

**CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM**

**TURNCOIN®**

**TURNCOIN LTD.**

**FOR THE PLACEMENT OF 13,691,689 TURNCOIN**

**FOR AN AMOUNT OF USD70,000,000**

(SEVENTY MILLION UNITED STATES DOLLARS)

**30 JANUARY 2023**

During the period that commences on the date hereof and ending on the earlier of (i) the date on which the maximum placement amount has been subscribed for and accepted and a final closing is conducted, or (ii) 180 days after opening of the current round, unless extended up to ninety (90) days in the sole discretion of TurnCoin Ltd.

# TurnCoin Ltd.

This Confidential Private Placement Memorandum (the “**Memorandum**”) is being furnished on a confidential basis to a limited number of accredited investors and to non-U.S. persons (as defined in Rule 902 of Regulation S promulgated under the Securities Act of 1933, as amended) for the purpose of providing certain information about an investment in TurnCoin (as hereinafter described) to be issued by TurnCoin Ltd., a Gibraltar private company (the “**Company**”). Holders of TurnCoin will have no rights in or to equity of the Company or any legal or beneficial ownership interest in the Company and, therefore, are not shareholders of the Company. Moreover, holders of TurnCoin will have no voting rights of, in or for the Company.

The securities described herein have not been approved or disapproved by the U.S. Securities and Exchange Commission (the “**SEC**”) or by the securities regulatory authority of any state or of any other U.S. or non-U.S. jurisdiction, nor has the SEC or any such securities regulatory authority passed upon the accuracy or adequacy of this Memorandum. Any representation to the contrary is a criminal offense.

The securities described herein have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), the securities laws of any U.S. state or the securities laws of any other jurisdiction. The securities will be offered and sold under the exemption from registration provided by Section 4(a)(2) of the Securities Act and Rule 506(c) of Regulation D promulgated thereunder and Regulation S promulgated under the Securities Act and other exemptions of similar import in the laws of the states and jurisdictions where the offering will be made. The securities described herein are being offered solely to investors that are (a) “accredited investors” as defined in Rule 501(a) of Regulation D promulgated under the Securities Act and in accordance with the verification requirements of Rule 506(c) of Regulation D and (b) non-U.S. persons in compliance with Regulation S in “offshore transactions” as defined in Regulation S (“**Offshore Transactions**”) who are not purchasing for the account or benefit of a U.S. person.

The securities offered hereby may not be sold or transferred (i) except as permitted under the Company’s Simple Agreements for Future Revenue (each, a “**SAFR**”) and (ii) unless they are registered under the Securities Act and under any other applicable securities laws or an exemption from such registration thereunder is available. The securities are not, and are not expected to be, listed on any exchange, and it is uncertain whether a private secondary market for the Company’s securities will develop at all. An investment in the Company is not suitable for investors who may need the money they invest in a specified time frame.

This Memorandum contains a summary of the SAFR, a copy of which is attached hereto as Annex A. The obligations of the Company and holders of the securities are set forth in and will be governed principally by the SAFR and the legal requirements of Gibraltar. The discussions of these documents and legal requirements set forth in this Memorandum do not purport to be complete. Each prospective investor and its advisers should carefully read the SAFR, including any and all revisions thereto, prior to making an investment in the Company. In the event that the description in or terms of this Memorandum are inconsistent with or contrary to the descriptions in or terms of the SAFR or the other documents attached as exhibits hereto, the description in or terms of the SAFR, or such other documents shall control. The Company reserves the right to modify the terms of this offering and the securities described herein.

Potential investors should pay particular attention to the information in the section of this Memorandum entitled "Risk Factors." An investment in the Company is suitable only for accredited investors and to non-U.S. persons who are purchasing under the exemption provided by Regulation S and requires the financial ability and willingness to accept the high risks and lack of liquidity inherent in an investment in the Company. Investors in the Company must be prepared to bear such risks for an extended period of time. No assurance can be given that the Company's investment objective will be achieved or that investors will receive a return of their capital or a return of their investment.

In making an investment decision, investors must rely on their own examination of the Company and the terms of this offering, including the merits and risks involved. Prospective investors should not construe the contents of this Memorandum as legal, tax, investment or accounting advice, and each prospective investor is urged to consult with its own advisors with respect to legal, tax, regulatory, financial and accounting consequences of its investment in the Company.

This Memorandum is to be used by the prospective investor to which it is furnished solely in connection with the consideration of the purchase of the securities described herein. This Memorandum contains confidential, proprietary, trade secret and other commercially sensitive information, should be treated in a confidential manner and may not be reproduced or used in whole or in part for any purpose other than the consideration of the purchase of the securities described herein, nor may it or any information in it be disclosed without the prior written consent of the Company. Each prospective investor accepting this Memorandum hereby agrees to return it to the Company promptly upon request.

Each prospective investor is invited to meet with representatives of the Company and to discuss with, ask questions of and receive answers from such representatives concerning the terms and conditions of the offering of the securities described herein, and to obtain any additional information, to the extent that such representatives possess such information or can acquire it without unreasonable effort or expense, necessary to verify the information contained herein.

No person has been authorized in connection herewith to give any information or make any representations other than as contained in this Memorandum and any representation or information not contained herein may not be relied upon as having been authorized by the Company, or any of its directors, employees, shareholders or affiliates. Unless otherwise indicated, financial information contained herein is as of the date set forth on the cover page of this Memorandum. The delivery of this Memorandum does not imply that any other information contained herein is correct as of any time subsequent to the date of this Memorandum.

The distribution of this Memorandum and the offer and sale of securities described herein in certain jurisdictions may be restricted by law. This Memorandum does not constitute an offer to sell or the solicitation of an offer to buy in any state or other U.S. or non-U.S. jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such state or jurisdiction. This offering does not constitute an offer of securities to the public, and no action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose. The securities may not be offered or sold, directly or indirectly, and this Memorandum may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of the securities described herein, and any foreign exchange restrictions that may be relevant thereto.

Statements contained in this Memorandum (including those relating to current and future market conditions and trends in respect thereof) that are not historical facts are based on current expectations, estimates, projections, opinions and/or beliefs of the Company. Such statements involve known and unknown risks, uncertainties and other factors and undue reliance should not be placed thereon. Certain information contained in this Memorandum constitutes “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “seek,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue,” “target,” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, including those set forth in the section entitled “Risk Factors,” actual events or results or the actual performance of the Company may differ materially from those reflected or contemplated in such forward-looking statements.

Any questions regarding the offering should be directed to:

**TurnCoin Ltd.**  
Suite 43, 4<sup>th</sup> Floor  
Victoria House  
24 Main Street,  
Gibraltar GX11 1AA

turncoin@inx.co

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# SUMMARY OF PRINCIPAL TERMS

<b>Company</b>	TurnCoin Ltd., a Gibraltar private company with a business address located at Suite 43, 4 <sup>th</sup> Floor, Victoria House, 24 Main Street,, Gibraltar GX11 1AA and which is a wholly owned subsidiary of the Development Company.
<b>Operating Company</b>	TheXchange, a Cayman Islands exempted limited liability company with a business address located at c/o Stuarts Corporate Services, Ltd., P.O. Box 2510, Kensington House, 69 Dr Roy's Drive, Grand Cayman KY1- 1104, Cayman Islands and which is a wholly owned subsidiary of the Development Company.
<b>TheXchange Group</b>	Shall mean the Company, Operating Company, Holding Company, Development Company, and all other entities and foundations incorporated for the sole purpose of managing, promoting and expanding TheXchange globally.
<b>Digital Securities</b>	Securities represented in digital form using Security Tokens and Blockchain Technology to verify ownership pursuant to the Company's Simple Agreement for Future Revenue.
<b>Revenue-Sharing Digital Security</b>	A type of Digital Security that gives its holder the right to a pro-rata portion of the revenue generated by its issuer.
<b>TurnCoin</b>	A Revenue-Sharing Digital Security that distributes the Company's gross revenue to its holder(s) on a pro-rata basis proportional to their holdings. Holders of TurnCoin have no rights in or to equity of the Company or any legal or beneficial ownership interest in the Company and, therefore, are not shareholders of the Company. Moreover, holders of TurnCoin have no voting rights of, in or for the Company.
<b>Blockchain Technology</b>	An immutable and transparent online system of public recording maintained across multiple computers globally without any central point of failure. For a detailed description of the Blockchain Technology that the Company will use to issue the securities described herein, see "Description of the Blockchain Technology."
<b>Smart Contract</b>	A self-executing contract that uses Blockchain Technology to effect and enforce such contract.
<b>Trustless System</b>	A system in which participants involved therein do not need to be familiar with or trust each other, or a third party, for the system to function.
<b>Talented People/ Person</b>	Individuals, including athletes, musicians, actors, artists, businesspersons, and e-sports athletes, whether beginners, amateurs or professionals.

<b>Supporter</b>	A person who approves of, encourages, follows and is interested in participating in the past, present and/or future professional journey of Talented People, including, but not limited to, friends, family members and fans.
<b>TheXchange Platform</b>	A custom-built social media platform that uses Blockchain Technology acquired by TheXchange, which is intended to facilitate a social and supportive connection between Talented People and their Supporters, while enabling the storing, trading, buying, selling and transferring of digital collectibles (Technical aspects of TheXchange Group's business plan is described in the Whitepaper attach hereto as Annexure B )
<b>Buyers</b>	Supporters who seek to participate in the past, present and/or future professional journey of Talented Persons.
<b>VirtualStaX</b>	Digital trading card/s that will be generated through a user interface accessible to Talented Persons upon successful verification and registration of himself or herself on TheXchange Platform, which digital trading cards can be bought, sold and/or stored by Talented Persons and/or Buyers once generated.
<b>Global Performance Index (GPX)</b>	The algorithm that will be applied and used on TheXchange Global Trading Platform to calculate a comparative performance index number (between 1 to 1000) based primarily on the popularity of a specific VirtualStaX issuer.
<b>Primary Market</b>	The initial sale of VirtualStaX generated by TheXchange for Talented People.
<b>Secondary Market</b>	The sale and purchase of VirtualStaX amongst Supporters and Buyers (peer to peer) subsequent to the Primary Market.
<b>Compliance Procedures</b>	The procedures TheXchange and the Company or its agent requires from investors to ensure compliance with applicable laws and regulations.
<b>The Offering</b>	An investment opportunity to own TurnCoin.
<b>Monthly Yield</b>	The gross revenue received by the Company will be distributed as a monthly yield on a pro-rata holding basis among all holders of TurnCoin.
<b>Transfer Agent</b>	INX Transfer Agent, LLC, the full-service SEC registered digital securities transfer agent, which is a Delaware limited liability company with offices at 41 W 25 <sup>th</sup> St., 2 <sup>nd</sup> Floor, New York, NY 10010.

**Independent Auditor  
to the Company**

RSM Gibraltar, a Gibraltar professional services firm with offices at 21 Engineer Lane, Gibraltar, GX11 1AA.

**Platform IP**

All intellectual property owned or licensed by TheXchange Group and materially associated with ownership and operation of TheXchange Platform.

**Early Investor  
Incentive**

The following schedule will apply to the **13,691,689 TurnCoin** that is sold in this offering:

**Tier #1:** Investor/s in the first 1,000,000 TurnCoin purchased in this Offering, will receive **4 bonus TurnCoin** for every TurnCoin purchased (effective investment price = **\$2.98** per TurnCoin).

**Tier #2:** Investor/s in the next 1,000,000 TurnCoin purchased in this Offering, will receive **3 bonus TurnCoin** for every TurnCoin purchased (effective investment price = **\$3.73** per TurnCoin).

**Tier #3:** Investor/s in the next 1,000,000 TurnCoin purchased in this Offering, will receive **2 bonus TurnCoin** for every TurnCoin purchased (effective investment price = **\$4.97** per TurnCoin).

**Investor/s in the remaining 1,691,689 TurnCoin** will have the opportunity to invest in TurnCoin starting at a trading price of **\$14.92**.



# 1. GROUP OVERVIEW

The Company was incorporated in Gibraltar as a private company limited by shares under the Gibraltar Companies Act. The Company is governed by its Memorandum and Articles of Association and the principal legislation under which it operates is the Gibraltar Companies Act.

Pursuant to the Company's Articles of Association the Company is authorized to issue digital securities, including TurnCoin.

TheXchange Group was formed with the goal of enabling athletes, musicians, artists, actors, business persons, and widely recognized groups and teams, whether amateur or professional (collectively, **"Talented People"**), to achieve their dreams with the support of their families, friends, and supporters (collectively, **"Supporters"**).

TheXchange Group utilizes Blockchain Technology and Smart Contracts to form a Trustless System (**"TheXchange Platform"**) on which:

- Talented People will have access to a user interface that allows them to design and sell VirtualStaX to Supporters and Buyers through sales recorded on a blockchain (the **"VirtualStaX"**); and
- Talented People can sell the VirtualStaX on TheXchange Platform to Supporters and Buyers; and
- Supporters and Buyers can store and view the current value of the VirtualStaX and buy and sell VirtualStaX on TheXchange Platform.

The price for the purchase and sale of VirtualStaX on TheXchange Platform will be determined strictly by the open market supply and demand.

As the popularity of a Talented Person grows (due to such person's success, marketing and promotion) the value of such Talented Person's VirtualStaX may increase. The GPX, which will influence the price of a Talented Person's VirtualStaX, aims to eliminate many of the liquidity issues that exist in most exchange and over-the-counter pricing models because pricing will be exposed to all participants and adjusted in consideration of a lack of liquidity that may exist at times in certain VirtualStaX. It also could conceivably eliminate the need for (a) a price discovery mechanism that may not function efficiently in an illiquid market in favor of a model driven mechanism and (b) broker dealers because the pricing will change automatically based on supply and demand without the purchaser and seller's involvement.

In addition, and in addressing the stability and shortcomings of the current fungible- and non-fungible token market, a Talented Person's GPX will strive to act as an indicator or determinant of his/her current popularity, and as such have a direct impact on any and all VirtualStaX that are generated by a Talented Person.

Supporters and Buyers will be able to hold a mix of VirtualStaX across various categories of interest, and purchase and sell these VirtualStaX on TheXchange Platform.

TheXchange Group's vision is to create innovative ways for Talented People, whether they are established stars or members of the younger generation, to monetize their social media following and overall popularity.

TheXchange Platform is currently live (<https://StaX.app>), and began operating in December of 2022.

## **Talented People**

Talented People represent icons and idols of the past and present as well as young and up-and-coming talent. They are the athletes, the celebrities, the musicians, the actors, the businesspersons, the politicians and the widely recognized groups or teams that have achieved or may achieve greatness in their lifetime.

Talented People will be given the opportunity to engage with their Supporters on TheXchange Platform allowing the Supporters to participate in their journey to success. TheXchange plans to promote TheXchange Platform to Talented People through, among other things, various online advertising campaigns, viral marketing and the networks of the Company's directors and agents.

Talented People who desire to use TheXchange Platform will be required to register and login to TheXchange Platform using a mobile application and agree to TheXchange Group's terms and conditions. TheXchange Group intends to complete a thorough and user-friendly verification process to verify that Talented People are in fact the person, group or team they claim to be when registering on TheXchange Platform.

Talented People shall be categorized according to their field of talent. After the verification has been completed, the Supporters will be able to locate their Talented People of interest on TheXchange Platform by navigating to the relevant categories.

## **Supporters**

The Company believes that Supporters represent the lifeblood of all Talented People and facilitate their growth and success. Supporters include friends, family members, fans and passionate followers that form part of every Talented Person's journey to iconic status. TheXchange Group recognizes the fundamental importance and value of Supporters, which has led to the creation of TheXchange Platform.

After a Supporter registers on TheXchange Platform, the Supporter will have access to the features of all categories on the platforms, including the ability to locate his or her Talented Persons of interest, which will then provide the Supporter with the opportunity to:

- help Talented People through monetary support achieve their career goals that they may not otherwise be able to achieve without funds;
- own VirtualStaX which will give Supporters exclusive access to to-be developed features that would provide them with proximity and exclusivity to the talent they are supporting such as training regimes, private auditions, creative endeavors, and more, which it is unlikely Supporters could access without supporting these Talented People on TheXchange Platform; and
- interact and engage with Talented People, in-person or virtually, which it is unlikely Supporters would be able to do without supporting them on TheXchange Platform.

## TheXchange Platform

TheXchange Platform is intended to be used by Talented People and their Supporters to register and login; in the case of Talented People, to access a user interface allowing them to design and generate digital trading cards and sell them as VirtualStaX, track the popularity of the VirtualStaX, post news and events, list and sell merchandise in their virtual stores and engage with other participants on TheXchange Platform; and, in the case of Supporters, to locate Talented People in whom they are interested; buy VirtualStaX; follow news, events and progress of Talented People, browse and purchase merchandise of Talented People in their virtual stores, and engage with other participants on TheXchange Platform and also hold and sell VirtualStaX owned by the Supporter.

TheXchange Platform comprises backend and frontend design and development infrastructure elements. The backend integrates with Blockchain Technology and includes, but is not restricted or limited to, select solution elements, such as Smart Contracts, software audits, integrated workflow-optimized know-your-customer and anti-money laundering module(s), an integrated payment system, a decentralized key storage system, and secure cloud-based exchange hosting centers. The frontend elements include, but are not restricted or limited to, mobile applications, secured websites and VirtualStaX.

TheXchange Group has developed a proprietary algorithm, known as the Global Performance Index, which will influence the price of VirtualStaX based predominantly on the popularity of VirtualStaX. TheXchange Group intends to modify and refine the algorithm as additional data is acquired from TheXchange Platform and sufficient research has been completed around the use of popularity indicators in the algorithm.

TheXchange Group believes that its proprietary algorithm may eliminate many of the liquidity issues that exist in most exchange and over-the-counter pricing models of other platforms, both virtual and physical, for buying, selling and trading collectible trading cards, because pricing will be a transparent indicator of the popularity of a Talented Person's VirtualStaX based strictly on its supply and demand.

TheXchange Platform will be "neutral" because it will not act as a principal or agent for any Supporter seeking to buy and sell any VirtualStaX. TheXchange Group will not guarantee any transaction or that a buyer or seller can be found for any transaction, nor will it make a market or guarantee liquidity. In addition, the Company has no intention to create an algorithm that artificially tends to result in price increases or decreases of VirtualStaX.

## **VirtualStaX Cards**

VirtualStaX will allow Talented People, of any age and of various passions in life, to further utilize their popularity to pursue their passions by allowing Supporters globally to participate in their journey. Talented People can register on TheXchange Platform in any of the following categories of interest:

- Sports (Athletes & Teams)
- E-sports
- Actors
- Artists
- Businesspersons
- Celebrities
- Influencers
- Inventors
- And more...

This category system is designed to allow Supporters to locate their Talented People of interest with ease. Once a Talented Person has been located on TheXchange Platform, Supporters will be able to purchase their Talented People of interest's VirtualStaX.

A VirtualStaX represents a digital trading card which is generated through a design created by a Talented Person through a user interface upon successful verification and registration of him, her or itself on TheXchange Platform. VirtualStaX can be bought, sold and/or stored by Supporters who have successfully registered on TheXchange Platform. The Company believes that the VirtualStaX design will be desirable and anticipates that it may contain various features such as performance information, branding and other elements of a specific Talented Person. In addition, the Company intends that VirtualStaX will be available in various degrees of rarity in order to drive adoption and create marketable opportunity.

It is anticipated that the VirtualStaX to be issued, bought, sold and/or stored on TheXchange Platform will be analogous to physical, collectible, sports trading cards being bought and sold on already existing, well-known e-commerce platforms.

## **Talented Persons and Supporters**

Talented Persons and Supporters will represent the origin of all transactions that will occur on TheXchange Platform. Once a Talented Person has been successfully verified and registered on TheXchange Platform, he or she will have access to a user interface that allows the Talented Person to design a VirtualStaX which will be generated by TheXchange Platform and can then be sold on TheXchange Platform. Once the VirtualStaX has been generated, Talented Persons can then promote these VirtualStaX to their Supporters across various social media platforms, who will be able to buy their Talented Person's VirtualStaX on TheXchange Platform. Buyers represent Supporters of Talented People who have been successfully verified and registered on the TheXchange Platform. Upon registration, Buyers will be able to buy VirtualStaX of their Talented People of interest, in addition to being able to engage in sales and purchases of their VirtualStaX with other Buyers and Supporters.

## VirtualStaX Distribution

All Talented Persons will, upon successful registration on TheXchange Platform, be allocated 100,000 VirtualStaX which may be sold in two major phases:

- The Primary Market; and
- The Secondary Market.

## Primary Market and Secondary Market

The Primary Market will consist of the initial sale by Talented People of VirtualStaX that are designed by them and generated by TheXchange Platform through the user interface. These VirtualStaX may be bought by Supporters.

The Secondary Market consist of, and are formed by, the buying and selling of VirtualStaX subsequent to the Primary Market which will be conducted by Buyers and Supporters via TheXchange Platform.

## TurnCoin Yields

TheXchange Platform will derive transactional revenue from every sale of VirtualStaX. when revenue is generated, 100% of the gross revenue generated by the Company will be distributed via Smart Contracts to TurnCoin holders on a monthly basis. The anticipated transactional revenue is as follows:

1. 10% of the sales price of a VirtualStaX as a result of a sale on the Primary Market will be paid by the Talented Person as a transaction fee to the Company.
  1. 2.5% of the sales price of a VirtualStaX that is converted to a collectible NFT's will be paid by the buyers as a royalty to the Company every time a VirtualStaX NFT is resold, on platform or off platform.
  2. 1% of the gross transaction fee of every VirtualStaX transaction on the Secondary Market will be paid by the seller to the Company.
  3. In addition, TheXchange Group expects the Company to generate revenue from the following sources; provided, that TheXchange Group in its sole discretion may elect not to pursue one or more of these revenue sources and may identify other additional revenue sources:
    - Advertising Sales: TheXchange Group plans to allow companies to advertise on TheXchange Platform, both through the browser and on a mobile application; and
    - Merchandise Sales: TheXchange Group plans to allow each Talented Person to create a virtual store from which a Talented Person's merchandise can be sold. TheXchange Group anticipates that it will be paid a processing fee expected to be 10% of the sales price of all merchandise sold by Talented People in their virtual stores.
-

## TheXchange Securities Structure

The Company is minting a finite number of **1,000,000,000** (One Billion) **TurnCoin** on the ethereum blockchain. The sum of all gross revenue derived by the Company from a VirtualStaX transaction from the Primary Market and the Secondary Market, as well as from additional revenue sources as contemplated above, will accrue to each TurnCoin holder monthly, on a pro-rata holding basis to the extent the gross revenue is generated.

TurnCoin falls into two categories:

- **Non-tradeable TurnCoin**, of which there are **550,000,000**.
- **Tradeable TurnCoin**, of which there are **450,000,000**.

The non-tradeable TurnCoin is permanently locked, can never be sold and is held in perpetuity by the Development Company. It is anticipated that the revenues derived from the Development Company's holdings of the non-tradeable TurnCoin shall primarily be utilized to fund the expenses incurred during the course of operating, marketing and managing TheXchange Platform.

The total number of TurnCoin to be issued pursuant to this Offering is set at **13,691,689**

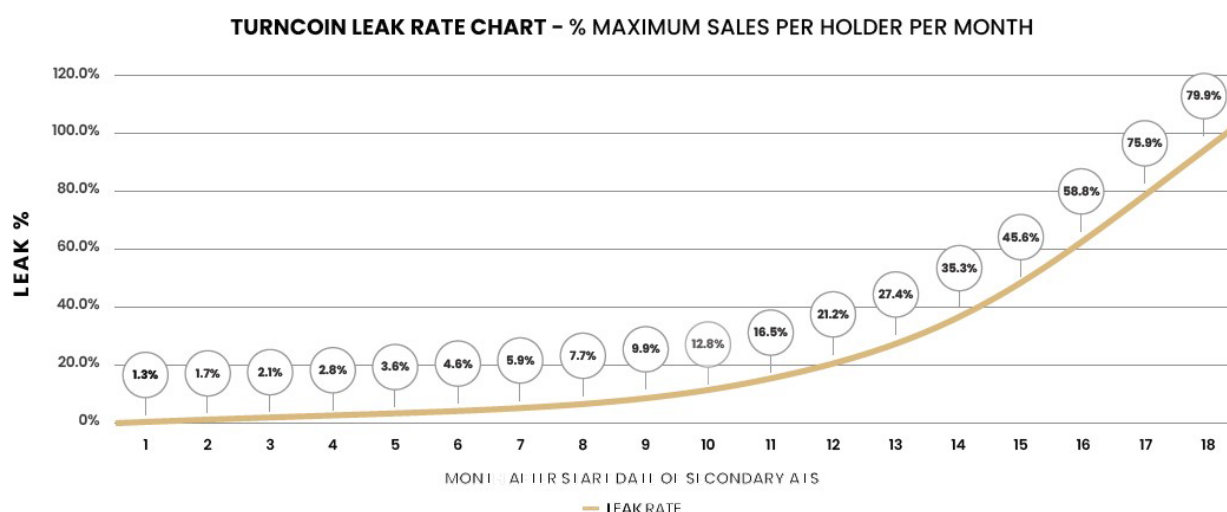
The **450,000,000 tradeable TurnCoin** have been allocated as of 21 September 2022 by the Company as follows:

- **106,611,960** issued under Prior Offerings and Initial Seed Funding (as further described in "Prior Offerings" below);
- **125,149,170** to ambassadors, spokespersons, independent contractors, consultants, partners. and to TheXchange Group's management and team.
- **20,000,000** to Philanthropy
- **198,238,870** balance held by the Development Company. (including TurnCoin to be sold pursuant to this Offering)

## Prior Offerings

As part of Turncoin's digital security economic model, the Company is implementing a Smart Contract-based lock up and leak out algorithm ("**LULO**") where all holders of TurnCoin who were issued TurnCoin prior to the date of this Offering will be able to sell an increasing percentage of their total monthly holdings after the closing of this Offering starting with a maximum of 1.3% in the first month thereafter and incrementally increasing to a maximum of 100% after month 18.

The LULO also applies to all TurnCoin holders in this offering, with the exact maximum monthly sell rates per holder as per the following chart, starting on the date that TurnCoin trades publicly on the Secondary Market:



Holders of TurnCoin have no rights in or to equity of the Company or any legal or beneficial ownership interest in the Company and, therefore, are not shareholders of the Company. Moreover, holders of TurnCoin have no voting rights of, in or for the Company.

## **Intellectual Property**

The Holding Company is the owner of the Platform IP, which includes various global software & design patents filed in the US, EU, China and 43 trademarks filed globally, some of which have been registered, and others which are currently pending. The software patent owned by the Holding Company is an electronic computer-implemented method and system for creating and exchanging cryptographically verifiable utility tokens associated with an issuing person. The design patent owned by the Holding Company seeks to protect the aesthetic design and automatic generating engine of VirtualStaX.

Technical aspects of TheXchange Group's business plan are described in a White Paper. This document explains the method and thinking that created TheXchange Platform, its major components, its revolutionary proprietary algorithm and the function and creation of VirtualStaX.

The document also includes TheXchange Group's broad development and global launch roadmap, the philanthropic contributions of VirtualStaX, the function and value of TurnCoin, and the exceptional team supporting TheXchange.

All additional intellectual property that may be created on an ongoing basis by the Company or the Operating Company (as service provider to the Company) will be for the benefit of, and ultimately owned by, the Holding Company.



## 2. THE INVESTMENT OPPORTUNITY

This is an investment opportunity to own TurnCoin, which will provide the holder with a right to share pro-rata in the gross revenue of the Company through a Monthly Yield and also potentially benefit from any TurnCoin appreciation (the “**Offering**”).

### TurnCoin Monthly Yield

TurnCoin holders have a perpetual right to share in the anticipated global gross revenue (the Turnover) of TheXchange through a Monthly Yield and also potentially benefit from the possible TurnCoin appreciation as TheXchange and VirtualStaX grows and expands globally.

**TurnCoin Yield Formula: Global Gross Revenue ÷ 1 Billion TurnCoin = Monthly Yield per TurnCoin**

For Example: \$3.25B (Global Gross Revenue) ÷ 1B TurnCoin = \$3.25 Monthly Yield per TurnCoin

The returns to TurnCoin holders will be in the form of USDC, a collateral backed US dollar pegged stablecoin, that can be converted by TurnCoin Holders to the Fiat Currency or Cryptocurrency of their choice.

### TurnCoin Value Appreciation

TurnCoin’s Value is not based on traditional principles of appreciation or depreciation because TurnCoin derives its value from the right to share in a pro-rata portion of 100% of the TheXchange’s gross revenue.

As more Issuers and Buyers of VirtualStaX join TheXchange, and as the Company launches more VirtualStaX categories TheXchange’s global gross revenue should increase which should increase TurnCoin Monthly Yield and in return the value of TurnCoin.

TurnCoin’s value is founded within its novel Gross Revenue Sharing model where no expenses are deducted before distribution. This “trustless” system ensures full transparency to TurnCoin holders.

This structure makes it efficient to raise capital, onboard key ambassadors and partners and distribute returns to holders without the complexities and often administratively burdensome processes associated with such organizational functions.

## Competition

TheXchange believes its model is unique in the market. Nonetheless, TheXchange has several indirect competitors that use Blockchain Technology to create and trade virtual unique assets. The following are examples of such companies, along with a brief description of their respective models based on publicly available information:

- **Sorare:** A platform to collect and play with officially licensed European football (soccer) cryptoassets, which appears to be focused solely on European football whereby individuals collect unique digital playing cards with value that fluctuate based on real world performance of the relevant athlete. Individuals participate in “games” to earn rewards.
- **CryptoStrikers:** A game focused solely on European football (soccer), in which individuals acquire unique cards or collectibles that are then traded or swapped between participants. Value is derived from scarcity of the cards or collectibles as well as buy, sell or trade differentials within a network of participants. CryptoStrikers does not have any licensing rights with the Fédération Internationale de Football Association or the Fédération Internationale des Associations de Footballeurs Professionnels. Like the VirtualStaX, the cards and collectibles on CryptoStrikers are non-fungible tokens with limited supplies.
- **MLB Champions:** A game focused solely on U.S. Major League Baseball (“MLB”), in which individuals acquire MLB champions’ figures in the form of digital assets. Individuals enter statistics and/or form rosters, which mirror actual MLB games and players’ performance, and holders can earn rewards during gameplay. All digital assets use licenses obtained from the MLB Players Association.
- **Player Tokens:** A platform for the collection of digital assets focused solely on the MLB and the U.S. Women’s Soccer team, in which purchasers of the digital assets can transfer them on decentralized exchanges that exist for unique digital assets on the ethereum blockchain, such as OpenSea. All digital assets use licenses obtained from the MLB Players Association and U.S. Women’s Soccer.
- **Globatalent:** A platform for tokenizing income streams of professional athletes and teams and providing an exchange on which those tokens can be traded. Different market dynamics, cost structures and exchange requirements likely will apply to these tokens than those that will exist on TheXchange Platform due to the nature of the tokens, and how various applicable laws and regulations may require Globatalent to treat the tokens.

The above list is non-exhaustive and is not intended to be a comprehensive list of competitors or platforms similar to TheXchange Platform. There may be other companies which do not use Blockchain Technology that also compete with the Company. They may be contemplating a model to create virtual cards of unique assets which does not use Blockchain Technology.

### 3. OVERVIEW OF OFFERING

The summary below describes the principal terms of this Offering. Certain of the terms and conditions described below are subject to important limitations and exceptions. This summary is qualified in its entirety by express reference to this Memorandum and the materials referred to and contained herein. Each prospective investor should carefully review the entire Memorandum and all materials referred to herein and conduct his, her or its own due diligence before making any investment in the Company.

<b>TurnCoin:</b>	See definition in Summary of Principal Terms above.
<b>Offering Size:</b>	The Company expects to sell up to 13,691,689 TurnCoin in this Offering.
<b>Minimum Investment:</b>	The minimum investment amount per investor is USD5,000.
<b>Purchase Price and Discounts:</b>	During this Offering, investors will purchase TurnCoin at a starting effective price of USD 2.98 per TurnCoin which will escalate, after sell-out of the blocks of TurnCoin, as per a price escalation schedule that increases the price, as supply decreases in this offering, up to a final price of USD 14.92 per TurnCoin.
<b>Offering Period:</b>	During the period that commences on the date hereof and ending on the earlier of (i) the date on which the maximum placement amount has been subscribed for and accepted and a final closing is conducted, or (ii) 180 days after initial opening of the current offering, unless extended up to ninety (90) days in the sole discretion of the Company (the "Expiration Date"), the Company will enter into a Simple Agreement for Future Revenues ("SAFR") with each purchaser of TurnCoin. No assurance can be given that each investor who wishes to participate in this Offering will be able to do so, or to do so at the level at which such investor desires. The Company reserves the right to reject any proposed investment in part or in its entirety in its sole discretion.

**Eligibility:**

Each investor has been verified by the Company's transfer agent to be an "accredited investor" as defined in Rule 501 of Regulation D promulgated under the Securities Act, or (i) is a non-U.S. person eligible to purchase the TurnCoin under applicable laws of the Investor's jurisdiction and in accordance with Regulation S promulgated under the Securities Act, and (ii) is not and at the time TurnCoin are subscribed for, neither it nor the beneficial owner of TurnCoin will be, a resident of, nor have an address in any of the jurisdictions to which this Offering is prohibited or not made available in accordance with the terms and conditions of this Memorandum.

**Voting Rights:**

Holders of TurnCoin will have no rights in or to equity of the Company or any legal or beneficial ownership interest in the Company and, therefore, are not shareholders of the Company. Moreover, holders of TurnCoin will have no voting rights of, in or for the Company.

**Transfer Restrictions:**

In addition to restrictions on the TurnCoin under the Securities Act, and applicable state and foreign securities laws, the TurnCoin shall be subject to a restriction on their sale, transfer, assignment, pledge, encumbrance, hypothecation, or similar disposition for a period of one (1) year and one (1) day following the last sale of the TurnCoin in this Offering.

**TurnCoin Issuance:**

As soon as practicable following this Offering and no later than 31 December 2023, the Company intends to issue TurnCoin to the digital wallet address of each investor on the ethereum blockchain in the form of a cryptographic token.; provided, however, that the Company may select another blockchain on which to issue TurnCoin at its sole discretion.

**Nature of TurnCoin:** TurnCoin are expected to use a modified version of the ERC20 standard called ERC1404.

**Payment Instructions and Form:** The Company will accept payment in U.S. dollars, USDC or ether Form (ETH), and the investors shall make payments in accordance with the procedures to be provided by the Company to the investor. The purchase price shall be deemed to be in U.S. dollars. If the investor completes the purchase in U.S. dollars, then the purchase price shall be the amount of U.S. dollars paid by the investor. If the investor completes the purchase in USDC or ether (ETH), then the purchase price shall be the U.S. dollar amount at which the USDC or ether (ETH) is converted by the Company or a custodian the Company may engage from time to time on its behalf (the "Applicable Exchange Rate").

**Withdrawal Rights:** If the Company amends the terms of this Offering or the TurnCoin in any manner that has a materially adverse effect on an investor, then the Company will provide investors who have previously funded their commitment with notice of such amended terms and such investors will have at least three (3) business days after such notification withdraw from this Offering. Upon any withdrawal by an investor, the withdrawing investor's SAFR will terminate, and all funds received in connection with this Offering from that investor will be returned as soon as practicable to that investor without interest. The refund will be paid in U.S. dollars, without interest, regardless of the form of consideration as paid by that investor in the amount determined in accordance with the Applicable Exchange Rate or the actual U.S. dollar amount paid by the investor. For example, an investor who funded 100 ETH valued at the Applicable Exchange Rate at \$800,000 at the time of the purchase will be refunded \$800,000, regardless of the U.S. dollar value of 100 ETH at the applicable time of refund.

**Cryptocurrency Slippage:**

Slippage may occur as a result of timing between the placing of an order for TurnCoin and receiving blockchain confirmation for the relevant quantity of USDC or ETH. The USD equivalent of either USDC or ETH will be calculated at the time of blockchain confirmation in the designated wallet of TurnCoin. The final amount of TurnCoin that will be allocated will be determined by dividing the received and cleared USD value by the TurnCoin price at the time of placing the order. The amount of TurnCoin allocated will be rounded down to the nearest whole number. Any excess payment will be for the benefit of the Company.

**Ongoing Compliance Procedures:**

Holders of TurnCoin will have an ongoing obligation to comply with any Compliance Procedures (as defined in “Risk Factors” below), as and when requested by the Company in its sole discretion. Failure to satisfy any Compliance Procedures or to provide information to satisfy any Compliance Procedures may result in TurnCoin of the holder thereof being designated as blocked TurnCoin (as defined in “Risk Factors” below) by the Company in its sole discretion.

If a holder’s TurnCoin are designated as blocked TurnCoin, then that holder will not be able to transfer his, her or its TurnCoin or participate in or receive any distributions or any other rights with respect to those TurnCoin. The blocked TurnCoin will remain inactive until the requested information is provided by the holder of TurnCoin and he, she or it satisfies the requirements of the Compliance Procedures to the satisfaction of the Company in its sole discretion. If a holder of TurnCoin fails to satisfy the Compliance Procedures to the satisfaction of the Company in its sole discretion, then the Company reserves the right, in its sole discretion, to redeem the relevant blocked TurnCoin for the Redemption Price (as defined below) or to burn the relevant blocked TurnCoin and not pay the Redemption Price of such blocked TurnCoin to the applicable holder of TurnCoin who shall be deemed to have forfeited his, her or its rights to receive the Redemption Price of such blocked TurnCoin. The Company shall provide for the final disposition of any accrued but unpaid distributions with respect to blocked TurnCoin in accordance with all applicable laws. Following the burning of any TurnCoin, the applicable holder thereof will have no further right or claim to any blocked TurnCoin or against the Company with respect thereto.

**Redemption Price:**

The fair market value of the TurnCoin as determined in good faith by the governing body of the Company.

**Documentation:**

The purchase of the TurnCoin by each investor shall be made on the terms and subject to the conditions set forth in a SAFR, which shall contain certain representations, warranties, covenants and agreements of the Company and the investor, closing conditions and other provisions. A description of the material terms of the SAFR is set forth below under "Description of SAFR." Each investor who is purchasing their TurnCoin pursuant to Regulation D will be required to complete an accredited investor questionnaire and provide documents sufficient to verify the investor's accredited investor status. Each investor who is a non-U.S. person and is purchasing TurnCoin pursuant to Regulation S will be required to complete such documents sufficient to verify that such person is a non-U.S. person. All investors will be required to complete know your customer and anti-money laundering documentation requested by the Company.

**Governing Law:**

The TurnCoin will be governed by the laws of Gibraltar.



## 4. DESCRIPTION OF SAFR

Each investor will be required to enter into a SAFR with the Company. Pursuant to the SAFR, a holder of TurnCoin will be entitled to receive a pro rata share (based on the ratio of TurnCoin held by such holder to the total number of TurnCoin that the Company has created) of gross revenue received from the Company in connection with transactions on TheXchange Platform. The SAFR includes representations, warranties, covenants and agreements of each investor and the Company and provides that each investor is prohibited from transferring any TurnCoin for a period of one year and one day after the termination of this Offering. The description of the SAFR set forth in this Memorandum is qualified in its entirety by the terms set forth in the SAFR which is signed by each investor which will be substantially similar to the form of SAFR attached as Annex A to this Memorandum.

## 5. DESCRIPTION OF THE TURNCOIN SMART CONTRACTS

There are two primary objectives of the TurnCoin Smart Contracts, these are to: (i) govern the buying and selling of TurnCoin (the Primary Market and the Secondary Market) and (ii) manage and ensure the distribution of Monthly Yield to all TurnCoin holders. Until the fully audited TurnCoin Smart Contracts are activated, the Company will rely on the platforms and smart contracts of INX Transfer Agent, LLC, the Company's transfer agent for this Offering, for the buying and selling of TurnCoin and the Monthly Yield distribution.

### Smart Contract for Buying and Selling TurnCoin

We expect the TurnCoin Smart Contract will contain an adaptation of the standard ERC20 token contract which will be modified to incorporate restrictions on transfer of TurnCoin ("**Transfer Restrictions**"). Transferring TurnCoin from one address to another follows the same mechanism as the standard ERC20 contract but includes additional eligibility checks, through the Transfer Restrictions, for both sender and receiver before the transfer can occur. The Transfer Restrictions are based on a table that stores and maintains:

1. All addresses that contain TurnCoin or that are registered to receive TurnCoin. These addresses are either registered directly via the INX Platform or an eligible regulated platform that trades securities that has an API integration with the INX Platform.
2. The locked amount of TurnCoin, per registered address, that cannot be traded.
3. A Boolean flag, per registered address, that allows or denies the receipt of TurnCoin.

### Smart Contract for Monthly Yield Distribution

The aim of Monthly Yield disbursements is to be a complete Trustless System for all TurnCoin holders.

1. Monthly Yield allocation is calculated from the balance of the USDC in the TurnCoin main yield wallet, less the total accrued amount of USDC in the Smart Contract for Buying and Selling TurnCoin. The TurnCoin USDC main yield wallet contains:
  - a. The accrued Monthly Yield amount of USDC distributed to TurnCoin holders but which has not yet been drawn by holders; and
  - b. The current month's Monthly Yield distribution

The TurnCoin main yield wallet is increased every month on the last day of each calendar month with the current month's USDC yield.

The current month's yield is divided by 1 billion TurnCoin to obtain the USDC/TurnCoin ratio.

The Smart Contract for Monthly Yield distribution includes functionality to:

1. Receive USDC deposits.
2. Calculate and maintain balance of USDC accrual for all eligible TurnCoin wallet addresses.
3. Allow TurnCoin holders to claim USDC accrued to their TurnCoin wallet addresses.

## 6. USE OF PROCEEDS

The amount, allocation and timing of Company's actual expenditures from this Offering will depend upon numerous factors. We anticipate net proceeds of approximately \$70,000,000. On a short-term basis, the Company intends to invest the net proceeds of this Offering in interest-bearing, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government, or hold them as cash or in cryptocurrency. The Company cannot predict whether the proceeds invested will yield a favorable return. The Company's management will have broad discretion in the application of the net proceeds the Company receives from this Offering, and investors will be relying on the judgment of the Company's management regarding the application of the net proceeds. The Company reserves the right to alter the use of proceeds of this Offering.

The table below sets forth the manner in which the Company intends to use the net proceeds it receives from this Offering, assuming the sale of the below categories of the maximum proceeds from the TurnCoin sold in this Offering. All amounts listed below are estimates.

Use of Funds	Up to \$25,000,000	\$25,000,001 - \$50,000,000	\$50,000,001 - \$70,000,000
Technology Development	20%	15%	10%
Third-Party Consultants	5%	5%	5%
Marketing, Promotions, Licensing and Global Acquisitions.	40%	30%	15%
Operations and Company Reserves	10%	10%	10%
TurnCoin Buyback Liquidity Pool	10%	30%	50%
Banking/Payment Systems	10%	5%	5%
Legal/Compliance/Tax/Regulatory	5%	5%	5%
Total	100%	100%	100%

Technology and software development is expected to include the enhancement of TheXchange Platform as well as further research and development for the continued development of TheXchange Platform and other desired software. Some of these funds will pay for services to be performed by the Operating Company.

The Company intends to use the proceeds of this Offering for human resources, including, but not limited to, payment of salaries (including those of directors and officers) and hiring employees and consultants.

The Company intends to use the proceeds of this Offering for marketing and promotional programs and campaigns within each active jurisdiction or operating arena of TheXchange Platform, which will include certain internal marketing and promotional efforts and significant reliance on global and/or jurisdictional marketing, advertising, public relations and social media agencies and regional subject matter experts. The marketing efforts are expected to include creation of content and assets that fuel various marketing mediums.

The Company intends to use the proceeds of this Offering for Talented People acquisition and on-boarding, which will include similar marketing and promotional programs as set forth above in addition to more personal events and programs targeting Talented People.

The Company intends to use the proceeds of this Offering for general operations and cash reserves, including, without limitation, working capital, lease expenses, information technology expenses and federal, state and foreign income and other taxes, which could be material but have not yet been calculated and will be determined, in large part, on the tax treatment of the proceeds the Company receives from the sale of the TurnCoin.

The Company intends to create an issuer managed liquidity pool to allow for the buyback of TurnCoin from holders who purchased or earned into their TurnCoin holdings prior to the commencement of this Offering, subject to regulatory holding periods and transfer restrictions.

## **7. RISK FACTORS**

An investment in the Company involves a significant degree of risk and should not be made by prospective investors who cannot afford to lose their entire investment. Prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Memorandum, the factors discussed below, each of which could have an adverse effect on the value of the TurnCoin. Prospective investors should also consult their own financial, tax and legal advisors regarding the suitability of the investment offered herein. As a result of factors discussed below, as well as other risks set forth elsewhere in this Memorandum, there can be no assurance that the Company will meet its investment objectives or otherwise be able to carry out successfully its investment strategy. The returns of the Company may be unpredictable and, accordingly, the TurnCoin are suitable investments only for sophisticated investors who fully understand and who are willing to assume the risks involved in the Company's specialized investment program and have the financial resources necessary to bear the potential loss of their entire investment in the TurnCoin. Investors should not construe the performance of any investments mentioned in this Memorandum as providing any assurances regarding the future performance of the Company.

## Risks Relating to the Company's Business and Structure

### *The Company's lack of operating history.*

Investments involving pre-revenue growth phase companies, including the Company, involve a high degree of risk. This includes all of the risks and uncertainties normally associated with an early-stage business, including potential difficulties developing or operating TheXchange Platform, the VirtualStaX, or TurnCoin, establishing its marketing operations, lack of name recognition, lack of adequate capital, difficulties in hiring and retaining qualified employees, and difficulties in complying with all applicable laws. Financial and operating risks confronting pre-revenue growth phase companies are significant, and the Company is not immune to those risks.

The Company's lack of an operating history may make it difficult for you to evaluate the Company's business and operating prospects and TheXchange Platform's operating prospects in connection with an investment in the Company. Related risks include, but are not limited to, our ability to (a) increase revenues and manage costs relating to our operations and the development, launch and/or operations of TheXchange Platform; (b) increase awareness of TheXchange Platform; (c) offer compelling use cases for TheXchange Platform; (d) maintain current and develop new strategic relationships; (e) respond effectively to competitive pressures; (f) continue to develop and upgrade technology; (g) attract, retain, and motivate qualified personnel; and (h) raise additional capital. There are no assurances that the Company's business strategy will be successful or that the Company will address these risks successfully during the development and launch of TheXchange Platform and the VirtualStaX.

*The Company has not yet generated revenue from customers.* Even though it has already onboarded well known celebrities as Talented Persons, the Company is a pre-revenue growth phase company, and market conditions and conditions brought about by the global pandemic may adversely affect the Company's prospective customers, the Company's ability to attract them and the Company's ability to remain solvent. The Company's customers' financial difficulties can negatively impact its business and operating results and financial condition. Generally, the Company does not intend to have contractual relationships with customers that guarantee any minimum volumes, and there are no guarantees of any kind that any such relationships, if they indeed are created, will continue or materially generate revenue. Even if such relationships are created, those customers may nonetheless engage in competitive shopping in the marketplace for alternative services that may limit or preclude use of TheXchange Platform. The Company's ability to generate revenue depends on Talented People's willingness to create and sell VirtualStaX and sell merchandise on TheXchange Platform. Adverse factors in these regards may substantially impair or completely erode the value of the TurnCoin.

Because we expect to derive substantially all of our revenue from TheXchange Platform, including the purchase and sale of VirtualStaX on TheXchange, failure of TheXchange Platform or any of the VirtualStaX to satisfy customer demands could adversely affect our business, results of operations, financial condition and growth prospects. Further, market adoption of TheXchange Platform, including development of applications on TheXchange Platform, and ease of creating and selling VirtualStaX, is critical to our success. Popularity of TheXchange Platform and the VirtualStaX is affected by a number of factors beyond our control, including (a) market acceptance by Supporters; (b) the availability of developers to develop TheXchange Platform; (c) the volume of purchases and sales of VirtualStaX on TheXchange Platform; (d) innovation in the VirtualStaX and their utility; (e) regulatory burdens and opportunities; (f) ease of use of TheXchange Platform, including the ease of purchasing VirtualStaX; (g) innovation of third-party technology, such as MetaMask, which the Company may rely upon for Talented

People and Supports to interact with the ethereum blockchain; (h) timing of development and release of new offerings by our competitors; (i) technological change; and (j) the rate of growth in our market. Moreover, fees on TheXchange Platform charged to Talented People or fees charged to Supporters and other customers may be perceived by any of them as costly, or TheXchange Platform may be perceived as too difficult to use, in which case our revenue may be materially adversely affected. Also, potential competitors, many of whom could be larger and more established than the Company, may respond to market conditions by lowering prices and attempting to lure away Talented People and customers from TheXchange Platform. If we are unable to meet the demands of customers, our business operations, financial results and growth prospects will be materially and adversely affected.

***If we do not effectively create business development and marketing capabilities, we may be unable to add new customers or increase sales to customers after they are acquired.***

Developing our customer base and achieving market acceptance of TheXchange Platform will depend, to a significant extent, on our ability to effectively create business development and marketing capabilities and activities. As we develop TheXchange Platform, we plan to create a global business development and marketing organization. We believe that there is significant competition for experienced business development and marketing professionals with the business development and marketing skills and technical knowledge that we require, especially any professionals who have an understanding of the benefits of Blockchain Technology and have relationships with Talented People or have the ability to market the benefits of a blockchain-based product to consumers. Our ability to achieve significant revenue in the future will depend, in part, on our success in recruiting, training and retaining a sufficient number of experienced business development and marketing professionals.

New hires require significant training and time before they achieve full productivity. Our hires may not become as productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future. Because of our limited operating history, we cannot predict to what extent our business development and marketing budget and efforts will increase as we expand our operations or how long it will take for business development and marketing personnel to become productive and their efforts to result in more revenue for the Company. Our business and results of operations will be harmed if creating and expanding our business development and marketing organization does not generate a significant increase in revenue.

***If we are unable to maintain successful relationships with our partners, including Talented People, our business, results of operations and financial condition could be harmed.***

The success of the Company will depend on our ability to create relationships, including with Talented People who will create and sell VirtualStaX and participate in and sell merchandise on TheXchange Platform. To date, the TheXchange Group has issued approximately 104 million TurnCoin, half of which are subject to vesting, to Talented People as an incentive to promote VirtualStaX. There is no guarantee that Talented People who have already been onboarded to TheXchange Group will create or sell any VirtualStaX or an amount that will generate meaningful revenue for TurnCoin holders. We expect that any agreements with Talented People generally will be nonexclusive, meaning they may offer their services and likeness to companies that compete with us, or may themselves be or become competitors. If Talented People do not effectively market and sell VirtualStaX and merchandise on TheXchange Platform or choose to use greater efforts to market and sell similar products on other platforms or fail to meet the needs of users on TheXchange Platform, our ability to grow our business and charge fees on TheXchange Platform may be harmed.

***The Company will need to enter into arrangements with additional Talented People to the TheXchange Platform to create VirtualStaX.***

Although the Company has agreements in place with a number of Talented People to create and generate VirtualStaX, it will need to develop relationships with and pay significant amounts to such additional Talented People to participate in TheXchange Platform. There is no guarantee that the Company will be able to enter into any such agreements with Talented People or that any such agreements will result in the creation and sale of VirtualStaX that generate meaningful revenue for TurnCoin holders.

***The Company has an evolving business model, which increases the complexity of and risk to its business.***

The Company's business model is expected to evolve. As the Company further develops TheXchange Platform and receives feedback from Talented People, Supporters and other customers, we may try to offer additional or different types of products, features, specifications and services than currently contemplated, the Company may make changes to such products, features, specifications and services for any number of reasons, and the Company does not know whether any of them will be successful. Such additions and differences may increase the complexity of the Company's business and impact the Company's management, personnel, operations, systems, technical performance, financial resources, and internal financial control and reporting functions. They may also result in the Company spending additional capital in areas it did not expect, which could put pressure on spending in other areas of the Company. Moreover, potential investors may not want to invest in the Company until they better understand the final business model of the Company. Any of the foregoing may substantially impair or completely erode the value of the TurnCoin.

***TheXchange Platform will rely on new technology and will continue to be developed.***

TheXchange Platform will rely on technology, such as Blockchain Technology, that is relatively new, and customers may not understand the technology and may be unwilling, if the experience is different than they are accustomed to having, to utilize TheXchange Platform, as a result. Further, the Company is developing a proprietary algorithm for the pricing of VirtualStaX on TheXchange Platform. The successful development of a complex algorithm with significant inputs, some of which may include third-party sources, is uncertain and, even if the algorithm is successfully developed, it is not certain that the algorithm will provide the type of pricing experience that customers expect. Further, potential investors who are unfamiliar with Blockchain Technology may be uninterested in investing in this Offering if they do not understand the underlying technology, do not believe the necessary third-party providers exist for investors to comply with applicable laws, such as a concern around the ability to properly custody the TurnCoin, or may desire to delay investment until TheXchange Platform and the technology have a longer demonstrated history of security and uniqueness.

***Our current management has limited experience operating a blockchain-based company and, therefore, may have difficulty in successfully and profitably operating our business or complying with regulatory requirements.***

Our management has limited experience with Blockchain Technology, which often requires an approach to operations that are different than companies using other technologies and facing different regulatory issues. In addition, cryptographic assets are a new and developing technology. Although the Company's management has prior business experience with software companies and as founders of technology companies, this is the first business venture of the Company's management that is focused on developing a blockchain-based company with cryptographic assets. Management's past successes



with other businesses do not guarantee future outcomes or the long-term success of TheXchange Platform or the Company.

***There are risks with being dependent on the Company's management.***

The ability of the Company to develop and attract customers to TheXchange Platform is dependent, to a large degree, on the performance and decisions of the Company's management team. The loss or diminution in the services of members of the management team or an inability to attract, retain and maintain additional management personnel could have a material adverse effect on the Company and its ability to develop TheXchange Platform and grow the Company. Competition for personnel with relevant expertise is intense due to the small number of qualified individuals, and that competition may seriously affect the Company's ability to retain management and attract additional qualified management personnel, which could have a significant adverse on the value of your investment. The Company does not have in place any key man insurance with respect to its management team but intends to obtain such coverage shortly after the initial closing of this Offering.

***We could be negatively impacted if open source licenses under which some of our software is licensed are not enforceable.***

The blockchain on which TheXchange Platform and TurnCoin will be developed will use an open source license. It is possible that a court would hold the license to be unenforceable. If a court held the license or certain aspects of the license to be unenforceable, then others may be able to use our software to compete with us in the marketplace in a manner not subject to the restrictions set forth in the license. In addition, certain open source licenses have minimal requirements with respect to the redistribution of the software, while others are more restrictive and may limit our ability to restrict the use of the software we develop. Our choice of blockchain and related open source licenses could have a material and adverse impact on the value of your investment.

***Our adoption strategies include offering open source software, which could negatively affect our ability to monetize and protect our intellectual property rights.***

To encourage developer usage and growth of the TheXchange Platform and familiarity and adoption thereof, we offer certain aspects of it as an open source offering for any party to use to develop on it. We do not know if offering certain aspects of the TheXchange Platform as open source will be able to attract developers to them or that the developers will successfully develop third-party platforms that are used within TheXchange Platform and generate fees for the Company. Our marketing strategy also depends on developers who attract users to the categories on TheXchange Platform. If our strategy does not work, then we will not realize the intended benefits of these strategies, and our ability to build and grow our business or achieve profitability may be harmed.

The Company's open source license will grant licensees broad freedom to view, use, copy, modify and redistribute the Company's source code. Some commercial enterprises may consider licensed software using the open source software, on which the Company will rely, to be unsuitable for commercial use because of any "copyleft" requirement that further distribution of that licensed software and modifications or adaptations to that software must be made available pursuant to the license as well. Anyone will be able obtain a free copy of the Company's open source license from the internet, and we do not know all of our licensees. Competitors could develop modifications of our software to compete with us in the marketplace. We do not have visibility into how our software is being used by licensees, so our ability to detect violations of the Company's open source license is extremely limited. Because the source code for certain portions of the TheXchange Platform and any other software we contribute

to open source projects or distribute under open source licenses is publicly available, our ability to monetize and protect our intellectual property rights with respect to such source code may be limited or, in some cases, lost entirely.

***We could incur substantial costs in protecting or defending our intellectual property rights, and any failure to protect our intellectual property rights could reduce the value of our software and brand.***

Our success and ability to compete depend in part upon our intellectual property rights. We have patent pending applications for software in respect of TheXchange Platform and TheXchange Group's business model as well as a U.S. design patent, in respect of the VirtualStaX. However, even if we patent any technology, we cannot assure investors that such patent will be adequate to protect our business. We have also filed 22 trademarks, some of which have been successfully registered, and other which are currently pending approval.

We primarily rely on copyright, trademark laws, trade secret protection and confidentiality or other contractual arrangements with our employees, customers, partners and others, including developers, to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may not be adequate. To protect our intellectual property rights, we may be required to spend significant resources to establish, monitor and enforce such rights. Litigation brought to enforce our intellectual property rights could be costly, time-consuming and distracting to management and could be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights, which may result in the impairment or loss of portions of our intellectual property.

The laws of some foreign countries do not protect our intellectual property rights to the same extent as the laws of the United States, and effective intellectual property protection and mechanisms may not be available in those jurisdictions. We may need to expend additional resources to defend our intellectual property in those jurisdictions, and our inability to do so could impair our business or adversely affect our international expansion. Even if we are able to secure our intellectual property rights, there can be no assurances that such rights will provide us with competitive advantages or distinguish our products and services from those of our competitors or that our competitors will not independently develop similar technology.

From time to time, we may face claims from third parties claiming ownership of, or demanding release of, the software or derivative works that we have developed using third-party open source software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open-source license.

***We may require additional capital to support our operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.***

We are funding our operations through the sale of TurnCoin in Prior Offerings and in this Offering, and we have limited options for additional funding. After the TurnCoin have been issued in this Offering, we expect that any further capital needs will be funded primarily through equity or debt financings and revenues distributed to the Company through the TurnCoin it holds. We cannot be certain when or if our operations will generate sufficient cash to fund our ongoing operations or the growth of our business. We intend to develop TheXchange Platform with the funds raised in this Offering, but we may require additional funds to respond to business challenges, including the need to develop new features or otherwise enhance TheXchange Platform. Accordingly, we may need to secure additional capital through equity or debt financings. Any debt financing that we may secure in the future could



involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. In addition, our use of TurnCoin as a fundraising mechanism and restrictions on our ability to sell additional TurnCoin may make it more difficult for us to raise additional capital. We may not be able to obtain additional financing on terms that are favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms that are satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

***Alternative platforms may be established that compete with or are more widely used than TheXchange Platform.***

It is possible that alternative blockchain-based platforms could be established and attempt to facilitate services that are materially similar to the Company's services. Additionally, non-blockchain-based platforms may become more efficient, secure or cost-efficient. TheXchange Platform may compete with these alternative platforms or with non-blockchain based platforms, which could negatively impact our revenue and, therefore, the value of your investment.

***If we fail to offer high quality support, our business and reputation could suffer.***

Talented People creating and selling VirtualStaX and otherwise using TheXchange Platform and Supporters and other customers using TheXchange Platform may need to rely on our personnel to support them. High-quality support is important for continued interest in using TheXchange Platform. The importance of high-quality support will increase as we expand our business and pursue new Talented People, Supporters, other customers and developers. If we do not help these stakeholders quickly resolve issues and provide effective ongoing support, our ability to generate fees from TheXchange Platform could suffer and our reputation with existing or potential stakeholders could be harmed.

We may become subject to litigation or threatened litigation that may divert management's time and attention, require us to enter into settlements and pay damages and expenses, or restrict the operation of our business.

We may become subject to disputes with commercial parties with whom we maintain relationships or other parties with whom we do business. Any such dispute could result in litigation between us and the other parties. Whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its successful resolution through litigation, settlement or otherwise, which would detract from our management's ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant. Any such resolution could involve our agreement with terms that restrict the operation of our business. The liability insurance we maintain may not cover all costs and expenses arising from such lawsuits.

***We rely on Amazon Web Services ("AWS") for the vast majority of our computing, storage, bandwidth, and other services and also rely on a number of other technologies to support the Company and TheXchange Platform.***

AWS provides a distributed computing infrastructure platform for business operations, or what is commonly referred to as a "cloud" computing service, and we currently run the vast majority of our computing on AWS. Any transition of the cloud services currently provided by AWS to another cloud provider would be difficult to implement and will cause us to incur significant time and expense. Any significant disruption of or interference with our use of AWS would negatively impact our administration

of the Company and development of TheXchange Platform. If the Company is not able to or has difficulty accessing AWS, it may not be able to provide required administrative services or it could delay the development of TheXchange Platform. If AWS experiences interruptions in service regularly or for a prolonged basis, or other similar issues, the Company's support for users and development of TheXchange Platform would be harmed. Hosting costs may also increase with time, which would decrease the Company's revenues.

In addition to AWS, the Company relies on ethereum as the open-source Blockchain Technology on which aspects of TheXchange Platform are being developed. The Company also relies on several other critical third-party technology, such as, among others, INX Transfer Agent, LLC, to operate and secure our business and TheXchange Platform. A lack of support with respect to, or the failure or discontinuance of, any of those technologies could have a material adverse impact on the Company's business and your investment.

***We may be subject to hacking and have software and security weaknesses.***

Hackers or other malicious groups or organizations may attempt to interfere with TheXchange Platform in a variety of ways, including, but not limited to, malware attacks, denial of service attacks, consensus-based attacks, Sybil attacks, smurfing and spoofing. There is also an inherent risk that the software and related technologies and theories the Company uses could contain weaknesses, vulnerabilities or bugs ("Glitches"). Glitches could cause, among other things, complete loss of the TurnCoin, VirtualStaX, and/or TheXchange Platform. In addition, because the TurnCoin, VirtualStaX, and TheXchange Platform are based on open-source software, there is a risk that a third party or management or agents of the Company may intentionally or unintentionally introduce Glitches into the core infrastructure of any of them, which could negatively affect the value of your investment.

***The Company may have difficulty insuring its business operations.***

The Company intends to insure its business operations. However, given the novelty of businesses in industries related to Blockchain Technologies and cryptographic assets, such insurance may not be available or may be uneconomical or the nature or level may be insufficient to provide adequate insurance coverage. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect. Although management of the Company believes its insurance coverage will address all material risks to which it is exposed and will be adequate and customary in its current state of operations, such insurance will be subject to coverage limits and exclusions and may not be available for the risks and hazards to which we are exposed. In addition, no assurance can be given that such insurance will be adequate to cover our liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur such liability at a time when we are not able to obtain liability insurance, our business, results of operations and financial condition could be materially adversely affected. Payment of the liabilities for which insurance is not carried may have a material adverse effect on the Company's financial position and operations.

***Banks may not provide or may cut off banking services to businesses that are associated with cryptographic tokens.***

A number of companies that provide bitcoin (BTC) and/or other cryptocurrency-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks.

Banks may refuse to provide bank accounts and other banking services to bitcoin (BTC) and/or other cryptocurrency-related companies or companies that accept cryptocurrencies for a number of reasons, such as perceived compliance risks or costs. Although the Company believes the VirtualStaX are significantly different from bitcoin (BTC) and other cryptocurrency, banks may disagree and determine that they prefer not to provide the Company with banking services. Any issues with banking relationships would have a material and adverse effect on our ability to operate the Company.

***End user experiences have historically been poor with Blockchain Technologies.***

Blockchain Technologies are in very early stages of development. Infrastructure for the development of Blockchain Technologies is being developed along with end user applications. However, end user applications remain difficult for non-technical people to use and currently very few user-friendly solutions exist. The tools for token and smart contract deployment are functional but limited to those who understand how to write complex code. These tools are not user-friendly at a visual level. Most of these tools operate using text and command line entries. For mass adoption of new technology on a global scale, software products and applications must be easy to use to be accessible to non-technical and non-industry users. The success or failure of our business may be impacted by our ability to create TheXchange Platform in a way that is user-friendly to interact with Blockchain Technologies.

***The proprietary algorithm the Company is developing to price VirtualStaX is complex.***

The Company is developing a proprietary algorithm to determine the price of VirtualStaX. The algorithm will depend on a number of elements, which may change from time to time and may come from internal and external sources. If any external sources are inaccurate or prohibit the Company from using that source, then it may delay or prohibit the development of the algorithm. Developing a new pricing algorithm is a complex and expensive endeavor that requires expertise difficult to attract and retain. The Company may never successfully develop the algorithm, or the algorithm may fail after being successfully developed, which may result in a complete loss of your investment.

***The equity of the Company or its assets may be sold or the Company may be liquidated.***

If a majority of the equity or any assets of the Company are sold or the Company is liquidated, then the holders of TurnCoin are expected to continue to receive all revenue generated by the assets (or former assets) of the Company pursuant to the TurnCoin Smart Contracts and any related smart contracts. However, there may be no personnel to assist with customer support issues or any technical requirements that remain in the control of the Company at the time.

***TheXchange Group companies have management overlap and management may not have the same incentives as the holders of TurnCoin.***

Pursuant to the jurisdictional re-incorporation of the Predecessor Holding Company and Predecessor Development Company, the entities now composing TheXchange Group were formed as related entities with overlapping management some of whom hold equity in the Development Company. As a result, the agreements between the entities in TheXchange Group are not made on an arms-length basis and may not have terms typical of contracts between independent parties. Notably, the Holding Company can in certain limited circumstances enforce a default in the license agreements which ultimately provide the Company with use of the Platform IP. In the event of a default by the Company or the Development Company, the Holding Company could elect to terminate these agreements. In such event, the Company would be unable to operate TheXchange Platform, and there would likely not be any revenue to provide to holders of TurnCoin. Moreover, the Holding Company could in such

situation license or sell the Platform IP to a third party who has no obligation to the holders of TurnCoin. Additionally, because the Company will not retain any of its operating revenue (all of which will be made available for distribution to the holders of TurnCoin), other than the proceeds of this Offering and other future sales of TurnCoin by the Company, the Company is dependent on the Development Company to fund the continuing operations of the Company. Although the Development Company's organizational documents prohibit it from distributing funds other than to subsidiaries (like the Company), management of the Development Company could establish other subsidiaries besides the Company and could direct funds sourced from the Company's activities to such other subsidiary. If the Company cannot raise sufficient funds through the sale of TurnCoin, the Company may not be able to properly develop and operate TheXchange Platform.

## **Risks Relating to this Offering**

### ***There can be no assurance of investment returns.***

The TurnCoin are highly speculative and any return on an investment in the TurnCoin is contingent upon numerous circumstances, many of which (including legal and regulatory conditions) are beyond the Company's control. There is no assurance that investors will realize any return on their investments or that their entire investments will not be lost. For this reason, each investor should carefully read this Memorandum and should consult with his, her or its own attorney, financial and tax advisors prior to making any investment decision with respect to the TurnCoin. The investors should only make an investment in the TurnCoin if they are prepared to lose the entirety of such investment.

### ***Any distributions may have varying values.***

Pursuant to the TurnCoin Smart Contract, we plan to make distributions which will be available to the holders of TurnCoin in cryptocurrencies. The value of cryptocurrencies could fluctuate relative to one another and to the value of the U.S. dollar. As a result, the value of distributions you receive and, therefore, your investment, may be adversely affected by the means of payment we select for any distributions.

### ***TurnCoin are not being registered with any U.S. federal, state or foreign securities regulators (including, but not limited to, the Gibraltar Financial Services Commission).***

In compliance with the safe harbor for private offerings in the U.S. under the Securities Act, the Company is only allowing accredited investors and non-U.S. Persons in compliance with Regulation S to purchase TurnCoin. Investors in TurnCoin will not be provided the full set of protections that registration or associated regulations under the Securities Act or state or foreign securities laws (including, but not limited to, the securities laws of Gibraltar) would otherwise give them.

### ***If TurnCoin are purchased using cryptocurrencies, then our proceeds from this Offering may be significantly reduced.***

We will allow investors to purchase TurnCoin using ether (ETH) or USD Coin (USDC), which will be converted by the Company or any service provider we engage from time to time into U.S. dollars. It is expected that those conversions will occur within twenty-four (24) hours of the time at which the payment is made. During that time, you will be subject to risks related to fluctuations in the value of such cryptocurrencies. We will be subject to fees for the exchange from cryptocurrency to fiat currency, which will expect to be 0.5% of the value of the cryptocurrency that is exchanged. In addition, there is a risk that the third party with custody of cryptocurrencies on our behalf will be compromised and the cryptocurrencies lost

without us having any recourse against it. Such risks could result in significantly lower proceeds to us from this Offering.

***The price of the TurnCoin has been set arbitrarily by the Company.***

The purchase price of TurnCoin has been arbitrarily set by the Company, and the Company expressly reserves the ability to sell TurnCoin to others at various prices in its sole discretion. The discounts on the purchase price of TurnCoin in this Offering are not in any way indicative that the TurnCoin will increase in value, and nothing in this Memorandum should be interpreted as the Company or its representatives or agents having undertaken any financial reviews suggesting that a valuation of the Company, its services or the TurnCoin support a certain price or that the Company will attain any business objectives that would justify such a price. Prospective investors considering the purchase of TurnCoin cannot reasonably rely upon the purchase prices set forth in this Memorandum as any indication of the value of the Company or its services in any manner whatsoever and must make an independent economic evaluation of the value of the TurnCoin.

***The TurnCoin are subject to significant transfer restrictions.***

The TurnCoin have not been, and will not be, registered under the Securities Act, the securities laws of any state or the securities laws of any other jurisdictions (including, but not limited to, the securities laws of Gibraltar) and, therefore, cannot be resold, except in accordance with applicable law. In addition, the TurnCoin shall be subject to a restriction on their sale, transfer, assignment, pledge, encumbrance, hypothecation, or similar disposition for a period of one (1) year and one (1) day following the last sale of the TurnCoin in this Offering. The transfer of TurnCoin will be governed by the TurnCoin Smart Contracts, which will prevent transfers from the digital wallet address to which they are issued until certain conditions are satisfied. Any transfers of the TurnCoin must be in compliance with applicable U.S. federal and state laws and any applicable foreign laws. These restrictions may adversely impact the ability of an investor and future holders of TurnCoin to resell or transfer such TurnCoin. No public market for the TurnCoin may develop. The investors must be prepared to bear the risk of an investment in the TurnCoin for an extended period.

***There is no public market for the TurnCoin and a market may never develop, which could cause the TurnCoin to trade at a discount to their fair market value and make it difficult for holders of the TurnCoin to sell them. Additionally, even if markets do develop, several factors could negatively affect the market price of the TurnCoin.***

TurnCoin will be issued as cryptographic digital securities for which there will be no established public market. If no market ever develops for the TurnCoin, they could be valued at a discount and it may be difficult for holders of TurnCoin to sell them. TurnCoin will be newly-issued securities for which there is no established trading market, and there can be no assurance that an active trading market for TurnCoin will develop, or if one develops, be maintained. Accordingly, no assurance can be given as to the ability of holders of TurnCoin to sell TurnCoin or the price that the holders of TurnCoin may obtain therefor. The liquidity of any market for TurnCoin will depend on a number of factors, including (i) the number of holders of TurnCoin; (ii) the Company's performance and financial condition; (iii) the market for similar cryptographic digital securities; (iv) the interest of traders in making a market in TurnCoin; (v) the future value, adoption and growth of VirtualStaX; (vi) whether TurnCoin is listed on a national securities exchange or alternative trading system; and (vii) regulatory developments in cryptographic digital securities.

The market for cryptographic digital securities is a new and rapidly developing market that may be



subject to substantial and unpredictable disruptions that cause significant volatility in the prices of cryptographic digital securities. There are no assurances that the market, if any, for TurnCoin will be free from such disruptions or that any such disruptions may not adversely affect the ability of holders of TurnCoin to sell their TurnCoin. Therefore, no assurances are given that holders of TurnCoin will be able to sell their TurnCoin at a particular time or that the price they receive when they sell will be favorable.

***Failure by a holder of TurnCoin to comply with all Compliance Procedures may result in its TurnCoin being designated as blocked TurnCoin.***

All holders of TurnCoin will have an ongoing obligation to satisfy the Compliance Procedures (as defined below) as and when requested by the Company at any given time in its sole discretion. Failure by a holder of TurnCoin to provide valid information required to satisfy any Compliance Procedures, any other failure to satisfy the Compliance Procedures or any court order requiring TurnCoin holders not to receive any distributions on the TurnCoin they hold may result in TurnCoin being designated as “blocked TurnCoin” by the Company in its sole discretion. Ongoing Compliance Procedures may include verifying the identity of holders of any digital wallet addresses to which the proceeds of any distributions will be sent, either by sending a unique identifier from the digital wallet address to the Company (or a digital location identified by the Company) or by any other processes specified by the Company within ten (10) days of any distribution, to the satisfaction of the Company in its sole discretion.

If a holder’s TurnCoin are designated as blocked TurnCoin, then that holder will not be able to transfer his, her or its TurnCoin or withdraw any distributions or any other rights with respect to its TurnCoin; however, the Company will make a reasonable effort to have unpaid distributions paid upon blocked TurnCoin once they are no longer designated as blocked TurnCoin. The blocked TurnCoin will remain inactive until the requested information is provided by the holder of TurnCoin and he, she or it satisfies the requirements of the Compliance Procedures to the satisfaction of the Company in its sole discretion. If a holder of TurnCoin fails to satisfy the Compliance Procedures to the satisfaction of the Company in its sole discretion, then the Company reserves the right, in its sole discretion, to redeem the relevant blocked TurnCoin for the Redemption Price or to burn the relevant blocked TurnCoin and not pay the Redemption Price of such blocked TurnCoin to the applicable holder of TurnCoin who shall be deemed to have forfeited his, her or its rights to receive the Redemption Price of such blocked TurnCoin. Following the burning of any TurnCoin, the applicable holder thereof will have no further right or claim to any blocked TurnCoin or against the Company with respect thereto.

***The Company may not sell all of the TurnCoin offered or may sell them at lower prices.***

If the Company is unable to sell all TurnCoin offered in this Offering or sells TurnCoin at a lower price than desirable, then the Company may not be able to completely develop TheXchange Platform, develop TheXchange Platform within the timeframe it expects, or have the budget to spend on attracting Talented People or Supporters and other customers to TheXchange Platform. In addition, the Company may need to undertake additional financings, which would cause delays in the development or growth of TheXchange Platform. Any of these issues could have a material adverse effect on holders of the TurnCoin.

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

At present, the proceeds of this Offering are expected to be used for: (a) repayment of outstanding indebtedness; (b) expenses related to this Offering; (c) software and other technology development focused on building out TheXchange Platform and related applications and products to support TheXchange Platform; (d) working capital, operations, salaries and general administrative expenses;

(e) marketing and promotions to increase awareness and use of TheXchange Platform; (f) attracting Talented People to TheXchange Platform and incentivizing them to be spokespersons for TheXchange Platform; and (g) legal, compliance, tax and other regulatory matters. The Company has not allocated specific amounts of net proceeds for any of these purposes. The Company's management will have considerable discretion in the application of the net proceeds, and holders of TurnCoin will not have the opportunity, as part of your investment decision, to assess whether the proceeds will be used appropriately or to influence our decisions regarding the use of proceeds. Because of the number and variability of factors that will determine our use of the net proceeds from this Offering, if any, their ultimate use may vary substantially from the intended uses. The net proceeds may be used for purposes that do not result in an increase in the value of the Company's business, which could cause the price of TurnCoin to decline.

***Investors may lack information for monitoring their investment.***

The TurnCoin do not have any information rights attached to them, and the investors may not be able to obtain all the information they would want regarding the Company or the TurnCoin. The Company is not registered with the SEC and has no periodic reporting requirements. As a result, in the future, an investor may not have accurate or accessible information about the Company or the TurnCoin.

***The TurnCoin have no history.***

The TurnCoin will be newly created, have no history and are entirely novel in type. The investors will not be able to compare the TurnCoin against other like instruments. An investment in the TurnCoin should be evaluated based on (a) the value and prospects of the TurnCoin, considering uncertainties as to the likelihood that TurnCoin will be delivered and that TurnCoin will be liquid; (b) the potentially inaccurate assessment of the thesis of the Company's business; and (c) the Company potentially not achieving its objectives. Past performance of the Company, or any similar token or capital stock issued by other companies, is not predictive of the Company's future results, the value and success of the TurnCoin or the potential for distributions to be made.

***The tax and accounting treatment of the TurnCoin is uncertain and there may be adverse tax consequences for the investors and the Company.***

The tax characterization of an investment in the TurnCoin is uncertain, and each investor must seek its own independent legal and tax advice with respect to tax treatment of an investment in the TurnCoin and receipt of distributions as a holder of TurnCoin in the U.S. and outside the United States, as applicable. An investment in TurnCoin and receipt of distributions as a holder of TurnCoin may result in adverse tax consequences to investors, including withholding taxes, income taxes and tax reporting requirements.

***Similarly, the tax characterization of the sale of TurnCoin is uncertain, and the proceeds of such sale may result in adverse tax consequences, including taxable income, to the Company, which would reduce the proceeds available to the Company to develop TheXchange Platform and otherwise operate the Company, which may result in the Company generating less revenue than currently estimated. In addition, the accounting treatment of the TurnCoin, once issued, is uncertain, which may result in the Company treating them incorrectly.***

An investor that uses ether (ETH) or USD Coin (USDC) as its form of payment for the TurnCoin may have taxable gain or loss to the extent the investor's adjusted tax basis in ether (ETH) or USD Coin (USDC) used to purchase the TurnCoin (expressed in U.S. dollars) is less than or greater than, respectively, the applicable exchange rate for ether (ETH) or USD Coin (USDC) (expressed in U.S. dollars) upon the acquisition of the

TurnCoin. The Company cannot and does not make any representations or assurances as to individual tax consequences. In addition, the Company may be required to treat the sale of TurnCoin as revenue in certain jurisdictions but not in other jurisdictions, which could have a material adverse effect on the Company's ability to develop and market TheXchange Platform.

***Only certain persons and entities may acquire the TurnCoin.***

Only limited categories of persons and entities may purchase the TurnCoin. The Company expects that these limitations will limit liquidity in the TurnCoin, and these limitations may have a material adverse effect on the development of any trading market in the TurnCoin. The TurnCoin have not been registered under the Securities Act or any U.S. state securities laws or under the securities laws of any other jurisdiction (including, but not limited to, the securities laws of Gibraltar) 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 requirements of the Securities Act and applicable U.S. state securities laws. In addition, in Offshore Transactions only non-U.S. persons may purchase the TurnCoin in accordance with applicable restrictions under the securities laws of the jurisdictions in which they are sold. Generally, foreign securities laws restrict the categories of persons permitted to purchase securities, such as the TurnCoin, to specified classes of sophisticated investors. No action has been taken in any jurisdiction to permit a public offering of the TurnCoin. Moreover, in addition to legal restrictions, by acquiring TurnCoin, holders agree to additional transfer restrictions described in this Memorandum. Consequently, it is expected that there will only be a limited number of TurnCoin holders. An investor must be able to bear the economic risk of its investment in the TurnCoin indefinitely.

***In making your investment decision, you should not rely on information in public media that is published by third parties. You should rely only on statements made in this Memorandum in determining whether to purchase the TurnCoin.***

You should carefully evaluate all of the information in this Memorandum. We may receive, media coverage, including coverage that is not directly attributable to statements made by our directors, employees or agents. We cannot confirm the accuracy of this coverage. You should rely only on the information contained in this Memorandum in determining whether to purchase the TurnCoin.

***Investors in this Offering will experience immediate and substantial dilution.***

The Company has issued a significant number of TurnCoin at prices lower than any of the prices at which the TurnCoin are being offered in this Offering, and many of those TurnCoin may be transferable before the TurnCoin to be sold in this Offering become transferable. If a trading market develops for the TurnCoin, holders of TurnCoin may have an incentive to sell TurnCoin at a price less than the price you have paid for TurnCoin.

As disclosed in the section of this Memorandum captioned "**Prior Offerings**," we have sold TurnCoin or rights to receive TurnCoin to investors. We have limited risk of substantial dilution by ensuring through our LULO model that a maximum of twenty-one percent (21%) of such prior offering may be sold before the transfer restrictions applicable to the TurnCoin sold in this Offering expire. Because TurnCoin has been sold at lower prices than the price in this Offering, any sales of TurnCoin that occur before holders of TurnCoin in this Offering can sell TurnCoin may result in a decrease in the price of TurnCoin and the value of the investors' investments.



## Risks Related to the Regulatory Environment

*VirtualStaX may be deemed to be securities under U.S. and state securities laws and laws of other jurisdictions.*

VirtualStaX are intended to be virtual, cryptographic collectibles that allow people to connect and interact with Talented People in a closer way than they have previously. Based on legal opinions from two law firms, VirtualStaX are not securities and are not inherently investment mediums. Instead, we believe they are goods and utility tokens for use and consumption, to connect and interact with Talented People and present the same use case and consumptive purpose as trading cards have before. As part of that experience, we intend to allow VirtualStaX to be purchased and sold on TheXchange Platform that will use a proprietary algorithm with inputs tied to popularity indicators. In our opinion, the buying and selling of VirtualStaX, even in the hope that the price will increase, does not involve the trading of a security.

To determine whether the VirtualStaX constitute securities, they need to be analyzed as “investment contracts” under the U.S. Supreme Court’s decision in SEC v. W.J. Howey Co., 328 U.S. 293 (1946) (“Howey”) and its progeny. Under Howey, an instrument is an “investment contract” and, thus, a security, if the purchaser makes an investment of money in a common enterprise with an expectation of profit derived primarily from the entrepreneurial or managerial efforts of others. We do not believe the sale of VirtualStaX or the VirtualStaX themselves constitute an investment contract.

If VirtualStaX or the offer and sale of VirtualStaX were deemed to be a security under U.S. federal securities laws, then we may be required to register each issuance under the Securities Act or rely on an exemption therefrom. Either process would result in significant delays and costs that could require the Company to cease operation of TheXchange Platform. In addition, we may be subject to penalties for promoting the sale of unregistered securities.

*The potential application of U.S. laws regarding investment contracts to TurnCoin in the secondary market is unclear.*

TurnCoin are novel and the application of U.S. federal and state securities laws to them in resales is unclear. Historically, private securities have been traded in secondary markets sporadically with little liquidity. Because of the differences between TurnCoin and traditional investment securities, including the use of a public blockchain and the native blockchain nature of TurnCoin, there is a risk that the full potential of a security built on Blockchain Technology may not be realized due to limitations of U.S. securities laws or that other issues that might easily be resolved by existing law if traditional securities were involved may not be easily resolved for TurnCoin. In addition, because of the novel risks posed by TurnCoin, it is possible that securities regulators may interpret laws in a manner that adversely affects the value of TurnCoin. For example, if applicable securities laws restrict the ability for TurnCoin to be transferred or make it more difficult and inefficient to transfer TurnCoin, then the restriction would have a material adverse effect on the value of TurnCoin. The occurrence of any legal or regulatory issues or disputes, or uncertainty about the legal and regulatory framework applicable to TurnCoin, could have a material adverse effect on the holders of TurnCoin.

*The Company is subject to the risk of possibly becoming an investment company under the 1940 Act.*

The Investment Company Act of 1940 (the “**1940 Act**”) regulates certain companies that invest in, hold or trade securities. In general, a company with more than forty percent (40%) of the value of its non-cash assets held in investment securities is an “investment company.” Because a portion of our assets

consists of TurnCoin, which is potentially an **“investment security”** for these purposes, and at times the value of those assets may surpass forty percent (40%) of the value of our non-cash assets, the Company and its affiliates run the risk of inadvertently becoming investment companies, which would require registration under the 1940 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.

We believe we do not meet the definition of an investment company despite our holdings in TurnCoin, because we believe it is reasonable to treat TurnCoin as non-securities for purposes of the 1940 Act in our own hands. This is due to the fact that any returns we might receive based on those tokens would be based on our own efforts and not the efforts of others. As a result, TurnCoin would not be “investment contracts” and not securities.

It is possible that a regulator could disagree with this position. The SEC has taken the position that the definition of the term “security” is broader for purposes of the 1940 Act than under the Securities Act and the Exchange Act. If so, then we may inadvertently meet the definition of an investment company as a result.

In that case, the Company may rely on the exclusion from the definition of an investment company as a transient investment company based on its bona fide intent to be engaged in a business other than investing, reinvesting, owning, holding or trading in securities. However, the Company may not satisfy the requirements of being a transient investment company if it continues to have more than forty percent (40%) of the value of its non-cash assets in investment securities for more than one (1) year, which is likely. In that event, the Company may rely on the exemption under Section 3(b)(1) of the 1940 Act because it believes its primary business is not investing, reinvesting, owning, holding, or trading in securities as that requirement has been interpreted in applicable case law.

If the SEC also takes the position that we do not satisfy either of those exclusions or exemptions, then we may need to significantly alter our business, including by changing our strategy for holding TurnCoin, distributing TurnCoin and other operations in a way that negatively affects the value of TurnCoin sold in this Offering. Becoming an investment company could also result in negative regulatory consequences described further below.

If we decide to make investments in other companies, we intend to monitor those investments and structure them to ensure that they do not cause us or any of our affiliates to become an investment company. This may mean that we structure investments in third-party companies in a less advantageous manner than we otherwise would and that we avoid otherwise economically desirable transactions. However, events beyond our control, including significant appreciation or depreciation in the market value of any investment securities or adverse developments with respect to its ownership of those securities, could result in us inadvertently becoming an investment company.

If so, there would be a risk that we could suffer material adverse consequences. These would include, among others, becoming subject to monetary penalties or injunctive relief, or both, in an action brought by the SEC, being unable to enforce contracts with third parties, and having third parties obtain rescission of any contracts entered into by the Company during the period that we were an unregistered investment company. As a result, if it were established that we were an investment company, it would

have a material adverse effect on our business and financial operations and our ability to continue as a going concern.

***TurnCoin may be subject to reporting requirements under the Exchange Act, if the Company has assets above \$10,000,000 and there are more than 2,000 holders of TurnCoin, which would increase the Company's costs and require substantial attention from management.***

Any company with total assets above \$10,000,000 and more than 2,000 holders of record of any class of its equity securities or 500 holders of record of any class of its equity securities who are not accredited investors at the end of that company's 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 this Offering and be required to register the securities with the SEC under the Exchange Act, which would be a laborious and expensive process. Even if this Offering does not trigger this requirement, the requirement could be triggered at a later date if the securities are transferred to holders that satisfy the triggers set forth above. The Company believes that the TurnCoin Smart Contracts and related whitelists will succeed in preventing the Company from triggering this requirement but, if the TurnCoin Smart Contracts and related whitelist fail to do so or the Company determines that registering TurnCoin under the Exchange Act is the best approach, then it may register TurnCoin with the SEC under the Exchange Act. If such registration occurs, then the Company will have materially higher compliance and reporting costs going forward.

***Our business is subject to complex and evolving U.S., Gibraltar and other foreign laws and regulations regarding privacy, technology, data protection and other matters, many of which are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, increased cost of operations or otherwise harm our business.***

We are subject to a variety of additional laws and regulations in the U.S. (including New York's bit license law) and abroad that involve matters central to our business, including user privacy, Blockchain Technology, data protection and intellectual property, among others. 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 we operate.

As a company incorporated and validly existing under the laws of Gibraltar, we are also subject to a variety of additional laws and regulations in Gibraltar that involve matters central to our business and corporate governance, including but not limited to, the Companies Act 2014, the Financial Services Act 2019 and the Proceeds of Crime Act 2015 and subsidiary legislation. These laws and regulations in Gibraltar are similarly constantly evolving and can be subject to significant legal, political and regulatory changes.

We plan on adopting policies and procedures designed to comply with these laws and regulations in the U.S., Gibraltar and abroad. The risk of the Company being found in violation of these or other laws and regulations (both the U.S., Gibraltar and abroad) 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 us for violation of these or other laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of these laws and regulations, we may be subject to any applicable penalty associated with the violation, including civil and criminal penalties, damages and fines, we could be required to

refund payments received by us, and we could be required to curtail or cease our operations or modify our practices, procedures or features of TheXchange Platform. Any of the foregoing consequences could seriously harm our 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 new products and work on TheXchange Platform, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to claims or other remedies, including fines or demands that we modify or cease existing business practices.

## **Risks Related to Blockchain Technology**

*The Company's business will be dependent on blockchain technology, which carries certain risks.*

The blockchain is a disintermediating technology that has the potential to facilitate trust and commerce between economic actors, whether individuals or companies. Published in 2008 by Satoshi Nakamoto, the Bitcoin white paper describes a payment system that allows individuals to confidently transact with one another without knowing or trusting one another and without involving a trusted third party. Bitcoin was designed to be without a central point of failure and secured by cryptography and mathematics, rather than trust in a centralized third party, for example. This concept of a decentralized architecture is novel and intended to allow individuals to freely and rapidly transact with one another regardless of geographic constraints. The phrase “smart contract” was coined by computer scientist Nick Szabo in 1994 to emphasize the goal of bringing what he called the “**highly evolved**” practices of contract law and related business practices to the design of electronic commerce protocols on the Internet. Proponents of smart contracts claim that many kinds of contractual clauses may thus be made partially or fully self-executing, self-enforcing or both. Smart contracts aim to provide security superior to traditional contracts and to reduce other transaction costs associated with contracting. Smart contracts in the form of digital “tokens” like the Tokens can now represent any tradable asset. As such, digital tokens have emerged as a new alternative channel for companies to raise funds and as an entirely new asset class for investors. Accordingly, while businesses built on blockchain-based technology and digital assets may present investment opportunities, they also require a high degree of investing sophistication and specialization and differentiation between well- and poorly- constructed offerings—especially in regards to underlying business model; token ecosystem functionality; incentive alignment; product- market fit; token market and liquidity; and legal, regulatory and financial mechanics. In the case of the Company, the exact business model continues to evolve.

*Potential investors may not have the skills necessary to secure, trade, or collect distributions using TurnCoin or to comply with the requirements of the Company.*

Participating in this Offering requires technical skill beyond that of many investors. Securing, trading or collecting distributions relating to TurnCoin requires working knowledge of distributed ledger technology and cryptographic assets and their attendant systems and processes.

The ethereum blockchain and any other blockchain on which the VirtualStaX and TurnCoin may rely or the VirtualStaX or TurnCoin themselves may be the target of malicious cyberattacks or may contain exploitable flaws in their underlying code, which may result in security breaches and the loss or theft thereof. If these attacks occur or security is compromised, then this could expose us to liability and reputational harm and cause a decline in the market price or complete loss of VirtualStaX or TurnCoin.

The structural foundations of the ethereum blockchain and the VirtualStaX and TurnCoin, and the software applications and other interfaces used to manage them, are unproven, and there can be

no assurances that the ethereum or any other blockchain and the creation, transfer or storage of the VirtualStaX and TurnCoin will be uninterrupted or fully secure, which may result in impermissible transfers of VirtualStaX and TurnCoin, a complete loss of VirtualStaX and TurnCoin or an unwillingness of users to access, adopt and utilize VirtualStaX and/or the ethereum blockchain. Although we plan on putting controls in place to minimize those risks, especially with respect to TurnCoin, it is uncertain that those controls will be successful. Moreover, the VirtualStaX and TurnCoin (and any technology, including Blockchain Technology, on which they rely, such as the ethereum blockchain) may also be the target of malicious attacks seeking to identify and exploit weaknesses in the software, VirtualStaX and TurnCoin, or the ethereum blockchain, which may result in the loss or theft of VirtualStaX and TurnCoin. These attacks may include but may not be limited to the following:

- A “51% attack” which is an attack that occurs when an attacker controls a majority of the mining power for a particular blockchain. Miners that successfully obtain this mining power—either individually or as part of a “mining pool” or group of miners—may prevent other miners from completing blocks, theoretically allowing themselves to monopolize the mining of new blocks and mining the rewards; they can block other users’ transactions; or they can make it appear as though they still have tokens that have been spent, which is known as a “double-spend attack.” Successful 51% attacks have been launched against other blockchains. A 51% attack may also allow an attacker to use its monopoly over new blocks to “censor” other users’ transactions by actively preventing them from being written to the blockchain.
- A “finney attack” which is an attack that occurs when an attacker enters into a transaction but does not announce it to the network. In this case, a miner can double-spend tokens by transferring them to another user (for example, a merchant website); and then create a new block with a double-spend of those same tokens; for the attack to be successful, this block must be released so that it is added to the blockchain before the target user’s transaction. Once the block the attacker mines is accepted, the legitimate transaction will not be accepted, and the honest user will not receive the tokens, thereby being out of a payment. Typically, developers and users who accept “quick transactions” (transactions that are accepted before the counterparty can confirm that the transaction has been written to the correct version of the blockchain) when accepting payment on the network are vulnerable to this type of attack. These attacks can be avoided by requiring that several additional network operations be written to the blockchain following any given transaction before considering that transaction complete; developers may be incentivized not to do so, however, to allow for quicker processing of network operations on their application.
- “Selfish-mining attacks” occur when a miner with less than 50% of the total mining power successfully mines a new block and starts adding a new block to a “private” version of the blockchain that is not shared with the network. Over time, with enough attempts, the attacker can temporarily develop private versions of the blockchain that are longer than the public blockchain. Because the core nodes of many blockchain networks are programmed to accept the longest version of the blockchain on the network as the correct one, this private blockchain, once made public, may gain acceptance from the network over the existing (shorter) public blockchain. A sufficiently powerful selfish miner with less than 50% of the mining power on the ethereum network could theoretically use this attack to win more mining rewards than an honest miner with the same mining power. This could disrupt the operation of TheXchange Platform and use of VirtualStaX and TurnCoin.



- A “Sybil attack” problem which is a situation where a single unique user masquerades as multiple independent network nodes or users. This type of attack is difficult to defend against and may be used to game systems where distributions of rewards or allocation of votes are designed to be based on unique user identities as opposed to ownership of network nodes.

The loss or destruction of a private key required to access cryptographic assets may be irreversible. Loss of access to private keys – or any other data loss concerning the Company’s cryptographic assets – could have a material adverse effect on the Company’s business, VirtualStaX or TurnCoin.

Cryptographic assets, including, without limitation, VirtualStaX and TurnCoin, are controllable only by those who know the unique private cryptographic key relating to the network address at which the cryptographic assets are held. The Company and holders of VirtualStaX and TurnCoin will be required by the operation of many blockchain networks to publish the addresses concerning cryptographic assets in use by them. Although the Company plans to take measures to make VirtualStaX and TurnCoin recoverable upon loss of private keys, to the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, the Company and holders of VirtualStaX and TurnCoin may not be able to access the cryptographic asset associated with the corresponding address and the private key will not be capable of being restored by the network. Any loss of private keys relating to digital wallet addresses used to store VirtualStaX could have a material adverse effect on the Company’s business and any loss of private keys relating to digital wallet addresses used to store TurnCoin could result in a complete loss of investors’ investments.

***A disruption of the internet or ethereum networks could impair the value and the ability to transfer ether (ETH) or USD Coin (USDC), respectively, or, in the case of ethereum, any other digital token on the ethereum network.***

A significant disruption in internet connectivity could disrupt the ethereum network’s operations until the disruption is resolved and could have an adverse effect on the value of the TurnCoin. In addition, distributed networks have been subjected to a number of denial of service attacks, which led to temporary delays in transactions. It is possible that such an attack could adversely affect TheXchange Platform and the value of the TurnCoin. The disruption in other major blockchain networks, including the bitcoin network, could lead to loss of confidence in Blockchain Technology, which includes the ethereum network. Such a loss of confidence could result in a decrease to our revenue and a lack of desire to hold the TurnCoin on a blockchain network, which could have a material adverse effect on the value of the TurnCoin.

***The ethereum network and VirtualStaX and TurnCoin are vulnerable to risks, both foreseen and unforeseen, arising from the new and untested nature of cryptographic assets and Blockchain Technology.***

The Blockchain Technology used in cryptographic assets, which is sometimes referred to as “distributed ledger technology,” is a relatively new, untested and evolving technology that in fact represents a novel combination of several concepts, which may be present or absent in varying degrees across differing cryptographic assets—a publicly available database or ledger that represents the total ownership of the asset at any one time, novel methods of authenticating transactions using cryptography across distributed network nodes that permit decentralization by eliminating the need for a central clearing-house while guaranteeing that transactions are irreversible and consistent, differing methods of incentivizing this authentication by the use of blocks of new cryptocurrency issued as rewards for the mining of each new block or transaction fees paid by participants in a transaction to miners, and, in

some cases, hard limits on the aggregate amount of cryptocurrency that may be issued. Accordingly, the further development and future viability of cryptographic assets in general or specific assets, such as VirtualStaX and TurnCoin, in particular, is generally uncertain, and practical and ideological challenges, both known and unknown, may prevent them and their wider adoption. Examples of these challenges include the following:

- Scalability is a challenge for blockchains because the addition of records to a blockchain requires the network to achieve consensus through a mining mechanism, which often involves redundant and extensive computation; as a result, processing of transactions is slower than that achieved by a central clearing-house, and delays and bottlenecks in the clearance of transactions may result as the network expands to a greater number of users. The ethereum community is working towards technical solutions to increase scalability, which may be contentious and could result in a less secure network.
- To the extent incentive payments are used to incentivize the mining of a transaction or record to a blockchain, these fees may spike during times of high transaction volume.
- Generally, blocks cannot be removed from the blockchain, but during the mining process, competing forks of the blockchain may arise with respect to the last few blocks on the blockchain. As a result, a block is often not considered to be irreversibly included in the blockchain until several additional blocks have been added to it and occasionally blocks with a handful of confirmations can be dropped and modified. Applications built on top of a blockchain that do not wait a sufficient period before treating the blockchain as permanently written may lose assets, including VirtualStaX or TurnCoin, and funds in exchange for blockchain payments that are never completed.
- Although blockchains are generally considered reliable, they are subject to certain attacks as described above under “Risk Factors — Risks Related to Blockchain Technology — The ethereum blockchain and any other blockchain on which the VirtualStaX and TurnCoin may rely or the VirtualStaX or TurnCoin themselves may be the target of malicious cyberattacks or may contain exploitable flaws in their underlying code, which may result in security breaches and the loss or theft thereof.”
- Because many mining mechanisms decrease the reward for each block over time, the network may see either an increase in incentive payments, which could adversely affect adoption and use of the network, or a reduction in the number of miners on the network that could possibly leave the network increasingly vulnerable to a 51% attack due to a greater concentration of mining power among the remaining miners.
- Because blockchains are public, without any gatekeepers, malicious users cannot be banned from the network. These users may drive out honest users through repeated attacks or by malicious behavior on applications that permit user-to-user interaction.
- The expansion of the ethereum and other blockchain networks, on which TheXchange Platform will rely, use a proof-of-work system whereby blocks are awarded based on the solving of computationally difficult problems, which has resulted in miners using increasing amounts of energy that may be unsustainable as the system continues to grow, and which may draw unfavorable regulatory attention.

Although there are currently solutions that have been proposed and implemented to these and other

challenges facing various blockchain networks, the effectiveness of these solutions has not generally been proven. Other challenges may arise in the future.

Moreover, advances in cryptography and/or technical advances, such as the development of quantum computing, could present risks to the ethereum network, VirtualStaX and TurnCoin by undermining or vitiating the cryptographic consensus mechanism that underpins the ethereum blockchain or any other blockchain. Similarly, legislatures and regulatory agencies could prohibit the use of current and/ or future cryptographic protocols, which could limit the use of VirtualStaX and the value of TurnCoin.

***Changes to a blockchain network, such as the ethereum network, may be difficult to implement effectively.***

The ethereum network is not run on central servers, but instead on the nodes that make up the network, some of which are, and all of which may in the future be expected to, run by third parties outside of our control. Because of this, if the existing technology requires modification, either to implement new features or to meet technical challenges, solutions may be difficult to implement as they will need to be voluntarily adopted by the nodes pursuant to a software update. A change that is not accepted by most nodes will have little to no effect. If a proposed change is not accepted by a majority of the nodes but is nonetheless accepted by a substantial plurality of them, two or more competing implementations of the ethereum network and blockchain, or forks, could result. If the proposed change is a hard fork, then the two competing implementations will be incompatible and the ethereum network will effectively split. It may be difficult to obtain consensus for several reasons: users may be unable to agree on the technical merits of a solution or debates over these trade-offs may turn on and expose ideological differences regarding the relative importance of the various features of the network. Such debates may therefore be difficult or impossible to resolve by consensus, which may ultimately result in the abandonment of the ethereum blockchain, which could limit the use of VirtualStaX and the value of TurnCoin.

***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 an adverse material effect on the successful development and adoption of VirtualStaX.***

The growth of the blockchain industry in general, as well as the blockchain networks on which TheXchange Platform, VirtualStaX and TurnCoin will rely, are subject to a high degree of uncertainty. The factors affecting the further development of the cryptocurrency and cryptographic digital securities industry, as well as blockchain networks, include, without limitation:

- worldwide growth in the adoption and use of cryptographic assets and other Blockchain Technologies;
- government and quasi-government regulation of cryptographic 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 blockchain networks;
- changes in consumer demographics, public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, or trading assets;
- the extent to which current purchaser interest in cryptocurrencies represents a speculative “bubble”;
- general economic conditions in the U.S. and the rest of the world;



- the regulatory environment relating to cryptographic assets and blockchains; and
- a decline in the popularity of cryptographic assets and blockchains.

The cryptographic assets industry as a whole has been characterized by rapid changes and innovations and is constantly evolving. Although it has experienced significant growth in recent years, the slowing or stopping of the development, general acceptance and adoption and usage of blockchain networks and cryptographic assets may deter or delay the acceptance and adoption of TheXchange Platform and VirtualStaX and, as a result, adversely affect the value of TurnCoin.

***We may not be able to prevent changes to the ethereum network that could harm the functionality of TheXchange Platform, VirtualStaX and TurnCoin.***

Due to the decentralized nature and governance structure of the ethereum network, no central authority or system administrator exists with the power to preclude all potentially adverse changes to the network's current protocols. Consequently, the Company likewise is unable to guarantee that the ethereum protocol will continue to be compatible with TheXchange Platform, VirtualStaX and TurnCoin and the functionality thereof as currently operated. For example, the possibility exists that a malicious actor could obtain, legitimately or illegitimately, sufficient power in the ethereum network such that it is able to alter the governing protocols to prevent the confirmation of new transactions, reverse previously completed transactions, or otherwise exercise control in a manner adverse to the continued operability of TheXchange Platform, VirtualStaX and TurnCoin and/or the ethereum network. Such changes to the underlying protocols on which TheXchange Platform, Talent Collectible, TurnCoin, and our business rely on could render TheXchange Platform, VirtualStaX and TurnCoin inoperable—at least until TheXchange Platform, VirtualStaX and TurnCoin could be migrated to another blockchain—and reduce or eliminate the value of the TurnCoin. Moreover, whether or not any malicious actor actually takes such actions, concerns that the possibility even exists may cause current participants to lose confidence in the ethereum network and protocol and its continued viability. This in turn could adversely affect the Company, its operations and the value of any investment in this Offering.

In addition, no cryptographic digital securities have needed to address forked networks, 51% attacks, undiscovered flaws in blockchain networks or other major technical challenges resulting from the use of Blockchain Technology because there is no known occurrence of any of those events on a network on which cryptographic digital securities have been issued. Any of those issues could result in a lack of access to TurnCoin or a risk transacting in TurnCoin in addition to confusion regarding or loss of ownership of TurnCoin.

The suitability of the distributed networks on which the Company will rely could decline due to a variety of causes, adversely affecting the business or the functionality of TurnCoin.

Distributed networks are based on software protocols that govern the peer-to-peer interactions between computers connected to these networks. The suitability of the networks for the functionality of TurnCoin depends upon a variety of factors, including:

- the effectiveness of the informal groups of (often uncompensated) developers contributing to the protocols that underlie the networks;
- effectiveness of the network validators (sometimes called “**miners**”) and the network's consensus mechanisms to effectively secure the networks against confirmation of invalid transactions;
- disputes among the developers or validators of the networks;

- changes in the consensus or validation schemes that underlie the networks, including, without limitation, shifts between so-called “**proof of work**” and “**proof of stake**” schemes;
- the failure of cybersecurity controls or security breaches of the networks;
- the existence of other competing and operational versions of the networks, including, without limitation, so-called “forked” networks;
- the existence of undiscovered technical flaws in the networks;
- the development of new or existing hardware or software tools or mechanisms that could negatively impact the functionality of the systems;
- the price of cryptographic assets associated with the networks;
- intellectual property rights-based or other claims against the networks’ participants; or
- the maturity of the computer software programming languages used in connection with the networks.

Any unfavorable developments or characteristics of any of the above circumstances could adversely affect the functionality of TheXchange Platform, VirtualStaX or the value of TurnCoin.

***We have not retained independent professionals for investors.***

We have not retained any independent professionals to comment on or otherwise protect the interests of potential investors. Although we have retained our own counsel, neither such counsel nor any other independent professionals have made any examination of any factual matters herein, and you should not rely on our counsel regarding any matters herein described.

***A violation of privacy or data protection laws could have a material adverse effect on the Company’s activities.***

A wide variety of state, national and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of data, including personal data. These data protection and privacy-related laws and regulations are varied, evolving, can be subject to significant change, may be augmented or replaced by new or additional laws and regulations and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. Foreign data protection, privacy and other laws and regulations are often more restrictive than those in the United States, such as the General Data Protection Regulations, effective in the European Union. Certain states in the United States have also introduced broad rules, which may or may not anticipate and be consistent with rules expected to be adopted by the U.S. federal government. The Company expects that the cost of compliance with these laws may be high in terms of both money and attention. The Company’s failure to comply with all applicable privacy and data protection laws, regulations, standards and codes of conduct could result in enforcement actions against the Company, including fines, imprisonment of Company officials and public censure, claims for damages by affected individuals, demands that the Company modify or cease existing practices, damage to the Company’s reputation and loss of goodwill, any of which could have a material adverse effect on the level of demand for TurnCoin.

***Risk of losing access to TurnCoin due to loss of private key(s), custodial error or your error.***

TurnCoin can only be accessed by using an Ethereum wallet with a combination of the investor's account information (address), private key and password. The private key is encrypted with a password. Each investor acknowledges, understands and accepts that if its private key or password gets lost or stolen, the TurnCoin associated with the Investor's Ethereum wallet address may be unrecoverable and permanently lost. In addition, any third party that gains access to an investor's private key, including by gaining access to the login credentials relating to an investor's Ethereum wallet, may be able to misappropriate an investor's TurnCoin. Any errors or malfunctions caused by or otherwise related to the digital wallet or vault an investor chooses to receive and store the TurnCoin, including an investor's own failure to properly maintain or use such digital wallet or vault, may also result in the loss of an investor's TurnCoin.

***Risk of incompatible wallet service.***

The wallet or wallet service provider used to receive the TurnCoin must conform to the ERC20 token standard in order to be technically compatible with the TurnCoin. The failure to ensure such conformity may have the result that the investor will not gain access to his, her or its TurnCoin.

***Risk of uninsured losses.***

Unlike bank accounts or accounts at some other financial institutions, the TurnCoin are uninsured unless the investor specifically obtains private insurance to insure them. Thus, in the event of loss or loss of utility value, there is no public insurer or private insurance arranged by the Company to offer recourse to the investor.

***The Company may be required to register as a money services business or money transmitter and to comply with the requirements of the Bank Secrecy Act and applicable state requirements.***

The Bank Secrecy Act, among other things, regulates the issuance, administration and exchange of **"virtual currencies."** Any entity performing any of those activities may be a money services business, required to register with the United States Treasury Department, as well as state and foreign government administrative bodies, and to engage in continued practices of **"know your customer"** and anti-money laundering reporting. If the Company were to be subject to Bank Secrecy Act requirements, the Company is likely on a continuing basis to require recipients of TurnCoin to provide certain personal information as a condition of their receipt of TurnCoin. In some instances, the Company could be required to prohibit transactions, thereby interfering with the activity in any marketplace that may develop for the TurnCoin. Additionally, the Company may be required to issue suspicious activity reports upon detecting any "suspicious" transaction. Guidance on what constitutes a suspicious transaction is unclear, and failure to comply may result in severe civil and criminal penalties. Almost all states in the United States have some form of similar regulations, each of which may require obtaining a separate license, which can be an expensive and time consuming process. Compliance with the Bank Secrecy Act and any applicable state regulations would, if required, be a continuing, material expense, which if the Company cannot afford, would result in suspension of any marketplace that the Company develops that would in turn adversely affect demand for the TurnCoin.

## Risks Related to Incorporation in Gibraltar

*It may be difficult to enforce a U.S. judgment against us and our directors, or to assert U.S. securities laws claims or serve process on our directors.*

We were incorporated in Gibraltar, and substantially all of our operations are currently located in South Africa, Caymans and Canada. All of our assets are located outside the United States. Therefore, it may be difficult to enforce a U.S. court judgment based upon the civil liability provisions of the U.S. federal securities laws against us or any of these persons in a U.S. or Gibraltar court, or to affect service of process upon these persons in the United States.

Additionally, it may be difficult for an investor, or any other person or entity, to assert U.S. securities law claims in original actions instituted in Gibraltar. This is for two principal reasons: 1) because the Gibraltar courts may regard the U.S. law in question to be a penal, revenue or public law and therefore, under Gibraltar law, not capable of direct or indirect enforcement in the Gibraltar courts, or 2) because the Gibraltar court may stay the claim on the grounds that Gibraltar is not an appropriate forum. If U.S. law is found to be applicable to a claim which the Gibraltar court can and is prepared to hear, the content of applicable U.S. law must be proved as a fact by expert witnesses, which can be a time-consuming and costly process. If proceedings were to be brought in Gibraltar, all procedural matters would be governed by Gibraltar law. There is little case law addressing the matters described above that would be binding case law in a Gibraltar court. As a result, an investor may lose its entire investment.

## 8. JURISDICTIONAL RE-INCORPORATION AND INTER-COMPANY AGREEMENTS

The entities that developed TheXchange Platform were first incorporated and domiciled in Singapore, including Xapis Pte. Ltd., a Singapore private limited company (the “**Predecessor Holding Company**”) and TheXchange Pte. Ltd., a Singapore private limited company (the “**Predecessor Development Company**”).

The Predecessor Development Company raised capital in Prior Offerings, and facilitated the day-to-day operations of conceptualizing and creation of the TheXchange Platform.

In the second quarter of 2021, management determined that the business had to be re-domiciled to jurisdictions that would better suit its innovative nature, and accordingly, the Holding Company, the Development Company, the Operating Company were formed in the Cayman Islands and the Company was formed in Gibraltar.

As part of a jurisdictional re-incorporation, all the assets, liabilities and contractual obligations of the Predecessor Holding Company and the Predecessor Development Company were transferred to and acquired by TheXchange Group on July 13, 2021.

The purpose and contractual obligation of each of the beforementioned companies are as follows:

The Holding Company was formed with the sole objective of owning all intellectual property of TheXchange Group, and to license such intellectual property to its subsidiaries on a royalty free, perpetual and exclusive basis for the purpose of further developing, operating, maintaining and promoting the use of such intellectual property. The licensing arrangement mandates that the Company outsource the servicing and maintenance of TheXchange Platform to the Operating Company, which will invoice the Company for its services.

The Development Company was formed to commercialize all intellectual property licensed to it by the Holding Company. We intend to use revenue received by the Development Company from the TurnCoin it holds to fund all expenses in connection with the operation of TheXchange Platform.

The Company was formed for the purpose of issuing TurnCoin and to commercialize and further develop intellectual property pursuant to a sub-license agreement with the Development Company. The objective of the sub-license agreement is to appoint a service provider to commercialize and further develop the intellectual property. Any and all improvements to such intellectual property shall automatically devolve to the Holding Company.

The Operating Company was formed for the purpose of undertaking the operations of TheXchange Platform. To facilitate this objective, the Operating Company entered into a service level agreement with the Company, pursuant to which it is granted the use of the intellectual property of TheXchange Group, with the obligation to further develop, commercialize and operate TheXchange Platform. Pursuant to the service level agreement, all expenses of the Operating Company is invoiced to the Company. Subject to legal requirements, all revenue derived from the operation of TheXchange Platform will be made available to the holders of TurnCoin on a pro rata basis.

TheXchange Group has ensured that all necessary corporate approvals were complied with to effect the contractual obligations described herein.

## 9. SELECTED FINANCIAL INFORMATION

### History

The Company was recently formed in Gibraltar as a result of a corporate restructure of TheXchange Group. The re-domicile to Gibraltar is due to its European Economic Area relationship and being one of the world's leading jurisdictions that is both tax friendly and has a sophisticated regulatory framework for Blockchain Technology.

The Company's fiscal year ends on 31 May of each year. TheXchange Group has raised approximately USD 22,000,000 over the past five years, through previous funding rounds.

TheXchange Group currently employs in excess of 50 people. We have a strong, experienced and dedicated management team. Further, our board of directors is comprised of a balanced team of independent directors, and qualified and experienced personnel, who have extensive knowledge and understanding of IT, product development, finance and banking industries.

### Use of Proceeds

The Company will need the proceeds from this Offering to finance its global expansion activity, predominantly to develop, nurture and implement adoption strategies of the VirtualStaX. The planned activities include amongst other; final technology out-build, product development, global marketing of the product and additional operational requirements.

### Business Operations

The Company launched the VirtualStaX Platform in Q4 of 2022. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company, the revenue can be reliably measured and there exists reasonable certainty of its achievement. Revenue is measured at the fair value of the consideration received or receivable, as applicable. Revenue from operations comprises the transaction fee on the sale of VirtualStaX as described herein.

### COVID-19

The pandemic had an overall positive impact on TheXchange Group's business in that esports, NFTs and digital collectibles have grown substantially in popularity during the last two years. The extent to which the COVID-19 pandemic will ultimately impact our results will depend on future developments, which are uncertain. We continue to closely monitor any anticipated material changes to future economic conditions.

## 10. DESCRIPTION OF THEXCHANGE GROUP'S MANAGEMENT TEAM

### **RUDOLF MARKGRAAFF – President & Founder**

Rudolf heads a dynamic team of individuals at TheXchange as the mastermind behind the concept and product development. He is a creative thinker and highly experienced in conceptualizing, developing, funding, marketing and managing specialized business projects, all of which have been grounded in his ability to assemble, motivate, direct and unite highly talented, diverse and passionate teams to develop groundbreaking initiatives.

### **JON CRUISE – Chief Financial Officer**

Qualified with a Bachelor of Business Science degree from the University of Cape Town (UCT), Jonathan has since gained a wide range of experience across the Finance function, and is passionate about systems. He lead a multi-functional team to create and implement a disruptive, empowering web app in a traditional retail space; and now works closely with the Tech Team at the Xchange to further enhance the commercial offering. In addition, Jonathan works with the Finance and Legal Teams to ensure the highest standards of global compliance, with optimised reporting systems, and gives input to Financial strategy.

Jonathan has over a decade of experience as a senior financial executive, following qualifying as a Chartered Accountant at Deloitte, and additional assurance experience at KPMG.

### **KONRAD GASTROW – Chief Technology Officer**

Konrad leads the TheXchange Group's Cape Town based Tech Team as the Chief Technology Officer. Konrad holds a Bachelor's degree in Electrical & Electronic Engineering (B. Eng) and applied his knowledge in a wide scope of engineering fields with 10 years' experience in embedded software development. His passion for technology and the application thereof to solve real-world problems and thereby enrich the lives of people, makes him an invaluable member of TheXchange Group.

### **ARNO VISSER – Chief Legal Officer**

Arno acts as General Counsel to TheXchange Group and oversees the legal and regulatory affairs within each department of the company, with a primary focus on its global intellectual property holdings, Digital Securities, and Regulatory Blockchain Compliance. Arno holds a B.A. degree from the University of Stellenbosch, an LL.B from the University of South Africa, and an LL.M degree in Intellectual Property Law from the University of Stellenbosch. Before his employment by the TheXchange Group, Arno practiced as an Attorney in the Intellectual Property department of one of the top Technology and Intellectual Property law firms in South Africa, before which he gained a broad scope of experience as a litigation attorney at a specialist boutique law firm.

### **DAVID HANEGRAAF – Head of Capital Markets**

David is TheXchange Group's expert on international finance, capital raising and equity issuance and serves as Head of Capital Markets. David is a venture capital executive, investor, and strategic advisor to high-growth technology startups in the consumer electronics, "internet of things," and renewable energy industries. He has more than fifteen years of executive experience in venture capital, private equity, investment banking, mergers and acquisitions, and corporate management and has provided strategic advisory services to technology companies in more than twenty countries. David played an integral role in growing Norwegian multinational company Cermaq ASA into the second largest aquaculture firm in the world which culminated in a highly successful IPO on the Oslo Bors Stock Exchange in Norway.



### **AL VELEZ – Head of Philanthropy**

Al heads the Global Corporate Governance and philanthropic foundations for TheXchange Group's Al's corporate career spans 25 years in sales, marketing, infrastructure development and leadership during which time he served as Vice President for the following three Fortune 500 companies: Circuit City, Staples, and Pep Boys. He navigated those companies through branding initiatives and private and public exchange listings as advisor on fundraising methodologies and infrastructure implementation. Al's current focus is the utility initial coin offerings (ICO's) and cryptocurrency space, and he has advised numerous ICO's on their launch.

### **AARON NYE – Chief Security Officer**

Aaron serves as Security Director of TheXchange Group and brings a wealth of development knowledge to the team. Aaron served six years in the Marine Infantry, followed by four years as an Army Intelligence Analyst. After his military years, Aaron spent 10 years as a contractor at the National Security Agency (NSA) in big data visualizations and Java development and has since worked extensively in the software development and digital security realm. Aaron has done contract development work for the National Oceanic and Atmospheric Administration (NOAA), the Federal Trade Commission (FTC), the Department of the Navy and he is also a co-founder of TUSC Cryptocurrency.

### **RYAN MUELLER – Chief Compliance Officer**

Specializing in compliance, Ryan lends his expertise to the online-commerce field and high-risk environments. Ryan is the founder and CEO of Phantom Compliance. He has been active in online payments for 18 years, predominantly in an investigative/risk management role. He is highly knowledgeable and his specialties include fraud investigation and prevention, underwriting of new application risk, policy generation, compliance, managing third-party requests for information, and cryptocurrencies.

## **11. U.S FEDERAL INCOME TAX CONSIDERATIONS**

### **General**

Summarized below are the material federal income tax principles applicable to an investment in the TurnCoin, based on the U.S. Internal Revenue Code of 1986, as amended, (the "Code"), the Treasury Regulations and published rulings and court decisions currently in effect. No assurance can be given that future legislative or administrative changes or court decisions will not significantly modify the law and render inapplicable or incorrect the statements and opinions expressed herein. Any such changes may or may not be retroactive with respect to transactions completed prior to the effective date of such changes. The applicable Treasury Regulations and interpretations dealing with this area of taxation are being developed by the Internal Revenue Service (the "IRS") and may evolve substantially, and changes in such Treasury Regulations or interpretations could adversely affect the Company and the investors.



Tax effects on investors under federal income tax laws may not be the same as those of state or local income tax laws. EACH PROSPECTIVE INVESTOR SHOULD CONFER WITH ITS PERSONAL TAX ADVISERS REGARDING THE TAX CONSEQUENCES OF AN INVESTMENT IN THE TurnCoin. THE COMPANY ASSUMES NO RESPONSIBILITY FOR THE TAX CONSEQUENCES OF THIS TRANSACTION TO ANY INVESTOR.

## Summary

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

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

The following discussion is limited to prospective investors who are **"United States Persons"** within the meaning of the Code and who purchase TurnCoin solely with U.S. dollars.

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

Transactions involving the TurnCoin and similar instruments, as well as initial coin offerings ("ICOs") and coin transactions, are relatively new and it is more than likely that the IRS will issue guidance, possibly with retroactive effect, impacting the taxation of investors in the TurnCoin, participants in an ICO, and holders of TurnCoin. Future tax guidance from the IRS (or guidance resulting from future judicial decisions) could negatively impact investors in the TurnCoin and holders of TurnCoin:

## Tax Treatment of Virtual Currencies

On March 25, 2014, the IRS released guidance on the treatment of convertible virtual currencies (such as Ethereum) for U.S. federal income tax purposes. The guidance classifies such currencies as "property" for U.S. federal income tax purposes and clarifies that such currencies can be held as capital assets. The guidance further states that general tax principles applicable to property transactions apply to transactions using such currencies. Therefore, a person that holds such currencies as capital assets and sells such currencies or transfers them in exchange for other property or services may recognize a capital gain or loss upon such sale or transfer. The IRS also clarified that a person who receives such currencies as payment (e.g., as wages or, in the case of a miner, as a reward for solving a block) would recognize ordinary income based on the fair market value of such currencies when received.

The treatment of such currencies for U.S. federal income tax purposes remains unclear. Furthermore, legislation has previously been introduced and may be introduced in the future that would change the tax considerations of an investment in virtual currencies. Future legislation or guidance issued by the IRS regarding the tax treatment of virtual currencies for U.S. federal income tax purposes may result in tax consequences to holders of the TurnCoin that are materially different than those described herein.

### **Treatment of Issuance of TurnCoin**

The Company does not expect that the issuance of the TurnCoin will result in the recognition of taxable income by an investor. An investor should generally have a tax basis for U.S. federal income tax purposes in the TurnCoin it acquires from the Company equal to the amount of money such investor paid for the TurnCoin. The investor's holding period in the TurnCoin should begin on the day the TurnCoin are issued to the investor.

### **Disposition of TurnCoin**

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

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

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

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

## Possible Legislative Tax Changes

The foregoing summary of federal income tax law reflects current provisions of U.S. tax law. Because, however, Treasury Regulations and other official interpretations have not been issued with respect to a number of important issues, the application of current law is uncertain. In addition, legislation has been or may be proposed in Congress that might have a substantial and adverse effect on investors. Investors should consult with their own professional advisers as to all current and possible future proposals with respect to federal, state and local tax legislation and the effect, if any, that such legislation may have on an investment in TurnCoin.

**The income tax aspects of the Company summarized above are general in nature and are not intended to be a complete explanation of the income tax results of investing in the Company. Each prospective investor should consult with his or her own tax adviser for detailed information.**

## 12. PRIOR OFFERINGS

In previous private offerings from December 29, 2017 until December 29, 2022 (the “**Prior Offerings**”), the Company and the Predecessor Development Company received investments from 239 investors in the aggregate amount of \$20,066,465, pursuant to agreements in which each investor is entitled to receive TurnCoin.

Each simple agreement for future revenues entered into by the investors in the Prior Offerings has been (or will be) converted into SAFRs substantially the same as this SAFR (except for the TurnCoin price) for the right to receive a total of 106,611,960 TurnCoin.

The capital raised in the Prior Offerings has been used to develop the initial business model, develop the MVP technology, strategies and GPX algorithm, to create certain design assets and prototypes of TheXchange Platform for Buyers and Talented Persons, and establish appropriate tax and legal structures, and agreements.

## 13. LITIGATION

The Company is not currently involved with and does not know of any pending or threatened litigation against the Company or its directors or officers.

## 14. PLAN OF DISTRIBUTION

The Company will partner with INX Securities, LLC ([www.inx.co](http://www.inx.co)) (“**INX**”), as broker/dealer of record to assist with the offering. INX Securities is a broker-dealer and member of the Financial Industry Regulatory Authority (“**FINRA**”) and Securities Investor Protection Corp (“**SIPC**”). INX will act as the broker/dealer of record in order to assist with the facilitation of the offering, including but not limited to, KYC/AML reviews and overseeing the whitelisting and onboarding of investors in connection with the sale of TurnCoin Security Token by the Company on the INXS platform (“**Platform**”). For these services, INX Securities, LLC, in terms of the executed INX Engagement Agreement with TurnCoin Ltd, will receive a fee of five percent (5%) of the funds raised through its investors in this offering. Prospective investors will be required to register and create an account on the INX platform which they can access via the [www.turncoin.com](http://www.turncoin.com) website, the Company’s social media feeds, or through [www.inx.co](http://www.inx.co). The INX account opening process will guide the prospective investors through a KYC and AML process, accredited investor verification

process, and apply any regional securities restrictions pertaining to the possible investment based on the investors country of residence. Each investor will have access to all relevant due diligence material at the end of the registration and account opening process and will have the opportunity to fund its account with USD or approved digital currencies and lock in their purchase price through a buy order issued on the INX platform. As the Company's chosen U.S. Securities and Exchange Commission (SEC) registered Transfer Agent, INX Transfer Agent, LLC will act as transfer agent and registrar with respect to the securities.

## **15. OFFERING LEGENDS**

### **For All Investors Generally**

This Memorandum does not constitute an offer to sell, or any solicitation of an offer to buy, any TurnCoin by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. Neither the delivery of this memorandum nor any sale made hereunder of TurnCoin shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof.

### **Notice to Arkansas Residents**

These securities are offered in reliance upon claims of exemption under the Arkansas securities act and section 4(2) of the Securities Act of 1933, as amended. A registration statement relating to these securities has not been filed with the Arkansas Securities Department or with the Securities and Exchange Commission. Neither the department nor the commission has passed upon the value of these securities, made any recommendations as to their purchase, approved or disapproved this offering, or passed this offering or passed upon the adequacy or accuracy of this memorandum. Any representation to the contrary is unlawful.

### **Notice to California Residents**

The sale of the securities which are the subject of this offering has not been qualified with the Commissioner of Corporations of the state of California and the issuance of such securities or payment or receipt of any part of the consideration therefore prior to such qualifications is unlawful, unless the sale of securities is exempted from qualification by section 25100, 25102, or 25104 of the California Corporations Code. The rights of all parties to this offering are expressly conditioned upon such qualifications being obtained, unless the sale is so exempt.

### **Notice to Delaware Residents**

If you are a Delaware resident, you are hereby advised that these securities are being offered in a transaction exempt from the registration requirements of the Delaware Securities Act. The securities cannot be sold or transferred except in a transaction which is exempt under the act or pursuant to an effective registration statement under the act or in a transaction which is otherwise in compliance with the act.

### **Notice to District of Columbia Residents**

These securities have not been approved or disapproved by the Securities Bureau of the District of Columbia nor has the commissioner passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

### **Notice to Florida Residents**

These securities have not been registered under the Florida Securities and Investor Protection Act in reliance upon exemption provisions contained therein. Section 517.061(11)(a)(5) of the Florida Securities and Investor Protection Act (the **"Florida act"**) provides when sales are made to five or more purchasers in this state that any purchaser of securities in Florida which are exempted from registration under section 517.061(11) of the Florida act may withdraw his, her or its SAFR and receive a full refund of all monies paid, within one day after the later of (i) the date he tenders consideration for such securities and (ii) the date this statutory right of rescission is communicated to him. Any Florida resident who purchases securities is entitled to exercise the foregoing statutory rescission right by telephone, telegram or letter notice to the Company. Any telegram or letter should be sent or postmarked prior to the end of the third business day. A letter should be mailed by certified mail, return receipt requested, to ensure its receipt and to evidence the time of mailing. Any oral requests should be confirmed in writing.

### **Notice to Illinois Residents**

These securities have not been approved or disapproved by the Secretary of the State of Illinois nor has the state of Illinois passed upon the accuracy or adequacy of the prospectus. Any representation to the contrary is unlawful.

### **Notice to Indiana Residents**

These securities are offered pursuant to a claim of exemption under section 23-19-2-1 of the Indiana securities law and have not been registered under section 23-19-3. They cannot therefore be resold unless they are registered under said law or unless an exemption from registration is available. A claim of exemption under said law has been filed, and if such exemption is not disallowed, sales of these securities may be made. However, until such exemption is granted, any offer made pursuant hereto is preliminary and subject to materials change.

### **Notice to Kansas Residents**

If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 81-5-15 of the Kansas Securities Act and may not be re-offered for sale, transferred or resold except in compliance with such act and applicable rules promulgated thereunder.

### **Notice to Maryland Residents**

If you are a Maryland resident and you accept an offer to purchase these securities pursuant to this memorandum, you are hereby advised that these securities are being sold as a transaction exempt under section 11-602(9) of the Maryland Securities Act. The securities offered pursuant to this Memorandum have not been registered under said act in the state of Maryland. All investors should be aware that there are certain restrictions as to the transferability of the securities offered pursuant to this Memorandum.

### **Notice to Massachusetts Residents**

These securities have not been registered under the Securities Act of 1933, as amended, or the Massachusetts Uniform Securities Act, by reason of specific exemptions thereunder relating to the limited availability of this offering. These securities cannot be sold, transferred or otherwise disposed

of to any person or entity unless they are subsequently registered or an exemption from registration is available.

#### **Notice to New Jersey Residents**

These securities have not been approved or disapproved by the Bureau of Securities of the state of New Jersey, nor has the bureau passed on or endorsed the merits of this offering. The filing of the written offering does not constitute approval of the issue or the sale thereof by the Bureau of Securities. Any representation to the contrary is unlawful. These are speculative securities and involve a high degree of risk. These securities are offered only to bona fide adult residents of the state of New Jersey.

#### **Notice to New York Residents**

This private offering memorandum has not been reviewed by the attorney general prior to its issuance and use. The attorney general of the state of New York has not passed on or endorsed the merits of this offering. Any representation to the contrary is unlawful.

#### **Notice to Nevada Residents**

If any investor accepts any offer to purchase the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under Section NRS 92.520 of the Nevada securities law. The investor is hereby advised that the attorney general of the state of Nevada has not passed on or endorsed the merits of this offering and the filing of the offering with the Bureau of Securities does not constitute approval of the issue, or sale thereof by the Bureau of Securities of the department of law and public safety of the state of Nevada. Any representation to the contrary is unlawful. Nevada allows the sale of securities to 25 or fewer purchasers in the state without registration. However, certain conditions apply, i.e., there can be no general advertising or solicitation and commissions are limited to licensed broker-dealers. This exemption is generally used where the prospective investor is already known and has a pre-existing relationship with the company. (see NRS 90.530.11.).

#### **Notice to Oregon Residents**

The securities offered have been registered with the corporation commission of the state of Oregon under provisions of ORS 59.049. The investor is advised that the commissioner has made only a cursory review of the registration statement and has not reviewed this document since the document is not required to be filed with the commissioner. The investor must rely on the investor's own examination of the company creating the securities, and the terms of the offering including the merits and risks involved in making an investment decision on these securities.

#### **Notice to Texas Residents**

The securities offered hereunder have not been registered under applicable Texas securities laws and, therefore, any purchaser thereof must bear the economic risk of the investment for an indefinite period of time because the securities cannot be resold unless they are subsequently registered under such securities laws or an exemption from such registration is available. Further, pursuant to §109.13 under the Texas Securities Act, the company is required to apprise prospective investors of the following: a legend shall be placed, upon issuance, on certificates representing securities purchased hereunder, and any purchaser hereunder shall be required to sign a written agreement that he will not sell the subject securities without registration under applicable securities laws, or exemptions therefrom.

#### **Notice to Utah Residents**



These securities are being offered in a transaction exempt from the registration requirements of the Utah Securities Act. The securities cannot be transferred or sold except in transactions which are exempt under the act or pursuant to an effective registration statement under the act or in a transaction which is otherwise in compliance with the act.

### **Notice to Washington Residents**

(i) Any prospective purchaser is entitled to review financial statements of the issuer which shall be furnished upon request; (ii) receipt of notice of exemption by the Washington administrator of securities does not signify that the administrator has approved or recommended these securities nor has the administrator passed upon the offering. Any representation to the contrary is a criminal offense; and (iii) the return of the funds to the purchaser is dependent upon the financial condition of the organization.

### **Residents of Other States**

In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. The securities offered have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this memorandum. Any representation to the contrary is a criminal offense.

### **Non-U.S. Purchasers**

No action may be taken in any jurisdiction that would permit a public offering of the securities, and no possession, circulation or distribution of this memorandum is permitted in any jurisdiction where action for that purpose is required. Accordingly, the securities may not be offered or sold, directly or indirectly, and neither this memorandum nor any other offering material or advertisements in connection with the securities 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.

These securities have not and will not be registered under the Securities Act and, insofar as such securities are offered and sold to person who are neither nationals, citizens, residents nor entities of the United States, they may not be transferred or resold directly or indirectly in the United States, its territories or possessions, to residents or entities normally resident therein (or to any person acting for the account of any such national, citizen, entity or resident). Further restrictions on transfer will be imposed to prevent such securities from being held by United States persons.

Each individual investor hereby acknowledges, accepts, and agree that it is his/her/its express responsibility and obligation to understand, ascertain, and determine whether this offering is permissible in their country of residence.

## **16. ADDITIONAL INFORMATION**

Prospective investors may request additional information before deciding to purchase the TurnCoin. The Company will make available to each prospective investor the opportunity to ask questions of, and receive answers from, the Company concerning the terms and conditions of this Offering and to obtain any additional information that is necessary to verify the accuracy of the information set forth in this Memorandum, including, without limitation, any information about the Company or the securities that the Company possesses or can acquire without unreasonable effort or expense. Directors of the Company are available to discuss with potential investors any matter set forth in this Memorandum or any other matter

relating to the securities described herein, so that potential investors and their advisors, if any, may have available to them all information, financial and otherwise, necessary to formulate a well-informed investment decision.

The statements contained in the Memorandum with respect to the contents of any contract, agreement, document or organizational records of the Company described herein are not necessarily complete, and each such statement is qualified in its entirety by reference to such contracts, agreement, documents or organizational records. Specific questions and request for information may be directed to the Company at [turncoin@inx.co](mailto:turncoin@inx.co), or by telephone at **+1 (888)3676-2423**. The Company may require that any potential investor execute a non-disclosure agreement prior to viewing any such documents or information about the Company and/or the TurnCoin.



# **ANNEX A**

Form SAFR

# **ANNEX B**

Whitepaper

# **TURNCOIN<sup>®</sup>**