that the Purchaser may not be aware on a timely basis of material adverse changes that have occurred with respect to certain of its investments. As a result of these difficulties, as well as other uncertainties, a Purchaser may not have accurate or accessible information about the Company's products and services.

Need to attract and retain key employees. The Company is highly dependent upon the services of its current officers, the loss of whose services could substantially impede the achievement of the Company's business objectives. The recruitment and retention of additional qualified marketing, sales, operations and technical personnel will be critical to the Company's success. The Company will face competition for qualified employees from numerous industry sources and there can be no assurance that it will be able to attract and retain qualified personnel on acceptable terms.

Dependence on consultants. The Company may become dependent upon consultants for one or more significant services integral to the development and marketing of its products. Should the Company be unable, for economic or other reasons, to continue to obtain timely services from such consultants or to obtain similar services from alternate service providers, such inability could have a material adverse effect on the Company's product development and marketing timetable.

Accuracy of financial data. All financial information contained in this Offering are solely representations by Company's management. This financial information has not been prepared in accordance with AICPA standards and/or generally accepted accounting principles, and the financial information contained herein has not been audited by an independent public accounting firm.

Projections. The financial projections included herein were prepared by the management of the Company and are based upon certain assumptions regarding future events. As the assumptions relate to events which may occur in the future and over which management will have little or no

control, there can be no assurance that the assumptions by management will occur. If the assumptions made by management do not occur, the Company may not achieve the projected financial performance, including, but not limited to, the financial performance of any cryptographic tokens the Company may produce. Accordingly, these financial projections should not be interpreted as a guarantee that the Company will achieve the revenues, expenses and profits as stated in the projections. Actual results for any period may be substantially less attractive for the Company than the projections indicate. However, management believes that the assumptions are reasonable in light of the facts currently known.

Token valuation. The price of the Token, for purposes of this Offering, has been arrived at arbitrarily and is not based upon any empirical valuation. Therefore, the price per Token may not represent the fair market value of the Token being offered.

Loss of investment. Anyone purchasing the Token should be able to withstand the loss of their entire investment, and should understand that such a possibility exists.

Availability of information. The Company is not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “1934 Act”). Therefore, holders of a Token may not have access to information to which they would have access if the investment were made in a publicly held company whose offering was issued under the Securities Act, and the reporting regulations provided by the 1934 Act.

Risks related to blockchain technologies and digital assets.

THE REGULATORY REGIME GOVERNING THE BLOCKCHAIN TECHNOLOGIES, CRYPTOCURRENCIES, CRYPTOGRAPHIC TOKENS AND OFFERINGS INVOLVING THE ISSUANCE OF CRYPTOGRAPHIC TOKENS IS UNCERTAIN, AND NEW REGULATIONS OR POLICIES MAY MATERIALLY ADVERSELY AFFECT THE DEVELOPMENT OF THE COMPANY’S PRODUCTS AND SERVICES, INCLUDING, BUT NOT LIMITED TO, THE UTILITY AND VALUE OF THE TOKEN.

Regulation of cryptographic tokens, cryptocurrencies, blockchain technologies, and cryptocurrency exchanges currently is new and likely to rapidly evolve. In addition, such regulation varies significantly amongst international, federal, state and local jurisdictions and is subject to significant uncertainty. Various legislative and executive bodies in the United States and in other countries may, at any point, adopt laws, regulations, guidance, or other actions, which may severely impact the development and growth of the Company’s products and services, which could severely impact the adoption and utility of the Token, causing irreparable loss of investment. Failure by the Company to comply with any laws, rules and regulations, some of which may not exist yet or are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines.

As blockchain networks and blockchain assets have grown in popularity and in market size, federal and state agencies have begun to take interest in, and in some cases regulate, their use and operation.

Virtual Currencies. In the case of virtual currencies, treatment continues to evolve under federal, state, and international law. The Department of the Treasury (“DOT”), the Securities Exchange Commission (“SEC”), the Commodity Futures Trading Commission (“CFTC”), as well as the Internal Revenue Service (“IRS”), have published guidances as well as issued official statements regarding the treatment of virtual currencies. Both federal and state agencies have instituted enforcement actions against those violating their interpretation of existing laws. Various state regulators, such as the New York Department of Financial Services, have created new regulatory frameworks. Others, such as Texas, have published guidance on how their existing regulatory regimes apply to virtual currencies. Some states, like New Hampshire, North Carolina, and Washington, have amended their respective state's statutes to include virtual currencies into existing licensing regimes.

Currency Blockchain. The regulation of non-currency use of blockchain assets is also uncertain. The CFTC has publicly taken the position that certain blockchain assets are commodities, and the SEC has issued a public report stating federal securities laws require treating some blockchain assets as securities. To the extent that a domestic government or quasi-governmental agency exerts regulatory authority over a blockchain network or asset developed by the Company, the Tokens may be materially and adversely affected.

Blockchain networks also face an uncertain regulatory landscape in many foreign jurisdictions. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect the Company’s products and services. Such laws, regulations or directives may conflict with those of the United States or may directly and negatively impact our business. The effect of any future regulatory change is impossible to predict, but such change could be substantial and materially adverse to the development and growth of the Company’s products and services, and the adoption and utility of the Tokens.

New or changing laws and regulations or interpretations of existing laws and regulations, in the United States and other jurisdictions, may materially and adversely impact the value of the currency in which the Tokens may be exchanged, the potential future liquidity of the Tokens, and the structure, rights and transferability of Tokens.

Any potential purchaser of the Token may access such guidance as well as submit any inquiries via the following non-exhaustive links:

- <https://www.irs.gov/newsroom/irs-virtual-currency-guidance>
- <https://www.sec.gov/ICO>
- <https://www.cftc.gov/Bitcoin/index.htm>
- <https://home.treasury.gov/>

Data Protection and Security Failures. If the Company’s products or services are unable to satisfy data protection, security, privacy, and other government- and industry-specific requirements, its growth could be harmed. There are a number of data protection, security, privacy and other government, and industry-specific, requirements, including those that require companies to notify individuals of data security incidents involving certain types of personal data. Security compromises could harm the Company’s reputation, erode user confidence in the effectiveness of its security measures, negatively impact its ability to attract new users, or cause existing users to stop using the

Company's products or services, which may materially and adversely affect the value and utility of the Tokens.

THE FURTHER DEVELOPMENT AND ACCEPTANCE OF BLOCKCHAIN NETWORKS, INCLUDING THOSE DEVELOPED BY THE COMPANY, WHICH ARE PART OF A NEW AND RAPIDLY CHANGING INDUSTRY, ARE SUBJECT TO A VARIETY OF FACTORS THAT ARE DIFFICULT TO EVALUATE. THE SLOWING OR STOPPING OF THE DEVELOPMENT OR ACCEPTANCE OF BLOCKCHAIN NETWORKS AND BLOCKCHAIN ASSETS WOULD HAVE AN ADVERSE MATERIAL EFFECT ON THE SUCCESSFUL DEVELOPMENT AND ADOPTION OF THE COMPANY'S PRODUCTS AND SERVICES AS WELL AS THE TOKENS.

The growth of the blockchain industry in general, as well as the blockchain networks with which the Company's products and services will rely upon and interact with, is subject to a high degree of uncertainty. The factors affecting the further development of the cryptocurrency industry, as well as blockchain networks, include, without limitation:

- Worldwide growth in the adoption and use of blockchain technologies;
- Government and quasi-government regulation of blockchain assets and their use, restrictions on, or regulation of access to and operation of blockchain networks or similar systems;
- The maintenance and development of the open-source software protocol of blockchain networks;
- Changes in consumer demographics and public tastes and preferences;
- The availability and popularity of other forms or methods of buying and selling goods and services, or trading assets including new means of using fiat currencies or existing networks; and,
- General economic conditions and the regulatory environment relating to cryptocurrencies and blockchain technologies.

Extreme Volatility in Blockchain Assets. THE PRICES OF BLOCKCHAIN ASSETS ARE EXTREMELY VOLATILE. FLUCTUATIONS IN THE PRICE OF DIGITAL ASSETS COULD MATERIALLY AND ADVERSELY AFFECT OUR BUSINESS, AND THE TOKENS MAY ALSO BE SUBJECT TO SIGNIFICANT PRICE VOLATILITY.

The prices of blockchain assets have historically been subject to dramatic fluctuations and are highly volatile, and the market price of the Tokens may also be highly volatile. Several factors may influence the market price of the Tokens, including, but not limited to:

- Global blockchain asset supply;
- Global blockchain asset demand, which can be influenced by the growth of retail merchants' and commercial businesses' acceptance of blockchain assets like cryptocurrencies as payment for goods and services, the security of online blockchain asset exchanges and digital wallets that hold blockchain assets, the perception that the use and holding of blockchain assets is safe and secure, and the regulatory restrictions on their use;

- Purchaser’s expectations with respect to the rate of inflation;
- Changes in the software, software requirements or hardware requirements underlying the Swapblocks Network;
- Changes in the rights, obligations, incentives, or rewards for the various participants in the Swapblocks Network;
- Interest rates;
- Currency exchange rates, including the rates at which digital assets may be exchanged for fiat currencies;
- Fiat currency withdrawal and deposit policies of blockchain asset exchanges on which the Tokens may be traded and liquidity on such exchanges;
- Interruptions in service from or failures of major blockchain asset exchanges on which the Tokens may be traded;
- Investment and trading activities of large investors, including private and registered funds, that may directly or indirectly invest in the Swapblocks Network or Tokens or other blockchain assets;
- Monetary policies of governments, trade restrictions, currency devaluations and revaluations;
- Regulatory measures, if any, that affect the use of blockchain assets such as the Tokens;
- The maintenance and development of the open-source software protocol of the Swapblocks Network;
- Global or regional political, economic or financial events and situations; or
- Expectations among Swapblocks Network or other blockchain asset participants that the value of the Tokens or other blockchain assets will soon change.

A decrease in the price of a single blockchain asset may cause volatility in the entire blockchain asset industry and may affect other blockchain assets including the Tokens. For example, a security breach that affects investor or user confidence in Bitcoin may affect the industry as a whole and may also cause the price of the Tokens and other blockchain assets to fluctuate.

Use of Proceeds

The Company anticipates raising up to One Million dollars (\$1,000,000) in gross proceeds from the Offering. The Company expects that a substantial amount of all of the proceeds of the Offering will be used by the Company to originate and subsequently to progress the development of the Swapblocks Network.

Development

The Company will use certain funds from the offering to build out the remaining infrastructure required to deliver the Swapblocks Network, including the Swapblocks routing DAG, municipal and consortium node infrastructure, and consortium agreement framework.

Marketing

In order to expedite the adoption of the Swapblocks Network, the Company will need to spend significant money on brand awareness and education of potential and existing users.

Regulation Mitigation

Regulatory uncertainty remains one of the key hurdle for digital currencies, including for the Company. It is unclear how regulation will ultimately affect the Company and what costs the Company may incur.

In the event that the Offering is not fully subscribed, the proceeds received will be used in the discretion of the Board of Directors.

Token Purchase Agreement

[Attached hereto]

PLAN OF DISTRIBUTION

Investor Qualifications

Only persons of adequate financial means who have no need for present liquidity with respect to this investment should consider purchasing the purchase rights set forth in the Token offered hereby because:

- (i) an investment in the Tokens involves a number of significant risks (See “Risk Factors”); and
- (ii) no market for the Tokens or the purchase rights contained therein, and none is likely to develop in the reasonably foreseeable future. This Offering is intended to be a private offering that is exempt from registration under the Securities Act and applicable state securities laws.

This Offering is limited solely to accredited investors as defined in Regulation D under the Securities Act, meaning only those persons or entities coming within any one or more of the following categories:

- (i) Any bank, as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; any broker-dealer registered pursuant to Section 15 of the Exchange Act; any insurance company, as defined in Section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940 or a business development company, as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; and any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, that is either a bank, savings and loan association, insurance company or registered investment advisor, if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by person(s) that are accredited investor(s);
- (ii) Any private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940;
- (iii) Any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, any corporation, Massachusetts or similar business trust, or company, not formed for the specific purpose of acquiring the Common Stock, with total assets in excess of \$5,000,000;
- (iv) Any director or executive officer of the Company;

- (v) Any natural person whose individual net worth, or joint net worth with that person's spouse, exclusive of the value of the person's primary residence net of any mortgage debt and other liens, at the time of his or her purchase exceeds \$1,000,000;
- (vi) Any natural person who had an individual income in excess of \$200,000, or joint income with that person's spouse in excess of \$300,000, in each of the two most recent years and who reasonably expects to reach the same income level in the current year;
- (vii) Any trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Common Stock, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D; or
- (viii) Any entity all of whose equity owners are accredited investors.

The term "net worth" means the excess of total assets over total liabilities, exclusive of the value of your primary residence net of any mortgage debt and other liens. In determining income, you should add to your adjusted gross income any amounts attributable to tax-exempt income received, losses claimed as a limited partner in any limited partnership, deductions claimed for depreciation, contributions to an IRA or Keogh retirement plan, alimony payments and any amount by which income from long-term capital gains had been reduced in arriving at adjusted gross income.

You will be required to represent to the Company in writing that you are an accredited investor under Regulation D, as described above, and may also be required to provide certain documentation in support of such representation. In addition to the foregoing requirement, you must also represent in writing that you are acquiring the Token for your own account and not for the account of others and not with a view to resell or distribute such securities.

Anti-Money Laundering (“AML”) / Know Your Client (“KYC”) Qualification

You will be required to accept the Company’s AML/KYC Policy and provide all relevant information needed in order for the Company to comply with its policy. You should make sure you pay close attention to the representations contained therein to ensure you are able to make such representations. A copy of the AML/KYC Policy has been attached hereto below:

[AML/KYC Policy Attached hereto]

How to Subscribe

To invest in the Offering, each Purchaser must have a “pre-existing relationship” with the Company, in conformance with Regulation D of the Securities Act (as amended). Each Purchaser who satisfies this requirement will need to contact the Company, indicating his, her or its intent to participate in the Offering. Representation of accreditation status pursuant to Section 506(b) of the Securities Act standards is required to invest. Additionally, Purchasers will need to provide investment entity information, such as address and social security number or tax ID number on the AML/KYC Form in order to pass the checks conducted by the Company. Each Purchaser must also agree to and sign the Token Purchase Agreement, the form of which is attached hereto.

Once accreditation and AML/KYC steps are complete, Purchasers will follow the remaining directions by the Company to specify investment amount, confirm their investment, and make payment to finalize the transaction.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

Set forth below is a discussion, in summary form, of certain United States federal income tax consequences relating to investment in a Token and the acquisition, ownership and disposition of Tokens issued pursuant to a Token Purchase Agreement. This summary does not attempt to present all aspects of the United States federal income tax laws or any state, local or foreign laws that may affect an investment in a Token or in Tokens. In particular, foreign investors, financial institutions, insurance companies, tax-exempt entities, investors subject to the alternative minimum tax and other investors of special status must consult with their own professional tax advisors regarding a prospective investment in the Fund. This summary is inherently general in nature and should not be construed as tax advice to any prospective investor. No ruling has been or will be requested from the Internal Revenue Service (the “IRS”) and no assurance can be given that the IRS will agree with the tax consequences described in this summary. The following discussion assumes that each prospective Investor will acquire Tokens as a capital asset (generally, property held for investment).

This description is based on the U.S. Internal Revenue Code of 1986, as amended, (the “Code”), existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as available on the date hereof. All of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion is limited to prospective investors who are “United States Persons” within the meaning of the Code.

Each prospective Purchaser should consult with its own tax adviser in order to fully understand the United States federal, state, local and foreign income tax consequences of an investment in a Token or in Tokens. No formal or legal tax advice is hereby given to any prospective Investor.

Transactions involving a Token and similar instruments, as well as Initial Coin Offerings (“ICOs”) and Token transactions, are relatively new and it is more than likely that the IRS will issue guidance, possibly with retroactive effect, impacting the taxation of investors in a Token, participants in an ICO, and holders of Tokens. Future tax guidance from the IRS (or guidance resulting from future judicial decisions) could negatively impact investors in the Token and holders of Tokens.

- *Tax Treatment of Token*

The Company intends to treat the execution of the Token as the execution of a contract for the purchase of Tokens, to be delivered to an Investor upon Network Launch, as more fully described in the Token. The Token will not constitute either an equity or debt interest in the Company.

- *Treatment of Token Sale*

Upon Network Launch, the Company shall issue Tokens to each holder of a Token pursuant to the terms of the applicable Token. The issuance of Tokens to an investor under a Token will be treated as a taxable sale of property by the Company to the investor. An investor

should not be taxed upon the acquisition of Tokens pursuant to the Token. An investor should generally have a tax basis for U.S. federal income tax purposes in the Tokens it acquires from the Company equal to the amount of money such investor advanced under the Token. The investor's holding period in the Tokens should begin on the day the Tokens are issued to the investor.

- *Disposition of Tokens*

An investor who sells, exchanges, or otherwise disposes of the Tokens for cash or other property (including pursuant to an exchange of such Tokens for other convertible virtual currency) should, pursuant to Internal Revenue Service Notice 2014-21, recognize capital gain or loss in an amount equal to the difference between the fair market value of the property received in exchange for such Tokens and the investor's adjusted tax basis in the Tokens. This capital gain may be long-term if the investor has held its Tokens for more than one year prior to disposition.

- *Treatment of Conversion of Token upon failure of Network Launch*

In the event of a Network Launch failure, the Company may wind up its operations and distribute its assets to investors, including holders of Tokens, as more fully set forth in the Token. An investor who receives Company assets in exchange for its rights under the Token generally should recognize taxable gain or loss in an amount equal to the difference between the fair market value of the assets the investor receives and its adjusted tax basis in its Token (which will generally equal the amount of cash it advanced under the Token).

EACH INVESTOR SHOULD SEEK, AND MUST DEPEND UPON, THE ADVICE OF HIS OR HER TAX ADVISOR WITH RESPECT TO THEIR INVESTMENT, AND EACH INVESTOR IS RESPONSIBLE FOR THE FEES OF SUCH ADVISOR. NOTHING IN THIS DISCLOSURE NOTEBOOK IS OR SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE. INVESTORS SHOULD BE AWARE THAT THE INTERNAL REVENUE SERVICE MAY NOT AGREE WITH ALL TAX POSITIONS TAKEN BY THE COMPANY AND THAT CHANGES TO THE INTERNAL REVENUE CODE OR THE REGULATIONS OR RULINGS THEREUNDER OR COURT DECISIONS AFTER THE DATE OF THIS DISCLOSURE NOTEBOOK MAY CHANGE THE ANTICIPATED TAX TREATMENT FOR AN INVESTOR. THE COMPANY WILL NOT OBTAIN ANY RULING FROM THE INTERNAL REVENUE SERVICE WITH REGARD TO THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE NOTEBOOK IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH INVESTORS UNDER THE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF INVESTMENTS IN THE COMPANY; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

THE TAX TREATMENT OF THE TOKEN, THE PURCHASE RIGHTS CONTAINED THEREIN AND THE TOKEN DISTRIBUTION IS UNCERTAIN AND THERE MAY BE

ADVERSE TAX CONSEQUENCES FOR INVESTORS UPON CERTAIN FUTURE EVENTS. AN INVESTMENT PURSUANT TO THE TOKEN AND THE PURCHASE OF TOKENS PURSUANT THERETO MAY RESULT IN ADVERSE TAX CONSEQUENCES TO INVESTORS, INCLUDING WITHHOLDING TAXES, INCOME TAXES AND TAX REPORTING REQUIREMENTS. EACH INVESTOR SHOULD CONSULT WITH AND MUST RELY UPON THE ADVICE OF ITS OWN PROFESSIONAL TAX ADVISORS WITH RESPECT TO THE UNITED STATES AND NON-TAX TREATMENT OF AN INVESTMENT IN THE TOKEN AND THE RIGHTS CONTAINED THEREIN.

Securities Law Legends

Notice to Prospective Investors in Canada

Each Canadian purchaser who purchases securities on a private placement basis pursuant to this Disclosure Notebook will be deemed to have represented to and agreed with the Company that such purchaser: (i) is resident in Canada; (ii) is purchasing the securities with the benefit of the prospectus exemption provided by Section 2.3 of National Instrument 45-106 – *Prospectus Exemptions* (NI 45106) (that is, such purchaser is an “accredited investor” within the meaning of NI 45-106 and is either purchasing securities as principal for its own account, or is deemed to be purchasing the securities as principal for its own account in accordance with applicable securities laws); (iii) if not an individual, the purchaser was not created or used solely to purchase or hold securities as an accredited investor under NI 45106; and (iv) if required by applicable securities laws, the purchaser will execute, deliver and file or assist the Company in obtaining and filing such certificates, reports, undertakings and other documents relating to the purchase of the securities by the purchaser as may be required by any securities commission or other regulatory authority.

Canadian Resale Restrictions

The distribution of the securities in Canada is being made only on a private placement basis exempt from the requirement that the Company prepare and file a prospectus with the applicable securities regulatory authorities. The Company is not a reporting issuer in any province or territory in Canada and its securities are not listed on any stock exchange in Canada and there is currently no public market for the securities in Canada. The Company currently has no intention of becoming a reporting issuer in Canada, filing a prospectus with any securities regulatory authority in Canada to qualify the resale of the securities to the public, or listing its securities on any stock exchange in Canada. Accordingly, to be made in accordance with securities laws, any resale of the securities in Canada must be made under available statutory exemptions from registration and prospectus requirements or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. **Canadian purchasers are advised to seek legal advice prior to any resale of the securities.**

Purchasers’ Rights - Ontario

Securities legislation in certain of the provinces of Canada provides purchasers with rights of rescission or damages, or both, where a Disclosure Notebook or any amendment to it contains a misrepresentation. A “misrepresentation” is an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies must be commenced by the purchaser within the time limits prescribed and are subject to the defenses contained in the applicable securities legislation.

The following is a summary of the statutory rights of rescission or damages, or both, under securities legislation in Ontario, and as such, is subject to the express provisions of the legislation and the related regulations and rules and reference is made thereto for the complete text of such provisions. Such provisions may contain limitations and statutory defenses not described here on which the Company and other applicable parties may rely. The rights described below are in addition to, and without derogation from, any other right or remedy available at law to purchasers

of the securities. Purchasers should refer to the applicable provisions of the securities legislation of Ontario for the particulars of these rights or consult with a legal adviser.

Ontario securities legislation provides that where a Disclosure Notebook is delivered to a purchaser and contains a misrepresentation, the purchaser will, except as provided below, have a statutory right of action for damages or for rescission against the Company, without regard to whether the purchaser relied on the misrepresentation; if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Company. No such action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action, or, in the case of any action other than an action for rescission, the earlier of: (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action. The Ontario legislation provides a number of limitations and defenses to such actions, including: (a) the Company is not liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation; (b) in an action for damages, the Company shall not be liable for all or any portion of the damages that the Company proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the securities were offered.

These rights are not available for a purchaser that is: (a) a Canadian financial institution, meaning either: (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a province or territory of Canada to carry on business in Canada or a province or territory of Canada; (b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada); (c) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or (d) a subsidiary of any person referred to in clauses (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

Notice to Prospective Investors in the United Kingdom

With respect to offers and sales of our securities that are the subject of this Disclosure Notebook:

- offers or sales of any of such securities to persons in the United Kingdom are prohibited in circumstances which have resulted in or will result in such securities being or becoming the subject of an offer of transferable securities to the public as defined in Section 102B of the Financial Services and Markets Act 2000 (as amended) (the “*FSMA*”);
- all applicable provisions of the FSMA must be complied with, with respect to anything done in relation to such securities in, from or otherwise involving the United Kingdom; and
- any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received in connection with the issue or sale of such securities

shall only be communicated, or be caused to be communicated, in circumstances in which Section 21(1) of the FSMA does not apply to us.

Notice to Prospective Investors in China

The Tokens are not being offered or sold and may not be offered or sold, directly or indirectly, within the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities and other laws and regulations of the People's Republic of China.

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THE TAX TREATMENT OF THE TOKEN, THE PURCHASE RIGHTS CONTAINED THEREIN AND THE TOKEN DISTRIBUTION IS UNCERTAIN AND THERE MAY BE ADVERSE TAX CONSEQUENCES FOR INVESTORS UPON CERTAIN FUTURE EVENTS. AN INVESTMENT PURSUANT TO THE TOKEN AND THE PURCHASE OF TOKENS PURSUANT THERETO MAY RESULT IN ADVERSE TAX CONSEQUENCES TO INVESTORS, INCLUDING WITHHOLDING TAXES, INCOME TAXES AND TAX REPORTING REQUIREMENTS. EACH INVESTOR SHOULD CONSULT WITH AND MUST RELY UPON THE ADVICE OF ITS OWN PROFESSIONAL TAX ADVISORS WITH RESPECT TO THE UNITED STATES AND NON-TAX TREATMENT OF AN INVESTMENT IN THE TOKEN AND THE RIGHTS CONTAINED THEREIN.