Offering Memorandum

SPROCKET

USD $50,000,000 in Sprocket EX Tokens
To be acquired pursuant to Simple Agreements for Future Preferred Equity

This Confidential Private Placement Offering Memorandum (this “Memorandum”) has been prepared by Sprocket Inc., a Delaware corporation (the “Company” or “Sprocket”) for use by certain qualified potential purchasers to whom the Company is offering (the “Offering”) the opportunity to purchase the right to acquire, if issued by the Company in the future, Sprocket EX Tokens (the “Sprocket EX Tokens”), that the Company will use its commercially reasonable efforts to develop and issue. The foregoing right to acquire Sprocket EX Tokens, if issued by the Company in the future, will be embodied in, and documented by, a Simple Agreement for Future Preferred Equity with respect to Sprocket EX Tokens (as may be amended, restated and/or otherwise modified from time to time, a “SAFE” and, together with Sprocket EX Tokens, the “Securities”) to be entered into between the Company and qualified purchasers purchasing such Securities in the Offering. The Company expects to enter into SAFEs on an ongoing basis until on or about December 31, 2018 (as the same may be extended or earlier terminated, the “Expiration Date”). If Sprocket EX Tokens are initially issued by the Company in the future, the date of such issuance, if any, is referred to as the “Token Issuance Date.” The Company may issue up to $50,000,000 in Sprocket EX Tokens, subject to increase as described in this Memorandum.

There can be no assurance that Sprocket will ever issue Sprocket EX Tokens. If Sprocket EX Tokens are not issued, purchasers in the Offering will not receive any refund or return of their investment. If Sprocket EX Tokens are issued, investors may never receive any benefit from holding Sprocket EX Tokens. Sprocket EX Token holders are not entitled to any utility from Sprocket EX Tokens. A legally compliant trading market for Sprocket EX Tokens may never be developed and peer-to-peer transfers of Sprocket EX Tokens will not be permitted unless and until Sprocket EX Token holders are notified otherwise by the Company, which may require holders to hold their Sprocket EX Tokens indefinitely. An investment in this Offering is highly speculative, and you should only invest if you are prepared to lose your entire investment.

Unless the context requires otherwise, in this Memorandum the terms the “Company” and “Sprocket” refer to Sprocket Inc., together with its subsidiaries, and all dollar ($) amounts set forth herein refer to United States dollars.

The Securities have not been, and will not be, registered under the Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the Securities Act. Accordingly, the Securities are being offered and sold only (1) to “accredited investors” (as
defined in Rule 501 of Regulation D under the Securities Act) in compliance with Rule 506(c) of Regulation D under the Securities Act and (2) in offshore transactions to persons other than “U.S. persons” (as defined in Regulation S under the Securities Act) in reliance upon Regulation S under the Securities Act.

None of the Securities and Exchange Commission (the “SEC”), any state securities commission, any foreign securities authority or any other federal, state or foreign regulatory authority has approved or disapproved of these Securities or determined if this Memorandum is truthful or complete. Any representation to the contrary is unlawful and may be a criminal offense.

No action has been taken in any jurisdiction to permit a public offering of the Securities.

Investing in the Securities involves a high degree of risk. You should carefully consider the risks summarized under “Risk Factors” of this Memorandum for a discussion of important factors you should consider before purchasing Securities.

The Company is offering rights to an aggregate of $50,000,000 Sprocket EX Tokens pursuant to SAFEs in four offerings (the “Offerings”) pursuant to this Memorandum, as described in more detail below:

<table>
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<th>Offering Type</th>
<th>Anticipated Closing Date</th>
<th>Price Per Sprocket EX Token</th>
<th>Number of Sprocket EX Tokens Issuable Pursuant to SAFEs</th>
<th>Proceeds to Company</th>
<th>Minimum/Maximum Investment Amount</th>
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<td>Offering 1</td>
<td>April 30, 2018</td>
<td>$2.50</td>
<td>300,000(1)</td>
<td>$750,000</td>
<td>NA</td>
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<tr>
<td>Offering 2</td>
<td>May 31, 2018</td>
<td>$5.00</td>
<td>1,050,000</td>
<td>$5,250,000</td>
<td>Min: $50,000 Max: $200,000(3)</td>
</tr>
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<td>Offering 3</td>
<td>July 31, 2018</td>
<td>$7.00</td>
<td>2,000,000</td>
<td>$14,000,000</td>
<td>Min: $100,000 Max: None</td>
</tr>
<tr>
<td>Offering 4</td>
<td>December 31, 2018</td>
<td>$10.00</td>
<td>3,000,000</td>
<td>$30,000,000</td>
<td>Min: $5,000 Max: None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6,300,000(4)</td>
<td>$50,000,000</td>
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(1) Represents total proceeds before distribution fees and offering expenses, which are estimated to be $1,250,000 if the Offerings are fully subscribed and the Company sells an aggregate of 6,300,000 Sprocket EX Tokens pursuant to SAFEs. This figure does not include any potential additional fees charged for the receipt of Bitcoin and Ether, and the conversion thereof. See “Plan of Distribution” for more information. Sprocket may engage registered broker-dealers or finder’s in connection with the distribution of this offering and pay such agents’ commissions of up to 7.0% of the aggregate purchase price for the SAFEs placed by such agents.

(2) Represents Sprocket EX Tokens underlying SAFEs issued pursuant to Convertible Promissory Notes issued pursuant to Rule 506(b) of Regulation D of the Securities Act.
The Company may, in its sole discretion, waive the maximum investment limit for one or more investors.

Sprocket reserves the right, in its sole discretion, to increase the aggregate amount of Sprocket EX Tokens issuable pursuant to SAFE sold in the Offerings to 6,800,000 Sprocket EX Tokens, based on market demand.

In order to purchase SAFEs in this offering, purchasers will be required to complete an online purchaser questionnaire and SAFE and furnish additional information to third-party firms engaged by the Company to provide a secure means to allow the Company to comply with the verification requirements of Rule 506(c) under the Securities Act and other applicable laws in connection with this offering.

The date of this Memorandum is April 9, 2018

You should rely only on the information contained in this Memorandum. The Company has not authorized any dealer, salesperson or other person to provide you with different information or to make representations as to matters not stated in this Memorandum. If anyone provides you with different or inconsistent information, you should not rely on it. This offering memorandum is not an offer to sell, or a solicitation of an offer to buy, any SAFEs by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information in this Memorandum is accurate as of its date, and under no circumstances should the delivery of this Memorandum or the sale of any SAFEs imply that the information in this Memorandum is accurate as of any later date or that the affairs of the Company have not changed since the date hereof. The Company expressly disclaims any duty or obligation to update, amend or change any of the information contained herein, unless required by law.
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Notice to Purchasers

This Memorandum is directed only to qualified potential purchasers to whom it is made available or delivered by, or on behalf of, the Company, and it has been prepared solely for use by prospective purchasers of the Securities. Any reproduction or distribution of this Memorandum, in whole or in part, or the disclosure of its contents, without the prior written consent of the Company, is prohibited. By accepting this Memorandum, you agree to use this Memorandum and its contents solely in connection with your evaluation of a potential investment in the Securities. Any other use of this Memorandum is prohibited.

To purchase Securities, each participating qualified purchaser is required to execute their own SAFE. This Memorandum contains a summary of the material terms of the Securities. However, the summary of the Securities in this Memorandum does not purport to be complete and is subject to and qualified in its entirety by reference (i) in the case of the SAFE, to the actual text of the SAFE to be executed by each qualified purchaser, substantially in the form attached as Annex A hereto, and (ii) in the case of Sprocket EX Tokens, to the terms of a Certificate of Designation that will be filed with the Delaware Secretary of State as part of the Company’s Certificate of Incorporation (the “Certificate of Designation”), the material terms and conditions of which are summarized in Annex B attached hereto (the “Sprocket EX Token Terms and Conditions”). The Certificate of Designation and the Sprocket EX Token Terms and Conditions, will be posted on the Company’s website (www.sprocketinc.com) and available upon request from the Company at no cost. If any of the provisions of the Securities are inconsistent with or contrary to the descriptions or terms in this Memorandum, the terms of the SAFE and the Certificate of Designation (as summarized in the Sprocket EX Token Terms and Conditions) will control.

This Memorandum also contains a summary of the material terms of SprocketCoins, however, the summary of SprocketCoins in this Memorandum does not purport to be complete and is subject to and qualified in its entirety by reference to the terms and conditions which are summarized on Annex C attached hereto (the “SprocketCoin Terms and Conditions”), which, will be posted on the Company’s website (www.sprocketinc.com) and available upon request from the Company at no cost. If any of the attributes of SprocketCoins are inconsistent with or contrary to the descriptions or terms in this Memorandum, the terms of the SprocketCoin Terms and Conditions will control.

The Company reserves the right in its sole discretion to reject any commitment in whole or in part by not executing a SAFE. Prior to the Expiration Date, the Company reserves the right to modify the terms of the Offering, the Securities described in this Memorandum and the attributes of SprocketCoins, in its sole discretion. If the Company amends the terms of the Offering in any material respect, it will provide potential purchasers that have previously funded their commitment at least 3 business days to withdraw from the Offering. Upon any such withdrawal by a purchaser, such withdrawing purchaser’s SAFE will terminate, and all funds received in connection with the Offering from such purchaser will be promptly returned to such purchaser without interest. Such refund will be paid in the same currency and in the same amount, without interest, as paid by such Purchaser in accordance with the procedures contained in Annex D attached hereto. For example, an investor who funded 100 Bitcoin will be refunded 100 Bitcoin, regardless of a change in the US dollar equivalent.

The issuance of Sprocket EX Tokens, if any, will be exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(9) of the Securities Act or another available exemption. Upon consummation of such exchange, each applicable SAFE will immediately terminate in accordance with its terms.
The Company will not be registered as an investment company under the United States Investment Company Act of 1940, as amended (the “Investment Company Act”). Consequently, purchasers are advised that they will not be afforded any of the protections of the Investment Company Act. See "Risk Factors—The Company is subject to the risk of possibly becoming an investment company under the Investment Company Act.”

The Securities described in this Memorandum are subject to legal and contractual restrictions on transferability and resale. For more information on such restrictions, please see the section titled “Transfer Restrictions.”

An investment in the Securities involves a high degree of risk, volatility and illiquidity. A prospective purchaser should thoroughly review the information contained herein and the terms of the Securities and carefully consider whether an investment in the Securities is suitable to the purchaser’s financial situation and goals. Purchasers should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time and should be prepared to lose the full amount of their investment.

Purchasers should make their own investigations and evaluations of the Securities, including the merits and risks involved in an investment therein. Prior to any investment, the Company will give purchasers the opportunity to ask questions of, and receive answers and additional information from, the Company concerning the provisions of this Offering, the Securities and other relevant matters, to the extent the Company possesses the same or can acquire it without unreasonable effort or expense. Purchasers should inform themselves as to the legal requirements applicable to them in respect of the acquisition, holding and disposition of the Securities, and as to the income and other tax consequences to them of such acquisition, holding and disposition.

This Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any security in any jurisdiction in which it is unlawful to make such an offer or solicitation. Each prospective purchaser must comply with all applicable laws and regulations in force in any jurisdiction in which it receives, purchases, offers or sells the Securities and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales. The Company will not have any responsibility in connection with obtaining, or failing to obtain, any such consents, approvals or permissions. The Company is not making any representation to any purchaser regarding the legality of an investment in the Securities by such purchaser.

By their participation in the Offering, purchasers will be deemed to have agreed that their participation will constitute their representation, warranty, acknowledgement and agreement to all of the statements about purchasers under this section.

Prospective purchasers are not to construe this Memorandum as investment, legal, tax, regulatory, financial, accounting or other advice, and this Memorandum is not intended to provide the sole basis for any evaluation of an investment in the Securities. Prior to entering into a SAFE, a prospective purchaser should consult with its own legal, investment, tax, accounting, and other advisors to determine the potential benefits, burdens, and other consequences of an investment in the Securities.

Purchaser Restrictions
The SAFEs offered hereby have not been registered under the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Company is offering the SAFEs only in exempt transactions to “accredited investors” (as defined in Rule 501(a) of Regulation D under the Securities Act) pursuant to Rule 506(c) of Regulation D under the Securities Act. Offers and sales of the SAFEs outside the United States will also be made in accordance with the laws and regulations of the relevant jurisdictions.

Following this offering, the SAFEs will be subject to significant restrictions on resale and transfer in addition to those traditionally associated with securities sold pursuant to Rule 506(c) of Regulation D under the Securities Act and Regulation S of the Securities Act.

Each purchaser of the SAFEs will also be required to complete, prior to the acceptance of any order, a SAFE and an online questionnaire substantiating the purchaser’s accreditation status, including certain representations and warranties with respect to anti-money laundering laws, as well as agreeing to limitations on resales and transfers of the SAFEs.

Digital Notices

The Sprocket EX Tokens are digital instruments and, as such, will not contain legends. However, purchasers (including secondary purchasers) of Sprocket EX Tokens will be required to be presented with the information required to be provided to such holders pursuant to and in the manner contemplated by Section 202 and Section 151(f) of the Delaware General Corporation Law regarding, among other things, restrictions on transfer of Sprocket EX Tokens, and, at a minimum, must affirmatively signal their understanding of the information and provide the Company with certain representations on their investor status and location. The Sproket EX Token Terms and Conditions will be presented at that time as well.

SELLING RESTRICTIONS

No action may be taken in any jurisdiction that would permit a public offering of the SAFEs, or Sprocket EX Tokens issuable thereunder, or the possession, circulation or distribution of this Memorandum in any jurisdiction where action for that purpose is required. Accordingly, the SAFEs and Sprocket EX Tokens issuable thereunder may not be offered or sold, directly or indirectly, and neither this Memorandum nor any other offering material or advertisements in connection with the SAFEs and Sprocket EX Tokens issuable thereunder may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Notice to Residents of the United States

NEITHER THE OFFER AND SALE OF THE SAFE NOR ANY TOKENS ISSUABLE THEREUNDER HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER THE SECURITIES LAWS OF ANY U.S. STATES. NEITHER THE SAFE NOR ANY TOKENS ISSUABLE THEREUNDER MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED, EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR AN EXEMPTION THEREFROM.

Notice to Residents of Canada
UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF A SAFE AND THE TOKENS ISSUABLE THEREUNDER MUST NOT TRADE THEM BEFORE THE DATE THAT THE ISSUER THEREOF BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

**Notice to Residents of the People’s Republic of China**

THE SAFE AND THE TOKENS ISSUABLE THEREUNDER 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).

**Notice to Residents of the Cayman Islands**

NO SOLICITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO PURCHASE SAFES AND THE TOKENS ISSUABLE THEREUNDER, AND THEY MAY NOT BE ISSUED OR PASSED TO ANY SUCH PERSON. THIS OFFERING MEMORANDUM IS NOT REGISTERED WITH ANY GOVERNMENTAL OR REGULATORY AUTHORITY IN THE CAYMAN ISLANDS.

**Notice to Residents of Russian Federation**

THIS MEMORANDUM SHOULD NOT BE CONSIDERED AS A PUBLIC OFFER TO ENTER PURCHASE A SAFE, OR THE TOKENS ISSUABLE THEREUNDER, IN RUSSIA AND IS NOT AN OFFER, OR AN INVITATION TO MAKE OFFERS, TO PURCHASE A SAFE OR THE TOKENS ISSUABLE THEREUNDER. NONE OF THE INVESTMENT TERMS RELATING TO THE SAFES AND THE TOKENS ISSUABLE THEREUNDER NOR ANY OTHER ASPECTS OF THIS OFFERING SHALL BE DETERMINED UNDER RUSSIAN LAW. CONSIDERING THE ABOVE, CITIZENS OF RUSSIA AND INDIVIDUALS WITH SIMILAR STATUS CAN ONLY ENTER INTO A SAFE ON THE PROPOSED CONDITIONS, IF THEY ARE CAPABLE TO DO SO UNDER APPLICABLE LAW AND PROVIDED THAT THEY CAN ACCEPT RESPECTIVE RIGHTS AND OBLIGATIONS IN COMPLIANCE WITH RUSSIAN LAWS, INCLUDING LAWS ON DIGITAL FINANCIAL ASSETS, CROWD-FUNDING, ETC., WHICHER EVER IS APPLICABLE. NEITHER THE MEMORANDUM, THE SAFE, NOR OTHER DOCUMENTS RELATING TO THEM HAVE BEEN OR WILL BE REGISTERED WITH THE BANK OF RUSSIA OR OTHER REGISTRATION AUTHORITIES, OR ARE INTENDED TO BE EXECUTED IN RUSSIA, AND THE TOKENS ARE NOT INTENDED FOR “PLACEMENT”, “CIRCULATION” OR “REGISTRATION” IN RUSSIA, UNLESS OTHERWISE PERMITTED UNDER RUSSIAN LAW CONSIDERING THE PROVISIONS HEREUNDER. ANY INFORMATION HEREUNDER OR IN THE SAFE IS INTENDED FOR, AND ADDRESSED ONLY TO, “ACCRREDITED INVESTORS” (AS OR IF DEFINED UNDER RUSSIAN LAW IN THE SAME WAY AS IN RULE 501(A) OF REGULATION D UNDER THE US SECURITIES ACT OF 1933), PROVIDED THEY ARE CAPABLE OF ACCEPTING RESPECTIVE RIGHTS AND OBLIGATIONS AS PROVIDED IN THE SAFE AND BY THIS MEMORANDUM, OR PERSONS OUTSIDE OF RUSSIA. THE SAFES AND THE TOKENS ISSUABLE THEREUNDER ARE NOT BEING OFFERED, SOLD OR DELIVERED IN RUSSIA OR TO OR FOR THE BENEFIT OF ANY PERSONS (INCLUDING LEGAL ENTITIES) RESIDENT, INCORPORATED, ESTABLISHED OR HAVING THEIR USUAL RESIDENCE IN RUSSIA OR RUSSIAN CITIZENSHIP, OR TO ANY PERSON LOCATED WITHIN THE TERRITORY OF RUSSIA EXCEPT AS MAY BE PERMITTED BY RUSSIAN LAW.

**Notice to Residents of Germany**

THE SAFES, THIS MEMORANDUM, AND ANY OTHER MARKETING MATERIALS RELATING TO THE SAFES AND THE TOKENS ISSUABLE THEREUNDER AS WELL AS INFORMATION CONTAINED HEREIN AND THEREIN ARE STRICTLY CONFIDENTIAL AND DO NOT CONSTITUTE
AN OFFER TO THE PUBLIC WITHIN OR INTO GERMANY. IT MAY NOT BE SUPPLIED TO THE PUBLIC IN GERMANY OR USED IN CONNECTION WITH ANY OFFER AND SALE OF SAFES AND THE TOKENS ISSUABLE THEREUNDER TO THE PUBLIC IN GERMANY AND MAY NOT BE DISTRIBUTED TO ANY PERSON OR ENTITY OTHER THAN THE RECIPIENTS HEREOF. THIS MEMORANDUM, THE SAFES AND THE TOKENS ISSUABLE THEREUNDER MUST NOT BE DISTRIBUTED WITHIN OR INTO GERMANY BY WAY OF PUBLIC OFFER, PUBLIC ADVERTISEMENT OR IN ANY SIMILAR MANNER. RECIPIENTS MAY NOT PASS THIS MEMORANDUM, THE SAFES OR ANY OTHER OFFERING MATERIALS RELATING THERETO ONTO THIRD PERSONS, EXCEPT FOR PURPOSES OF EVALUATING THEIR OWN INVESTMENT. NEITHER THIS MEMORANDUM NOR THE SAFE HAS BEEN SUBMITTED TO THE GERMAN FEDERAL FINANCIAL SUPERVISORY AUTHORITY (BUNDESANSTALT FÜR FINANZDIENSTLEISTUNGSÄUFSICHT, BAFIN) AND THE SAFE AND THE TOKENS ISSUABLE THEREUNDER HAVE NOT BEEN AND WILL NOT BE ADMITTED OR REGISTERED FOR PUBLIC DISTRIBUTION UNDER THE SECURITIES PROSPECTUS ACT (WPPG), THE INVESTMENT PRODUCTS ACT (VERMÄNGLG) AND THE CAPITAL INVESTMENT CODE (KAGB). ANY SUBSEQUENT OFFER OR SALE OR PUBLIC DISTRIBUTION OF THE SAFES HAS TO COMPLY WITH APPLICABLE SECURITIES LAWS AND ANY APPLICABLE LEGAL AND REGULATORY REQUIREMENTS IN GERMANY WITH RESPECT TO THE ISSUE, SALE AND OFFERING OF SUCH SAFES.

Notice to Residents in the United Arab Emirates

INSOFAR AS THE SAFES AND THE TOKENS ISSUABLE THEREUNDER ARE REGULATED AS SECURITIES IN ANY COUNTRY OUTSIDE THE UNITED ARAB EMIRATES, THE OFFERING THEREOF WILL BE DEEMED TO RELATE TO AN OFFER OF FOREIGN SECURITIES AND THEY HAVE NOT BEEN LISTED ON OR REGISTERED WITH THE SECURITIES AND COMMODITIES AUTHORITY ("SCA") IN THE UNITED ARAB EMIRATES. THE SCA HAS NOT APPROVED OF THIS OFFERING OR TAKEN STEPS TO VERIFY THE INFORMATION SET OUT IN THIS MEMORANDUM OR MARKETING MATERIALS RELATING THERETO AND HAS NO RESPONSIBILITY FOR THEM. THE SAFES AND THE TOKENS ISSUABLE THEREUNDER ARE ILLIQUID AND SUBJECT TO RESTRICTIONS ON THEIR RESALE. PROSPECTIVE PURCHASERS THEREOF SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THEM AND THE ISSUER THEREOF. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS MEMORANDUM, THE SAFES OR ANY OTHER OFFERING OR MARKETING MATERIALS RELATING THERETO, YOU SHOULD CONSULT AN AUTHORIZED FINANCIAL ADVISER. FOR THE AVOIDANCE OF DOUBT, ONLY INVESTORS THAT HAVE, OF THEIR OWN INITIATIVE, REQUESTED INFORMATION REGARDING THE SAFES AND THE TOKENS ISSUABLE THEREUNDER MAY RECEIVE SUCH INFORMATION AND IT IS STRICTLY CONFIDENTIAL AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC.

Notice Residents in the Dubai International Financial Centre

THE DUBAI FINANCIAL SERVICES AUTHORITY (THE "DFSA") HAS NO RESPONSIBILITY FOR REVIEWING OR VERIFYING ANY DOCUMENTS IN CONNECTION WITH THE OFFER OF THE SAFES OR THE TOKENS ISSUABLE THEREUNDER AND ANYONE PARTICIPATING IN THE OFFER OF THEM IN THE DUBAI INTERNATIONAL FINANCE CENTRE (THE "DIFC") WILL NOT ENJOY ANY OF THE INVESTOR PROTECTIONS AVAILABLE UNDER DIFC LAW AND REGULATION.

Notice to Prospective Purchasers in Australia

NEITHER THIS MEMORANDUM, NOR ANY OTHER DISCLOSURE DOCUMENT IN RELATION TO THE SECURITIES, HAS BEEN, WILL BE, OR NEEDS TO BE, LODGED WITH THE AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION. THIS MEMORANDUM IS NOT A PRODUCT

AN OFFER OF THE SECURITIES IS MADE IN AUSTRALIA ONLY TO “WHOLESALE CLIENTS” AS DEFINED BY THE AUSTRALIA ACT (“WHOLESALE CLIENTS”), AND CAN ONLY BE ACCEPTED BY A RECIPIENT IF THEY ARE A WHOLESALE CLIENT. NO SECURITIES WILL BE ISSUED OR ARRANGED TO BE ISSUED, AND NO RECOMMENDATIONS TO ACQUIRE SECURITIES WILL BE MADE, WHICH WOULD REQUIRE THE PROVISION OF A PRODUCT DISCLOSURE STATEMENT UNDER DIVISION 2 OF PART 7.9 OF THE AUSTRALIA ACT OR THE PROVISION OF A FINANCIAL SERVICES GUIDE OR A STATEMENT OF ADVICE UNDER DIVISION 2 OR 3 OF PART 7.7 OF THE AUSTRALIA ACT.

NEITHER THIS MEMORANDUM, THE OFFER CONTAINED HEREIN NOR ANY OTHER DISCLOSURE DOCUMENT IN RELATION TO THE SECURITIES CAN BE PARTIALLY OR WHOLLY DISTRIBUTED, PUBLISHED, REPRODUCED, TRANSMITTED OR OTHERWISE MADE AVAILABLE OR DISCLOSED BY RECIPIENTS TO ANY OTHER PERSON IN AUSTRALIA.

Notice to Prospective Purchasers in the European Economic Area

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (EACH A “MEMBER STATE”), WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE, THE COMPANY HAS REPRESENTED AND AGREED THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT MEMBER STATE IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF THE SECURITIES TO THE PUBLIC IN A MEMBER STATE, EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING SUCH DATE, MAKE AN OFFER OF SECURITIES IN A MEMBER STATE AT ANY TIME UNDER THE FOLLOWING EXEMPTIONS AS PROVIDED BY THE PROSPECTUS DIRECTIVE:

(a) TO LEGAL ENTITIES WHICH ARE QUALIFIED INVESTORS, AS DEFINED IN THE PROSPECTUS DIRECTIVE;
(b) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN QUALIFIED INVESTORS AS DEFINED IN THE PROSPECTUS DIRECTIVE), AS PERMITTED UNDER THE PROSPECTIVE DIRECTIVE;
(c) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN THE SCOPE OF ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THE ABOVE, (I) THE EXPRESSION AN “OFFER OF THE SECURITIES TO THE PUBLIC” IN RELATION TO ANY SECURITIES IN ANY MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFERING AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE THE SECURITIES, AS THE SAME MAY BE VARIED IN THAT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT MEMBER STATE AND (II) THE EXPRESSION “PROSPECTUS DIRECTIVE” MEANS DIRECTIVE 2003/71/EC (AND AMENDMENTS THERETO, INCLUDING DIRECTIVE 2010/73/EU), AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE.

Notice to Purchasers in France


Sprocket Private Placement Memorandum
THE OFFERING IS NOT BEING MADE, DIRECTLY OR INDIRECTLY, TO THE PUBLIC IN THE REPUBLIC OF FRANCE ("FRANCE"). NEITHER THIS MEMORANDUM NOR ANY OTHER DOCUMENTS OR MATERIALS RELATING TO THE OFFERING HAVE BEEN OR WILL BE DISTRIBUTED TO THE PUBLIC IN FRANCE AND ONLY (I) PROVIDERS OF INVESTMENT SERVICES RELATING TO PORTFOLIO MANAGEMENT FOR THE ACCOUNT OF THIRD PARTIES (PERSONNES FOURNISSENT LE SERVICE D'INVESTISSEMENT DE GESTION DE PORTEFEUILLE POUR COMPTE DE TIERS) AND/OR (II) QUALIFIED INVESTORS (INVESTISSEURS QUALIFIÉS) ACTING FOR THEIR OWN ACCOUNT (OTHER THAN INDIVIDUALS), AND ALL AS DEFINED IN, AND IN ACCORDANCE WITH, ARTICLES L.411-1, L.411-2, D.411-1 AND D.411-4, D.734-1, D.744-1, D.754-1 AND D.764-1 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER, ARE ELIGIBLE TO PARTICIPATE IN THE OFFERING. NEITHER THIS MEMORANDUM NOR ANY OTHER DOCUMENTS OR MATERIALS RELATING TO THE OFFERING HAVE BEEN OR WILL BE SUBMITTED FOR CLEARANCE TO OR APPROVED BY THE AUTORITÉ DES MARCHÉS FINANCIERS. THE DIRECT OR INDIRECT DISTRIBUTION TO THE PUBLIC IN FRANCE OF ANY SO ACQUIRED SECURITIES MAY BE MADE ONLY AS PROVIDED BY ARTICLES L.411-1, L.411-2, L.412-1 AND L.621-8 TO L.621-8-3 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER AND APPLICABLE REGULATIONS THEREUNDER.

THIS MEMORANDUM, AND ANY RELATED DOCUMENT OR MATERIAL, SHALL NOT BE CONSIDERED, NOR CONSTRUED, AS ANY FORM OF FINANCIAL INVESTMENT ADVICE, SOLICITATION OR ADVERTISEMENT.

Notice to Prospective Purchasers in Hong Kong

THE SECURITIES HAVE NOT BEEN OFFERED OR SOLD AND WILL NOT BE OFFERED OR SOLD IN HONG KONG, BY MEANS OF ANY DOCUMENT, OTHER THAN TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF HONG KONG (THE “SFO”) AND ANY RULES MADE THEREUNDER, OR IN CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32) OF HONG KONG OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP. 622) OF HONG KONG.

NO PERSON HAS ISSUED OR HAD IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, OR WILL ISSUE OR HAVE IN ITS POSSESSION THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SECURITIES, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO THE SECURITIES WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” WITHIN THE MEANING OF THE SFO AND ANY RULES MADE THEREUNDER.

Notice to Prospect Purchasers in Israel

THIS MEMORANDUM DOES NOT CONSTITUTE A PROSPECTUS UNDER THE ISRAELI SECURITIES LAW, 5728-1968, AND HAS NOT BEEN FILED WITH OR APPROVED BY THE ISRAEL SECURITIES AUTHORITY. IN ISRAEL, THIS MEMORANDUM IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, INVESTORS LISTED IN THE FIRST ADDENDUM, OR THE ADDENDUM, TO THE ISRAELI SECURITIES LAW, CONSISTING PRIMARILY OF JOINT INVESTMENT IN TRUST FUNDS, PROVIDENT FUNDS, INSURANCE COMPANIES, BANKS, PORTFOLIO MANAGERS, INVESTMENT ADVISORS, MEMBERS OF THE TEL AVIV STOCK
EXCHANGE, UNDERWRITERS PURCHASING FOR THEIR OWN ACCOUNT, VENTURE CAPITAL FUNDS, AND ENTITIES WITH SHAREHOLDERS’ EQUITY IN EXCESS OF NIS 250 MILLION, EACH AS DEFINED IN THE ADDENDUM (AS IT MAY BE AMENDED FROM TIME TO TIME, COLLECTIVELY REFERRED TO AS INSTITUTIONAL INVESTORS). INSTITUTIONAL INVESTORS MAY BE REQUIRED TO SUBMIT WRITTEN CONFIRMATION THAT THEY FALL WITHIN THE SCOPE OF THE ADDENDUM. IN ADDITION, THE COMPANY MAY DISTRIBUTE AND DIRECT THIS MEMORANDUM IN ISRAEL, AT ITS SOLE DISCRETION, TO CERTAIN OTHER EXEMPT INVESTORS OR TO INVESTORS WHO DO NOT QUALIFY AS INSTITUTIONAL OR EXEMPT INVESTORS, PROVIDED THAT THE NUMBER OF SUCH NON-QUALIFIED INVESTORS IN ISRAEL SHALL BE NO GREATER THAN 35 IN ANY 12-MONTH PERIOD.

Notice to Prospective Purchasers in Singapore

EACH INVESTOR HAS ACKNOWLEDGED THAT THIS MEMORANDUM HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE (THE “MAS”). ACCORDINGLY, THIS MEMORANDUM AND ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE SECURITIES, MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE SECURITIES BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO ANY PERSON IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR (AS DEFINED IN SECTION 4A OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) (THE “SFA”)) PURSUANT TO SECTION 274 OF THE SFA, (II) TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA) PURSUANT TO SECTION 275(1) OF THE SFA, OR ANY PERSON PURSUANT TO SECTION 275(1A) OF THE SFA, AND IN ACCORDANCE WITH THE CONDITIONS, SPECIFIED IN SECTION 275 OF THE SFA, OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISIONS OF THE SFA.

WHERE THE SECURITIES ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON WHICH IS:

(a) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(b) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR, SECURITIES (AS DEFINED IN SECTION 239(1) OF THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES’ RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN SIX MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE UNITS, AS THE CASE MAY BE, PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA EXCEPT:

(1) TO AN INSTITUTIONAL INVESTOR PURSUANT TO SECTION 274 OF THE SFA OR TO A RELEVANT PERSON PURSUANT TO SECTION 275(1) OF THE SFA, OR TO ANY PERSON PURSUANT ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA;
(2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;
(3) WHERE THE TRANSFER IS BY OPERATION OF LAW;

Sprocket Private Placement Memorandum
(4) AS SPECIFIED IN SECTION 276(7) OF THE SFA; AND/OR
(5) AS SPECIFIED IN REGULATION 32 OF THE SECURITIES AND FUTURES
(OFFERS OF INVESTMENTS) (SHARES AND DEBENTURES) REGULATIONS
2005 OF SINGAPORE.

BY ACCEPTING RECEIPT OF THIS MEMORANDUM, ANY PERSON IN SINGAPORE REPRESENTS
AND WARRANTS THAT HE IS ENTITLED TO RECEIVE SUCH MEMORANDUM IN ACCORDANCE
WITH THE RESTRICTIONS SET FORTH ABOVE AND AGREES TO BE BOUND BY THE
LIMITATIONS CONTAINED HEREIN.

Notice to Prospective Purchasers in The Netherlands

THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE NETHERLANDS TO ANY PERSONS
OTHER THAN QUALIFIED INVESTORS WITHIN THE MEANING OF THE PROSPECTUS
DIRECTIVE. FOR PURPOSES OF THE ABOVE, THE EXPRESSION “PROSPECTUS DIRECTIVE”
SHALL HAVE THE MEANING GIVEN TO IT IN THE PARAGRAPH “NOTICE TO PROSPECTIVE
PURCHASERS IN THE EUROPEAN ECONOMIC AREA” ABOVE.

Notice to Prospective Purchasers in the United Kingdom

WITH RESPECT TO OFFERS AND SALES OF THE SECURITIES THAT ARE THE SUBJECT OF THIS
MEMORANDUM, 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”) AND 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. TO THE EXTENT THIS MEMORANDUM IS DISTRIBUTED IN THE
UNITED KINGDOM, IT WILL ONLY BE DISTRIBUTED TO AND DIRECTED AT: (I) PERSONS WHO
HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING
WITHIN ARTICLE 19 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL
PROMOTION) ORDER 2005 (AS AMENDED) (THE “FPO”); (II) HIGH NET WORTH ENTITIES
AND OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED
FALLING WITHIN ARTICLE 49 OF THE FPO; (III) CERTIFIED SOPHISTICATED INVESTORS
FALLING WITHIN ARTICLE 50 OF THE FPO; OR (IV) OTHER PERSONS TO WHOM IT MAY
LAWFULLY BE DIRECTED UNDER AN EXEMPTION CONTAINED IN THE FPO (THE PERSONS
SPECIFIED IN (I), (II), (III) AND (IV) ABOVE ARE, TOGETHER, REFERRED TO AS "RELEVANT
PERSONS"). PERSONS WHO ARE NOT RELEVANT PERSONS MUST NOT ACT ON OR RELY ON
THIS MEMORANDUM OR ANY OF ITS CONTENTS. ANY INVESTMENT OR INVESTMENT
ACTIVITY TO WHICH THIS MEMORANDUM RELATES IS AVAILABLE ONLY TO RELEVANT
PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. RELEVANT PERSONS
IN RECEIPT OF THIS MEMORANDUM MUST NOT DISTRIBUTE, PUBLISH, REPRODUCE, OR
DISCLOSE THIS MEMORANDUM (IN WHOLE OR IN PART) TO ANY PERSON WHO IS NOT A
RELEVANT PERSON.

IN ADDITION, 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 WILL ONLY BE COMMUNICATED, OR BE CAUSED
TO BE COMMUNICATED, IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES
NOT APPLY TO THE COMPANY.
Anti-Money Laundering and Anti-Terrorist Financing

As part of the Company’s responsibility to comply with regulations aimed at the prevention of money laundering and terrorist financing, and associated increased regulatory requirements with respect to the sources of funds used in investments and other activities, the Company will require prospective purchasers to provide documentation verifying, among other things, such purchasers’ and any of their beneficial owners’ identities, and source and use of funds used to purchase any SAFE in this offering.

The Company also reserves the right to request such identification evidence with respect to an assignee or transferee of any SAFE, to the extent permitted. In the event of delay or failure by a purchaser, assignee or transferee to produce any information required for verification purposes, the Company may refuse to accept or delay the acceptance of any assignment or transfer. In addition, the Company reserves the right to refuse to make any issuance of Sprocket EX Tokens pursuant to a SAFE or distribute SprocketCoin, to a purchaser, assignee, transferee or holder thereof if the Company suspects or is advised that the issuance to such individual or entity might result in a breach or violation of any applicable anti-money laundering or anti-terrorist financing laws.

Disclosure of Information to Regulatory Authorities

The Company may be compelled to provide information, subject to a request for information made by a regulatory or governmental authority or agency under applicable law. Disclosure of confidential information under such laws shall not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the Company may be prohibited from disclosing that the request has been made.

By purchasing a SAFE, a potential purchaser consents to the Company disclosing any information about them to regulators and others upon request in connection with money laundering, terrorist financing, and similar matters in all applicable jurisdictions.

What You Should Know About This Offering Memorandum

The Company reserves the right to reject any offer to purchase any SAFE, in whole or in part, for any reason, or to sell less than all of rights to receive Sprocket EX Tokens offered hereunder. The Company also reserves the right to terminate this Offering and sell Sprocket EX Tokens at prices lower than the prices offered in this Offering. In order to purchase a SAFE in this offering, purchasers will be required to complete and execute a SAFE, complete an online questionnaire and furnish additional information to third-party firms engaged by the Company to provide a secure means to allow the Company to comply with the verification requirements of Rule 506(c) under the Securities Act and other applicable laws in connection with this offering.

This offering memorandum is based on information provided by Sprocket and by third-party sources that it believes to be reliable. However, neither Sprocket, or any broker-dealer that may be involved in this offering nor StartEngine, is implying that such third-party information is correct by sending this Memorandum or selling any SAFE to you. No broker-dealer nor StartEngine has independently verified the information in this Memorandum and assumes no responsibility for its accuracy or completeness. Nothing contained herein is, or should be relied on as, a promise or representation as to future performance of the Sprocket|EX Exchange Platform (as defined below) or Sprocket EX Tokens issuable under any SAFE.
In making a purchase decision, you should rely on your own examination of Sprocket and the Sprocket|EX Exchange Platform and the terms of this offering, including the merits and risks involved. In particular, if you choose to purchase a SAFE in this offering you will be deemed to acknowledge and agree that:

- you have been afforded an opportunity (1) to request from Sprocket, or any applicable broker-dealer, and have received and reviewed, all additional information considered by you to be necessary to verify the accuracy of or to supplement the information set forth in this Memorandum and (2) to speak with Sprocket’s representatives and to have them answer any questions regarding Sprocket and the Sprocket|EX Exchange Platform and the terms and conditions of this offering, and all such questions have been answered to your satisfaction;

- you have not relied on any broker-dealer, StartEngine or any person affiliated with such parties, in connection with your investigation of the accuracy of any information or your purchase decision; and

- no person has been authorized to give information or to make any representation concerning Sprocket, the Sprocket|EX Exchange Platform, the SAFE, or Sprocket EX Tokens other than as contained in this Memorandum and information given by Sprocket in connection with your examination of Sprocket and the Sprocket|EX Exchange Platform and the terms of this offering and, if given or made, such other representation should not be relied upon as having been authorized by Sprocket, any applicable broker-dealer or StartEngine.

The Company is not making any representation to any purchaser of a SAFE regarding the legality or appropriateness of the purchase of a SAFE under any laws or regulations of any jurisdiction. You should not consider any information contained in this Memorandum to be legal, business, or tax advice. You should consult your own attorney, business advisor, and tax advisor for legal, business and tax advice regarding any purchase of a SAFE.

The Company is offering the SAFE s pursuant to exemptions from the registration requirements of the Securities Act. The SAFE s will be subject to restrictions on transferability and may not be resold or otherwise transferred unless (a) the Company provides its prior written consent and (b) the transfer is made in accordance with applicable securities laws. In addition, the terms of the SAFE s impose a contractual lock-up of Sprocket EX Tokens issuable thereunder for a period of one year from the date of the relevant SAFE.

This offering may be withdrawn at any time before any closing and is specifically made subject to the terms described in this Memorandum and the SAFE.

Available Information

Sprocket is not currently required to file reports or other information with the SEC or to deliver an annual report to the holders of SAFE s pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Cautionary Statements Regarding Forward-Looking Statements; Market Data

This offering memorandum contains forward-looking statements, including statements relating to the Company’s and the Sprocket|EX Exchange Platform’s operations, financial results, business and products. Other statements in this Memorandum, including words such
as “anticipate,” “may,” “believe,” “could,” “should,” “estimate,” “expect,” “intend,” “plan,” “predict,” “potential,” “forecasts,” “project,” and other similar expressions, also are forward-looking statements. Forward-looking statements are made based upon management’s current expectations and beliefs concerning future developments and their potential effects on the Company, the Sprocket|EX Exchange Platform and/or Sprocket EX Tokens. Such forward-looking statements are not guarantees of future performance. The factors described in the section entitled “Risk Factors”, and other important factors described elsewhere in this Memorandum, could affect, and in some cases have already affected, the Company’s actual results and could cause such results to differ materially from estimates or expectations reflected in such forward-looking statements.

The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Memorandum, unless required to do so by law.

This offering memorandum contains third-party estimates and data. Although the Company has not independently verified any such data, the Company believes that the industry information contained in such releases and data tables and included in this Memorandum is reliable.
Offering Terms

The summary below describes the principal terms of the Securities and the attributes of SprocketCoins. Certain of the provisions described below are subject to important limitations and exceptions. Prospective purchasers should review the SAFE in its entirety, attached hereto as Annex A, the Sprocket EX Token Terms and Conditions, attached hereto as Annex B, and the SprocketCoin Terms and Conditions, attached hereto as Annex C. If any of the provisions of the Securities are inconsistent with or contrary to the descriptions or terms in this Memorandum, the terms of the SAFE or the Certificate of Designation (as summarized in the Sprocket EX Token Terms and Conditions), as applicable, will control. Upon the Sprocket EX Tokens’ issuance, the provisions of the Certificate of Designation will contain the complete terms of the Sprocket EX Tokens. If any of the attributes, terms and conditions of the SprocketCoins are inconsistent with or contrary to the descriptions or terms in this Memorandum, the SprocketCoin Terms and Conditions will control.

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Sprocket, Inc., a Delaware corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security Offered</td>
<td>SAFE.s providing their holders a right to receive a certain amount of Sprocket EX Tokens upon issuance of Sprocket EX Tokens, if issued, subject to the terms of the SAFE. Sprocket EX Tokens will be issued as ERC-20 (or equivalent) compliant tokens.</td>
</tr>
<tr>
<td>Offering Size</td>
<td>USD$50,000,000 with the option to upsize to USD$55,000,000 in the event that there is sufficient market demand to do so.</td>
</tr>
<tr>
<td>Aggregate Amount of Sprocket EX Tokens Issuable Under SAFEs Offered in the Offerings</td>
<td>6,300,000. The Company reserves the right, in its sole discretion, to increase the aggregate amount of Sprocket EX Tokens issuable pursuant to SAFEs sold in the Offerings to 6,800,000 Sprocket EX Tokens, based on market demand.</td>
</tr>
<tr>
<td>Per Price Sprocket EX Token &amp; Min/Max Investment</td>
<td>Price per Sprocket EX Token</td>
</tr>
<tr>
<td>Offering 1</td>
<td>$2.50</td>
</tr>
<tr>
<td>Offering 2</td>
<td>$5.00</td>
</tr>
<tr>
<td>Offering 3</td>
<td>$7.00</td>
</tr>
<tr>
<td>Offering 4</td>
<td>$10.00</td>
</tr>
</tbody>
</table>

(1) The Company may, in its sole discretion, waive the maximum investment amount for one or more investors.

<p>| Form of Payment | US dollars, Euros, Bitcoin, Ether and other fiat and cryptocurrencies as determined in the sole discretion of the Company. |</p>
<table>
<thead>
<tr>
<th>Payment Instructions</th>
<th>See <strong>Annex D</strong> for a description of payment procedures to be followed upon execution of a SAFE.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voting Rights</td>
<td>Sprocket EX Tokens will not have any voting rights.</td>
</tr>
<tr>
<td>No Sprocket EX Token Refund Rights</td>
<td>After issuance, Sprocket EX Token holders will have no right to return Sprocket EX Tokens to Sprocket or to receive a refund or otherwise require Sprocket to exchange any amount of Sprocket EX Tokens for fiat currency.</td>
</tr>
<tr>
<td>Quarterly Dividends on Sprocket EX Tokens</td>
<td>Subject to the dividend limitations under Delaware law, and the Company’s liquidity position, Sprocket shall distribute to the holders of Sprocket EX Tokens held in a Sprocket Wallet, a pro-rata share of 10% of the Net Platform Revenue (as defined below) on a quarterly basis (the “<strong>Quarterly Dividend</strong>”). <strong>“Net Platform Revenue”</strong> means all revenue collected by the Company’s cryptocurrency trading platform, less fees paid to third parties related to the clearing and settlement of trades. Quarterly Dividends will be paid on a pro rata basis, to each outstanding Sprocket EX Token, which is held in a Sprocket Wallet. Any dividends allocated with respect to Sprocket EX Tokens not held in a Sprocket Wallet as of the time the Quarterly Dividend is paid, will be retained by the Company. To the extent any Sprocket EX Token entitled to a Quarterly Dividend is held in a Sprocket Wallet for a portion of any quarter, the Quarterly Dividend shall be pro rata based on the portion of the quarter during which such Sprocket EX Token is held in the Sprocket Wallet. While the Company intends to pay Quarterly Dividends in SprocketCoins, it has the discretion to pay them in Ether, BitCoin or US dollars.</td>
</tr>
<tr>
<td><strong>Liquidation Preference</strong></td>
<td>In the event of any liquidation, dissolution or winding up of the Company, holders of Sprocket EX Tokens shall be entitled to receive, prior and in preference to any distribution of any assets or funds of the Company to other holders of the Company’s equity (except for any class or series of preferred stock designated to be paid prior to, or concurrently with, Sprocket EX Tokens as to payments in liquidation) by reason of their ownership of such Sprocket EX Tokens, an amount per Sprocket EX Token equal to USD$0.10. If upon a Liquidation Event and after the payment or setting aside for payment to the holders of any class or series of preferred stock designated to be paid prior to Sprocket EX Tokens, as to a liquidation preference, the assets of the Company lawfully available for distribution to the holders of Sprocket EX Tokens and any class or series of preferred stock designated to be paid concurrently with Sprocket EX Tokens, as to a liquidation preference, are insufficient to permit payment in full to all such holders, then the entire assets of the Company legally available for distribution shall be distributed with equal priority and pro rata among Sprocket EX Token holders and holders of any class or series of preferred stock designated to be paid concurrently with Sprocket EX Tokens, as to a liquidation preference, ratably and in proportion to the full amounts they would otherwise be entitled to receive.</td>
</tr>
<tr>
<td><strong>Delivery of Sprocket EX Tokens</strong></td>
<td>Subject to the terms of the SAFE, the Company intends to deliver a Sprocket Wallet containing Sprocket EX Tokens to the purchasers, at such time as development of the Sprocket Wallet is complete. See “<strong>Description of SAFEs</strong>” for more information.</td>
</tr>
<tr>
<td><strong>Revenue Share with Top Traders</strong></td>
<td>Subject to the Company’s liquidity position, Sprocket shall distribute to the top 250 Sprocket Wallets, as determined by dollar trading value on the Sprocket</td>
</tr>
</tbody>
</table>
| **SprocketCoin Attributes** | Discounted Platform Fees. Sprocket|EX Exchange Platform Fees that are paid using SprocketCoins shall be discounted by 25%.

Redemption. Holders may redeem SprocketCoins at any time, to the extent the Company has adequate reserves to pay the Redemption Price. The "Redemption Price" shall equal 1/100th of an Ether per SprocketCoin. The Company, in its sole discretion, may pay the Redemption Price in Ether or US dollars. The Company shall charge a redemption fee of up to 10% of the Redemption Price.

Redemption Reserve. The Company shall endeavor to retain a reserve in Ether or US dollars, equal to the aggregate Redemption Price of not less than Fifty Percent (50%) of the outstanding SprocketCoin. |
| **SAFE Limitations** | SAFE holders are not entitled to vote, receive dividends or be deemed the holder of capital stock of the Company in their capacity as a SAFE holder for any purpose, nor will anything contained in this Memorandum be construed to confer on a SAFE holder any of the rights of stockholders 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 dividends, subscription rights or otherwise. |
| **Forward Contract Tax Treatment** | SAFE holders will be required to treat the SAFEs as prepaid forward contracts for U.S. federal, state and local income taxes, and will not take any position on any tax return, report, statement or tax document that is inconsistent with such treatment. |
| **Use of Proceeds** | The proceeds of the Offering are expected to be used for the development of the Sprocket|EX Exchange Platform, the repayment of certain debt to the founders, asset acquisitions, legal and regulatory compliance, general working capital, and expenses relating to the Offerings, including the payment of the distribution fees and offering costs. |
| **Transfer Restrictions** | The SAFEs being offered pursuant to this Memorandum will not be registered under the Securities Act or the securities laws of any other jurisdictions. As a result, such SAFEs will be subject to significant restrictions on resale and transfer in addition to those traditionally associated with securities. |
sold pursuant to Rule 506(c) of Regulation D under the Securities Act, including a contractual restriction providing that any purchaser in this offering may not transfer any SAFE unless (a) the Company provides its prior written consent and (b) the transfer is made in accordance with applicable securities laws. Moreover, the terms of the SAFE(s) impose a contractual lock-up of Sprocket EX Tokens issuable thereunder for a period of one year from the date of the relevant SAFE.
Description of SAFE

**General**

Each SAFE requires the purchaser thereof to pay Sprocket the applicable purchase price per Sprocket EX Token reflected in the table set forth on page ii of this Memorandum in exchange for the right to receive Sprocket EX Tokens.

Other than the right to receive Sprocket EX Tokens in the circumstances described above, the holder of a SAFE will not be entitled to any additional rights, benefits and privileges. In particular, the SAFEs have no voting rights attached to them.

**Contractual Restrictions on Transfer**

A SAFE may not be sold, exchanged, assigned, pledged, hypothecated or otherwise disposed (collectively, a "Transfer") by the holder thereof unless (a) the Company provides its prior written consent and (b) such Transfer is made in accordance with applicable securities laws. In addition, the terms of the SAFE impose a contractual lock-up of Sprocket EX Tokens issuable thereunder for a period of one year from the date of the relevant SAFE. See "Transfer Restrictions" for more information.

**The Company**

Sprocket, Inc. was formed as a Delaware corporation, in February 2018. The Company's mission is to reduce the risk and friction of digital asset trading across marketplaces, regions and exchanges by establishing a group of owned-and-operated trading exchanges interconnected with leading third-party exchanges in jurisdictions around the globe that together create a single aggregated global trading marketplace with large scale liquidity, rapid execution, minimal counter-party risk, and price transparency.

**The Problem**

Trading volume of digital assets is widely distributed across a large number of exchanges globally. The top 100 exchanges by volume in the aggregate traded 76% of the total daily trading volume\(^1\) on 3/26/18, with the top 5 exchanges representing 25%, the next 5 exchanges (ranked 6-10) representing 11%, the next 10 exchanges (ranked 11-20) representing 11%, and the next 15 exchanges (ranked 21-35) representing 10.5%. GDAX, one of the largest U.S. based exchanges represented only 2.7% of the total daily trading volume of BTC/USD on 3/26/18.

This wide distribution creates pricing and volume inefficiencies and increases risk to traders trying to arbitrage the pricing differences or trade high volumes by trading across multiple exchanges.

- **Friction** is caused by a number of factors including the variance in digital asset pricing and supply across exchanges, the difficulty of moving assets between exchanges, and

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\(^1\) Bitcoin market trade data on 3/26/18 from https://coinmarketcap.com/currencies/bitcoin/#markets
the inability to trade simultaneously on multiple exchanges to take advantage of arbitrage opportunities.

- **Cost** is caused by the need to move assets and execute trades across multiple exchanges, which incur greater fees.
- **Risk** is caused by the need to move and hold assets across multiple exchanges and digital wallets subject to counter party risk and varying regulatory rules, which potentially subjects traders to increased risk of theft, loss, and regulatory intervention.

**The Solution**

The Company believes that interconnecting many exchanges together on a single trading platform with a unified order book and single wallet, will result in increased supply and liquidity, resulting in narrower price ranges due to increased supply and transparency, which will increase liquidity while reducing digital asset price volatility, pricing disparity, trading costs, and investment and compliance risk.

**The Sprocket|EX Exchange Platform**

The Company is developing a digital trading platform (the “Sprocket|EX Exchange Platform”) capable of trading approved digital assets and cryptocurrencies. The Sprocket|EX Exchange Platform will be a state-of-the-art cryptocurrency trading exchange with immediate settlement and liquidity, including advanced trading features such as automated algorithmic trading with artificial intelligence for the sophisticated trader. A unique aspect of the Company’s vision is to establish Sprocket|EX exchanges in numerous jurisdictions globally and provide users with the ability to trade on all of the connected exchanges through a syndicated view – providing access to larger markets and pools of liquidity on one single platform.

The table below describes the currently contemplated functionality and features of the Sprocket|EX Exchange Platform. Not all features are expected to be included in the initial release, and, if developed, will be added in subsequent updates. A more detailed description of the Sprocket|EX Exchange Platform, including, a technology overview, is included in the White Paper attached as Annex E.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fast and Secure Trading</td>
<td>Enterprise grade, redundant, and secure high velocity transaction processing systems capable of executing a million trades per minute with low latency, near instant liquidity and secure execution.</td>
</tr>
<tr>
<td>2. Inter-Exchange Trading</td>
<td>Inter-exchange protocols and settlement systems will permit a global unified trading platform that connects all of the Company’s owned-and-operated exchanges with third-party partner exchanges across jurisdictions on one virtual global marketplace.</td>
</tr>
<tr>
<td>3. Private Market Place</td>
<td>Private exchanges for select high volume traders to execute trades in closed private markets.</td>
</tr>
<tr>
<td>4. Integrated Digital Wallet</td>
<td>Sprocket Wallet is a digital wallet integrated with the Sprocket</td>
</tr>
</tbody>
</table>
Litecoin (LTC), Ether (ETH), and Ripple (XRP) with plans to add additional approved digital currencies based on limitations determined by regulators and jurisdictions, as well as the digital currency’s reputation and liquidity over time.

5. **SprocketKey Service**
   An online, fully-validating node, and an offline server for each coin that is supported in the Sprocket Wallet, that (a) serves as a secure, trusted connection to a network of each supported digital currency, (b) includes a Blockchain explorer for tracking transaction IDs used to verify user withdrawals and deposits, and (c) is a Hierarchical Deterministic (HD) wallet to create new deposit addresses and forward customer deposits to the Company’s corporate wallet account pool. An offline server is responsible for securing and managing the private cryptographic keys used to sign transactions originating from the Company’s corporate wallet pool.

6. **Secure Cold Storage**
   All corporate wallet private keys will be held on an encrypted USB storage, and issued on a new computer not connected to the internet. Two encrypted digital copies and one physical copy will exist and be stored in separate geographically diverse vaults that require multiple security measures to access. When funds must be accessed from cold storage, a new set of offline keys will be created using the same process to replace the accessed cold storage accounts.

7. **Intuitive & Customizable User Interface.**
   Sprocket’s Trader’s Dashboard is an easy to use and customizable user interface and dashboard, where users can perform complex trades and install specialized digital asset trading (charting, AI tools, trade bots etc…), information and asset management DAPPs written by Sprocket, third-parties or individual traders.

8. **Advanced AI Trading Features**
   Automated algorithmic trading with artificial intelligence. Standard market, stop losses, margin trading, and peer-to-peer lending of digital currencies.

9. **Market Tracking Tools**
   A suite of smart market tracking tools allowing users to create customized alerts based on market pricing or changes within the marketplace.

10. **Access to Pricing Books and Order Books on Multiple Exchanges**
    Users will be able to view buy/sell price quotes and order books from any connected exchange, to measure pricing spreads and trends on each exchange. Users will also have access to historical and pricing and trading history for a given digital currency/asset globally or filtered by exchange.

11. **Customer Education**
    Simulated trading for customers to practice trading without risking actual money until they fully understand all of the aspects of trading on an exchange.

12. **Robust Customer Service**
    24/7/365 live chat and an email ticketing platform.

13. **KYC/AML Compliance**
    Know-Your-Customer/Anti Money Laundering (KYC/AML) processing, transaction fraud and sanctions screening to assist with regulatory compliance, and full regulatory reporting.

14. **Taxable Reporting**
    Customer reporting including jurisdictionally specific tax reporting, account analysis and other reports.

**Time Line**

The table below outlines the timeline and targets the Company intends to achieve for and relative to the Sprocket|EX Exchange Platform. The timeline and targets are based on information the Company currently possesses and are subject to change at the Company’s sole discretion.
Management

The Company has brought together a globally experienced management team, advisory board, and group of external advisors consisting of leaders and experts in technology, blockchain, cryptocurrency, banking, asset management, financial intermediary, legal and global financial regulatory matters from Europe, Asia and the United States – who all share the vision that digital assets will revolutionize the world of finance and commerce.

The Company’s day-to-day operations are managed by the Company’s officers, with the assistance and support of the Company’s advisors. The Company’s Board of Directors oversees the Company’s management and appoints the Company’s officers, who serve at the discretion of the Board of Directors.

Management Team

A list of the Company’s current officers and directors is set forth below, and biographies of each individual is included in the White Paper attached hereto as Annex E:

<table>
<thead>
<tr>
<th>Officer/Director</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fred Thiel</td>
<td>Chairman of the Board &amp; CEO</td>
</tr>
<tr>
<td>Matthew Hetland</td>
<td>President &amp; Director</td>
</tr>
<tr>
<td>Johannes Rietschel</td>
<td>Chief Technology Officer (CTO)</td>
</tr>
<tr>
<td>Stefan Demi</td>
<td>Head of Product Development</td>
</tr>
<tr>
<td>Dr. Mattia L. Rattaggi</td>
<td>Chief Compliance Officer</td>
</tr>
<tr>
<td>Ken Cragun</td>
<td>Chief Financial Officer (CFO)</td>
</tr>
<tr>
<td>Jeffrey Marks</td>
<td>General Counsel</td>
</tr>
<tr>
<td>Max Chmyshuk</td>
<td>SVP Institutional Investor Relations</td>
</tr>
</tbody>
</table>
Advisory Board

In addition to the officers and directors, the Company will utilize the expertise and experiences of various advisors. A list of the Company’s current advisory board members is set forth below, and biographies of each individual is included in the White Paper attached hereto as *Annex E*:

<table>
<thead>
<tr>
<th>Advisor</th>
<th>Expertise/Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eva Thiel</td>
<td>Former senior economist with the OECD, international banking and finance consultant</td>
</tr>
<tr>
<td>Mark Florman</td>
<td>A leading authority on some of the world’s most entrenched socio-economic challenges.</td>
</tr>
<tr>
<td>Milo B. Sprague</td>
<td>Technology leader in banking and IT consulting.</td>
</tr>
<tr>
<td>Henrique Corrêa da Silva</td>
<td>Security and crypto currency specialist.</td>
</tr>
<tr>
<td>Olafur Thor Vihjalmsson</td>
<td>SVP Financial Institution Partnerships</td>
</tr>
<tr>
<td>Primož Kordež</td>
<td>Investment banking, particularly in the field of risk management.</td>
</tr>
<tr>
<td>Stephan Goss</td>
<td>Series entrepreneur and leader of rapid growth technology startups</td>
</tr>
<tr>
<td>Frode L. Odegard</td>
<td>Founder and CEO of the Post-Lean Institute, a Silicon Valley based research and</td>
</tr>
<tr>
<td></td>
<td>advisory firm that develops new models and methods for investors and corporations to</td>
</tr>
<tr>
<td></td>
<td>exploit new technologies such as blockchain.</td>
</tr>
</tbody>
</table>

External Advisors

The Company also works with a host of external advisors, including some of the most prominent law firms and security advisors in the world, which are listed in the White Paper attached hereto as *Annex E*. 
Bad Actor Disqualification

In light of the fact that the offers and sales of the SAFEs are being made in reliance on Rule 506(c) of Regulation D under the Securities Act, none of Sprocket, any of its predecessors, any affiliated issuer, any director, officer, beneficial owner of 20% or more of Sprocket’s outstanding voting equity securities, calculated on the basis of voting power, any promoter (as that term is defined in Rule 405 under the Securities Act) connected with Sprocket in any capacity at the time of sale, nor any person that had been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with such sale of the SAFEs (each, an "Issuer Covered Person") is subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"). Sprocket has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event.

Regulatory

The regulatory environment with respect to cryptocurrencies and cryptocurrency exchanges is still very formative and the risk of regulator intervention remains high until clear rules are established and implemented across markets and jurisdictions. The Company has been working closely with legal and regulatory advisors in jurisdictions around the world to establish working relationships with local regulators and define an operational framework that the Company believes is fully aligned with developing regulatory rules and requirements.

The Company has engaged with some of the top financial services regulatory law firms in the United States, Europe and Switzerland (with Asia, Oceania and Latin America to follow), and have begun the regulatory and licensing process which could take 6-18 months depending on jurisdiction and class of license required. Furthermore, two of the Company’s advisors were very influential in crafting and advising governments on international financial services regulations at both the OECD and European governmental policy levels and will be working in parallel with the Company’s legal teams on regulatory approvals and licensing by leveraging their relationships to advise regulators and government institutions on how to form policy and regulations in this area.

Legal Proceedings

From time to time, the Company may be involved in legal proceedings. The results of such legal proceedings and claims cannot be predicted with certainty and, regardless of the outcome, legal proceedings could have an adverse impact on the Company’s business or development, and that of the Sprocket|EX Exchange Platform, because of defense and settlement costs, diversion of resources, and other factors. As of the date of this Memorandum, the Company is not subject to any material legal proceedings, nor, to the Company’s knowledge, are any material legal proceedings pending or threatened against the Company.
Risk Factors

Purchasing SAFE s involves an extraordinary degree of risk, and, therefore, should be undertaken only by purchasers capable of evaluating the risks of an investment and bearing the risks of a complete loss of all invested capital.

Potential purchasers should carefully consider the risks described below and consult with their professional advisors before investing in SAFE s. It should be noted that the list of risk factors described hereunder is not intended to be exhaustive and does not necessarily include all of the risks to which the Company is or may be exposed to, nor all those associated with a purchase of the SAFE s.

Risks Related to an Investment in the Securities

There can be no assurance that Sprocket EX Tokens will ever be issued and, if the Company fails to issue Sprocket EX Tokens, investors have no right to a refund of any portion of their investment.

While the Company intends to develop Sprocket EX Tokens to be issued to holders of SAFE s, there can be no assurance that it will do so. Should the Company fail to issue Sprocket EX Tokens, investors will be left with only the SAFE, pursuant to which they will not be entitled to any of the rights set forth in the Sprocket EX Token Terms and Conditions. SAFE holders will have no legal or equitable rights, interests or claims to any specific property or assets of the Company. The remaining SAFE would not be expected to possess economic value. Moreover, in the event of the Company’s failure to issue Sprocket EX Tokens, investors have no right to receive a refund or any return of any portion of their investment. As a result, investors should only invest in a SAFE if they are prepared to lose their entire investment.

The Company may not be able to pay Quarterly Dividends.

Quarterly Dividends are contemplated to be paid on Sprocket EX Tokens from net revenue resulting from the Sprocket|EX Exchange Platform. If, however, payment of a Quarterly Dividend for any period would cause the Company to fail to comply with any applicable law or regulation, including, applicable securities laws, to fail to maintain an adequate redemption reserve, or would otherwise jeopardize the Company’s ability to operate, the Company will not pay a Quarterly Dividend for such quarter and no dividend will accrue, accumulate or be payable for that applicable quarterly period.

The tax treatment of the Securities is uncertain and there may be adverse tax consequences for purchasers upon certain future events.

The tax characterization of the Securities is uncertain, and each purchaser must seek his, her or its own tax advice in connection with an investment in the Securities. An investment in the Securities may result in adverse tax consequences to purchasers, including withholding taxes, income taxes and tax reporting requirements. Each purchaser should consult with and must rely upon the advice of its own professional tax advisors with respect to the United States and non-U.S. tax treatment of an investment in the Securities. See “Certain US Federal Income Tax Considerations,” herein.

The potential application of U.S. laws regarding investment securities to the Securities is unclear.
The Securities are novel, and the application of U.S. federal and state securities laws is unclear in many respects. Because of the differences between the Securities and traditional investment securities, there is a risk that issues that might easily be resolved by existing law if traditional securities were involved may not be easily resolved for the Securities. In addition, because of the novel risks posed by the Securities, it is possible that securities regulators may interpret laws in a manner that adversely affects the value of the Securities. For example, if applicable securities laws restrict the ability for Sprocket EX Tokens to be transferred, this would have a material adverse effect on the value of the Securities. The occurrence of any such legal or regulatory issues or disputes, or uncertainty about the legal and regulatory framework applicable to the Securities, could have a material adverse effect on the holders of Securities.

The potential application of US money transfer laws.

The Company may be deemed governed by the Bank Secrecy Act (the “BSA”) which is enforced by the United States Department of Treasury Financial Crimes Enforcement Network (“FINCEN”), the mission of which is to safeguard the United States financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities. FINCEN recently indicated that virtual currency exchangers and administrators are likely subject to the BSA. In 2013, FINCEN released guidance that virtual currency exchangers and administrators are money transmitters, which FINCEN indicated includes a person that sells convertible virtual currency. While the Company does not believe that its activities are governed by the BSA, if the laws are interpreted to encompass the Company’s activities, the Company may be required to obtain a license, and/or may be the subject of an enforcement action for violation the BSA.

If Sprocket EX Tokens ever become transferable, Sprocket EX Token transactions may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable.

In the event that the Sprocket|EX Exchange Platform is developed and becomes operational, or Sprocket EX Tokens become tradeable on another exchange or pursuant to permitted peer-to-peer transfers, transactions in Sprocket EX Tokens may be irreversible, and, accordingly, a purchaser of Sprocket EX Tokens may lose all of his or her investment in a variety of circumstances, including in connection with fraudulent or accidental transactions, technology failures or cyber-security breaches. If applicable, real-time settlement would further increase the risk that correction of trading errors may be impossible and losses due to fraudulent or accidental transactions may not be recoverable.

The nature of Sprocket EX Tokens means that any technological difficulties experienced by the Sprocket|EX Exchange Platform, if developed, or any other Exchange may prevent the access or use of a purchaser’s Sprocket EX Tokens.

Any trading platform, including the Sprocket|EX Exchange Platform, if developed, will be subject to the risk of technological difficulties that may impact trading of Sprocket EX Tokens, which include, without limitation, failures of any blockchain on which Sprocket EX Tokens or the Exchange relies or the failure of smart contracts to function properly. Trading in Sprocket EX Tokens will depend on the operation and functionality of the applicable Exchange and if such system were to fail for any reason, trading in Sprocket EX Tokens could be impossible until such failure was corrected, and full functionality were restored and tested. Any such technological difficulties may prevent the access or use of Sprocket EX Tokens. This
could have a material impact on the applicable Exchange’s ability to execute or settle trades of Sprocket EX Tokens, to maintain accurate records of the ownership of Sprocket EX Tokens and to comply with obligations relating to records of the ownership of Sprocket EX Tokens and could have a material adverse effect on the holders of Sprocket EX Tokens.

Risk of Loss of Credentials.

Your Sprocket EX Tokens and SprocketCoins will be held in a crypto-wallet. Your crypto-wallet stores your private key and public keys. Public keys allow outside parties to transmit cryptocurrencies into your digital wallet. Private keys allows you to receive, hold, access and use or transfer Sprocket EX Tokens and SprocketCoins. If your own crypto-wallet credentials are lost or stolen, your Sprocket EX Tokens or SprocketCoins (collectively, the “Tokens”) will be unrecoverable and will be permanently lost. A private key, or a combination of private keys, is necessary to control and dispose of Tokens stored in your wallet. Accordingly, loss of requisite private key(s) associated with your wallet will result in loss of such Tokens. Moreover, any third party that gains access to such private key(s), including by gaining access to login credentials of a hosted wallet service you use, may be able to misappropriate your Tokens. Any errors or malfunctions caused by or otherwise related to the wallet you choose to receive and store Tokens, including your own failure to properly maintain or use such wallet, may also result in the loss of your Tokens.

Risks associated With the Ethereum protocol.

Because Sprocket EX Tokens and SprocketCoins are based on the Ethereum protocol, any malfunction, breakdown or abandonment of the Ethereum protocol may result in the loss of or inability to transfer Sprocket EX Tokens and SprocketCoins. The Ethereum network is prone to periodic congestion during which transactions could be delayed or lost. Individuals may also intentionally spam the Ethereum network in an attempt to gain an advantage in purchasing cryptographic tokens. That may result in a situation where block producers may not include an investor's transaction at the time such investor expects, or an investor’s transaction may not be included at all. Moreover, advances in cryptography, or technical advances such as the development of quantum computing, could present risks by undermining or vitiating the cryptographic consensus mechanism that underpins the Ethereum protocol. Also, legislatures and regulatory agencies could prohibit the use of current and/or future cryptographic protocols which could adversely impact the ability to transfer Sprocket EX Tokens, resulting in a significant loss of value of Sprocket EX Tokens.

The Company’s management will have broad discretion over the use of the net proceeds from this Offering.

The Company’s success will be substantially dependent upon the discretion and judgment of its management team with respect to the application and allocation of the proceeds of the Offerings. Any “Use of Proceeds” information presented herein represents the Company’s current intentions and is subject to change based on a number of factors, including the amount of funds raised, developments in blockchain technology and cryptocurrency, government regulation, or other factors that are difficult to predict. The Company has absolute discretion regarding the use of the proceeds raised in the Offerings and may use such proceeds for any purpose, whether or not addressed in this Memorandum without notice to any purchaser and/or user that it is changing its intended approach. There can be no assurance that such determinations ultimately made by the Company, which relate to the specific allocation of the proceeds of the Offerings, will permit the Company to achieve its business objective, including those relating to the development, launch and/or operations.
of the Sprocket|EX Exchange Platform and the development of the Tokens. In the event that
the Company’s plans change, its assumptions change or prove to be inaccurate or the proceeds
of the Offerings prove to be insufficient, it may be necessary or advisable to reallocate proceeds
or to use proceeds for other purposes. The Company may also be required to seek additional
financing or may be required to curtail its operations.

*The Company may be faced with challenges in complying with Delaware law with
respect to stock ledger requirements.*

Undertaking an offering using blockchain technology does not easily fit within the
regulatory framework for traditional stock ledger requirements. The manner in which the
Company records Sprocket EX Token holders may not be in compliance with Delaware stock
ledger requirements. The failure to comply with state laws can result in regulatory actions
that could have a negative impact on the Company’s business

*Holders of the Securities will generally not have voting rights and will generally
have no ability to influence the decisions of the Company.*

Holders of the Securities have no voting rights, except, with respect to Sprocket EX
Tokens, those required by Delaware law. As a result, except with respect to matters required
to be submitted to Sprocket EX Token holders under Delaware law, all matters submitted to
stockholders will be decided by the vote of holders of the Company’s capital stock entitled
to vote thereon, which shall not include the Securities. As a result, holders of the Securities will
have no ability to elect directors or, except with respect to matters required to be submitted
to Sprocket EX Token holders under Delaware law, to determine the outcome of any other
matters submitted to a vote of the Company’s stockholders. The interests of holders entitled
to vote on such matters may differ from, or conflict with, the interests of Sprocket EX Token
holders.

*The Securities may be subject to registration under the Exchange Act if the Company
has assets above $10 million and more than 2,000 purchasers participate in the
Offering, which would increase the Company’s costs and require substantial
attention from management.*

Companies with total assets above $10 million and more than 2,000 holders of record
of its equity securities, or 500 holders of record of its equity securities who are not accredited
investors, at the end of their fiscal year, must register that class of equity securities with the
SEC under the Exchange Act. The Company could trigger this requirement as a result of the
Offerings and be required to register Sprocket EX Tokens with the SEC under the Exchange
Act, which would be a laborious and expensive process. Furthermore, if such registration takes
place, the Company will have materially higher compliance and reporting costs going forward.

*Purchasers may lack information for monitoring their investment.*

The Securities do not have any information rights attached to them, and purchasers
may not be able to obtain all the information they would want regarding the Company or the
Securities. In particular, investors may not be able to receive information regarding the
financial performance of the Company with respect to the ability of the Company to pay the
Quarterly Dividends and Revenue Share Distributions. The Company is not currently registered
with the SEC and currently has no periodic reporting requirements. As a result of these
difficulties, as well as other uncertainties, a purchaser may not have accurate or accessible
information about the Company or the Securities.
At issuance, there will be no trading market for Sprocket EX Tokens, and a trading market may never develop.

If Sprocket EX Tokens are issued, there will be no trading market available for Sprocket EX Tokens, and transfers will not be permitted unless and until Sprocket EX Token holders are notified otherwise by the Company and informed of the requirements to and conditions do so. As a result of recent regulatory developments, many conventional crypto exchanges are currently unwilling to list securities tokens, such as the Company’s Sprocket EX Tokens. As a result, when Sprocket EX Tokens become transferable, they may only be traded on very limited range of venues, including U.S. registered exchanges or regulated alternative trading systems for which a Form ATS has been properly submitted to the SEC. Currently, the Company is unaware of any operational ATS or exchange capable of supporting secondary trading in Sprocket EX Tokens. Moreover, even if legally permitted, by purchasing Sprocket EX Tokens, Sprocket EX Token holders agree to additional transfer restrictions and shall not be able to effect transfers until such time as the Company informs holders that an Exchange is available or that peer-to-peer transfer processes have been established. As a result, holders of Sprocket EX Tokens should be prepared to hold their Sprocket EX Tokens indefinitely. See “Notice to Purchasers” for more information. Moreover, even if Sprocket EX Tokens become transferable, the Company may rely on technology, including smart contracts, to implement certain restrictions on transferability in accordance with the federal securities laws. There can be no assurance that such technology will function properly, which could result in technological limitations on transferability and expose the Company to legal and regulatory issues.

In the event that Sprocket EX Tokens remain untradeable for a significant period of time or indefinitely, the value of Sprocket EX Tokens would be materially adversely affected.

Neither the Securities nor the Tokens are legal tender, are not backed by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation or Securities Investor Protection Corporation (“SIPC”) protections.

The Securities and SprocketCoins are not legal tender, are not backed by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation or Securities Investor Protection Corporation protections. Any investment in the Securities is made at the risk of the purchaser.

Sprocket EX Tokens are equity securities and are subordinate to existing and future indebtedness of the Company.

Sprocket EX Tokens are preferred equity interests in the Company. This means that Sprocket EX Tokens will rank junior to all existing and future indebtedness of the Company and to other non-equity claims on the Company with respect to assets available to satisfy claims on the Company, including claims in liquidation, and any senior preferred stock that may in the future be authorized and issued. Additionally, unlike indebtedness, where principal and interest customarily are payable on specified due dates, in the case of Sprocket EX Tokens, dividends are payable only when, as, and if the SprocketEX Exchange Platform generates revenue and can lawfully pay distributions in accordance with Delaware and other applicable laws.

Further, Sprocket EX Tokens place no restrictions on the business or operations of the Company or on its ability to incur additional indebtedness or engage in any transactions.
In addition, if payment of a dividend on Sprocket EX Tokens for any period would cause the Company to fail to comply with any applicable law or regulation, or to satisfy its redemption reserve requirement, the Company will not make a dividends for such quarter and no dividend will accrue, accumulate or be payable for that applicable quarterly period.

**Future Sales of SAFEs and/or Sprocket EX Tokens.**

Sales, or the possibility of sales, by the Company, of a substantial number of SAFEs or Sprocket EX Tokens following the Offerings could have an adverse effect on the value of Sprocket EX Tokens or could affect the Company’s ability to obtain further capital. In addition, the issuance of additional Sprocket EX Tokens will dilute the percentage of the Sprocket EX Token Dividend Amount payable with respect to each Sprocket EX Token. In addition, if the Company is unable to raise the capital it requires under the current offering prices, it has the discretion to engage in an offering of SAFEs and/or Sprocket EX Tokens at prices lower than the prices offered in one or more of the Offerings. In addition, in exchange for services in connection with the development, marketing and operation of the Sprocket|EX Exchange Platform, the Company intends to enter into SAFEsWith various third parties, pursuant to which additional Sprocket EX Tokens would be issuable. Any such additional issuance of Sprocket EX Tokens could dilute your percentage interest in then-outstanding Sprocket EX Tokens, if any, and have an adverse effect on the market value of Sprocket EX Tokens, including any tokens you may hold.

**The value of any cryptocurrencies the Company may receive and hold could decrease before the date on Which the Company exchanges the cryptocurrencies for fiat currency.**

In addition to US dollars and Euro, prospective purchasers may purchase SAFEs with Bitcoin and Ether. The Company intends to convert into fiat currencies any cryptocurrencies received in the Offerings as soon as reasonably practicable thereafter. However, prices of such cryptocurrencies are known to fluctuate dramatically within short periods of time. Any such fluctuations could reduce dramatically the amount of fiat currency that the Company receives in exchange for the cryptocurrencies paid by purchasers, which would, in turn (1) reduce the amount of Sprocket EX Tokens issuable to the respective purchaser(s) under their SAFE(s) and (2) cause the Company to receive less fiat currency then it anticipated or no fiat currency at all, which would have an adverse effect on the Company’s operations and could potentially delay or prevent the development and launch of the Platform and/or the development of the Tokens. Potential purchasers should carefully consider the risk that any purchase price paid by them in cryptocurrencies may decrease in value prior to the time at which the Company exchanges such cryptocurrencies for fiat currency, which could significantly reduce the number of Tokens issuable to them.

**The purchase price paid by any purchaser in cryptocurrencies such as Bitcoin or Ether may decrease in value prior to the time at which the applicable exchange rate is determined under the SAFE, which could significantly reduce the amount of Sprocket Ex Tokens issuable to the relevant purchaser under the terms of the SAFE.**

In addition to US dollars, prospective purchasers may purchase SAFEs with Bitcoin and Ether. Prices of cryptocurrencies such as Bitcoin and Ether are known to fluctuate dramatically within short periods of time, and any decrease in the value of Bitcoin or Ether paid by a purchaser prior to the time at which the Applicable Exchange Rate (as defined in Annex E) is determined under the applicable SAFE could significantly reduce the amount of Sprocket EX Tokens issuable to the relevant purchaser under the terms of the SAFE.
Tokens issuable to such purchaser under his, her or its SAFE. Potential purchasers should carefully consider this risk prior to submitting payment for a SAFE in cryptocurrency.

**The Company Has Not Received Any Authorization from Regulators in the United States or Any Other Jurisdiction.**

The Company has not received any authorization or approval from US federal or state regulators or the regulators of any other jurisdiction. The Company's failure to obtain prior regulatory authorization in a jurisdiction where it operates, or the refusal of a regulator to grant such authorization in a jurisdiction where the Company operates or may wish to operate, could prevent the Company from maintaining or expanding its business and have a material adverse effect on the development, launch and/or operations of the Sprocket|EX Exchange Platform and the development of the Tokens.

**The SprocketCoins may be deemed securities under the Securities Act.**

The Company believes that SprocketCoins which are expected to be paid as dividends on Sprocket EX Tokens, may not constitute securities under the Securities Act, however, it is likely that SprocketCoins will be deemed to be a “security” for purposes of the US securities laws and/or the securities laws of foreign jurisdictions. The determination of whether an instrument is a “security” for purposes of the US securities law depends on the relevant facts and circumstances, and there is a risk that applicable regulatory authorities will deem SprocketCoins to be securities at the time of issuance, if such issuance occurs. The Company will be required to make a final determination of whether SprocketCoins are securities prior to the time that any SprocketCoins are issued as dividends on Sprocket EX Tokens. In conjunction therewith, the Company may decide to seek formal or informal input from the SEC staff. Unless SprocketCoins are deemed not to be securities under the Securities Act, SprocketCoins will be subject to significant restrictions on resale and transfer in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemption contained in Rule 144 of the Securities Act.

In addition, if SprocketCoins are deemed securities, and the Company meets the asset and stockholder thresholds that require the registration of SprocketCoins with the SEC under the Exchange Act, the same would be a laborious and expensive process and increase the Company’s compliance costs.

**Other risks related to SprocketCoins.**

In addition to the risk that SprocketCoins may be deemed securities under the Securities Act, there are various other risks related to SprocketCoins and the occurrence of any of the events or circumstances described below, or other facts or circumstances that may arise, could have a material adverse effect on the Company, and the return of an investor’s investment. Such risks, include, among other things:

- The uncertain tax treatment of SprocketCoins, and potentially adverse tax consequences to the holders;
- Loss of SprocketCoins due to fraudulent or accidental transactions, technological issues or the loss of holder credentials;
- Unfavorable regulations related to blockchain, digital assets and cryptocurrency exchanges; and
- Loss of SprocketCoins due to cyber-attacks.
This Offering is being conducted on a “best efforts” basis and does not require a minimum amount to be raised. As a result, the Company may not be able to raise enough funds to fully implement its business plan and investors may lose their entire investment.

The Offering is on a "best efforts" basis and does not require a minimum amount to be raised, prior to the Company beginning to close on and using the proceeds of subscriptions. If the Company is unable to raise sufficient funds, it may not be able to fund its operations as planned, and its growth opportunities may be materially adversely affected. This could increase the likelihood that an investor may lose their entire investment.

Risks Related to the Development of the Sprocket|EX Exchange Platform

The Company may not successfully develop, market and launch the Sprocket|EX Exchange Platform.

The Company is in the development phase of the Sprocket|EX Exchange Platform, and development of the Sprocket|EX Exchange Platform may never be completed. In addition, the development of the Sprocket|EX Exchange Platform will require significant capital funding, expertise of the Company’s management and time and effort in order to be successful. The Company may have to make changes to the specifications of the Sprocket|EX Exchange Platform for any number of reasons or the Company may be unable to develop the Sprocket|EX Exchange Platform in a manner that realizes those specifications or any form of a functioning platform. It is possible that the Tokens and the Sprocket|EX Exchange Platform may never be released and there may never be an operational Token or launch of the Sprocket|EX Exchange Platform. The Sprocket|EX Exchange Platform, if successfully developed and maintained, may not meet investor expectations. Furthermore, despite good faith efforts to develop and complete the launch of the Sprocket|EX Exchange Platform and subsequently to maintain the Sprocket|EX Exchange Platform, it is still possible that the Sprocket|EX Exchange Platform will experience malfunctions or otherwise fail to be adequately developed or maintained, which may negatively impact the Sprocket|EX Exchange Platform and the Tokens.

The Company may not have or may not be able to obtain the technical skills, expertise or regulatory approvals needed to successfully develop and launch the Sprocket|EX Exchange Platform. While the Company has sought to retain and continues to competitively recruit experts, there may, from time to time, be a general scarcity of management, technical, scientific, research and marketing personnel with appropriate training to develop and maintain the Sprocket|EX Exchange Platform. In addition, there are significant legal and regulatory considerations that will need to be addressed to develop and maintain the Sprocket|EX Exchange Platform and addressing such considerations will require significant time and resources. There can be no assurance that the Company will be able to develop the Sprocket|EX Exchange Platform to include the functionality contemplated in the Company's White Paper and which satisfies the complex US and foreign regulatory requirements applicable to exchanges and/or alternative trading systems. If the Company is not able to develop or operate the Sprocket|EX Exchange Platform in a manner that complies with all regulatory and legal requirements and to demonstrate to users the utility and value of the Sprocket|EX Exchange Platform, it may not launch the Sprocket|EX Exchange Platform. As a result, or if the launch does not occur, purchasers of the Securities may lose all of their investment.
The Sprocket|EX Exchange Platform may not be widely adopted and may have limited users.

It is possible that the Sprocket|EX Exchange Platform, if developed and commercially launched, will not be used by a large number of issuers or holders of security tokens or that there will be limited public interest in the creation and development of the Sprocket|EX Exchange Platform. In addition, it is possible that the Company may be unable to structure agreements with third party trading platforms that permits the Company to integrate trading across a sufficient number, or any, of such third-party platforms, and to obtain trading data from such platforms, which could impact the number of users the Company is able to obtain and decrease projected revenues.

The development and operation of the Sprocket|EX Exchange Platform and the Company’s other technologies will likely require, technology and intellectual property rights.

The ability of the Company to develop and operate the Sprocket|EX Exchange Platform may depend on technology and intellectual property rights that the Company may license from unaffiliated third parties. If for any reason the Company were to fail to comply with its obligations under any applicable license agreement, or were unable to provide or were to fail to provide the technology and intellectual property that the Sprocket|EX Exchange Platform requires, the Company would be unable to operate the Sprocket|EX Exchange Platform, which would have a material adverse effect on the Company’s operations and financial conditions.

Regulatory authorities may never permit the Sprocket|EX Exchange Platform to become operational.

Assuming that Sprocket is able to develop the Sprocket|EX Exchange Platform, numerous regulatory authorities, including FINRA and the SEC in the United States, and parallel regulatory bodies in other jurisdictions in which the Company intends to launch the Sprocket|EX Exchange Platform, would need to permit the Sprocket|EX Exchange Platform to become operational in the applicable jurisdiction. If FINRA, the SEC or any other regulatory authority objected to the Sprocket|EX Exchange Platform or to aspects of the Sprocket|EX Exchange Platform, such regulatory authorities could prevent the Sprocket|EX Exchange Platform from ever becoming operational in their respective jurisdictions. The regulatory landscape that the Company expects to navigate in order to achieve an operational Sprocket|EX Exchange Platform is complex, and Sprocket may never be able to do so successfully. Any such regulatory issues would have a material adverse impact on the Company’s business.

Risks Related to Blockchain Technology

The regulatory regime governing blockchain technologies, cryptocurrencies, digital assets, and offerings of digital assets, such as Sprocket EX Tokens, is uncertain, and new regulations or policies may materially adversely affect the development and the value of Sprocket EX Tokens.

As blockchain networks and blockchain assets have grown in popularity and in market size, federal and state agencies have begun to take an interest in, and, in some cases, regulate their use and operation. In the case of virtual currencies, US state regulators like the New York Department of Financial Services, have created new regulatory frameworks. Other states, such as Texas, have published guidance as to how their existing
regulatory frameworks apply to virtual currencies. Other states have amended their state’s statutes to apply existing licensing regimes to virtual currencies. Treatment of virtual currencies continues to evolve under US federal law as well. Both the US Department of the Treasury and the CFTC, for example, have published guidance on the treatment of virtual currencies like Bitcoin. Further, the IRS released guidance on virtual currencies classifying virtual currencies such as Bitcoin and Ether as property for the purposes of US federal income taxes. Both US federal and state agencies have instituted enforcement actions against those violating their interpretation of existing laws. The regulation of non-currency use of blockchain assets is of particular relevance to the Company’s business and the Sprocket|EX Exchange Platform. Neither the SEC nor the CFTC has formally asserted exclusive regulatory authority over any particular blockchain network. The CFTC has publicly taken the position that certain blockchain assets are commodities, but the SEC has not officially taken the position that all blockchain assets are securities; rather, it is a facts and circumstances test. To the extent that a US government or quasi-governmental agency exerts regulatory authority over a blockchain network, including one upon which the Company’s business relies, or a blockchain asset, the Company’s business and the functionality of the Sprocket|EX Exchange Platform and Sprocket EX Token may be adversely affected.

On July 25, 2017, the SEC issued an investigative report cautioning market participants that offers and sales of digital assets by “virtual” organizations are subject to the requirements of the US federal securities laws. The report, entitled “Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO” (the “DAO Report”), found that tokens offered and sold by a “virtual” organization known as “The DAO” were securities and were therefore subject to the US federal securities laws. The DAO Report confirmed that issuers of distributed ledger or blockchain technology based securities must register offers and sales of such securities unless a valid exemption applies.

On March 6, 2018, in CFTC vs. Patrick K. McDonnell and CabbageTech, Corp. d/b/a Coin Drop Markets, the United States District Court for the Eastern District of New York, held that the CFTC currently has concurrent regulatory jurisdiction over virtual currencies as commodities as defined under the US Commodity Exchange Act. The court further held that the CFTC’s jurisdiction to regulate virtual currencies as commodities does not preclude other agencies from exercising their regulatory power when virtual currencies function differently than commodities typically subject to derivatives contract. Though unlikely to the extent that Sprocket EX Token is regulated as a security under the Exchange Act, it is possible that the CFTC could assert jurisdiction over the trading of Sprocket EX Token. Certain non-US regulators have also released statements or issued some form of guidance regarding their position on “initial coin offerings” and token sales. The Company’s business, the development, launch and/or operations of the Sprocket|EX Exchange Platform and the development and functionality of Sprocket EX Token could be adversely affected by regulations that restrict the use of cryptocurrencies or digital assets, such as Sprocket EX Tokens issuable under the SAFEs.

**Some market participants may oppose the development of distributed ledger or blockchain-based systems like those central to the Company’s commercial mission.**

Many participants in the system currently used for trading securities in the United States may oppose the development of capital markets systems and processes that utilize distributed ledger and blockchain-based systems. The market participants who may oppose such a system may include market participants with significantly greater resources, including financial resources and political influence, than the Company has. The ability of the Company to operate and achieve its commercial goals could be adversely affected by any actions of any
such market participants that result in additional regulatory requirements or other activities that make it more difficult for the Company to operate, which could have a material adverse effect on the Company’s operations and financial conditions.

**The further development and acceptance of blockchain networks, 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 a material adverse effect on the successful development and adoption of the Tokens.**

The growth of the blockchain industry in general, as well as blockchain networks on which Sprocket EX Tokens and the Sprocket|EX Exchange Platform will rely, is subject to a high degree of uncertainty. The factors affecting the further development of the cryptocurrency and cryptosecurity industries, as well as blockchain networks, include, without limitation:

- worldwide growth in the adoption and use of cryptocurrencies, cryptosecurities and other blockchain technologies;
- government and quasi-government regulation of cryptocurrencies, cryptosecurities and other blockchain assets and their use, or 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 cryptocurrency or cryptosecurities 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 government-backed currencies or existing networks;
- general economic conditions and the regulatory environment relating to cryptocurrencies and cryptosecurities; and
- a decline in the popularity or acceptance of cryptocurrencies or other blockchain-based tokens.

The cryptocurrency and cryptosecurities industries as a whole have been characterized by rapid changes and innovations and are constantly evolving. Although they have experienced significant growth in recent years, the slowing or stopping of the development, general acceptance and adoption and usage of blockchain networks and blockchain assets may deter or delay the acceptance and adoption of the Sprocket|EX Exchange Platform and the Tokens.

**The prices of digital assets are extremely volatile. Fluctuations in the price of digital assets could materially and adversely affect the Company’s business, and Sprocket EX Tokens may also be subject to significant price volatility.**

The prices of cryptocurrencies, such as Bitcoin and Ether, and other digital assets have historically been subject to dramatic price fluctuations and are highly volatile, and the market price of Sprocket EX Tokens may also be highly volatile. Several factors may influence the market price, if any, of Sprocket EX Tokens, including, but not limited to:

- the ability of Sprocket EX Tokens to trade in a secondary market, if at all;
- the availability of an Exchange or other trading platform for digital assets;
- global digital asset and security token supply;
- global digital asset and security token demand, which can be influenced by the growth of retail merchants’ and commercial businesses’ acceptance of cryptocurrencies as payment for goods and services, the security of online digital
asset exchanges and digital wallets that hold digital assets, the perception that the use and holding of digital assets is safe and secure, and the regulatory restrictions on their use;

- purchasers’ expectations with respect to the rate of inflation;
- changes in the software, software requirements or hardware requirements underlying Sprocket EX Tokens;
- interest rates;
- currency exchange rates, including the rates at which digital assets may be exchanged for fiat currencies;
- government-backed currency withdrawal and deposit policies of digital asset exchanges;
- interruptions in service from or failures of major digital asset and security token exchanges on which digital assets and security tokens are traded;
- investment and trading activities of large purchasers, including private and registered funds, that may directly or indirectly invest in securities tokens or other digital assets;
- monetary policies of governments, trade restrictions, currency devaluations and revaluations;
- regulatory measures, if any, that affect the use of digital assets and security tokens such as the Tokens;
- global or regional political, economic or financial events and situations; and
- expectations among digital assets participants that the value of security tokens or other digital assets will soon change.

A decrease in the price of a single digital asset may cause volatility in the entire digital asset and security token industry and may affect other digital assets including the Tokens. For example, a security breach that affects purchaser or user confidence in Bitcoin or Ether may affect the industry as a whole and may also cause the price of Sprocket EX Tokens and other digital assets to fluctuate. Such volatility in the price of Sprocket EX Tokens may result in significant loss over a short period of time.

There are no assurances that the Company will successfully raise the funds required to successfully develop and launch the Platform or operate its business.

Although the Company is attempting to raise $50,000,000 in the Offerings, it cannot make any assurances that it will raise the entire $50,000,000. In addition, the Company is conducting the Offerings, on a “best-efforts” basis and it, therefore, is not obligated to raise the full $50,000,000. The Company has, and will have, the right to close on one or more subscriptions for the SAFEs, and to immediately begin using the proceeds of such subscriptions, regardless of the amounts raised, notwithstanding that the Company may not have received subscriptions for all or even substantially all of the amounts the Company is seeking to raise. If the Company decides not to, or is unable to raise, the entire $50,000,000, the Company may not have sufficient capital to achieve profitability.

Risks Related to the Company’s Business

The Company has limited operating history, which makes it hard to evaluate its ability to generate revenue through operations.

The Company was formed in February 2018. The Company’s limited operating history may make it difficult to evaluate its future prospects. The Company has encountered, and will continue to encounter, risks and difficulties frequently experienced by growing companies in
rapidly developing and changing industries, including challenges in forecasting accuracy, determining appropriate investments of its limited resources, gaining market acceptance and managing a complex regulatory landscape. The Company’s current operating model may require changes in order for it to scale its operations efficiently. Purchasers should consider the Company’s business and prospects in light of the risks and difficulties it faces as an early-stage company focused on developing products and services, in the field of financial technology. As a result of its early stage of development, Sprocket has not yet generated revenue. Moreover, there has been no independent third-party valuation of Sprocket's business, and Sprocket makes no assertions or representations as to the fair market value of Sprocket or any of its securities.

**There is no assurance that the Company will be able to continue as a going concern.**

The Company has generated no revenue and has accumulated losses since inception. As such, the Company’s continuation as a going concern is currently dependent upon the continued financial support from its founders, which they have provided but are under no obligation to continue to do so. Although the Company anticipates the proceeds from the Offering will provide sufficient liquidity to meet its operating commitments for the next twelve months, there is no guarantee the Company will be successful in achieving this objective.

**Technology relied upon by the Company for its operations may not function properly.**

The technology relied upon by the Company, may not function properly, which would have a material impact on the Company’s operations and financial conditions.

**Certain of the Company’s officers and directors participate in other business ventures and, as a result, may have limited time to devote to the Company’s business or may compete with the Company.**

Certain of the Company’s officers and directors participate in other business ventures. As a result of such participation, management anticipates devoting a portion of their time per month to such other business ventures. Moreover, such outside business ventures may at times compete directly with the Company or result in conflicts of interest in the future.

**The Company’s business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, technology, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the Company’s business practices, increased cost of operations or otherwise harm the Company’s business.**

The Company is subject to a variety of laws and regulations in the United States and abroad that involve matters central to its business, including, but not limited to, user privacy, blockchain technology, broker-dealer, data protection and intellectual property. Foreign data protection, privacy, broker dealer and other laws and regulations are often more restrictive than those in the United States. These U.S. federal and state and foreign laws and regulations are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which the Company operates.

The risk of the Company being found in violation of these or other laws and regulations is further increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and are open to a variety of interpretations. Any action
brought against the Company for violation of these or other laws or regulations, even if the Company successfully defends against it, could cause the Company to incur significant legal expenses and divert management’s attention from the operation of its business. If the Company’s operations are found to be in violation of any of these laws and regulations, the Company may be subject to any applicable penalty associated with the violation, including civil and criminal penalties, damages and fines, the Company could be required to refund payments received by it, and it could be required to curtail or cease its operations. Any of the foregoing consequences could seriously harm its business and its financial results. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of the Sprocket|EX Exchange Platform, result in negative publicity, increase operating costs, require significant management time and attention, and subject the Company to claims or other remedies, including fines or demands that the Company modify or cease existing business practices.

The Company is subject to the risk of possibly becoming an investment company under the Investment Company Act.

The Investment Company Act regulates certain companies that invest in, hold or trade securities. As a result of a portion of the Company’s assets consisting of minority investment positions, such as Ether, it runs the risk of inadvertently becoming an investment company, which would require the Company to register under the Investment Company Act. Registered investment companies are subject to extensive, restrictive and potentially adverse regulations relating to, among other things, operating methods, leverage, management, capital structure, dividends and transactions with affiliates. Registered investment companies are not permitted to operate their business in the manner in which the Company operates its business, nor are registered investment companies permitted to have many of the relationships that the Company has with its affiliated companies.

To avoid becoming and registering as an investment company under the Investment Company Act, the Company intends to monitor the value of its investments and structure transactions accordingly. As a result, the Company may structure transactions in a less advantageous manner than if it was not subject to such Investment Company Act risks, or the Company may avoid otherwise economically desirable transactions due to this risk. In addition, events beyond the Company’s control, including significant appreciation or depreciation in the market value of certain of its holdings, could result in the Company inadvertently becoming an investment company. If it were established that the Company were an investment company, there would be a risk, among other material adverse consequences, that it could become subject to monetary penalties or injunctive relief, or both, in an action brought by the SEC, that the Company would be unable to enforce contracts with third parties or that third parties could seek to obtain rescission of transactions with the Company undertaken during the period it was established that the Company was an unregistered investment company. If it were established that the Company were an investment company, this would have a material adverse effect on its business and financial operations and its ability to continue as a going concern.

The Company owes significant amounts to its Founders

The Company has issued Fred Thiel and Matthew Hetland, the Company’s sole officers and directors, and holders of a majority of the Company’s outstanding common stock, Promissory Notes in the principal amounts of $895,000 and $2,030,000, respectively. The Notes are due are payable on demand, any time after December 31, 2019; provided, however, the Company is required to use 15% of the proceeds raised in this Offering to pay down the
Notes, on a pro rata basis. If the Notes are not repaid by December 31, 2018, they shall commence accruing interest at 5% per annum.

The Company is, and the Sprocket|EX Exchange Platform, if developed, and the blockchain technology to be utilized by such Sprocket|EX Exchange Platform will be, subject to cyberattacks, security risks and risks of security breaches. The nature of the Tokens may lead to an increased risk of fraud or cyberattack.

The Company and the Sprocket|EX Exchange Platform, if developed, and the blockchain technology to be utilized by such Sprocket|EX Exchange Platform will be, subject to cyberattacks, security risks and risks of security breaches. For example, if the Company and the Tokens and/or Sprocket|EX Exchange Platform are subject to unknown and known security attacks (such as double-spend attacks, 51% attacks, or other malicious attacks), this may materially and adversely affect the Sprocket|EX Exchange Platform and the Tokens. An attack on any of them or a breach of security of any of them could result in a loss of private data, unauthorized trades, and an interruption of trading for an extended period of time. Any such attack or breach could adversely affect the ability of the Company to effectively operate the Sprocket|EX Exchange Platform, which could have a material adverse effect on the Company’s operations and financial conditions.

Such an attack may also damage the Company’s reputation and any breach of data security that exposes or compromises the security of any of the technology utilized by the Sprocket|EX Exchange Platform, if developed, to authorize or validate transaction orders, or that enables any unauthorized person to compromise the Company’s security protocols, could result in unauthorized trades.

The Company’s intellectual property could be unenforceable or ineffective.

One of the Company’s most valuable assets is its intellectual property. The Company has filed patents on certain aspects of its technology and plans to explore opportunities to patent other parts of its core technology. In addition, companies, organizations, or individuals, including competitors, may hold or obtain patents, trademarks, or other proprietary rights that would prevent, limit, or interfere with the Company’s ability to make, use, develop, sell, or market the Sprocket|EX Exchange Platform, which could make it more difficult to operate the Company’s business. These third parties may have applied for, been granted, or obtained patents that relate to intellectual property, which competes with the Company’s intellectual property or technology. This may require the Company to develop or obtain alternative technology, or obtain appropriate licenses under these patents, which may not be available on acceptable terms or at all. Such a circumstance may result in the Company having to significantly increase development efforts and resources to redesign the technology in order to safeguard the Company’s competitive edge against competitors in the same industry. There is a risk that the Company’s means of protecting its intellectual property rights may not be adequate, and weaknesses or failures in this area could adversely affect the Company’s business or reputation, financial condition, and/or operating results.

From time to time, the Company may receive communications from holders of patents or trademarks regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge the Company to take licenses. In addition, if the Company is determined to have infringed upon a third party’s intellectual property rights, the Company may be required to cease operating its platform, pay substantial damages, seek a license from the holder of the infringed intellectual property right, which license may not be available on
reasonable terms or at all, and/or establish and maintain alternative branding for the Company’s platform. The Company may also need to file lawsuits to protect its intellectual property rights from infringement from third parties, which could be expensive, time consuming, and distract management's attention from the Company’s core operations.

**The Company faces substantial competition.**

There are numerous existing exchanges on which cryptocurrencies can be traded. In addition, other companies or organizations may be working to develop platforms that have functionality similar to the functionality the Company is seeking to incorporate into the Platform. Many of such organizations have substantially greater technological expertise and/or financial resources than the Company has, and may be attempting to patent technologies that may be competitive with or similar to the technology the Company is developing and attempting to patent. The Company does not have access to detailed information about the technologies these organizations and/or their respective purchasers may be attempting to patent. If one or more other persons, companies or organizations obtains a valid patent covering technology critical to the Platform, and is unable or unwilling to license the technology, and it could become impossible for the Platform to operate, which could have a material adverse effect on the Company.

**Use of Proceeds**

The Company intends to use the proceeds of the Offerings for the repayment of debt to the Founders, development of the Sprocket|EX Exchange Platform, regulatory compliance, marketing and licensing, general working capital and to pay for services relating to the launch of the Offerings, including, the payment of the distribution fees and offering costs related to this offering. Any Use of Proceeds information presented herein represents the Company’s current intentions, and is subject to change based on a number of factors, including the amount of funds raised, developments in blockchain technology and the cryptocurrency industry, or other factors that are difficult to predict. Allocation and use of the proceeds is within the Company’s sole discretion. Purchasers have no control or influence over such decisions, and any such decision may materially and adversely affect the value of the Sprocket|EX Exchange Platform and/or Sprocket EX Tokens issuable under the SAFEs.

The allocation and use of the proceeds is planned as follows:

<table>
<thead>
<tr>
<th></th>
<th>If the Company Raises $25,000,000 in the Offerings</th>
<th>If the Company Raises $50,000,000 in the Offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platform Development</td>
<td>37.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>and Acquisition of Assets(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory Compliance</td>
<td>19.0%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Platform Marketing/Licensing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations/Working Capital</td>
<td>20.3%</td>
<td>29.2%</td>
</tr>
<tr>
<td>Repayment of Debt(2)</td>
<td>11.7%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

(1) Includes all assets needed for launching the Platform.
(2) Includes payment of debts and obligations due to the Founders.

Sprocket Private Placement Memorandum
<table>
<thead>
<tr>
<th>Offerings Expenses (3)</th>
<th>5.0%</th>
<th>6.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

(1) Consists of expenses for the Company’s internal development team and third-party service providers, as well as other associated development expenditures.

(2) Represents an aggregate of $2,030,000 in Promissory Notes held by Fred Thiel and Matthew Hetland, the Company’s sole officers and directors and holders of a majority of the Company’ outstanding common stock, and assume they are repaid prior to December 31, 2018, the date at which such Promissory Notes commence accruing interest.

(3) Distribution fees payable to StartEngine and legal and other costs related to the Offerings. See “Plan of Distribution” for more information.

Certain US Federal Income Tax Considerations

The US federal income tax characterization of the SAFEs, Sprocket EX Tokens issuable thereunder and SprocketCoins is uncertain. As a result, the US federal income tax consequences relating to an investment in the SAFEs and the acquisition, ownership and disposition of Sprocket EX Tokens issued pursuant to a SAFE, and SprocketCoins, are subject to significant uncertainty.

An investment in the SAFEs and the acquisition, ownership and disposition of Sprocket EX Tokens issued pursuant to a SAFE, and SprocketCoins, may result in adverse tax consequences to purchasers, including, but not limited to, imposition of withholding taxes, having gains realized from the sale of Sprocket EX Tokens or SprocketCoins treated as ordinary income rather than capital gain, recognition of “phantom income” (i.e., income recognized for tax purposes in excess of income as determined under financial accounting or economic principles), other negative income tax consequences, and imposition of tax reporting requirements such as the special reporting requirements applicable to “reportable transactions.” It is possible that your income would be subject to significant amounts of income or withholding taxes.

Treatment of the SAFEs, Sprocket EX Tokens issuable thereunder, and SprocketCoins, may be subject to changes in US and non-US national and state tax laws, tax proposals, other governmental policies, or regulations and governmental, administrative, or judicial interpretation of the same. There are no assurances that tax laws, tax proposals, policies, or regulations, or the interpretation thereof, will not be changed in a manner that will fundamentally alter the tax consequences to purchasers acquiring a SAFE, or after issuance of Sprocket EX Tokens, the distribution of SprocketCoins, or holding or disposing of such Tokens.

You should consult your own tax advisors with respect to the US federal income tax, state, local and non-US tax consequences that apply to you.
Data Privacy and Security

The Company is committed to ensuring that purchasers’ data is secure. To prevent unauthorized access or disclosure, the Company will implement suitable organizational, technical, and administrative measures to protect the purchasers’ data, including security controls to prevent unauthorized access to the Company’s systems. While the Company will take reasonable steps to secure purchaser data from loss, misuse, interference, unauthorized access, modification, and disclosure, purchasers should be aware that no security procedures or protocols are ever guaranteed to be 100% secure from intrusion or hacking, and there is therefore always some risk assumed by sharing information online.

The Company may be required by law, court order, or other legal process, to provide information about purchasers to outside parties for compliance purposes, such as the General Data Protection Regulation ("GDPR") and the California Online Privacy Protection Act. It is the Company’s policy to adhere to the due process of law in all such instances, and, if required, to provide information under these circumstances. The Company will, whenever possible, attempt to inform users whose information has been requested, unless prohibited by law.

The Company may also retain copies of personal information to comply with legal obligations and/or the Company’s data retention policies, or for such reasonable period as is required to address potential disputes.

Related-Party Agreements and Transactions

The Company has issued Fred Thiel and Matthew Hetland, the sole officers, directors and holders of the Company’s common stock, Promissory Notes in the principal amounts of $895,000 and $2,030,000, respectively. The Notes are due are payable on demand any time after December 31, 2018; provided, however, the Company is required to use 15% of the proceeds raised in this Offering to pay down the Notes, on a pro rata basis. If the Notes are not repaid by December 31, 2018, they shall commence accruing interest at 5% per annum.

Plan of Distribution

Sprocket is conducting the distribution of the offering of SAFEs on a “best efforts” basis. Sprocket may engage broker-dealers in connection with the distribution of this offering and pay such broker-dealers commissions of up to 7.0% of the aggregate purchase price for the SAFEs placed by such agents. Sprocket is not required to purchase or sell any specific number or dollar amount of SAFEs, but will use its best efforts to sell the SAFEs offered.

The Company has entered into a Posting Agreement with StartEngine (the “StartEngine Agreement”), pursuant to which StartEngine will provide an electronic platform whereby the Company, through StartEngine, will offer and sell SAFEs to purchasers in exchange for cryptocurrency or fiat currency. Under the StartEngine Agreement, StartEngine will be entitled to (1) $25,000 in cash, (2) a cash fee of $200 per investor, and (3) $200 in Sprocket EX Tokens per investor.

In order to purchase SAFEs in this offering, purchasers will be required to complete an online purchaser questionnaire and SAFE, and furnish additional information to third-party firms engaged by the Company to provide a secure means to allow the Company to comply with the verification requirements of Rule 506(c) under the Securities Act and other applicable laws in connection with this offering.
Transfer Restrictions

The SAFEs offered hereby have not been registered under the Securities Act, under the laws of any US states, or under the laws of any non-US jurisdictions. Accordingly, the Company is offering the SAFEs only in exempt transactions to “accredited investors” (as defined in Rule 501(a) of Regulation D under the Securities Act) pursuant to Rule 506(c) of Regulation D under the Securities Act. Offers and sales of the SAFEs outside the United States will also be made in accordance with the laws and regulations of the relevant jurisdictions.

Following this offering, the SAFEs will be subject to significant restrictions on resale and transfer in addition to those traditionally associated with securities sold pursuant to Rule 506(c) of Regulation D under the Securities Act, including a contractual restriction providing that any purchaser in the Offerings may not Transfer any SAFE unless (a) the Company provides the Company’s prior written consent and (b) the Transfer is made in accordance with applicable securities laws.

In addition, during the period ending one year from the date of each SAFE, the relevant purchaser may not, without the prior written consent of Sprocket, (1) offer, pledge, sell, contract to sell, grant any option or contract to purchase, purchase any option or contract to sell, hedge the beneficial ownership of or otherwise dispose of, directly or indirectly, any Sprocket EX Tokens issuable pursuant to the SAFE, or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Sprocket EX Tokens, regardless of whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Sprocket EX Tokens, or in securities, in cash or otherwise.

Affiliates of a company, including persons who were Affiliates of such company at any time during the 90 days prior to the sale of that company’s securities, often rely on Rule 144 in order to publicly resell securities of that company. The Company does not expect Rule 144 to ever be available for resales of Sprocket EX Tokens by the Company’s Affiliates. As a result, if Sprocket EX Tokens are deemed to be securities under the Securities Act, Affiliates of the Company that acquire Sprocket EX Tokens should expect to hold them indefinitely.
Annex A

Form of SAFE
FORM OF SIMPLE AGREEMENT FOR FUTURE PREFERRED

Sprocket Inc.

Simple Agreement for Future Preferred Equity

THIS SECURITY [i.e., the SAFE], AND ANY TOKENS WHEN ISSUED PURSUANT TO IT (THE “TOKENS”), HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY, NOR ANY INTEREST OR PARTICIPATION HEREIN, MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNDER ANY CIRCUMSTANCES. EACH HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF REPRESENTS THAT (A) IT IS AN “ACCREDITED INVESTOR” (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT) OR (B) IT IS NOT A “U.S. PERSON” AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO IT IN THE JURISDICTION IN WHICH SUCH ACQUISITION IS MADE.

[FOR REGULATION S ONLY (THE “REGULATION S LEGEND”): THE TOKENS WHEN ISSUED WILL BE ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)) EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. EXCEPT AS SET FORTH BELOW, THE TOKENS SHALL NOT BE EXCHANGEABLE FOR TOKENS THAT ARE NOT SUBJECT TO A LEGEND CONTAININGRESTRICTIONS ON TRANSFER UNTIL THE EXPIRATION OF THE APPLICABLE ONE-YEAR “DISTRIBUTION COMPLIANCE PERIOD” (WITHIN THE MEANING OF REGULATION S) AND THEN ONLY UPON CERTIFICATION IN A FORM REASONABLY SATISFACTORY TO THE COMPANY AND ITS TRANSFER AGENT, IF ANY, THAT SUCH TOKENS ARE OWNED EITHER BY NON-U.S. PERSONS OR U.S. PERSONS WHO PURCHASED SUCH INTERESTS IN A TRANSACTION THAT DID NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT.

THE HOLDER OF ANY TOKENS AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH TOKENS, PRIOR TO THE EXPIRATION OF THE APPLICABLE ONE-YEAR HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT (THE “RESALE RESTRICTION TERMINATION DATE”), ONLY (A) TO THE COMPANY OR ANY OF THE COMPANY’S SUBSIDIARIES,(B) PURSUANT TO A COMPLIANT REGULATION S SALE, OR (C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT, IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS OF ANY APPLICABLE JURISDICTION. HEDGING TRANSACTIONS INVOLVING THE TOKENS MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.]

[FOR REGULATION D ONLY (THE “REGULATION D LEGEND”): THE HOLDER OF ANY TOKENS AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH TOKENS, PRIOR TO THE EXPIRATION OF THE APPLICABLE ONE-YEAR HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT (THE
“RESALE RESTRICTION TERMINATION DATE”), ONLY (A) TO THE COMPANY OR ANY OF THE COMPANY’S SUBSIDIARIES, (B) PURSUANT TO A COMPLIANT REGULATION S SALE OR (C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT, IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS, INCLUDING SECURITIES LAWS OF ANY U.S. STATE OR ANY OTHER APPLICABLE JURISDICTION.

A “COMPLIANT REGULATION S SALE” MEANS A SALE, FOLLOWING THE ESTABLISHMENT BY THE ISSUER OF A SUFFICIENT PROCESS TO VERIFY THE IDENTITY OF SUBSEQUENT TOKEN HOLDERS IN ORDER TO ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS FOR DIVIDEND PAYMENTS AND COMPLIANCE WITH APPLICABLE LAW (E.G., THROUGH THE APPOINTMENT OF AN SEC-REGISTERED TRANSFER AGENT) AND NOTICE TO TOKEN HOLDERS THEREOF AND OF ALL APPLICABLE CONDITIONS, (1) TO A PERSON WHO IS NOT A “U.S. PERSON” THAT OCCURS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH ALL OF THE REQUIREMENTS OF REGULATION S AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH SALE IN THE JURISDICTION IN WHICH SUCH SALE AND PURCHASE IS MADE AND (2) FOR WHICH SELLER HAS A REASONABLE BELIEF THAT EACH PERSON TO WHOM THE TOKEN IS TRANSFERRED WILL BE PRESENTED WITH NOTICE SUBSTANTIALLY SIMILAR TO THE “REGULATION S LEGEND” AND WILL HAVE AFFIRMATIVELY SIGNALED HIS, HER OR ITS UNDERSTANDING; PROVIDED, THAT THE COMPANY AND THE TRANSFER AGENT, IF ANY, WITH RESPECT TO THIS TOKEN SHALL HAVE THE RIGHT PRIOR TO PERMITTING ANY SUCH COMPLIANT REGULATION S SALE OCCURRING PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AS TO THE COMPLIANCE OF SUCH COMPLIANT REGULATION S SALE WITH ALL APPLICABLE SECURITIES LAWS.

IN ADDITION, AND INCLUDING FOLLOWING THE EXPIRATION OF RESALE RESTRICTION TERMINATION DATE, ANY AFFILIATE OF THE COMPANY (OR PERSON WHO HAS BEEN AN AFFILIATE OF THE COMPANY WITHIN THE IMMEDIATELY PRECEDING THREE MONTHS) SHALL OFFER, SELL OR OTHERWISE TRANSFER TOKENS ONLY (I) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT OR (III) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (INCLUDING IN ACCORDANCE WITH RULE 144, IF AVAILABLE), SUBJECT IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES
LAWS OF ANY U.S. STATE OR ANY OTHER APPLICABLE JURISDICTION. IN ADDITION, THE COMPANY WILL REQUIRE, PRIOR TO ANY OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (III), THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO THE COMPANY AND THE COMPANY’S TRANSFER AGENT, IF ANY.

THE HOLDER OF THIS SECURITY OR TOKENS BY ITS ACCEPTANCE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE OR HOLD THIS SECURITY OR TOKEN CONSTITUTES THE ASSETS OF AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), A PLAN TO WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) APPLIES (INCLUDING AN INDIVIDUAL RETIREMENT ACCOUNT), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE PLAN ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN, OR PLAN, A GOVERNMENTAL PLAN (AS DEFINED IN SECTION 3(32) OF ERISA), A CHURCH PLAN (AS DEFINED IN SECTION 3(33) OF ERISA) THAT HAS NOT MADE AN ELECTION UNDER SECTION 410(D) OF THE CODE, OR A NON-U.S. PLAN, OR (2)(A) THE HOLDER IS, OR IS USING, THE ASSETS OF A GOVERNMENTAL PLAN, A CHURCH PLAN THAT HAS NOT MADE AN ELECTION UNDER SECTION 410(D) OF THE CODE, OR A NON-U.S. PLAN AND (B) THE ACQUISITION AND HOLDING OF THIS SECURITY OR TOKEN WILL NOT CONSTITUTE A VIOLATION UNDER ANY APPLICABLE PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT REGULATE SUCH PLAN’S INVESTMENTS.

THIS CERTIFIES THAT in exchange for the payment by the undersigned purchaser (“Purchaser”) of the Purchase Price, on or about the Effective Date, Sprocket Inc., a Delaware corporation (and any successor thereto) (in any case, “Sprocket” or the “Company”), hereby issues to Purchaser the right (the “Right”) to acquire, if, as and when issued by the Company in a Token Launch (as defined below), a number of shares of the Company’s Series A Preferred Stock (the “Preferred Stock”) equal to the Token Amount, with each such share of Preferred Stock in uncertificated form as a Sprocket EX Token (the “Token”), subject to the terms and conditions set forth in this instrument, as may be amended, restated and/or modified from time to time in accordance with the provisions hereunder (this “SAFE”).

<table>
<thead>
<tr>
<th>Effective Date:</th>
<th>[Insert date of SAFE]</th>
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<tr>
<td>Effective Time:</td>
<td>[Insert time of SAFE]</td>
</tr>
<tr>
<td>Purchase Price:</td>
<td>USD [Insert applicable price]/Token</td>
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<tr>
<td>Purchaser Commitment Currency (Place an “X in the appropriate box)</td>
<td>[Wire/BTC/ETH] (if Wire, payment method is in USD)</td>
</tr>
<tr>
<td>Purchaser Commitment Amount (Include USD, BTC or ETH to the right of the amount you enter)</td>
<td>[USD/BTC/ETH] [Insert total amount]</td>
</tr>
<tr>
<td>Token Amount:</td>
<td>If Purchaser Commitment Currency is: USD, [Insert Token Amount] or BTC/ETH, Token Amount to be determined in accordance with</td>
</tr>
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A-3
A. **TOKENS**

1. **Token Launch.**

   (1) The Company will use its commercially reasonable efforts to cause the Token Launch to occur.

   (2) In the event that the Token Launch occurs, the Company will issue to Purchaser a number of Tokens equal to the Token Amount set forth in the table above. In connection with and prior to the issuance of Tokens by the Company to Purchaser, Purchaser will execute and deliver to the Company any and all other transaction documents related to this SAFE as are reasonably requested by the Company.

   (3) If the Token Launch does not occur, Purchaser will not receive any refund or return of the Purchase Price.

2. **Terms and Conditions.** Upon the Token Launch, if, as and when it occurs, the Preferred Stock associated with the Tokens will have the rights, powers and preferences, and restrictions and limitations thereon, described in the Sprocket EX Token Terms and Conditions, which will be set forth in an amendment to the Company's Certificate of Incorporation.

3. **Restrictions on Transferability.** All Tokens (including the shares of Preferred Stock associated with them) acquired pursuant to this SAFE will be subject to the restrictions on transferability and resale described in the sections titled “**Notice to Purchasers**” and “**Transfer Restrictions**” in the Offering Memorandum (as defined below), which section is incorporated herein by reference.

4. **Termination.** This SAFE will expire and terminate upon (a) the issuance of Tokens to Purchaser. Notwithstanding the foregoing, in the event of any termination of this SAFE, the provisions of Sections E, F and G (other than clauses (12) and (13)) of this SAFE shall survive and not terminate.

B. **PAYMENT**

1. In consideration of the grant of the Right by the Company to Purchaser, Purchaser will pay the Purchase Price to the Company in accordance with the SAFE Payment Procedures (as defined below).

2. The Company will accept payment for the Right in U.S. dollars, Bitcoin, Ether or any other form of crypto or fiat currency as determined by the Company. Notwithstanding the foregoing, the Purchase Price will be deemed to be in U.S. Dollars, whether Purchaser pays in Bitcoin or Ether, valued in accordance with the SAFE Payment Procedures. If Purchaser makes payment for the Right in Bitcoin or Ether, the Token Amount under this SAFE will be provided by notice from the Company to Purchaser in accordance with the SAFE Payment Procedures, which notice shall be deemed an amendment to this SAFE with respect to the Token Amount.

C. **DEFINITIONS**

“**Offering Memorandum**” means the offering memorandum, as may be amended or supplemented from time to time, for the offering of the SAFEs.
“Sprocket EX Token Terms and Conditions” means the rights, powers and preferences and the restrictions and limitations thereon, of the Preferred Stock associated with the Tokens described in Annex B of the Offering Memorandum, which is incorporated herein by reference.

“Net Platform Revenue” means revenue collected by the Company’s cryptocurrency trading platform, less fees paid to third parties related to the clearing and settlement of trades.

“SAFE Payment Procedures” means the payment procedures and exchange rate methodology set forth in Annex D of the Offering Memorandum, which is incorporated herein by reference.

“SprocketCoin” means the ERC-20 Smart Contracts to be issued by the Company and designated as “SprocketCoin.”

“Sprocket | EX Exchange Platform ” means the Sprocket | EX exchange and trading platform.

“Sprocket EX Tokens” means the ERC-20 Smart Contracts to be designated as “Sprocket EX Tokens” issuable by the Company, pursuant to the SAFE’s being offered in the Offering Memorandum.

“Token Launch” means the bona fide issuance of Sprocket EX Tokens to Purchaser that is compliant with the ERC-20 standard (or any other standard that the Company may elect in its sole discretion).

“Sprocket Tokens” means both Sprocket EX Tokens and SprocketCoins.

D. COMPANY REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to Purchaser, as of the Effective Date and the date of the Token Launch, as follows:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the power and authority to own, lease and operate its properties and carry on its business as now conducted.

2. The execution, delivery and performance by the Company of this SAFE is within the power of the Company and, other than with respect to the actions to be taken when Tokens are to be authorized and issued to Purchaser, has been duly authorized by all necessary actions on the part of the Company. This SAFE constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors’ rights generally and general principles of equity. To the knowledge of the Company, it is not in violation of (i) its current certificate of incorporation or bylaws, (ii) any material statute, rule or regulation applicable to the Company or (iii) any material indenture or contract to which the Company is a party or by which it is bound, where, in each case, such violation or default, individually, or together with all such violations or defaults, could reasonably be expected to have a material adverse effect on the Company.

3. To the knowledge of the Company, the performance and consummation of the transactions contemplated by this SAFE do not and will not: (i) violate any material judgment, statute, rule or regulation applicable to the Company; (ii) result in the acceleration of any material indenture or contract to which the Company is a party or by which it is bound; or (iii) result in the creation or imposition of any lien upon any property, asset or revenue of the Company or the suspension, forfeiture, or nonrenewal of any material permit, license or authorization applicable to the Company, its business or operations.

4. To the knowledge of the Company, no consents or approvals are required in connection with the performance of this SAFE, other than: (i) the Company’s corporate approvals; (ii) any qualifications or filings under applicable securities laws; (iii) any filings with the Secretary of State of the Company’s State of incorporation, or equivalent agency, in connection with the designation of the Preferred Stock associated with the Tokens; and (iv) necessary corporate approvals for the authorization of Preferred Stock associated with the Tokens.
and issuable pursuant to Section A.

5. **THE COMPANY MAKES NO WARRANTY WHATSOEVER WITH RESPECT TO THE TOKENS, INCLUDING ANY (i) WARRANTY OF MERCHANTABILITY; (ii) WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; OR (iii) WARRANTY AGAINST INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS OF A THIRD PARTY; WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE, OR OTHERWISE.**

**E. PURCHASER REPRESENTATIONS AND WARRANTIES**

Purchaser represents and warrants to the Company, as of the Effective Date and the date of the Token Launch, as follows:

1. Purchaser has full legal capacity, power and authority to execute and deliver this SAFE and to perform his, her or its obligations hereunder. This SAFE constitutes the valid and binding obligation of Purchaser, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors’ rights generally and general principles of equity.

2. Purchaser is acting for his, her or its own account, and Purchaser has made his, her or its own independent decisions regarding his, her or its investment and to whether the investment is appropriate or proper for him, her or it based solely upon his, her or its own judgment and upon advice from such advisors as Purchaser has deemed necessary. Purchaser is not relying on any communication (written or oral) from the Company as investment advice or as a recommendation to make an investment, it being understood that the Offering Memorandum and this SAFE and any explanations related to the Offering Memorandum and this SAFE will not be considered investment advice or a recommendation to make an investment. No communication (written or oral) received from the Company will be deemed to be an assurance or guaranty as to the expected results of the investment.

3. Purchaser has made his, her or its own investigation and evaluation of this SAFE and the Tokens, including the risks involved in an investment in this SAFE and the Tokens. In making such investigation and evaluation, Purchaser has been provided with, and has carefully reviewed, the Offering Memorandum, including the information under the caption “Risk Factors,” therein, and has consulted with his, her or its own legal, financial and tax advisors as to the merits and risks of an investment in this SAFE and the Tokens.

4. Other than as set forth in the Offering Memorandum and this SAFE as having been authorized by the Company, Purchaser has not relied on any statements concerning the Company, this SAFE or the Sprocket Tokens.

5. Purchaser has read each of the representations, warranties, acknowledgements, confirmations and agreements contained in the Offering Memorandum under the captions “Notice to Purchasers” and “Transfer Restrictions,” and understands, and agrees, that Purchaser is deemed to have made such representations, warranties, acknowledgements, confirmations and agreements for the benefit of the Company under this SAFE.

6. **[FOR REGULATION S ONLY]** Purchaser is not a U.S. Person as such term is defined in Rule 902 of Regulation S under the Securities Act and is acquiring this instrument in an Offshore Transaction as such term is defined in Rule 902 of Regulation S under the Securities Act. Purchaser has been advised that this SAFE and the underlying Sprocket EX Tokens are securities and that the offers and sales of this SAFE and the underlying Sprocket EX Tokens have not been registered under any country’s securities laws and, therefore, cannot be resold except in compliance with the applicable country’s laws (and subject to such other transfer restrictions as set forth under “Notice to Purchasers” and “Transfer Restrictions” in the Offering Memorandum). Purchaser has been further advised that SprocketCoins may be deemed securities, and if so, they may not be resold except in compliance with the applicable country’s laws (and subject to such other transfer restrictions as set forth under “Notice to Purchasers” and “Transfer Restrictions” in the Offering Memorandum). Purchaser has been further advised that this SAFE is non-transferable. Purchaser is purchasing this SAFE and the underlying Sprocket EX Tokens for its own account for investment, not as a nominee or agent, and not
with a view to, or for resale in connection with, the distribution thereof, and Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same.

7. [FOR REGULATION D ONLY] Purchaser is an accredited investor as such term is defined in Rule 501 of Regulation D under the Securities Act. Purchaser has been advised that this SAFE and the underlying Sprocket EX Tokens have not been registered under the Securities Act or any state securities laws.

8. Purchaser has been advised that this SAFE is non-transferable and that Sprocket EX Tokens to be issued pursuant hereto cannot be resold unless they are registered under the Securities Act and applicable state securities laws or unless an exemption from such registration requirements is available (and subject to such other transfer restrictions as set forth under “Notice to Purchasers” and “Transfer Restrictions” in the Offering Memorandum). Purchaser further acknowledges that if SprocketCoins are deemed securities under any applicable securities laws, the same restrictions shall apply. Purchaser is purchasing this SAFE and the Sprocket EX Tokens to be acquired by Purchaser hereunder for its own account for investment, not as a nominee or agent, and not with a view to, or for resale in connection with, the distribution thereof, and Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same.

9. Purchaser has knowledge and experience in financial and business matters such that Purchaser is capable of evaluating the merits and risks of such investment, is able to incur a complete loss of such investment without impairing Purchaser’s financial condition and is able to bear the economic risk of such investment for an indefinite period of time.

10. EXCEPT AS EXPRESSLY SET FORTH IN THIS SAFE, PURCHASER ACKNOWLEDGES THAT IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY AND DISCLAIMS ANY RELIANCE (INCLUDING AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION PROVIDED BY OR ON BEHALF OF THE COMPANY) ON ANY STATEMENT MADE, OR ANY INFORMATION PROVIDED, BY THE COMPANY, OR ANY OTHER PERSON ON THE COMPANY’S BEHALF.

F. LIMITATIONS ON LIABILITY

1. THE COMPANY’S AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS SAFE, WHETHER ARISING OUT OF OR RELATED TO BREACH OF CONTRACT, TORT OR OTHERWISE, WILL NOT EXCEED THE TOTAL OF THE AMOUNTS PAID TO THE COMPANY UNDER THIS SAFE.

2. NEITHER THE COMPANY NOR ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS SHALL BE LIABLE FOR ANY SPECIAL, EXEMPLARY, PUNITIVE, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES OR LOST REVENUES, LOST PROFITS OR DIMINUTION IN VALUE OR ANY OTHER SIMILAR DAMAGES OR LOSSES, IN EACH CASE ARISING OUT OF, RELATING TO OR RESULTING FROM THIS SAFE.

3. NO RECOURSE UNDER OR UPON ANY OBLIGATION, COVENANT OR AGREEMENT CONTAINED IN THIS SAFE SHALL BE HAD AGAINST ANY PAST, PRESENT OR FUTURE STOCKHOLDER, OFFICER, DIRECTOR OR EMPLOYEE, AS SUCH, OF THE COMPANY, ANY SUBSIDIARY OR OTHER AFFILIATE OF THE COMPANY, OR OF ANY SUCCESSOR OF ANY OF THE FOREGOING, EITHER DIRECTLY OR THROUGH THE COMPANY, ANY SUBSIDIARY OR AFFILIATE OF THE COMPANY OR ANY SUCCESSOR, UNDER ANY RULE OF LAW, STATUTE OR CONSTITUTIONAL PROVISION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR BY ANY LEGAL OR EQUITABLE PROCEEDING OR OTHERWISE, ALL SUCH LIABILITY BEING, BY ACCEPTANCE HEREOF AND AS PART OF THE CONSIDERATION OF THE GRANT OF THE RIGHT BY THE COMPANY TO PURCHASER, EXPRESSLY WAIVED AND RELEASED.

G. MISCELLANEOUS

1. This SAFE sets forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior or contemporaneous disclosures, discussions, understandings and agreements, whether oral or written, between them.
2. Any waiver at any time by any party under this SAFE, or with respect to any other matters arising in connection with this SAFE, will not be deemed to be a waiver with respect to any subsequent matter. Any waiver under this SAFE must be in writing. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this SAFE will operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

3. Any notice required or permitted by this SAFE will be deemed to have been delivered when sent by email to the relevant address listed on the signature page, which address may be subsequently modified by email notice.

4. Purchaser is not entitled, as a holder of this SAFE, to vote or receive dividends or be deemed the holder of capital stock of the Company for any purpose, nor will anything contained herein be construed to confer on Purchaser, as such, 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 dividends, subscription rights or otherwise.

5. The Company will treat this instrument as a prepaid forward contract for U.S. federal, state and local income tax purposes, and will not take any position on any tax return, report, statement or other tax document that is inconsistent with such treatment.

6. Purchaser will have no legal or equitable rights, interests or claims in or to any specific property or assets of the Company as a result of this SAFE. To the extent that Purchaser acquires a right to receive any payment from the Company in connection with this SAFE, such right shall be no greater than the right of an unsecured general creditor of the Company.

7. Neither this SAFE nor the rights contained herein may be assigned, by operation of law or otherwise, by either party without the prior written consent of the other party, except that the Company may assign this SAFE, without the consent of Purchaser, in connection with a reincorporation by merger, conversion, domestication or otherwise to change the Company’s domicile. Any assignment in contravention of the provisions of this Section will be null and void.

8. In the event any one or more of the provisions of this SAFE is for any reason held to be invalid, illegal or unenforceable, in whole or in part or in any respect, or in the event that any one or more of the provisions of this SAFE operate or would prospectively operate to invalidate this SAFE, then and in any such event, such provision(s) only will be deemed null and void and will not affect any other provision of this SAFE and the remaining provisions of this SAFE will remain operative and in full force and effect and will not be affected, prejudiced, or disturbed thereby.

9. All rights and obligations hereunder will be governed by the laws of the State of Delaware, without regard to the conflicts of law provisions of such jurisdiction. The state or federal courts located in Wilmington, Delaware, will have exclusive jurisdiction over any dispute arising out of this SAFE or the transactions contemplated hereunder, and the parties hereby submit to the personal jurisdiction of such courts and agree that service of process upon such party shall be effective if given in accordance with Section G.4 of the SAFE.

10. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM, WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATED TO THIS SAFE OR THE TRANSACTIONS CONTEMPLATED HEREUNDER.

11. Purchaser will, and will cause its affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably requested by the Company to carry out the provisions of this SAFE and give effect to the transactions contemplated by this SAFE, including, without limitation, to enable the Company or the transactions contemplated by this SAFE to
comply with applicable laws.

12. Purchaser hereby consents to the Company’s giving of any notice in connection with the Sprocket Tokens upon and after the Token Launch by electronic transmission in any manner contemplated by Section 232 of the General Corporation Law of the State of Delaware.

(Signature page follows)
IN WITNESS WHEREOF, the undersigned have caused this SAFE to be duly executed and delivered.

Sprocket Inc.

By: __________________________

Print Name: __________________

Print Title: __________________

The Securities being subscribed for will be owned by, and should be recorded on the Company’s books as held in the name of:

___________________________________________
(print name of owner or joint owners)

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Annex B

Terms and Conditions of Sprocket Ex Tokens

The following terms and conditions (the “Terms”) set forth the rights, preferences, powers, restrictions and limitations to be attached to Sprocket EX Tokens (the “Sprocket EX Tokens”) if, as and when issued by Sprocket, Inc. (the “Company”) pursuant to the Simple Agreement for Future Preferred Equity with respect to Sprocket EX Tokens to be entered into between the Company and certain qualified purchasers, as may be amended, restated and/or otherwise modified from time to time (the “SAFE”). If Sprocket EX Tokens are issued in the future, a Certificate of Designation will be filed with the Delaware Secretary of State as part of the Company’s Certificate of Incorporation reflecting these Terms and Conditions.

1. Designation and Number of Sprocket EX Tokens. The Sprocket EX Tokens shall be designated as “Sprocket EX Tokens,” and the number of Sprocket EX Tokens to be authorized, issued and designated shall be the number required to satisfy the Company’s Sprocket EX Token delivery requirements under the SAFEs, and such additional number of Sprocket EX Tokens which the Company determines to authorize and issue, in its sole discretion.

2. Ranking. Each Sprocket EX Token shall be identical in all respects to every other Sprocket EX Token, and shall, with respect to dividend rights and liquidation preferences, rank senior to all classes of the Company’s common stock and any class or series of preferred stock established after the date of issuance of Sprocket EX Tokens, except for any class or series of preferred stock designated as senior to or pari passu with Sprocket EX Tokens (in which case, such class or series of preferred stock shall rank as so designated).

3. Dividends.

   A. Quarterly Dividends. Subject to Section 3.B., on a quarterly basis, the Company shall pay noncumulative dividends on Sprocket EX Tokens (each, a “Dividend”) equal to 10% of the Company’s Net Platform Revenue for the most recently completed fiscal quarter (the “Dividend Amount”).

   “Net Platform Revenue” means all revenue collected by the Company’s cryptocurrency trading platform, less fees paid to third parties related to the clearing and settlement of trades.

   B. Limitations on Dividends. Dividends may only be declared and paid out of funds lawfully available therefor. In addition, the Dividend Amount (i) will be subject to any dividend preference granted to any series of preferred stock of the Company that may be authorized by the Company and which has senior dividend rights to Sprocket EX Tokens, and (ii) shall be subject to the Board’s determination that sufficient cash or Ether reserves shall remain after the payment of such Dividend, as reasonably required to cover the Company’s future operating expenses.

   C. Payment Dates. Dividends shall be paid within ten (10) days of the end of each fiscal quarter. If any Dividend payment date is a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close, the applicable payment shall be due on the next
succeeding business day.

D. **Form of Payments.** Dividends will be paid in Bitcoin, Ether, SprocketCoin, or in any combination of the foregoing, with such payment method selected by the Company in its sole discretion. If the Company chooses to pay a Dividend in Bitcoin or Ether, the amount of Bitcoin or Ether to be distributed will be determined according to the payment procedures contained in Annex D attached hereto.

“SprocketCoin” means the ERC-20 Smart Contracts designated as “SprocketCoin,” the attributes of which are set forth in Annex C to the Offering Memorandum.

E. **Wallet Requirement.** Dividends will be paid only on Sprocket EX Tokens held in a Sprocket Wallet. Any Sprocket EX Tokens not held in a Sprocket Wallet at the time of the Dividend, shall not receive any Dividend, and such amount shall be retained by the Company. To the extent any Sprocket EX Token entitled to a Dividend is held in a Sprocket Wallet for a portion of any quarter, the Quarterly Dividend shall be pro rata based on the portion of the quarter during which such Sprocket EX Token is held in the Sprocket Wallet during such quarter.

“Sprocket Wallet” means the ERC-20 compatible wallet created and issued by the Company.

F. **Mechanics.** If, as and when declared, Dividends will be paid on a pro rata basis to Sprocket EX Token holders eligible to participate in the applicable Dividend and the holders of any class or series of preferred stock ranking pari passu with Sprocket EX Tokens as to the payment of Dividends. The method to be used for delivery of each Dividend will be determined at the time the Dividend is made.

4. **Transfer.** Sprocket EX Token holders that initially receive Sprocket EX Tokens, pursuant to Rule 506(c) of Regulation D (“Regulation D”) promulgated pursuant to the Securities Act of 1933, as amended (the “Securities Act”), will be subject to a 12-month lock-up period (the “Lock-Up”), during which Sprocket EX Tokens will be entirely non-transferrable or re-sellable, except in connection with a sale that complies with Regulation D. Non-U.S. Persons, as defined in Regulation S (“Regulation S”) promulgated pursuant to the Securities Act that initially receive Sprocket EX Tokens pursuant to Regulation S may, subject to the next paragraph, transfer or resell their Sprocket EX Tokens as applicable, only in compliance with Regulation S. Affiliates of the Company are subject to additional restrictions under applicable U.S. securities laws.

All potential transferees of Sprocket EX Tokens will need to verify their status and complete requisite know-your-customer and anti-money laundering checks before they are permitted to acquire Sprocket EX Tokens.

5. **Exclusion of Other Rights.** Sprocket EX Tokens shall not have any voting powers, preferences and relative, participating, optional or other special rights, other than those specifically set forth in these Terms (as such Terms may be amended from time to time).
6. **Headings of Subdivisions.** The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

7. **Severability of Provisions.** If any rights, preferences, powers or restrictions or limitations of Sprocket EX Tokens set forth herein is found to be invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other rights, preferences, powers and restrictions and limitations of Sprocket EX Tokens set forth herein which can be given effect without the invalid, unlawful or unenforceable rights, preferences, powers and restrictions and limitations thereof shall, nevertheless, remain in full force and effect and no rights, preferences, powers, restrictions and limitations of Sprocket EX Tokens set forth shall be deemed dependent upon any other rights, preferences, powers or restrictions and limitations of Sprocket EX Tokens unless so expressed herein.

8. **Transfer Agent, Registrar, Paying Agent and Exchange.** The Company may in the future appoint, or itself act as, a transfer agent, registrar and paying agent for Sprocket EX Tokens, and appoint a successor to any one or more of such roles (and may remove any such successor in accordance with any agreement with such successor and appoint a new successor). To the fullest extent permitted by applicable law, the Company and any future transfer agent may deem and treat the holder of any Sprocket EX Tokens as the true and lawful owner thereof for all purposes.

9. **Taxes.** All payments and Dividends (or deemed dividends) on Sprocket EX Tokens shall be subject to withholding and backup withholding of tax to the extent required by law, and such amounts withheld, if any, shall be treated as received by the holders of Sprocket EX Tokens.

10. **Notices.** Except as otherwise set forth herein, to the fullest extent permitted by law all notices provided by the Company to holders of Sprocket EX Tokens hereunder shall be delivered by a notice sent to the holders of Sprocket EX Tokens by posting such notice to the Sprocket website: www.sprocketinc.com, or by such other manner as may be permitted in the Company’s Certificate of Incorporation or bylaws.
Annex C

Terms and Conditions of SprocketCoins

The following terms and conditions (the "Terms") set forth the attributes of SprocketCoins (the “SprocketCoins”) if, as and when delivered by Sprocket, Inc. (the “Company”).

1. Designation and Number of SprocketCoins. The SprocketCoins shall be designated as “SprocketCoins,” and the number of SprocketCoins to be authorized, issued and designated shall be the number which the Company determines to authorize and issue, in its sole discretion.

2. Ranking. Each SprocketCoin shall be identical in all respects to every other SprocketCoin.

3. Value of SprocketCoins. The value of SprocketCoins shall be directly tied to the value of Ether, with each SprocketCoin being valued at 1/100th of an Ether (the “Redemption Price”).

4. Redemption. Holders may redeem SprocketCoins at any time in exchange for the Redemption Price, to the extent the Company has adequate cash and/or Ether reserves to pay the Redemption Price, and provided that following such redemption, the Company would have sufficient cash or Ether reserves as reasonably required to cover the Company’s future operating expenses and to maintain the Redemption Reserve (as defined below). The Company, in its sole discretion, shall pay the Redemption Price in Ether, BitCoin or US dollars, or any combination of the foregoing, and may charge a redemption fee of up to 10% of the Redemption Price. Redemptions shall be paid on a first come first serve basis; provided, however, the Company has the right, in its sole discretion, to redeem SprocketCoins on a pro rata basis.

5. Redemption Reserve. The Company shall endeavor to retain a reserve in Ether, BitCoin or US dollars, equal to the aggregate Redemption Price of not less than Fifty Percent (50%) of the outstanding SprocketCoin (the “Redemption Reserve”).

6. Transfer Restrictions. If SprocketCoins are deemed securities under the United States Securities Act of 1933, as amended (the “Securities Act”), and are distributed pursuant to Rule 506(c) of Regulation D (“Regulation D”) of the Securities Act, SprocketCoins so distributed, will be subject to a 12-month lock-up period (the “Lock-Up”), during which SprocketCoins will be entirely non-transferrable or re-sellable, unless such transfer is in compliance with Regulation D. If SprocketCoins are deemed securities under the Act, non-U.S. Persons, as defined in Regulation S (“Regulation S”) promulgated pursuant to the Securities Act, that initially receive SprocketCoins pursuant to Regulation S may, subject to the next paragraph, transfer or resell their SprocketCoins only in compliance with Regulation S. If SprocketCoins are deemed securities under the Act, Affiliates of the Company will be subject to additional restrictions under applicable U.S. securities laws.

If SprocketCoins are deemed securities under the Act, all potential transferees of SprocketCoins will need to verify their status and complete requisite know-
your customer and anti-money laundering checks before they are permitted to acquire SprocketCoins.

7. **Exclusion of Other Rights.** Except as may otherwise be required by law, SprocketCoins shall not have any other rights, other than those specifically set forth in these Terms (as such Terms may be amended from time to time).

8. **Headings of Subdivisions.** The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

9. **Severability of Provisions.** If any rights or attributes, rights, restrictions or limitations of SprocketCoins set forth herein is found to be invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all such attributes, rights, restrictions or limitations of SprocketCoins set forth herein which can be given effect without the invalid, unlawful or unenforceable attributes, rights, restrictions or limitations thereof shall, nevertheless, remain in full force and effect and no attributes, rights, preferences, powers, restrictions and limitations of SprocketCoins set forth shall be deemed dependent upon any other attributes, rights, restrictions or limitations of SprocketCoins unless so expressed herein.

10. **Transfer Agent, Registrar, Paying Agent and Exchange.** If SprocketCoins are deemed securities under the Securities Act, the Company may in the future appoint, or itself act as, a transfer agent, registrar and paying agent for SprocketCoins, and appoint a successor to any one or more of such roles (and may remove any such successor in accordance with any agreement with such successor and appoint a new successor). To the fullest extent permitted by applicable law, the Company and any future transfer agent may deem and treat the holder of any SprocketCoins as the true and lawful owner thereof for all purposes.

11. **Notices.** Except as otherwise set forth herein, to the fullest extent permitted by law all notices provided by the Company to holders of SprocketCoins hereunder shall be delivered by a notice sent to the holders of SprocketCoins by posting such notice to the Sprocket website: www.sprocketinc.com, or by such other manner as may be permitted in the Company’s Certificate of Incorporation or bylaws.
Annex D

Payment Procedures

Prospective purchasers may purchase SAFEes and the underlying Sprocket EX Tokens with US dollars, Euros, Bitcoin, Ether and other fiat and cryptocurrencies as determined in the sole discretion of the Company.

Prospective purchasers should carefully consider the risk that any purchase price paid by them in cryptocurrencies such as Bitcoin or Ether, may decrease in value prior to the time at which the Applicable Exchange Rate (as defined below) is determined. Any such decrease in the value of cryptocurrencies could significantly reduce the amount of Sprocket EX Tokens issuable to the relevant purchaser under the terms of the SAFE. See section entitled “Risk Factors” in the offering memorandum for more information.

The number of Sprocket EX Tokens that a purchaser will be entitled to receive (the “Token Amount”) will be determined based on, and subject to, the terms of each purchaser’s SAFE. The Purchaser Commitment Amount (as defined below) will be deemed to be made in US Dollars regardless of whether the purchaser pays in US Dollars, Euros, Bitcoin, Ether, or other fiat currencies and cryptocurrencies permitted by the Company. If a purchaser pays in Euros, Bitcoin, Ether or any other fiat currency or cryptocurrency permitted by the Company, the Purchaser Commitment Amount will be valued at the Applicable Exchange Rate.

1. Payment of Purchase Price

SAFEs provided to potential purchasers shall specify a U.S. dollar (USD) per Sprocket EX Token offering price.

Purchaser is required to:

• elect a payment currency from among U.S. dollars (“USD”), Euro, Bitcoin (“BTC”) Ether (“ETH”), or such other fiat currency and cryptocurrency permitted by the Company; and

• enter the aggregate amount of the elected currency that will be delivered (“Purchaser Commitment Amount”).

Following execution and delivery of a SAFE by the purchaser, the Company, or its agent, will review the SAFE and, if acceptable to the Company, deliver to purchaser either (i) a fully executed SAFE or (ii) notification that the SAFE has been fully executed electronically (each of clause (i) or (ii), the “Execution Notification”). At this time, instructions for payment of the Purchaser Commitment Amount in the selected payment currency will be made available to the purchaser via electronic transmission or on the investor dashboard of StartEngine.

The applicable USD price per Sprocket EX Token for a purchaser shall be determined based upon the applicable offering price in effect upon the Company’s execution of the SAFE. In the event that the offering price changes following receipt of an executed SAFE by purchaser, but prior to execution by the Company, Company may either (i) execute the SAFE based on the per Sprocket EX Token offering price reflected on the SAFE or (ii) request that purchaser execute a new SAFE reflecting the then-current per Sprocket EX Token offering price.
Upon execution of a SAFE by the Company, purchasers will be provided with one business day (or longer in the Company’s sole discretion) from the Execution Notification to deliver the Purchaser Commitment Amount.

If purchaser fails to deliver the Purchaser Commitment Amount within one business day of the Execution Notification, the Company may (but shall not be obligated to) re-allocate any Sprocket EX Tokens reserved for purchaser to an alternative purchaser at the applicable per Sprocket EX Token offering price.

If a Purchaser Commitment Amount is received more than one business day following the Execution Notification, the applicable USD per Sprocket EX Token offering price for such purchaser shall be re-determined as described above, as if the SAFE had been executed and delivered by the Company to purchaser on the date on which such Purchaser Commitment Amount is actually received by the Company (the “Actual Receipt Date”) and purchaser agrees, by delivery of such Purchaser Commitment Amount, that the USD per Sprocket EX Token offering price reflected on purchaser’s SAFE shall be deemed to be the amount that would be set forth on a SAFE executed by the Company on such Actual Receipt Date.

2. Calculation of Non-US Dollar Payments

In the case of payments made in BitCoin and Ether, the Token Amount shall be determined as set forth below based on the Daily BTC Exchange Rate (as defined below) and Daily ETH Exchange Rate (as defined below) [in either case, the “Applicable Exchange Rate”), as applicable, for the Receipt Day on which the Company receives the Purchaser Commitment Amount. The term “Receipt Day” means the period from, and including, 3:00:00 p.m. (ET) on a calendar day (the “Receipt Day Start Time”) and 2:59:59 p.m. (ET) on the succeeding calendar day (the “Receipt Day End Time”).

- The Token Amount for BTC payments will be determined based upon the USD equivalent of the Purchaser Commitment Amount received by the Company, based upon the last traded price for a BTC to USD exchange transaction, as reflected on www.gdax.com (“GDAX”) which is closest to and includes (but is not after) 5:00:00 p.m. (ET), on the date on which the Receipt Day End Time occurs (the “Daily BTC Exchange Rate”). The Token Amount shall be calculated by dividing this USD equivalent Purchaser Commitment Amount by the per Sprocket EX Token USD price, rounded up to the nearest number of whole Sprocket EX Tokens.

- The Token Amount for ETH payments will be determined by StartEngine based upon the USD equivalent of the Purchaser Commitment Amount received by the Company, based upon the last price quoted for an ETH to USD exchange transaction, as reflected on GDAX, which is closest to and includes (but is not after) 5:00:00 p.m. (ET), on the date on which the Receipt Day End Time occurs (the “Daily ETH Exchange Rate”). The Token Amount shall be calculated by dividing this USD equivalent Purchaser Commitment Amount by the applicable per Sprocket EX Token USD price, rounded up to the nearest number of whole Sprocket EX Tokens.

If at any time in the future, GDAX is no longer operational or operates with limited functionality such that the procedures set forth herein could not be applied, the Company shall select a replacement that, in the good faith judgment of management, is recognized in the market at such time as a reputable venue for such reporting purposes.
In the case payment is made in Euros or the fiat currency of another country (if permitted by the Company), the exchange rate shall be based on the exchange rate as published in the Wall Street Journal on the date the Company receives the relevant purchaser’s funds in accordance with the procedures set forth in the SAFE.

3. **Refunded Purchase Amount in Connection with Termination of the Offering or Withdrawal From the Offering Following a Material Change to the Offering Terms**

   If a purchaser has funded a Purchase Commitment Amount and the offering is (i) subsequently withdrawn such that the purchaser’s Purchase Commitment Amount must be refunded or (ii) subsequently materially modified and purchaser elects to withdraw from its participation in the Offering such that the purchaser’s Purchase Commitment Amount shall be refunded, such purchaser’s Purchase Commitment Amount refund shall be repaid in the same currency and in the same amount, without interest, paid to the Company by the purchaser. For example, a Purchaser who paid a Purchaser Commitment Amount of 100 Bitcoin, will receive a refund of 100 Bitcoin.

4. **Payments of Dividends or Distributions in BTC, ETH or SprocketCoin.**

   In the event that a dividend on Sprocket EX Tokens or Revenue Share Distribution shall be paid in BTC, ETH or SprocketCoin, the amount of BTC, ETH or SprocketCoin, shall be based on the Applicable Exchange Rate established as of 5:00:00 p.m. (ET) one business day before the date on which the dividend or distribution is made.
Annex E

White Paper
Rights to an Aggregate of 6,300,000 Sprocket EX Tokens
Pursuant to Simple Agreements for Future Preferred Equity

SPROCKET

OFFERING MEMORANDUM

April 18, 2018