



**Private Placement Memorandum**  
**April 1, 2024**

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## CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM<sup>1</sup>

This Private Placement Memorandum contains confidential and proprietary information belong exclusively to AvaWatz Company.

# AvaWatz Company

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All Rights Reserved. This prospectus, or parts thereof, may not be reproduced in any form without permission.

This Private Placement Memorandum is provided solely for convenience and does not constitute legal or investment advice. The materials and content provided in this Private Placement Memorandum are provided for information purposes only. The information is provided by AvaWatz Company, and while we endeavor to keep the information up to date and correct, we make no representations or warranties of any kind, express or implied, about the completeness, accuracy, or reliability of the data contained in this Private Placement Memorandum or the suitability of the offering for an investor.

Any graphics or images utilized in this Private Placement Memorandum are for display purposes only and, unless otherwise noted, are not necessarily related to the operations of the Company.

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*1 Potential Conflicts of Interest. This Memorandum does not purport to identify all conflicts of interest. ODB Broker LLC or its affiliates, from time to time, may enter into other transactions not specifically described in this Memorandum with affiliates, officers, managers, members, employees, agents and representatives. Republic Capital Advisers LLC (“Republic Capital”) an affiliate of ODB and an SEC registered investment adviser may advise vehicles that have invested in securities issued by the Company. Those investments may be of a different class or type, with different rights and preferences, than those offered herein. Those other vehicles may have rights of first refusal, preemptive rights, voting rights or other rights in respect of the investment. Further, OpenDeal Portal LLC dba Republic (“Republic Funding Portal”) an affiliate of ODB and an SEC registered crowdfunding portal may hold securities issued by the Company earned as a commission for securities crowdfunding services. Those investments may be of a different class or type, with different rights and preferences, than those offered herein.*

*Closing Requirements. In order to complete the closing process in this Offering, each Purchaser will be required to complete such documentation as may be requested by ODB on behalf of the Company, which may include, without limitation: (1) the execution and delivery of a Subscription agreement; (2) completion of purchaser qualification requirements (status as an Accredited Investor under Regulation D and KYC/AML or KYB (if applicable) screening requirements; (3) clearance from ODB’s regulation best interest requirements, and (4) confirmation by ODB of receipt of funds (collectively, the “Closing Requirements”). The proceeds of this Offering will be disbursed to the Company intermittently throughout the closing process, provided that all applicable Closing Requirements associated with such proceeds must be satisfied prior to disbursement.*

## IMPORTANT NOTICES

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This Confidential Private Placement Memorandum (this “Memorandum”) has been prepared on a strictly confidential basis to enable the recipient to evaluate the offering of Preferred Shares (the “Securities”) described therein. Each recipient, by accepting delivery of this Memorandum, agrees not to make a copy of the same or to divulge the contents hereof to any person other than a legal, business, investment or tax advisor in connection with obtaining the advice of any such persons with respect to this offering.

Unless the context requires otherwise, in this Memorandum the terms “Company,” “AvaWatz,” “Issuer,” “we,” “us”, and “our” refer to AvaWatz Company. Purchasers of Securities are sometimes referred to herein as “Purchasers” or “Investors”.

Each recipient hereof acknowledges and agrees that (i) the contents of this Memorandum constitute proprietary and confidential information, (ii) the Company and its affiliates derive independent economic value from such confidential information not being generally known, and (iii) such confidential information is the subject of reasonable efforts to maintain its secrecy. The recipient further agrees that the contents of this Memorandum are a trade secret, the disclosure of which is likely to cause substantial and irreparable competitive harm to the Company. Any reproduction or distribution of this Memorandum, in whole or in part, or the disclosure of its contents, without the prior written consent of the Company, is prohibited. The existence and nature of all conversations regarding the Company and this Offering must be kept confidential. Each recipient hereby agrees to destroy any copies (including electronic copies) of this Memorandum promptly upon request of the Company.

This Memorandum has been prepared in connection with a private offering of the Securities (the “Offering”) to accredited investors in reliance on Regulation D, Rule 506(c) under the Securities Act of 1933, as amended (the “Securities Act”). The Offering will be conducted via <https://republic.com> (the “Platform”) which is operated for the benefit of OpenDeal Broker LLC dba Capital R (“ODB”). ODB is a registered FINRA/SEC broker dealer. Each Investor will be required to electronically deliver to the Company a fully completed, dated and signed copy of the Subscription instrument through Platform, together with any (i) exhibits and (ii) documents requested by the Company and its agents, including ODB and its representatives, for the purpose of satisfying the Company and ODB’s accreditation, customer identification and due diligence obligations prior to the Offering Deadline (as defined below) and send full payment of any consideration to the Company to effect its purchase of the Securities. Investors will not be provided wire instructions until completion of ODB’s know your customer (KYC), anti-money laundering (AML), and Reg BI policies, as well as verification of accredited investor status, after which Investors may send full payment of any consideration to the Company.

This Memorandum contains a summary of the terms of the Securities and certain other documents referred to herein. However, the summaries in this Memorandum do not purport to be complete and are subject to and qualified in their entirety by reference to the actual text of the relevant documents. Each prospective Purchaser should review the form of Subscription Agreement attached as **Exhibit C** and such other documents for complete information concerning the rights, privileges and obligations related to a purchase of the Securities. If any of the terms, conditions or other provisions of the Subscription Agreement or such other documents are inconsistent with or contrary to the descriptions or terms in this Memorandum, the Subscription Agreement or such other documents shall control. The Company reserves the right to modify the terms of this Offering and the Securities described in this Memorandum, and the Securities are offered subject to the Company’s ability to reject any commitment in whole or in part.

An investment in the Securities involves a high degree of risk, volatility and illiquidity. A prospective Purchaser should thoroughly review the confidential information contained herein and the terms of the Subscription Agreement, and carefully consider whether an investment in the Securities is suitable to the Investor's financial situation and goals.

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

This Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy in any jurisdiction in which it is unlawful to make such an offer or solicitation. Neither the United States Securities and Exchange Commission (the "SEC") nor any other federal, state or foreign regulatory authority has approved an investment in the Securities. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Memorandum, nor is it intended that the foregoing authorities will do so. Any representation to the contrary is a criminal offense. This Memorandum is not, and under no circumstances is to be construed as a prospectus or advertisement for a public offering of the Securities referred to therein.

### **Engagement Agreement with ODB**

We are currently party to an offering listing agreement, as effective as of January 16, 2024 (the "Engagement Agreement"), with ODB, who has agreed to provide certain offering facilitation services, including executing and delivering evidence of the Securities sold in this Offering to each Investor and the use of the Platform. ODB has made no commitment to purchase all or any part of the Securities. The term of the Engagement Agreement will continue until the later of the Securities are no longer being listed on the Platform or all fees due to ODB being remitted unless otherwise terminated by either party upon thirty (30) days' prior written notice or for cause pursuant to the Engagement Agreement.

ODB is not purchasing any of the Securities in this Offering and is not required to sell any specific number or dollar amount of securities but will instead arrange and manage this Offering on the Platform.

**Reimbursable expenses in the event of termination.** In the event the Offering does not close or we decide not to pursue this Offering, we have agreed to reimburse ODB the greater of (a) \$5,000, (b) all costs incurred by ODB in enabling this Offering to be listed on <https://republic.com> or (c) the dollar amount equal to the processing fees as described below, for the Maximum Offering Amount (as described below); except that if circumstances beyond the control of the Issuer make a closing impossible.

**Commission and Expenses.** We have agreed to pay ODB 6.0% of the gross proceeds for subscriptions up to \$50,000 and 3.0% of the gross proceeds for subscriptions greater than \$50,000. We have also agreed to pay ODB a securities commission equivalent to 2.0% of the dollar value of Securities sold in this Offering, such amounts will not affect the net proceeds, but will have a dilutive effect on the Securities issued to Investors. Non-accountable expenses shall be limited to one-half percent (0.5%) of the Offering's proceeds to ODB.

The aggregate commission to be paid to ODB will have a maximum value of no more than 8% of the total proceeds of the Offering. ODB will ensure that the maximum commission amount will not exceed

this 8% cap. Any other fees that we may pay to ODB or third parties will not be commissions for these purposes.

ODB shall charge approximately two percent (2.0%) of the Offering's proceeds as the cumulative fee for payment processing services, which may include ACH, credit card, wires, and payments in alternative currencies convertible to dollars, shall be passed through to the Issuer from those fees charged by any bank utilized by the Platform, BitPay Inc., Stripe Inc., and any other payment processor mutually agreed to by ODB and the Issuer.

ODB shall, in its sole discretion, charge a 2.0% cash fee on gross subscriptions made by each Investor who subscribes to the Offering through the Platform, with a minimum fee of \$5 and a maximum of \$300 per subscription.

While our management may promote the Company and this Offering, no other commissions will be paid to anyone in connection with facilitating this Offering.

ODB has agreed, with respect to the Securities issued to it as part of its commission, not to: (a) sell, transfer, assign, pledge or hypothecate such Securities for a period of 180 days following the date on which this Offering is qualified by the SEC to anyone other than: (i) its affiliates or any selected dealer that may participate in the Offering, or (ii) a bona fide officer or partner of ODB or of any such selected dealer, in each case in accordance with FINRA Conduct Rule 5110(e)(1), or (b) cause such Securities to be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of such Securities, except as provided for in FINRA Rule 5110(e)(2). On and after 180 days after the date on which this Offering is qualified by the SEC, transfers to others may be made subject to compliance with or exemptions from applicable securities laws. There are no registration rights offered to ODB.

Under the Engagement Agreement with ODB, ODB may also pass through Business Advisory Services for services including but not limited to standard, additional, or enhanced reviews of KYC, AML, diligence, compliance monitoring, CIP, financials, offering documents, and the appropriate time and effort undertaken to perform such reviews in no event in excess of \$5,000 and no ancillary fees, financial consulting or advisory fees, will be payable by Issuer without its written consent and cannot exceed \$30,000 under any circumstances. We may be required to indemnify ODB and possibly other parties with respect to disclosures made in this Memorandum. Any other fees that we may pay to ODB or other third parties will not be commissions or considered as underwriting compensation. ODB has reserved the right to enter into posting agreements with equity crowdfunding firms not associated with FINRA member firms in connection with this Offering, for which we may pay non-contingent fees as compensation.

**Escrow.** Cash received in connection with purchases will be placed into an escrow account established by the Company with an escrow agent designated by ODB for the benefit of the Offering (the "Escrow Account"). Purchasers in the Offering will not have the right to revoke their purchase at any time. If a purchase is rejected for any reason, it will be refunded without interest or deduction save any applicable wires fees. Purchasers will follow instructions for completing payment when making their investment via the Republic Platform that is operated for the benefit of the offering. Any subscription made through the Republic Platform will have the consideration directed and immediately be deposited into the bank account of an escrow agent designated by ODB (the "Escrow Agent").

**Fees for Termination of the Engagement Agreement.** Should we terminate the Engagement Agreement, other than for a breach of the Engagement Agreement by ODB, we have agreed to pay ODB the greater of \$5,000 or an amount equal to the number of Investors in this Offering multiplied by \$25.00.

**Indemnification and Control.**

We have agreed to indemnify ODB against liabilities relating to any investigation, claim, or proceeding stemming from the Offering, liabilities arising from breaches of some or all of the representations and warranties contained in the Engagement Agreement, and to contribute to payments that ODB may be required to make for these liabilities.

ODB and their respective affiliates are engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. ODB and their respective affiliates may in the future perform various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

**Procedures for Subscribing**

We plan to market this Offering to potential Investors through the Platform. We will hold an initial closing on any number of Securities at any time during the Offering after we have received notification of approval when we and ODB determine, and thereafter may hold one or more additional closings until we determine to cease having any additional closings during the Offering. We will close on proceeds based upon the order in which they are received. We will consider various factors in determining the timing of any additional closings following the initial closing, including the amount of proceeds received at the initial closing and any prior additional closings. Investment commitments are not binding on the Company until they are accepted by the Company. Once accepted by the Company, subscriptions are irrevocable.

OPENDEAL HAS NOT INVESTIGATED (NOR HAVE ANY OF ITS AFFILIATES INVESTIGATED) THE DESIRABILITY OR ADVISABILITY OF AN INVESTMENT IN THIS OFFERING OR THE SECURITIES OFFERED HEREIN. OPENDEAL AND ITS AFFILIATES MAKE NO REPRESENTATIONS, WARRANTIES, ENDORSEMENTS, OR JUDGMENT ON THE MERITS OF THE OFFERING OR THE SECURITIES OFFERED HEREIN. OPENDEAL BROKER'S CONNECTION TO THE OFFERING IS SOLELY FOR THE LIMITED PURPOSES OF ACTING AS A SERVICE PROVIDER.

We are offering the Securities on a "best efforts" basis with no prescribed offering minimum. Subscription proceeds will be available for use by us as soon as we accept such subscriptions and receive the funds.

Except as otherwise noted, all references herein to "\$" or monetary amounts refer to United States ("U.S.") dollars.

**Exclusive Nature Of This Memorandum**

The Company has not authorized any person to provide any information or to make any representations except to the extent contained in this Memorandum. If any such representations are given or made, such information and representations must not be relied upon as having been authorized by the Company.

The Securities have not been nor shall they be registered under the Securities Act, or any other law or regulation governing the offering, sale or exchange of securities in the United States or any other jurisdiction. This Offering is being made to "accredited investors" as defined in Rule 501(a) of Regulation D of the Securities Act. Prospective Investors must acknowledge the fact that the Securities will be subject

to mandatory securities holding periods that apply to restricted securities, which can only be transferred subject to certain SEC rules, such as but not limited to SEC Rule 144. See ‘Certain Notices’, ‘Restrictions on Transfer’ and ‘Risk Factors.’

### **Restrictions On Transfer**

This offering is subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws, pursuant to registration or exemption therefrom. Investors should be aware that they might be required to bear the financial risks of this investment for an indefinite period of time. An investor must represent that the securities are being acquired for investment purposes only, and not with a view to or present intention of distribution. The offering price of the securities has been arbitrarily determined by the company and does not bear any relationship to the assets that have been or are to be acquired by the company or any other established criteria or indicia for valuing a business

## FORWARD-LOOKING INFORMATION

Some of the statements contained in this Memorandum, including information incorporated by reference, discuss future expectations, or state other forward-looking information. Those statements are subject to known and unknown risks, uncertainties and other factors, several of which are beyond the Company's control, which could cause the actual results to differ materially from those contemplated by the statements.

The forward-looking information is based on various factors and was derived using numerous assumptions. In light of the risks, assumptions, and uncertainties involved, there can be no assurance that the forward-looking information contained in this Memorandum will in fact transpire or prove to be accurate.

Important factors that may cause the actual results to differ from those expressed within may include, but are not limited to:

- The success or failure of the Company's efforts to successfully execute its business development plan as scheduled;
- The Company's ability to attract a customer base;
- The Company's ability to attract and retain quality employees;
- The effect of changing economic conditions;
- The reliance of the Company on certain key members of management

These along with other risks, which are described under "RISK FACTORS" may be described in future communications to shareholders. The Company makes no representation and undertakes no obligation to update the forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements.

## **CERTAIN NOTICES**

### **FOR RESIDENTS OF ALL STATES:**

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (“SECURITIES ACT”), OR THE SECURITIES LAWS OF CERTAIN STATES ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS OF SAID ACT AND SUCH LAWS. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THIS OFFERING IS SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MIGHT BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. AN INVESTOR MUST REPRESENT THAT THE SECURITIES ARE BEING ACQUIRED FOR INVESTMENT PURPOSES ONLY, AND NOT WITH A VIEW TO OR PRESENT INTENTION OF DISTRIBUTION.

THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO. IN ADDITION, THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE OFFEREE NAMED OR TO INVESTOR.

EXCEPT AS OTHERWISE INDICATED, THIS MEMORANDUM SPEAKS AS OF THE DATE OF THE MEMORANDUM AND NEITHER THE DELIVERY HEREOF NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE CONDITION OF THE COMPANY SINCE THE DATE HEREOF.

NO PERSON HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS OR PROVIDE ANY INFORMATION OTHER THAN THAT CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM, FURNISHED UPON REQUEST TO AN OFFEREE, OR HIS REPRESENTATIVE MAY BE RELIED UPON IN CONNECTION WITH THIS OFFERING.

PROSPECTIVE PURCHASERS OF THE SECURITIES ARE NOT TO CONSTRUE THE CONTENTS OF THIS PRIVATE PLACEMENT MEMORANDUM AS LEGAL OR TAX ADVICE. EACH PROSPECTIVE PURCHASER SHOULD CONSULT HIS OWN PROFESSIONAL ADVISORS AS TO LEGAL, TAX, AND RELATED MATTERS CONCERNING HIS INVESTMENT. THIS PRIVATE PLACEMENT MEMORANDUM HAS BEEN PREPARED FROM DATA SUPPLIED BY SOURCES DEEMED RELIABLE BY THE COMPANY AND DOES NOT KNOWINGLY CONTAIN ANY

UNTRUE STATEMENT OF ANY MATERIAL FACT. IT CONTAINS A SUMMARY OF MATERIAL PROVISIONS OF DOCUMENTS REFERRED TO HEREIN. STATEMENTS MADE WITH RESPECT TO THE PROVISIONS OF SUCH DOCUMENTS ARE NOT COMPLETE AND REFERENCE IS MADE TO THE ACTUAL DOCUMENTS FOR COMPLETE REVIEW. PLEASE REFER TO THE ACTUAL EXHIBIT DOCUMENTS.

## DISCLOSURES

THERE IS NO PUBLIC MARKET FOR THE COMPANY'S SECURITIES AND NONE IS EXPECTED TO DEVELOP. THE COMPANY IS NOT OBLIGATED TO REGISTER WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION OR WITH ANY STATE REGULATORS. THE SECURITIES PURCHASED PURSUANT HERETO AND THE ISSUANCE OF THE SHARES IS BEING UNDERTAKEN PURSUANT TO RULE 506(c) OF REGULATION D UNDER THE SECURITIES ACT.

THIS OFFERING IS SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MIGHT BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. AN INVESTOR MUST REPRESENT THAT THE SECURITIES ARE BEING ACQUIRED FOR INVESTMENT PURPOSES ONLY, AND NOT WITH A VIEW TO OR PRESENT INTENTION OF DISTRIBUTION.

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE INFORMATION OF THE PERSON TO WHOM IT HAS BEEN DELIVERED BY OR ON BEHALF OF THE COMPANY. DISTRIBUTION OF THIS MEMORANDUM TO ANY PERSON OTHER THAN THE PROSPECTIVE INVESTOR TO WHOM THIS MEMORANDUM IS DELIVERED BY THE COMPANY AND THOSE PERSONS RETAINED TO ADVISE THEM WITH RESPECT THERETO IS UNAUTHORIZED.

ANY REPRODUCTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF THE CONTENTS WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY IS STRICTLY PROHIBITED. EACH PROSPECTIVE INVESTOR, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO RETURN IT AND ALL OTHER DOCUMENTS RECEIVED BY THEM TO THE COMPANY IF THE PROSPECTIVE INVESTOR'S SUBSCRIPTION IS NOT ACCEPTED OR IF THE OFFERING IS TERMINATED.

TREASURY DEPARTMENT CIRCULAR 230 NOTICE. TO ENSURE COMPLIANCE WITH CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERENCED TO IN THIS MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR THE CODE; (II) ANY SUCH DISCUSSION IS MADE IN CONNECTION WITH THE PROMOTION AND MARKETING BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS MEMORANDUM; AND (III) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

## **NASAA UNIFORM DISCLOSURE**

IN MAKING AN INVESTMENT DECISION PURCHASERS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES 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 DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PURCHASERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

### **NOTICE TO RESIDENTS OF COLORADO**

THIS INFORMATION IS DISTRIBUTED PURSUANT TO AN EXEMPTION FOR SMALL OFFERINGS UNDER THE RULES OF THE COLORADO SECURITIES DIVISION. THE SECURITIES DIVISION HAS NEITHER REVIEWED NOR APPROVED ITS FORM OR CONTENT. THE SECURITIES DESCRIBED MAY ONLY BE PURCHASED BY “ACCREDITED INVESTORS” AS DEFINED BY RULE 501 OF SEC REGULATION D AND THE RULES OF THE COLORADO SECURITIES DIVISION.

### **NOTICE TO RESIDENTS OF CONNECTICUT**

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BANKING COMMISSIONER OF THE STATE OF CONNECTICUT NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

### **NOTICE TO RESIDENTS OF FLORIDA**

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES ACT. EACH OFFEREE WHO IS A FLORIDA RESIDENT SHOULD BE AWARE THAT SECTION 517.061(11)(A)(5) OF THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT PROVIDES, IN RELEVANT PART, AS FOLLOWS: WHEN SALES ARE MADE TO FIVE OR MORE PERSONS IN FLORIDA, ANY SALE IN FLORIDA MADE PURSUANT TO SECTION 517.061(11) IS VOIDABLE BY THE PURCHASER IN SUCH SALE EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PURCHASER TO THE ISSUER, AN AGENT OF THE ISSUER OR AN ESCROW AGENT OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER. THE AVAILABILITY OF THE PRIVILEGE TO VOID SALES PURSUANT TO SECTION 517.061 OF THE FLORIDA ACT IS HEREBY COMMUNICATED TO EACH FLORIDA OFFEREE.

### **NOTICE TO RESIDENTS OF GEORGIA**

THESE SECURITIES HAVE BEEN ISSUED OR SOLD IN RELIANCE ON PARAGRAPH (13) OF CODE SECTION 10- 5-9 OF THE “GEORGIA SECURITIES ACT OF 1973,” AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER SUCH ACT.

#### **NOTICE TO RESIDENTS OF MARYLAND**

THE SECURITIES REPRESENTED BY THIS DOCUMENT HAVE BEEN ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM THE REGISTRATION PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

#### **NOTICE TO RESIDENTS OF NEW HAMPSHIRE**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE NEW HAMPSHIRE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER NEW HAMPSHIRE RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

#### **NOTICE TO RESIDENTS OF NEW MEXICO**

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 RISK INVOLVED. THESE SECURITIES 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 DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

#### **NOTICE TO RESIDENTS OF NEW YORK**

THIS IS NOT A FIRM OFFER IN THE STATE OF NEW YORK. NO FIRM OFFER MAY BE MADE IN NEW YORK, AND NO SUBSCRIPTION PAYMENT, DEPOSIT, OR SUBSCRIPTION COMMITMENT MAY BE RECEIVED UNLESS AN EXEMPTION IS GRANTED FROM THE FILING OF AN OFFERING STATEMENT OR PROSPECTUS UNDER NEW YORK LAW. THIS PRELIMINARY OFFERING LITERATURE IS SUBJECT TO REVISION AND AMENDMENT.

#### **NOTICE TO RESIDENTS OF NORTH DAKOTA**

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

## **NOTICE TO RESIDENTS OF OREGON**

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES 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 DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. YOU WILL NOT BE ABLE TO TRANSFER OR RESELL THESE SECURITIES EXCEPT PURSUANT TO REGISTRATION UNDER THE FEDERAL SECURITIES ACT OF 1933 OR AN EXEMPTION FROM REGISTRATION IF AVAILABLE. CONSEQUENTLY, YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

## **NOTICE TO RESIDENTS OF PENNSYLVANIA**

ACCORDING TO SECTION 207(M)(2) OF THE PENNSYLVANIA SECURITIES ACT OF 1972: “IF YOU HAVE ACCEPTED AN OFFER TO PURCHASE THESE SECURITIES AND HAVE RECEIVED A WRITTEN NOTICE EXPLAINING YOUR RIGHT TO WITHDRAW YOUR ACCEPTANCE PURSUANT TO SECTION 207(M)(2) OF THE PENNSYLVANIA SECURITIES ACT OF 1972, YOU MAY ELECT, WITHIN TWO BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE ISSUER OF YOUR BINDING CONTRACT OF PURCHASE OR, IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO BINDING CONTRACT OF PURCHASE, WITHIN TWO BUSINESS DAYS AFTER YOU MAKE THE INITIAL PAYMENT FOR THE SECURITIES BEING OFFERED, TO WITHDRAW YOUR ACCEPTANCE AND RECEIVE A FULL REFUND OF ALL MONEYS PAID BY YOU. YOUR WITHDRAWAL OF ACCEPTANCE WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A WRITTEN NOTICE (INCLUDING A NOTICE BY FACSIMILE OR ELECTRONIC MAIL) TO THE ISSUER (OR PLACEMENT AGENT IF ONE IS LISTED ON THE FRONT PAGE OF THE OFFERING MEMORANDUM) INDICATING YOUR INTENTION TO WITHDRAW.

## **NOTICE TO RESIDENTS OF SOUTH CAROLINA**

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER ONE OR MORE SECURITIES ACTS. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSIONER OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE

STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

#### **NOTICE TO RESIDENTS OF TENNESSEE**

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED 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 DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

#### **NOTICE TO RESIDENTS OF VERMONT**

(I) INVESTMENT IN THESE SECURITIES INVOLVES SIGNIFICANT RISKS AND IS SUITABLE ONLY FOR PERSONS WHO HAVE NO NEED FOR IMMEDIATE LIQUIDITY IN THEIR INVESTMENT AND WHO CAN BEAR THE ECONOMIC RISK OF A LOSS OF THEIR ENTIRE INVESTMENT. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

(II) IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED 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 DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

(III) THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933 AND THE VERMONT SECURITIES ACT, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

#### **NOTICE TO RESIDENTS OF VIRGINIA**

THE SECURITIES REPRESENTED BY THIS DOCUMENT HAVE BEEN ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM THE REGISTRATION OR QUALIFICATION PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS AND SHALL NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OF QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

## **FOR ALL NON-U.S. INVESTORS**

NO ACTION HAS BEEN OR WILL BE TAKEN IN ANY JURISDICTION OUTSIDE THE UNITED STATES OF AMERICA THAT WOULD PERMIT AN OFFERING OF THE SECURITIES, OR POSSESSION, OR DISTRIBUTION OF OFFERING MATERIAL IN CONNECTION WITH THE ISSUE OF THE SECURITIES, IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IT IS THE RESPONSIBILITY OF ANY PERSON WISHING TO PURCHASE THE SECURITIES TO SATISFY HIMSELF OR HERSELF AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY OUTSIDE THE UNITED STATES OF AMERICA IN CONNECTION WITH ANY SUCH PURCHASE, INCLUDING OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS OR OBSERVING ANY OTHER APPLICABLE FORMALITIES.

YOUR INVESTMENT WILL BE DENOMINATED IN UNITED STATES DOLLARS (\$) AND, THEREFORE, WILL BE SUBJECT TO ANY FLUCTUATION IN THE RATE OF EXCHANGE BETWEEN UNITED STATES DOLLARS (\$), THE CURRENCY OF YOUR OWN JURISDICTION AND THE CURRENCY OF THE JURISDICTION IN WHICH ANY FUND PORTFOLIO ASSET OPERATES OR GENERATES INVESTMENT PROCEEDS, AS APPLICABLE. SUCH FLUCTUATIONS MAY HAVE AN ADVERSE EFFECT ON THE VALUE, PRICE OR INCOME OF YOUR INVESTMENT.

## **PATRIOT ACT RIDER**

THE INVESTOR HEREBY REPRESENTS AND WARRANTS THAT THE INVESTOR IS NOT, NOR IS IT ACTING AS AN AGENT, REPRESENTATIVE, INTERMEDIARY OR NOMINEE FOR, A PERSON IDENTIFIED ON THE LIST OF BLOCKED PERSONS MAINTAINED BY THE OFFICE OF FOREIGN ASSETS CONTROL, U.S. DEPARTMENT OF TREASURY. IN ADDITION, THE INVESTOR HAS COMPLIED WITH ALL APPLICABLE U.S. LAWS, REGULATIONS, DIRECTIVES, AND EXECUTIVE ORDERS RELATING TO ANTI- MONEY LAUNDERING, INCLUDING BUT NOT LIMITED TO THE FOLLOWING LAWS:

(1) THE UNITING AND STRENGTHENING AMERICA BY PROVIDING APPROPRIATE TOOLS REQUIRED TO INTERCEPT AND OBSTRUCT TERRORISM ACT OF 2001, PUBLIC LAW 107-56, AND (2) EXECUTIVE ORDER 13224 (BLOCKING PROPERTY AND PROHIBITING TRANSACTIONS WITH PERSONS WHO COMMIT, THREATEN TO COMMIT, OR SUPPORT TERRORISM) OF SEPTEMBER 11, 2001.

EACH PROSPECTIVE INVESTOR WILL BE GIVEN AN OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, MANAGEMENT OF THE COMPANY CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE COMPANY POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORTS OR EXPENSE, NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM.

IF YOU HAVE ANY QUESTIONS WHATSOEVER REGARDING THIS OFFERING, OR DESIRE ANY ADDITIONAL INFORMATION OR DOCUMENTS TO VERIFY OR SUPPLEMENT THE INFORMATION CONTAINED IN THIS MEMORANDUM, PLEASE WRITE OR CALL THE COMPANY AT THE ADDRESS AND NUMBER LISTED IN THIS PRIVATE OFFERING MEMORANDUM.

**THE MANAGEMENT OF THE COMPANY HAS PROVIDED ALL OF THE INFORMATION STATED HEREIN.**

**THE COMPANY MAKES NO EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY AS TO THE COMPLETENESS OF THIS INFORMATION OR, IN THE CASE OF PROJECTIONS, ESTIMATES, FUTURE PLANS, OR FORWARD-LOOKING ASSUMPTIONS OR STATEMENTS, AS TO THEIR ATTAINABILITY OR THE ACCURACY AND COMPLETENESS OF THE ASSUMPTIONS FROM WHICH THEY ARE DERIVED, AND IT IS EXPECTED THAT EACH PROSPECTIVE INVESTOR WILL PURSUE HIS, HER, OR ITS OWN INDEPENDENT INVESTIGATION.**

**IT MUST BE RECOGNIZED THAT ESTIMATES OF THE COMPANY'S PERFORMANCE ARE NECESSARILY SUBJECT TO A HIGH DEGREE OF UNCERTAINTY AND MAY VARY MATERIALLY FROM ACTUAL RESULTS.**

## **PRELIMINARY RISK DISCLOSURE STATEMENT**

YOU SHOULD CAREFULLY CONSIDER WHETHER YOUR FINANCIAL CONDITION PERMITS YOU TO PARTICIPATE IN THIS INVESTMENT.

INVESTORS MAY LOSE ALL OR PART OF THEIR INVESTMENT. IN ADDITION, RESTRICTIONS ON REDEMPTIONS AND TRANSFERABILITY MAY AFFECT THE COMPANY'S ABILITY TO RECOVER ANY LOSSES.

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER FACTORS NECESSARY TO EVALUATE YOUR PARTICIPATION IN THIS OFFERING. THEREFORE, BEFORE YOU DECIDE TO PARTICIPATE IN AN INVESTMENT IN THIS COMPANY, YOU SHOULD CAREFULLY STUDY THIS DISCLOSURE DOCUMENT, INCLUDING A DISCUSSION OF POTENTIAL RISKS RELATED TO THIS INVESTMENT.

# SECTION 1

## Synopsis of Operations

## INTRODUCTION

AvaWatz Company (“AvaWatz”, or the “Company”), began operations on February 13, 2019 with the purpose of building intelligent software enabling teams of mobile robots to perform airfield flightline operations that are currently labor-intensive and inefficient, such as finding and removing hazardous debris from runways and taxiways. The autonomous teams consist of aerial drones to detect debris and ground-based robots to verify and remove the objects.

The Company targets its products toward three application markets, namely Surveillance & Security, Inspection & Maintenance, and Early Warning for Safety. Its software implements Trusted AI platform services that give robots the ability to sense their surroundings, decide on a course of action, and act in difficult and dangerous conditions such as adverse weather and unmapped off-road terrain. AvaWatz is also developing software that allows robots to share information with one another and make group decisions without the need for a centralized controller.

AvaWatz is actively developing and marketing robotic Inspection & Maintenance software for use in the US electric power grid. We have developed Machine Learning software for examining components of power transmission towers using drone-based video and identifying and diagnosing problems such as broken components and degraded materials. Early Warning for Safety is a subject of particular interest to AvaWatz, because we believe that increased safety is one of the most important benefits of using robots.

The Company’s legal structure was formed as a corporation under the laws of the State of Texas on February 13, 2019. The Chief Executive Officer and primary executive manager of the Company is Rajini Anachi.

The Company’s management invite potential accredited investors to carefully review the Company’s Private Placement Memorandum and encourages potential investors to ask questions of management regarding the Company’s forward operational plans and this Offering by calling (214) 513-3417

## SUMMARY OF OFFERING TERMS

<b>The Company</b>	AvaWatz Company
<b>Investment Objective</b>	To bring to market the Trusted AI platform services and solutions for Surveillance & Security, Inspection & Maintenance, and Early Warning for Safety in Transportation, Utilities, Defense, Hospitality, and other emerging markets.
<b>Executive Managers</b>	Rajini Anachi, Founder, CEO, President
<b>Offering Size</b>	Maximum: \$5,000,000 Minimum: \$10,000
<b>Exemption</b>	The securities offered hereby are exempted from registration under the Securities Act of 1933 and Regulation D Rule 506(c)
<b>Class of Shares</b>	Preferred Shares
<b>Voting Rights</b>	Preferred Shares issued under this offering carry NO voting, management, or control rights in the Company.
<b>Dividend Rights</b>	Preferred Shares shall carry dividend rights should the Board of Directors, at its sole discretion, announce one
<b>Share Price</b>	\$4 per Preferred Stock Share (for perks refer Appendix A of Subscription Agreement)
<b>Minimum Subscription Amount</b>	Each investor must subscribe for a minimum dollar amount equal to at least \$2,500 although the Manager may, in its sole discretion, waive this minimum. The Manager may, in its sole discretion, reject a proposed investment or limit the number of Shares to be purchased by an investor

<b>Maximum Subscription Amount</b>	The maximum an investor can subscribe for is a dollar amount equal to \$250,000, although the Manager may, in its sole discretion, waive this maximum. The Manager may, in its sole discretion, reject a proposed investment or limit the number of Shares to be purchased by an investor
<b>Offering Period</b>	This offering shall commence on May 1, 2024, and shall remain open till October 31, 2024, with a possible extension not exceeding 180 days
<b>Placement Agent</b>	OpenDeal Broker LLC dba Capital R

## Description of Shares

The Shares offered hereby are 1,979,167 shares of Preferred Stock, \$0.001 par value, including 729,167 Bonus Preferred Shares. The Company's authorized capital stock consists of fifty million (50,000,000) shares divided into two classes, of which thirty million (30,000,000) shares are designated as Common Stock with a par value of \$0.001 per share, and twenty million (20,000,000) shares are designated as Preferred Stock with a par value of \$0.001 per share. 355,287 shares of Preferred Stock are currently issued and outstanding. 656,780 shares of Preferred Stock are further reserved for ongoing offerings. Upon completion of the Offering, between 1,014,567 and 2,991,234 shares of Preferred Stock will be issued and outstanding.

19,813,046 shares of Common Stock are outstanding, and 16,829,991 shares are currently issued and outstanding. The total outstanding Common Stock includes 2,983,055 shares to be issued pursuant to stock options, reserved but unissued. The company shall implement an Employee Incentive Plan at a later date.

### Preferred Shares

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders, and in the event of a Deemed Liquidation Event (as defined below), the holders of shares of Preferred Stock then outstanding shall be entitled to be paid out of the consideration payable to shareholders in such Deemed Liquidation Event or out of the Available Proceeds (as defined below), as applicable, before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the greater of (i) one (1) times the applicable Original Issue Price, plus any dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of Preferred Stock been converted into Common Stock immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the "Liquidation Amount"). The "Original Issue Price" shall mean, with respect to the Preferred Stock, \$4.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Preferred Stock. If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its shareholders shall be insufficient to pay the holders of shares of Preferred Stock the full amount to which they shall be entitled, the holders of shares of Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full. "Available Proceeds" means the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation), together with any other assets of the Corporation available for distribution to its shareholders, all to the extent permitted by Texas law governing distributions to shareholders.

Except as otherwise required by law or provided by the other provisions of this Certificate of Formation, as amended, the Preferred Stock shall have no voting rights.

See "Exhibit A, Certificate of Amendment of Avawatz Company"

### Perks Program

Investors are eligible to receive a discount on the share price based on when they make their investments.

During the period from opening of the Offering by the Issuer and ending on May 31 at 11:59 p.m. Pacific Time (“Offering Period 1”), a 25% discount will be applied to the share price.

During the period commencing on June 1, 2024 at 12:00 a.m. Pacific Time and ending upon the conclusion of the offering of the Securities (“Offering Period 2”), no discount will be applied.

### Discount issued pursuant to the timing of the investment:

The following table describes discounts issued to an Investor based on the timing of their investment:

Investment Time Frame	Discount Applied	Price per Share
Offering Period 1	25%	\$3.00
Offering Period 2	0%	\$4.00

### Additional Bonus Shares issued pursuant to the amount of the investment:

Certain investors in this Offering are eligible to receive additional bonus shares based on the amount of their investment in this offering, which effectively gives them a further discount on their investment. Bonus shares issued are based upon a share price of \$4/share, regardless of whether the investment is made during Offering Period 1 or Offering Period 2.

The table below indicates the % of bonus shares eligible by tier:

Amount Invested	Bonus Shares
\$20,000+	5%
\$50,000+	10%
\$100,000+	15%
\$250,000+	25%

The Company will not absorb the cost of the issuance of the Bonus Shares. To the extent any are issued, it will not reduce the Proceeds that the Company receives; however, the effective cost per Share for Investors receiving Bonus Shares will be reduced in accordance with the table above. The Company will issue the Bonus Shares from its authorized Shares.

### Offering Term

The Offering will terminate on the earliest of: (a) the date the Company, in its discretion, elects to terminate, or (b) the date upon which all Shares have been sold, or (c) October 31, 2024, or such date as may be extended from time to time by the Company, but not later than 180 days thereafter (the “Offering Period”).

## THE OPPORTUNITY

### Investing in the AI and Autonomous Robotic sector

“AvaWatz transforms individual robots into cooperative tasking teams so they work faster, get more done, and increase safety to reduce human error. We do this, using algorithms that help robots cooperate and learn to perform tasks—every time they do their job, they get better. “

Autonomous robots, meaning robots that can do their work with limited or no human supervision, have established a place for themselves in applications like factory assembly lines and more recently in warehouse automation, but we are in the early days of this technology revolution and there is a wide horizon of opportunities yet to be explored. The current generation of autonomous robots generally requires special working conditions, such as paths marked on floors and shelves and containers in fixed and known locations, and setting up those conditions is expensive, time-consuming, and inflexible. AvaWatz provides the AI robotic teaming software that removes those restrictive requirements, giving robots the flexibility to operate in less highly structured spaces, including outdoors. In addition, AvaWatz software enables robot to share information and to make group decisions.

The ability to cooperate and work in teams is one of the key hallmarks of intelligence. Cooperation enables workers to perform complex tasks by dividing them into simpler subtasks and assigning the subtasks to specialists. AvaWatz uses AI to give robots the ability to work in teams as specialists, alongside humans or with other robots that have complementary skills. This teaming approach makes it possible for customers to start with a small investment in robots for one piece of a larger task, and add robots with further task capabilities over time without having to replace the original robots.

As robot hardware becomes less expensive and more capable, the software to control it needs to become more sophisticated to take full advantage of its capabilities. AvaWatz’s competitive advantage is the idea that different robots can contribute different abilities, and together they can accomplish something that no one robot can do by itself. On an airfield, for example, a flying robot can observe a lot of runway real estate quickly and it can spot all sorts of small and large debris, and ground robots can go to a designated spot and actually pick up and dispose of the debris. This capability for cooperation is new to the robotic industry. While most of the industry is focused on creating and selling single-purpose robots, AvaWatz is creating the software to build teams of different types of single-purpose robots that work together to solve the harder kinds of problems, the problems that right now have to be done by teams of humans.

This is a different way of thinking about how to use robots. We still use single-purpose robots, but we see them as building blocks of problem-solving systems, not as stand-alone solutions. AvaWatz believes that making robots more intelligent is at least as important as making them more agile and powerful. As we survey the robot industry today we see a great opportunity to work together with the robot hardware manufacturers to add a different kind of intelligence to the sophisticated hardware they are building. The state of the robotics industry today is like the state of the computer industry in the 1950s, 60s, and 70s, before the introduction of the desktop personal computer and ubiquitous networking, and we believe that a broader imagining of robot intelligence can be as revolutionary as the IBM PC, Apple II, and Ethernet were in their time.

## **THE MARKET**

### **The Current State of the AI and Autonomous Robotic Industry**

#### **WORTH THE INVESTMENT**

Autonomous robots are in a growing category of devices—including drone aircraft (aerial robots)—that can be programmed to perform tasks with little to no human intervention or interaction. They can vary significantly in size, functionality, mobility, dexterity, artificial intelligence, and cost, from factory assembly robots to flying vehicles with powerful image and data capturing capabilities.

Increasingly, autonomous robots are programmed with artificial intelligence to recognize and learn from their surroundings and make decisions independently. This is a significant change from earlier generations of robots that only had a limited set of skills, and this new space of adaptive robot intelligence is where AvaWatz is working to make a difference. Our product is the Artificial Intelligence software that gives robots the awareness and the decision-making ability to work in teams in unstructured environments, both indoors and outdoors.

Deloitte recommends: Continue to monitor advancements in autonomous robots for applicability to supply chain. Autonomous robotics have the potential to improve operations, and they offer new opportunities to increase productivity, reduce risk, decrease cost, and improve data collection, particularly as customer expectations and volumes of packages, shipments, and orders reach unsustainable levels for traditional approaches.

#### **RECENT DEVELOPMENTS AND OUTLOOK**

Much of the current interest in autonomous robots is driven by successes in using robots in warehouses and factories, but these uses barely scratch the surface of the space of potential applications. In particular, the opportunity to use autonomous collaborative robots in outdoor environments is only beginning to be explored in the commercial world. The ability to use robots outdoors is a topic of great interest to industries such as agriculture, construction, infrastructure utilities, emergency response and disaster management, security, and many others. AvaWatz software is designed to enable teams of robots to work together, either independently or as partners with human workers, in all these industries.

AvaWatz intelligent robotic software enables collaborative robotics for mission-critical tasking in applications that serve both government and commercial markets. The infrastructure services powered by AvaWatz intelligent software address a large market need that depends on the ability of different types of robotic systems to work together. AvaWatz software is creating the opportunity to extend the new technology into the following market verticals: inspection & maintenance, surveillance, and early warning for safety.

The ability for robots to collaborate on open-ended tasks, for example using aerial robots to find debris and ground robots to remove it, is opening a new world of opportunities beyond the warehouse and shop floor for robots to perform tasks that are dangerous, difficult, or tedious and repetitive, freeing human workers to be more creative and productive.

Much of the market analysis that is described here is based on projections of increased adoption of current

technology for current applications. It does not attempt to estimate the impact of extending that technology into broad new application spaces. In other words, it describes how the existing use of autonomous robots in warehouses and factories is expected to grow in the coming years, but it does not consider the effect of finding new ways to use autonomous robots that can work together on more complex tasks.

## **DRIVING VALUE IN THE SUPPLY CHAIN AND BEYOND**

Traditionally, autonomous robots have been deployed for executing routine and repetitive tasks, requiring complex programming for setup and implementation while lacking the agility to easily adjust operations. As autonomous robots become more sophisticated, set up times are decreasing, they require less supervision, and they are able to work side by side with their human counterparts. The benefits are expanding for the supply chain of the future as autonomous robots become capable of working around the clock with more consistent levels of quality and productivity, performing tasks that humans cannot, should not, or do not want to do. Supply chain applications like warehouse automation are only the beginning of the possibilities for autonomous robots. AvaWatz intelligent software will enable robots to bring the same benefits to workplaces such as construction sites, farms, power stations and transmission corridors, airports, industrial parks, and more.

Autonomous robots primarily drive innovation and value by reducing direct and indirect operating costs and increasing revenue potential. Specifically, autonomous robots can help:

- Increase efficiency and productivity
- Reduce error, re-work, and risk rates
- Improve safety for employees in high-risk work environments
- Perform lower value, mundane tasks so humans can work collaboratively to focus on more strategic efforts that cannot be automated
- Enhance revenue by improving perfect order fulfillment rates, delivery speed, and ultimately, customer satisfaction
- Secondary potential benefits of autonomous robots include:
  - Enhanced employee value through focus on strategic work instead of mundane tasks
  - Focus on personal safety by minimizing work in hazardous areas for employees
  - Boosted corporate brand by signaling leading-edge practices and implementation of innovative technology
  - Exponential learning by collecting and analyzing machine data

## **THE BOTTOM LINE**

The time for companies to assess their operations for piloting autonomous robots is now. Depending on needs and existing capabilities, implementing autonomous robots—from factory and warehouse automation to self-guiding vehicles with artificial intelligence—can provide significant improvements in productivity and efficiency while reducing labor costs and improving customer satisfaction.

As technology and autonomy continue to improve and prices decrease, the question is no longer whether autonomous robots will find a way into your business operations but where and how soon.

Source: <https://www2.deloitte.com/us/en/pages/manufacturing/articles/autonomous-robots-supply-chain-innovation.html>

## INDUSTRY TRENDS

### **Globally, Artificial Intelligence Can Add \$16T To Overall GDP**

PwC research shows global GDP could be up to 14% higher in 2030 as a result of AI – the equivalent of an additional \$15.7 trillion – making it the biggest commercial opportunity in today’s fast-changing economy.

Source: <https://www.pwc.com/gx/en/issues/data-and-analytics/publications/artificial-intelligence-study.html>

### **AI Market Size Is Expected To Reach \$1070 Billion By 2027**

The global artificial intelligence (AI) market size was valued at USD 454.12 billion in 2022 and is expected to reach a staggering \$1070 billion by 2027 and hit around USD 2,575.16 billion by 2032, progressing with a compound annual growth rate (CAGR) of 19% from 2023 to 2032. The North American artificial intelligence market was valued at USD 167.30 billion in 2022.

Source: <https://www.precedenceresearch.com/artificial-intelligence-market>

### **Smart Airport Market Size Worth \$25.09 Billion By 2025 | CAGR: 10.7%**

The global smart airport market size is expected to reach USD 25.09 billion by 2025, growing at a CAGR of 10.7%. According to a new report by Grand View Research, Inc. The growth can be attributed to the increased penetration of automated and connected airport processes, such as smart operations on the airfield and runways, self-service check-ins, smart baggage drop, and smart luggage tracking.

Source: <https://www.grandviewresearch.com/press-release/global-smart-airports-market>

### **Global Collaborative Robot Market Forecast To Reach \$141B By 2027**

The global robotics technology market size was estimated at USD 72.17 billion in 2022 and is expected to reach \$141.41B by 2027 and surpass around USD 283.19 billion by 2032 with a registered CAGR of 14.7% during the forecast period 2023 to 2032.

Source: <https://www.precedenceresearch.com/robotics-technology-market>

### **Strong Growth Over the Next Five Years**

Autonomous robots are expected to see strong growth over the next five years, particularly within supply chain operations that include lower-value, potentially dangerous, or high-risk tasks. For example, autonomous robots already have a strong presence in manufacturing, final assembly, and warehousing.

Source: <https://www2.deloitte.com/us/en/pages/manufacturing/articles/autonomous-robots-supply-chain-innovation.html>

## THE MANAGEMENT TEAM

Invest alongside experienced sector professionals.

The Company is managed by seasoned business professionals with extensive business experience. The management team is dedicated to the success of the Company.

The primary executive managers of the business are listed below:



**Rajini Anachi**  
**Founder, CEO, and President**

Rajini Anachi, Founder, CEO, and President of AvaWatz, is a serial entrepreneur and investor. She has successfully managed the development and go-to-market strategies of high-tech products and built successful businesses from ideation to M&A. Previously, Dr. Anachi founded mZeal/CyGlass, an AI-based cybersecurity company that was sold to Nominet, in 2020. Dr. Anachi has the business and technology experience to lead AvaWatz commercialization to bring new innovative and cost-effective cooperative robotic solutions to disrupt the flightline operations, transit asset maintenance, and surveillance markets worldwide. She is focused on bringing tremendous value to AvaWatz customers, employees, and investors.

Bala Jana is the Co-Founder, Vice President, Treasurer, and Secretary at AvaWatz. Mr. Jana brings deep operational expertise in commercialization, product-market-fit, and production. He was an early team member leading product innovation at Navic Networks, acquired by Microsoft in 2008. He served as operational lead at Cartera Commerce, acquired by Rakuten Company in 2017. At Zipcar, he led the application group, acquired by AVIS BUDGET Group. Mr. Jana was a director and strategic advisor at mZeal/CyGlass (acquired by Nominet in 2020). Mr. Jana's primary occupation is with Texas Instruments.



**Bala Jana**  
**Co-Founder, Vice President,**  
**Treasurer, and Secretary**



**J.R. May**  
**Director of Business**  
**Development & Sales**

J.R. May is the Director of Business Development and Sales at AvaWatz. He has 25+ years of experience in DoD and commercial sales. He leads direct sales to the defense agencies and commercial markets. He is coordinating partnerships for R&D, Autonomy Squad, and Surveillance. Mr. May led business development and sales at mZeal/Cyglass (acquired by Nominet in 2020). He has an extensive network of connections and team-building skills to scale sales and business relations for AvaWatz growth.

Prof. Rishabh Iyer joined AvaWatz Board of Advisors in 2022 and has been serving as AvaWatz Artificial Intelligence (AI) team Research Director. He is currently an Assistant Professor at the University of Texas, Dallas, where he leads the CARAML Lab and is a Visiting Assistant Professor at the Indian Institute of Technology, Bombay. Dr. Iyer specializes in compute efficient machine learning (ML) and advances in combinatorial optimization and information theory. He has received the best paper award at Neural Information Processing Systems (NeurIPS/NIPS, 2013), the International Conference of Machine Learning (ICML, 2013), and an Honorable Mention at CODS-COMAD in 2021. He has won several coveted awards and fellowships including, Adobe Data Science Research Award (2021), Microsoft Research Ph.D. Fellowship, Facebook Ph.D. Fellowship in 2014, and the Yang Award for Outstanding Graduate Student from the University of Washington in 2015.



**Rishabh Iyer**  
**AI Director & Research Advisor**



**John McKendry**  
**Product Development Director**

John McKendry leads the AvaWatz product platform software development team. He is experienced in guiding engineers, data scientists, algorithms specialists to build modular product platform components and services that work with different sensors and robotic hardware. He has a strong background in real-time control systems, artificial intelligence for multi-sensor analysis, robotic network engineering and autonomous edge computing. John was instrumental in architecting key product components including the cognitive engine at mZeal /CyGlass (acquired by Nominet in 2020).

Ajay Jain has 20+ years of experience in managing operations of an IT consulting company and 5 years of experience as corporate secretary of an investment banking company. Problem solver with expertise in relationship management, talent acquisition and people management, business development, process optimization, legal compliance, contract negotiation and vendor management, and digital marketing.



**Ajay Jain**  
**Operations Manager**



**Walter Rawle**  
**Sensors, AI & Autonomous**  
**Systems SME**

Dr. Walter Rawle has commercial and military experience across a wide spectrum of domains including, multiple sensor physics, robotic hardware interfaces, advanced combinatorial machine learning, stochastic analysis, position- navigation-timing for GPS-denied. An alumnus of Ericsson, General Dynamics, General Electric, Ultra Electronics and United Technologies, He brings a unique combination of commercial product development, in-depth analytical acumen and theoretical foundation, and strong leadership coupled with a common-sense hands-on engineering approach to complex problem solving. He holds Professional and Academic Affiliations such as, Univ. of S ME Engineering Advisory Board, U ME PhD Student Advisory Committee, Vice Chair IEEE USA Congressional Advisory Committee Aerospace and Transportation Policy, Member IEEE USA Congressional Policy Committee, Artificial Intelligence and Autonomous Systems, Member, HKN Honors Society, Member, Antennas and Propagation Technical Society, Member, Aerospace and Electronics Systems, Technical Society, Member, Industrial Applications Society

Neal Wadhvani joined AvaWatz Board of Advisors in March 2022. Neal has been a Sales and Marketing professional for 25+ years, in Fortune 500 and public companies. He has had a “hands-on” approach to all facets of the Sales, Presales, and Marketing process. Over the course of his career, his focus has been Technology Sales, Presales, ITOps, Digital Marketing, and executive leadership experience with high- growth startups.



**Neal Wadhvani**  
**Sales & Marketing Advisor**

# **SECTION 2**

## **Private Placement Memorandum**

## AvaWatz Company

1,979,167 shares of Preferred Stock (“Shares”)  
 \$4 per share  
 Minimum Offering Amount: \$10,000 Maximum Offering Amount: \$5,000,000  
 Bonus Shares: 729,167 Shares  
 \$2,500 Minimum Subscription<sup>1</sup>

AvaWatz Company (the “Company” or “AvaWatz”) a Texas Corporation, is offering 1,250,000 shares of Preferred Stock for \$4 per share (subject to additional terms and conditions as outlined in “Perks Program”).

The offering price per share has been arbitrarily determined by the Company - See Risk Factors: Offering Price.

THESE ARE SPECULATIVE SECURITIES, WHICH INVOLVE A HIGH DEGREE OF RISK. ONLY THOSE INVESTORS WHO CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD INVEST IN THESE SHARES.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), THE SECURITIES LAWS OF THE STATE OF Texas, OR UNDER THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION IN RELIANCE UPON THE EXEMPTIONS FROM REGISTRATION PROVIDED BY THE ACT AND REGULATION D RULE 506(c) PROMULGATED THEREUNDER, AND THE COMPARABLE EXEMPTIONS FROM REGISTRATION PROVIDED BY OTHER APPLICABLE SECURITIES LAWS.

	<b>Sales Price</b>	<b>Est. Commissions<sup>2</sup></b>	<b>Proceeds to Company</b>
Per Share	\$4	\$0.24	\$3.76
Minimum	\$10,000	\$600	\$9,400
Maximum	\$5,000,000	\$300,000	\$4,700,000

(1) The Company reserves the right to waive the \$2500 minimum subscription for any investor. The Offering is not underwritten. The Shares are offered on a “best efforts” basis by the Company through its broker OpenDeal Broker LLC dba Capital R. The Company has set a minimum offering amount of \$10,000 for this Offering. All proceeds from the sale of Shares will be deposited in an escrow account. Closings shall (i) occur no more frequently than every twenty-eight (28) calendar days and (ii) when no less than \$50,000 is dispersible. In the event of any Closing prior to the conclusion of the Offering, the Company may only draw on eighty percent (80%) of the amount of proceeds that have cleared the escrow account and are not subject to any contingencies with respect to the Offering and the applicable subscription.

- (2) The Company shall pay ODB 6.0% of the gross proceeds for subscriptions up to \$50,000 and 3.0% of the gross proceeds for subscriptions greater than \$50,000. The company shall also pay ODB a securities commission equivalent to 2.0% of the dollar value of Securities sold in this Offering, such amounts will not affect the net proceeds, but will have a dilutive effect on the Securities issued to Investors.
- (3) ODB shall charge approximately two percent (2.0%) of the Offering's proceeds as the cumulative fee for payment processing services, which may include ACH, credit card, wires, and payments in alternative currencies convertible to dollars, shall be passed through to the Issuer from those fees charged by any bank utilized by the Platform, BitPay Inc., Stripe Inc., and any other payment processor mutually agreed to by ODB and the Issuer.
- (4) ODB shall, in its sole discretion, charge a 2.0% cash fee on gross subscriptions made by each Investor who subscribes to the Offering through the Platform, with a minimum fee of \$5 and a maximum of \$300 per subscription.

The Offering will terminate on the earliest of (a) the date the Company, in its discretion, elects to terminate, or (b) the date upon which all Shares have been sold, or (c) October 31, 2024, or such date as may be extended from time to time by the Company, but not later than 180 days thereafter (the "Offering Period").

THIS OFFERING IS NOT UNDERWRITTEN. THE OFFERING PRICE HAS BEEN ARBITRARILY SET BY THE MANAGEMENT OF THE COMPANY. THERE CAN BE NO ASSURANCE THAT ANY OF THE SECURITIES OFFERED THROUGH THIS OFFERING WILL BE SOLD.

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY, NOR HAS ANY SUCH REGULATORY BODY REVIEWED THIS OFFERING MEMORANDUM FOR ACCURACY OR COMPLETENESS. BECAUSE THESE SECURITIES HAVE NOT BEEN SO REGISTERED, THERE ARE RESTRICTIONS ON THEIR TRANSFERABILITY OR RESALE BY AN INVESTOR ("RESTRICTED SECURITIES").

THE ISSUANCE OF THE SECURITIES IS BEING UNDERTAKEN PURSUANT TO RULE 506(c) OF REGULATION D UNDER THE SECURITIES ACT OF 1933.

THIS OFFERING IS SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MIGHT BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. AN INVESTOR MUST REPRESENT THAT THE SECURITIES ARE BEING ACQUIRED FOR INVESTMENT PURPOSES ONLY, AND NOT WITH A VIEW TO OR PRESENT INTENTION OF DISTRIBUTION. THE OFFERING PRICE OF THE SECURITIES HAS BEEN ARBITRARILY DETERMINED BY THE COMPANY AND DOES NOT BEAR ANY RELATIONSHIP TO THE ASSETS THAT HAVE BEEN OR ARE TO BE ACQUIRED BY THE COMPANY OR ANY OTHER ESTABLISHED CRITERIA OR INDICIA FOR VALUING A BUSINESS

No person is authorized to give any information or make any representation not contained in the Memorandum and any information or representation not contained herein must not be relied upon. Nothing in this Memorandum should be construed as legal or tax advice. Potential investors should consult representative or professional.

The managers of the Company have provided all of the information stated herein. The Company makes no express or implied representation or warranty as to the completeness of this information. Investors should not rely on forward-looking statements because they are inherently uncertain. Investors should not rely on forward-looking statements in this Private Placement Memorandum. This Private Placement Memorandum contains forward-looking statements that involve risks and uncertainties. The use of words such as “anticipated”, “projected”, “forecasted”, “estimated”, “prospective”, “believes”, “expects,” “plans”, “future”, “intends”, “should”, “can”, “could”, “might”, “potential”, “continue”, “may”, “will”, and similar expressions identify these forward- looking statements. Investors should not place undue reliance on these forward-looking statements, which may apply only as of the date of this Private Placement Memorandum. It is expected that each prospective investor will pursue his, her, or its own independent investigation. It must be recognized that estimates of the Company’s performance are necessarily subject to a high degree of uncertainty and may vary materially from actual results.

No one has been authorized to give any information or to make any representation with respect to the Company or the Shares that is not contained in this Memorandum.

This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy to anyone in any jurisdiction in which such:

(i) offer or solicitation would be unlawful, (ii) is not authorized, or (iii) in which the person making such offer or solicitation is not qualified to do so. This offering is only available to “accredited” investors as defined by Rule 501 of Regulation D. All subscriptions for purchase of securities will be subject to verification by the Company of the investors status as an accredited investor.

This offering is made subject to termination or modification by the Company, solely at the Company’s discretion. The Company reserves the right to reject any subscription.

Distribution of this Memorandum to any person other than the prospective investor to whom this Memorandum is delivered to by the Company is unauthorized. Any reproduction of this Memorandum, in whole or in part, or the divulgence of any of the contents without the prior written consent of the Company is strictly prohibited. Each prospective investor, by accepting delivery of this Memorandum, agrees to return it and all other documents received by them to the Company if the prospective investor’s subscription is not accepted or if the Offering is terminated.

By acceptance of this Memorandum, prospective investors recognize and accept the need to conduct their own thorough investigation and due diligence before considering a purchase of the Shares. The contents of this Memorandum should not be considered to be investment, tax, or legal advice and each prospective investor should consult with their own counsel and advisors as to all matters concerning an investment in this

Offering.

## **OFFERING SUMMARY**

The following material is intended to summarize information contained elsewhere in this Private Offering Memorandum (the “Memorandum”). This summary is qualified in its entirety by express reference to this Memorandum and the materials referred to and contained herein.

Each prospective subscriber should carefully review the entire Memorandum and all materials referred to herein and conduct his or her own due diligence before subscribing for Shares

## **THE COMPANY**

AvaWatz Company (“AvaWatz”, or the “Company”), began operations in February 13, 2019 with the purpose of building intelligent software enabling teams of mobile robots to perform airfield flightline operations. The Company’s legal structure was formed as a corporation under the laws of the State of Texas on February 13, 2019.

Its principal offices are presently located at 4400 State Highway 121, Suite 300-315, Lewisville, TX 75056. The Company’s telephone number is (214) 513-3417. The Chief Executive Officer and primary executive manager of the Company is Rajini Anachi.

## **FORWARD BUSINESS PLANS**

Portions of AvaWatz Company forward business plans, as disclosed in this Memorandum, were prepared by the Company using assumptions, including several forward-looking statements. Each prospective investor should carefully review this Memorandum and all related exhibits before purchasing Shares. Management makes no representations as to the accuracy or achievability of the underlying assumptions and projected results contained herein.

## ***OPERATIONS***

See “Plan of Operations.”

## **SUBSCRIPTION PERIOD**

The Offering will terminate on the earliest of: (a) the date the Company, in its discretion, elects to terminate, or (b) the date upon which all Shares have been sold, or (c) October 31, 2024, or such date as may be extended from time to time by the Company, but not later than 180 days thereafter (the “Offering Period”).

## **THE OFFERING - PREFERRED SHARES**

The Shares offered hereby are 1,979,167 shares of Preferred Stock, \$0.001 par value, including 729,167 Bonus Preferred Shares. The Company’s authorized capital stock consists of fifty million (50,000,000)

shares divided into two classes, of which thirty million (30,000,000) shares are designated as Common Stock with a par value of \$0.001 per share, and twenty million (20,000,000) shares are designated as Preferred Stock with a par value of \$0.001 per share. 355,287 shares of Preferred Stock are currently issued and outstanding. 656,780 shares of Preferred Stock are further reserved for ongoing offerings. Upon completion of the Offering, between 1,014,567 and 2,991,234 shares of Preferred Stock will be issued and outstanding.

Each purchaser must execute a Subscription Agreement making certain representations and warranties to the Company, including such purchaser's qualifications as an Accredited Investor as defined by the Securities and Exchange Commission in Rule 501(a) of Regulation D promulgated. SEE "REQUIREMENTS FOR PURCHASERS."

## **RISK FACTORS**

See "RISK FACTORS" in this Memorandum for certain factors that could adversely affect an investment in the Shares. Those factors include reliance on management, competition, and unanticipated obstacles to execution of the Business Plan.

## **USE OF PROCEEDS**

Proceeds from the sale of Shares will be used for marketing, capital raise, sales material, marketing programs, customer reach, new product development, and market testing to iteratively mature the current product line and to hire key personnel for operations scaling. SEE "USE OF PROCEEDS".

## **ESCROW OF SUBSCRIPTION PROCEEDS**

Cash received in connection with purchases will be placed into an escrow account established by the Company with an escrow agent designated by ODB for the benefit of the Offering (the "Escrow Account"). Purchasers in the Offering will not have the right to revoke their purchase at any time. If a purchase is rejected for any reason, it will be refunded without interest or deduction save any applicable wires fees. Purchasers will follow instructions for completing payment when making their investment via the Republic Platform that is operated for the benefit of the offering. Any subscription made through the Republic Platform will have the consideration directed and immediately be deposited into the bank account of an escrow agent designated by ODB (the "Escrow Agent").

## **REGISTRAR**

The Company will serve as its own registrar and transfer agent with respect to its Preferred Stock.

## **PLAN OF OPERATIONS**

### **INTRODUCTION**

AvaWatz Company (“AvaWatz” or the “Company”) is a corporation organized under the laws of the state of Texas that designs and builds software systems for autonomous robot teams. The Company targets its products toward three application markets, namely Surveillance & Security, Inspection & Maintenance, and Early Warning for Safety. Its software implements Trusted AI platform services that give robots the ability to sense their surroundings, decide on a course of action, and act in difficult and dangerous conditions such as adverse weather and unmapped off-road terrain. AvaWatz is also developing software that allows robots to share information with one another and make group decisions without the need for a centralized controller.

### **BUSINESS FOCUS**

AvaWatz’s first market was the US Air Force and Army and the Department of Homeland Security Cybersecurity and Infrastructure Security Agency (DHS CISA). Working with these agencies made us aware of several unmet needs with broad application, including the need for robots that can operate in adverse conditions and the need for robotic teaming Command and Control software that can make real-time decisions based on current operational conditions and on mission objectives. As we develop software with the capabilities to meet those needs we are finding many opportunities to apply those new capabilities to problems in the private sector as well.

AvaWatz will continue to work closely with the military, with DHS CISA, and with other Government agencies, because those agencies can make us aware of new areas of application and new requirements well in advance of the private sector, and they can sponsor and provide guidance and feedback on advanced research. At the same time, we are actively pursuing opportunities to bring our capabilities to the private sector.

We do not wish to become a manufacturer; our experience and our strengths are in the sensing and Command and Control software that enables robot autonomy and teaming. For that reason, we are forming partnerships with Defense prime contractors and with private-sector industry partners who have the domain expertise to build the robotic hardware for particular applications.

Many important innovations in Machine Learning, sensing and sensor data fusion, and robotics arise first in the academic research community, so AvaWatz has formed strong and long-lasting ties with leaders in that community. Being aware of current academic research is essential to our goal of maintaining a technology lead in the emerging domain of robot autonomy.

### **HISTORY – MILESTONES**

AvaWatz Company was incorporated in the state of Texas on February 13, 2019. Since then, we have:

- Raised over \$2M using equity crowdfunding

- Built and matured working prototypes used by the US Air Force, US Army and the Homeland Security to commercial versions
- Increased the sales pipeline to \$16M with the opportunity to close 8% to 10% on a rolling basis.
- Established working relationships and partnerships with defense prime contractors and with industry leaders in private sector markets.
- Continually transitioned advanced R&D into the commercial product platform, targeting Surveillance, Inspection & Maintenance, and Early Warning for Safety market verticals.
- Designed and developed novel robotic vision and perception models that provide reliable object detection, identification, and target tracking in darkness, severe weather, and unmapped terrain, overcoming many known limitations of conventional models.
- Developed software methods that detect and autocorrect errors made by machine learning algorithms, methods that make the system more trustworthy and that provide a foundation for Trusted AI services across all our product lines.
- Expanded the range of use cases for our products to include inspecting power transmission infrastructure, worksite safety monitoring, and collaborative team navigation without a centralized controller.

#### **Some key facts about our target market:**

- Foreign Object Debris and Damage Prevention costs over \$4B yearly
- AI Market Size Is Expected to Reach \$1070 Billion By 2027
- Global Collaborative Robot Market Forecast to Reach \$141B By 2027

#### **Historical Results of Operations**

- Revenues & Gross Margin. For the period ended December 31, 2023, the Company had no revenue compared to the year ended December 31, 2022, when the Company had revenues of \$389,523. Our gross margin was 42.63% in fiscal year 2022.
- Assets. As of December 31, 2023, the Company had total assets of \$884,434, including \$491,085 in cash. As of December 31, 2022, the Company had \$636,975 in total assets, including \$390,734 in cash.
- Net Income. The Company has had net loss of -\$843,206, and -\$468,980 for the fiscal years ended December 31, 2023 and December 31, 2022, respectively.
- Liabilities. The Company's liabilities totaled \$192,969 for the fiscal year ended December 31, 2023 and \$200,388 for the fiscal year ended December 31, 2022.

## **THE CONCEPT**

### **Transforming Robots into Cooperative Teams with AI**

AvaWatz creates software that transforms individual robots into cooperative tasking teams - so they work faster, get more done, and increase safety to reduce human error. We do this using AI algorithms that help robots both cooperate and learn to perform tasks - every time they do their job they get better at it.

We have all grown up in the company of robots, in books and movies and on the Internet, and those fictional robots have created a popular understanding of what robots can do that doesn't always match reality. Real robots tend to be highly specialized to perform one task very well, whether it is cleaning floors, collecting

items from a warehouse, or tightening the bolts on a wheel. That's fine for a task like assembling an automobile, but it means that today's robots are not good at tasks that involve on-the-spot decision-making with multiple choices, like deciding whether to send a drone or a ground robot to inspect an unknown object.

### **The Need & Solution**

Despite all our human ingenuity, there are still tasks that stubbornly resist all our attempts to automate them. Why is it that we can largely automate the process of building cars, but not the process of building houses? One of the biggest differences is predictability.

Cars can be built in factories where every step of the process is rigidly controlled. Every house is built in a different location, on different soil, under different weather conditions, with different materials and design specifications. Today's robots can certainly learn the tool-handling skills needed to build a house, but if they are to become proficient at building houses, they must also be able to use those skills in a variety of different settings.

AvaWatz is working to give robots the ability to work together in unstructured and unpredictable settings. Our first product, called HAYA, uses drones to inspect airfield runways and detect hazardous debris, working with ground robots to retrieve the debris. This kind of teamwork calls for complex reasoning and decision-making, and it is this kind of group decision-making that the AvaWatz platform enables.

### **Products & Services**

Debris removal is a simple example of the kind of problem AvaWatz is solving. Starting from HAYA, AvaWatz is developing new product lines for more complex use cases that involve air, ground, and water-borne robots, with different sensors and actuators, working together on tasks like power infrastructure inspection, post-storm recovery, and wildfire management. To support this broad range of applications, AvaWatz devotes significant Research and Development effort to developing methods sensing and operating in adverse conditions, including night, bad weather, smoke, and GPS-degraded and GPS-denied conditions, and methods for Distributed Command & Control of robot teams without the need for a centralized controller node.

AvaWatz has identified three principal application markets where autonomous and semi-autonomous robot teams can be game-changing, namely Surveillance, Inspection & Maintenance, and Early Warning for Safety. Surveillance is already a common application for air and ground robots in both the public and private sectors; surveillance robot teams can view an object from different positions for better identification, and can track targets with high assurance in crowded and cluttered surroundings. AvaWatz has also developed specialized target-tracking software that can detect and autocorrect many common errors that limit the usefulness of conventional automated tracking software.

AvaWatz is actively developing and marketing robotic Inspection & Maintenance software for use in the US electric power grid. We have developed Machine Learning software for examining components of power transmission towers using drone-based video and identifying and diagnosing problems such as broken components and degraded materials.

Early Warning for Safety is a subject of particular interest to AvaWatz, because we believe that increased

safety is one of the most important benefits of using robots. Specialized robots are already being built to work alongside human workers in dangerous industries like construction and agriculture, where the robots perform tasks like lifting heavy and bulky objects or spraying hazardous chemicals. AvaWatz is developing robotic software that will make these workplaces safer by recognizing and warning workers about unsafe situations and violations of safety regulations, such as failure to wear a hard hat correctly on a construction site.

**The Future**

AvaWatz is a pioneer in the emerging realm of robot collaboration and teaming with its vision of using teams of robots with mixed capabilities to perform complex multi-step tasks. Its software is hardware-agnostic, scalable, and follows established and emerging standards. The product’s capabilities support a wide variety of commercial applications in public and private sectors.

The AvaWatz business development team works closely with potential customers in Government and private industry to learn of critical problems and to find opportunities to deploy autonomous or semi-autonomous robot teams. In five years, we want to create a strong brand and market presence for AvaWatz. We believe that AvaWatz has a strong first-mover advantage with our vision of smart cooperating teams of robots with complementary skills, and we want to maintain that advantage by finding new areas of application for that idea. We intend to increase the adoption of our products and accelerate AvaWatz’s growth by discovering additional markets where robot teams can solve hard problems, so we want potential customers to learn about what we are doing and to come to us with their questions, ideas, and problems to be solved.

**PATENT AND COPYRIGHT**

A copyright notice is placed on all copies of AvaWatz source code and all of the Company’s software products and some of the markings are already on display for pending trademark registrations.

SERIAL #	PATENT NAME	FILING DATE	ISSUE DATE	LOCATION
63/501,030	SYSTEM AND METHOD FOR LABELING, EVALUATION, AND IMPROVEMENT OF TRAINING AND TESTING FOR MACHINE LEARNING	May 9, 2023	Pending	USPTO
63/579,789	SYSTEMS AND METHODS FOR TRUST-AWARE ERROR DETECTION, CORRECTION, AND EXPLAINABILITY IN MACHINE LEARNING AND COMPUTER VISION	Aug 30, 2023	Pending	USPTO

## INCOME

The company targets its products toward three application markets, namely Surveillance Security, Inspection Maintenance, and Early Warning Safety in the public sector and private sector. The public sector traction is with US Air Force, Army and Department of Homeland Security (DHS). The private sector traction is with regional airports, large industry leaders in the infrastructure and utility industries, and sensor and robotic manufacturers.

The company’s business model consists of subscription services (SaaS) with Service Level (SL) focused on three areas of market verticals: Inspection & Maintenance, Surveillance, and Early Warning for Safety. The airfield flightline operation is one of the solutions under the Inspection & Maintenance track. Our services benefit commercial markets, both the private sector and the US military. The contract duration is from 1 year to 5 years long.

The company uses direct sales, partnerships, and other distribution channels. Direct sales include digital marketing and brand awareness campaigns.

Trusted A.I. Services	Target Market	Income/Revenue Projections
<b>Platform Services</b>		
GENIE for Precision and Efficiency in ML Model Training. Beta Release Q1. Q2 early sales FALCON for Model Evaluation and Error Correction. Q3	Critical infrastructure companies including utility, transportation, manufacturing Insurance companies Robotic OEM, Integrators Military, for surveillance (ISR), off- road robotic vehicles, early warning	2024: \$2.0M 2025: \$4M 2026: \$6M 2027: \$8M
NORD for No GPS Operations: Military	Military Special Operations Sell as platform service	2024: \$0.5M 2025: \$2M 2026: \$3M 2027: \$4M
<b>Use Case Solutions</b>		
Q1 2024: DARI: Early Warning Safety Q2 2024 ARWEN for Surveillance Security HAYA for Inspection Maintenance	US Army (off-road robotic vehicles, ISR), Manufacturing DHS (soft targets crowds, boarder protection). Defense & Intel agencies (ISR), Hospitality & Healthcare (through strategic partnership only) US Air Force (runways, perimeter protection, ISR) Future: Commercial Airports, Powerline inspections	2024: \$1.5M 2025: \$4M 2026: \$6M 2027: \$8M

Our primary source of income is the sale of collaborative robot services either to end users of those services, or to resellers and systems integrators such as defense primes who incorporate those services into larger programs. The company targets these services toward three application markets, namely Surveillance,

Inspection & Maintenance, and Early Warning for Safety in the public sector and private sector. The public sector traction is currently with US Air Force, Army, and Department of Homeland Security

Cybersecurity and Infrastructure Security Agency (DHS CISA), and AvaWatz is exploring opportunities to work with Intelligence Community agencies who need to analyze and interpret large volumes of sensor data. The private sector traction is currently with regional airports, large industry leaders in the infrastructure and utility industries, and sensor and robotic manufacturers.

These services can take the form of either complete applications or special-purpose modules that provide a particular ML capability in the context of a larger application system. Examples of complete applications include:

- HAYA, which uses drones to inspect airfield runways and detect hazardous debris, working with ground robots to retrieve the debris. HAYA was initially developed for the US Air Force and is now being marketed to private municipal airports. The drone-based sensor and Computer Vision technology that AvaWatz developed in HAYA is also being repurposed for infrastructure inspection, specifically for close inspection and fault detection on electric power transmission lines and towers, in collaboration with private sector service providers.
- DARI, which uses teams of ground vehicles and drones for surveillance and navigation in both urban/suburban/rural mapped and off-road unmapped environments. DARI was developed for the US Army and is now being expanded and marketed for private-sector applications such as post-storm disaster recovery and wildfire management.
- ARWEN, which uses drones, ground vehicles, and stationary cameras to monitor activity in crowded places and identify potential threat vectors. Originally developed for DHS CISA, ARWEN is being marketed to private-sector enterprises like event producers and facilities managers.

Examples of stand-alone special-feature modules include:

- FALCON High-Confidence Automated Target Tracking. Standard Target Tracking software is subject to a number of errors when tracking targets in crowds, in adverse weather and poor light, and when a target goes out of a camera's field of view. The software demands constant or near-constant attention from the operator. FALCON is a "watchdog" software module that monitors the output of standard Automated Target Tracking software, detects errors, and either auto-corrects the error or notifies an operator that human intervention is required to correct the problem. FALCON is being marketed to military and Intelligence Community customers and contractors, and to private-sector customers concerned with security.
- Assured/Alternative Position/Navigation/Timing Services (A-PNT). This is a package that can be configured with Inertial Measurement Unit (IMU) sensors, visual-spectrum and/or infrared cameras, and other sensors to provide accurate PNT information when GPS/GNSS signals are jammed, spoofed, or otherwise unreliable. It is offered as an option with our full applications, and can also be licensed as a separate stand-alone feature to be integrated into a larger system. Customers include military services, the Intelligence Community, and private-sector users who need to navigate in adverse conditions.
- High-Confidence Inferencing. As part of its work on the HAYA, DARI, and ARWEN applications, AvaWatz has developed and refined a number of specialized ML capabilities that can easily be repurposed and integrated into other applications. For example, we have devoted a great deal of Internal

Research & Development (IRAD) effort to creating specialized ML models for Activity Recognition that outperform conventional methods at recognizing complex activities like building a brick wall or operating a forklift. Activity Recognition answers the question, “What is that person doing in this video?” so sharper Activity Recognition is an essential building block for better-automated scene understanding. This capability is of great interest to the military, where there is a continuing demand for enhanced Situational Awareness, and we are also marketing to manufacturing and construction industries as a tool for shop floor and construction site safety awareness.

- Cooperative Navigation – Robotic OEM integrators

Another income stream is from sale of services that support the development of Machine Learning systems, such as services for automated labeling of training data and automated evaluation and improvement of ML models. AvaWatz has developed a suite of innovative tools for improving the quality of the datasets we use to train our ML models, and we realize that those tools, initially developed for our own internal use, can also be packaged as stand-alone services to external customers. Customers for those services include companies and organizations who want to use ML capabilities as a component of a larger system and who do not have the necessary technical expertise to manage that capability in-house.

## **EXPANSION OVERVIEW**

We received R&D funding from 2019 to 2022 from US defense agencies to develop the technology. In 2023, we continued to mature the products for sale in 2024. From Q3 of 2023, we are pursuing opportunities to sell the product and services - with a sales pipeline of over \$16 million.

In six months, we expect to close 8-10% in booked revenues. We expect roughly a 25% increase in expenses during this period. The projected increase in revenues and expenses is based upon the expected success of these efforts. In addition, the Company will continue to expand its marketing scope which will result in an increase in expenses.

Capital raised in this offering shall be used to achieve the projected early sales targets enabling expansion thereafter. Currently, the Company has not contemplated additional future sources of capital. A \$200,000 line of credit was approved.

The company plans to target the following market segments to offer its products and services:

- **Continue with Government**
  - Military
    - ISR
    - Logistics & mobility - GCV
    - Base protection
    - Counter-UAS
    - Future – Navy/Marines
  - IC – NGA, NRO,
  - DHS
    - CISA
    - FEMA

- Land management – Dept of Interior?
- **Enter Private Sector**
  - Airports
  - Power grid
  - Infrastructure inspection
  - Facilities – security
  - Factories & Construction
  - Geospatial
    - Land use
    - Urban planning
  - Emergency Management / Disaster Response
  - Search & Rescue
- **Platform Services**
  - Trusted AI framework
  - Auto evaluation & ML training enhancement pipeline
  - Decision
  - Command & Control

In the next five years AvaWatz intends to grow by following two paths, first by extending its portfolio of applications of robotic teaming, and second by marketing its ML development tools as platform services to organizations that are developing their own applications with an ML component.

### **Applications Path**

AvaWatz will continue to work with Government departments and agencies, including the Department of Defense and military service, the Intelligence Community (IC), and the Department of Homeland Security (DHS). These agencies are important sources of forward-looking information about requirements and technological innovations that are not yet visible in the private sector. AvaWatz is well-positioned to establish a presence in the areas of Intelligence-Surveillance-Reconnaissance (ISR), Logistics & Mobility (autonomous and semi-autonomous air and ground vehicles), Counter-UAS, and base perimeter protection, and we will add marine, submarine, and amphibious robotic vehicles to our teaming capabilities.

For the IC, we will market our capabilities for combining geospatial information with surveillance imagery to the agencies responsible for collecting and analyzing satellite and high-altitude overhead imagery, the National Reconnaissance Office (NRO) and National Geospatial Intelligence Agency (NGA). There has been an explosion recently in the number of private companies offering satellite surveillance services on demand, both to the Government and to the private sector, and AvaWatz will pursue opportunities to partner with some of those companies to add analytic services to their data offerings.

AvaWatz has worked with DHS Cybersecurity and Infrastructure Security Agency (CISA) previously on a product for Soft Targets and Crowded Places Security, and we will extend and productize that work and market it to facilities managers, event producers, and security service providers in the private sector. We will also approach the Federal Emergency Management Agency (FEMA) and state-level Emergency Management Agencies with services using robot-human teams for post-disaster damage assessment and

response management, search and rescue operations, and emergency communications.

Our plans for expansion on the applications path involve bringing the capabilities that we have developed with Government-funded advanced research into the private sector. We have already mentioned working with private-sector satellite surveillance services and security services. We have identified Surveillance, Inspection, and Safety as the three private-sector vertical market segments that we will target. Within those verticals, our strategy for growth is to identify an underserved need that we can address with simple modification of our existing products, and then concentrate on building a best-in-class solution for that need.

### **Platform Services Path**

AvaWatz has developed and refined a number of software tools and processing pipelines for improving the performance of many generic ML methods, and we will license these tools for use by organizations that want to build their own ML applications to solve specialized problems. There is a good amount of state-of-the-art ML software that is freely available to adapt and reuse, but most of that software has been trained with commonly available data, and needs to be retrained to deal with less common data.

For example, a new published algorithm for Object Classification may be very good at recognizing cats, dogs, horses, and cows without any effort on the part of the user, because those objects are well-represented in the publicly available datasets of images that are almost universally used to train and test Object Classification algorithms. When that algorithm is called on to recognize a sloth, though, it is certain to fail, because it has never seen a sloth. An organization that wants to use sensors and computers to monitor the activities of sloths will have to build its own application, and will have to begin by training Object Classification software to recognize sloths.

An algorithm that can identify cats and dogs is perfectly capable of identifying sloths as well; it simply needs to be shown a large number of pictures of sloths with the label “sloth” attached. But while it’s easy to describe the solution, the actual process of preparing those labeled pictures is laborious, tedious, and slow. More sample data means better learning, so a typical sample set may contain thousands of individual images, and for each image a human labeler has to draw a bounding box around the sloth or sloths and attach the “sloth” label to each bounding box. The human labor involved makes it difficult for many organizations to build special-purpose ML applications. We have described a simple notional use case, but most real-life use cases will be more complex and more time-consuming than this example.

It would not be profitable for AvaWatz to build a complete sloth-tracking application, but we can make it feasible for a sloth conservation organization to build their own using our licensed toolkit. We have built a set of tools that can greatly reduce the level of human involvement needed to prepare labeled training data and to refine the data set to deal with difficult edge cases where more samples are needed.

In addition to tools for customizing methods for sensor data collection and understanding, our toolkit can include tools for data sharing and fusion and tools for distributed decision-making and control. With the full set of licensed tools our notional sloth conservation organization can build an application that not only recognizes sloths, but also goes exploring to find them and sends robots out to deliver food to their favorite gathering places.

In the first area, sensing and understanding, AvaWatz has developed a suite of tools that users with minimal ML background can use to do the data preparation and labeling described above without the many hours of tedium that conventional labeling methods require. Beginning with a few hours' worth of labeled data, this toolkit can create the thousands of labeled sample images needed to train a standard ML model to work with specialized data – e.g. start with 50 labeled images of sloths and our software will produce hundreds or thousands of images of sloths in different positions, surroundings, lighting conditions, and so forth, enough example images to train the system to recognize sloths in most circumstances. Other tools in the suite can evaluate how well the system is performing, identify weaknesses in the model, and help create additional training data to remedy the weaknesses. Our simple example use case involves Object Classification, but our toolkit can help users develop other specialized Computer Vision capabilities as well, such as Obstacle Detection, Target Detection, Tracking, and Activity Recognition. Users who are experienced with these standard ML methods can use our evaluation tools to sharpen the accuracy of their models in dealing with difficult edge cases, addressing the “long tail” that separates 80% accuracy from 90 or 95% accuracy.

In the second area, data sharing and fusion, AvaWatz has developed a number of ML functions for combining the raw data from different types of sensors, for example visual-spectrum cameras, infrared cameras, and 3-dimensional LIDAR, along with functions for analyzing and interpreting the combined data. These data fusion methods can greatly improve Computer Vision and navigation capabilities in darkness, adverse weather, and off-road conditions. We are also developing networking middleware that enables multiple robot agents to share sensor data taken from different viewpoints. Observing a scene from different viewpoints allows for better description and localization of objects in the scene. AvaWatz will make these functions available to customers as licensed services, with or without additional consulting services.

In the third area, distributed decision and control, AvaWatz has developed a framework of novel ML methods that enable teams of robotic agents, with or without human partners, to make real-time decisions about how to navigate in changing environments and how to allocate resources to accomplish a mission's objectives. This is a complex system that must be customized with domain knowledge for each separate application, but AvaWatz is confident that the capabilities it offers will be useful to many different organizations in both the public and private sectors, so we will offer components of the system as licensed services with consulting to assist customers to use it for their own applications.

## **FUTURE FINANCES**

We received R&D funding from 2019 to 2022 from US defense agencies to develop the technology. In 2023 we continued to mature the products for sale in 2024. From Q3 of 2023, we are pursuing opportunities to sell the product and services - with a sales pipeline of over \$16 million.

In six months, we expect to close 8-10% in booked revenues. We expect roughly a 25% increase in expenses during this period. The projected increase in revenues and expenses is based upon the expected success of these efforts. In addition, the Company will continue to expand its marketing scope which will result in an increase in expenses.

Capital raised in this offering shall be used to achieve the projected early sales targets enabling expansion thereafter. Currently, the Company has not contemplated additional future sources of capital. A \$200,000 line of credit was approved.

## **MARKETING**

The Company uses direct sales, partnerships, and other distribution channels. Direct sales include digital marketing and brand awareness campaigns.

## **PARTNERSHIPS**

AvaWatz established working relationships and partnerships with defense prime contractors and with industry leaders in private sector markets. The prime contractors include Curtiss-Wright, CACI, Booz Allen, QinetiQ and others.

## **COMPETITION**

### **Our differentiation and value proposition**

Direct competition: There are a few companies that offer control and management of robot teams, such as Advanced Navigation's Cloud Ground Control service for drone fleet management, but those products are designed to facilitate control by human operators at an operations center. AvaWatz is not aware of any commercial offerings that support distributed autonomous or semi-autonomous command & control of robot teams without a central controller. We are confident that the goal of autonomous and semi-autonomous robot teams is realistic, based on our own work as well as on a substantial body of recent academic work on the topic, but work in the academic research community has not yet been translated into commercial offerings. This is why AvaWatz says we are a pioneer in the emerging realm of robot collaboration and teaming, with a significant first-mover advantage.

Indirect competition: There are a number of start-up companies who are building special-purpose robots to work alongside human workers, notably in the construction industries: For example, Advanced Construction Robots is a company that makes robots for rebar installation, and the similarly named Construction Robotics makes a bricklaying robot and a panel-lifting robot. Fastbrick Robotics makes another bricklaying robot, and Williams Robotics makes a panel assembly robot. Other indirect competitors in this industry are Locus Robotics and InVia Robotics in warehouse operation, Badger Technologies in retail inventory, or Savioke for indoor delivery-hospitality. In all these cases the Company is building robots that have one special skill, and then equipping their robots with software to implement that skill and to interact with co-workers in the context of that skill. AvaWatz wants to work with robotics specialists like these to give their robots additional abilities to work together as members of mixed human-robot construction crews or similar teams with multiple specialized skills.

As is the case with the specialized robot manufacturers mentioned above, general-purpose drone manufacturers such as DJI, Parrot, Skydio, and ground robot manufacturers such as Boston Dynamics would be better regarded as potential partners than as competitors. We believe that our ability to command and control the activities of teams of specialist and generalist robots will add value to those manufacturers' products.

## **Differentiation**

AvaWatz started out to build robots for airfield inspection operations, and we realized that we could solve the customer's problem better and more completely by using robots that work together to do different parts of the task, with some robots optimized for finding debris and others optimized for disposing of the debris. This concept of empowering teams of robots with different capabilities to perform complex tasks is what sets AvaWatz apart from others in the robotics industry.

Rather than building robots that specialize in one task or skill set, we are building an ecosystem of mechanisms for perceiving the world, sharing information with robot and human teammates, making consensus-based decisions, and acting to accomplish shared goals. This is how humans have cooperated for millennia. The needed technologies – sensors and data fusion, networks and communications, Machine Learning for distributed decision-making, and mobility and actuator design – are now sufficiently mature and robust that we can include robots in all stages of that cooperative process.

## **FINANCIAL AND OTHER COMPANY SPECIFIC REPORTS**

The Company will furnish to the Members unaudited annual financial statements after the end of each of the Company's fiscal years and information reasonably necessary for each Member to complete federal and state income tax or information returns within a reasonable time frame.

## **DIVIDEND PLANS**

AvaWatz currently does not have a dividend plan. However, we anticipate having a dividend plan in a 3 – 4 year time frame, and at that time we will share the plan and details with all shareholders.

## PRINCIPAL SHAREHOLDERS

The following table contains certain information as of March 7, 2024 as to the number of shares of Common Stock beneficially owned by (i) each person known by the Company to own beneficially more than 5% of the Company's Common and Preferred Stock, (ii) each person who is a Director of the Company.

Name	Shares	Ownership
Rajini Anachi	14,458,500 Common Stock	71.6891%
Bala Jana	1,606,500 Common Stock	7.9655%

## PREVIOUS OFFERINGS

Date of Issue	Type of Security	Shares Issued	Amount Raised \$
10/28/22	Common Stock with Voting Proxy	504979*	796556
12/22/22	Common Stock with Voting Proxy	62197	318425
9/15/23	Preferred Stock with No voting right	74002	222008
3/20/24	Preferred Stock with No voting right	281285	843856

\*After split at a ratio of 1:1.6065

## DESCRIPTION OF SHARES

The Shares offered hereby are 1,979,167 shares of Preferred Stock, \$0.001 par value, including 729,167 Bonus Preferred Shares. The Company's authorized capital stock consists of fifty million (50,000,000) shares divided into two classes, of which thirty million (30,000,000) shares are designated as Common Stock with a par value of \$0.001 per share, and twenty million (20,000,000) shares are designated as Preferred Stock with a par value of \$0.001 per share. 355,287 shares of Preferred Stock are currently issued and outstanding. 656,780 shares of Preferred Stock are further reserved for ongoing offerings. Upon completion of the Offering, between 1,014,567 and 2,991,234 shares of Preferred Stock will be issued and outstanding.

19,813,046 shares of Common Stock are outstanding, and 16,829,991 shares are currently issued and outstanding. The total outstanding Common Stock includes 2,983,055 shares to be issued pursuant to stock options, reserved but unissued. The company shall implement an Employee Incentive Plan at a later date.

### Preferred Shares

**Preferential Payments to Holders of Preferred Stock.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders, and in the event of a Deemed Liquidation Event (as defined below), the holders of shares of Preferred Stock then outstanding shall be entitled to be paid out of the consideration payable to shareholders in such Deemed Liquidation Event or out of the Available Proceeds (as defined below), as applicable, before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the greater of (i) one (1) times the applicable Original Issue Price, plus any dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of Preferred Stock been converted into Common Stock immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the "Liquidation Amount"). The "Original Issue Price" shall mean, with respect to the Preferred Stock, \$4.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Preferred Stock. If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its shareholders shall be insufficient to pay the holders of shares of Preferred Stock the full amount to which they shall be entitled, the holders of shares of Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full. "Available Proceeds" means the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation), together with any other assets of the Corporation available for distribution to its shareholders, all to the extent permitted by Texas law governing distributions to shareholders.

**Deemed Liquidation Event:** Each of the following events shall be considered a "Deemed Liquidation Event" unless the holders of a majority of the outstanding shares of Preferred Stock elect otherwise by written notice sent to the Corporation at least ten (10) days prior to the effective date of any such event:

- a. a merger or consolidation in which
  1. The corporation is a constituent party; or
  2. a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation, except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority of the capital stock of (1) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or
  
- b. (1) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole or (2) the sale or disposition (whether by merger, consolidation or otherwise, and whether in a single transaction or a series of related transactions) of one (1) or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

**Effecting a Deemed Liquidation Event.** The Corporation shall not have the power to effect a Deemed Liquidation Event referred to above unless the agreement or plan of merger or consolidation for such transaction (the “Merger Agreement”) provides that the consideration payable to the shareholders of the Corporation in such Deemed Liquidation Event shall be allocated to the holders of capital stock of the Corporation in accordance with preferential payments to holders of Preferred Stock.

**Amount Deemed Paid or Distributed.** The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities to be paid or distributed to such holders pursuant to such Deemed Liquidation Event. The value of such property, rights or securities shall be determined in good faith by the Board of Directors of the Corporation.

**Trigger Events.** Upon either (a) the closing of the sale of shares of Common Stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, or (b) the offering of shares of Common Stock to the public on another exchange or marketplace approved the Board of Directors, including a secondary trading platform (the time of such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the “Mandatory Conversion Time”), then (i) each outstanding share of Preferred Stock shall automatically be converted into one (1) fully paid and non-assessable share of Common Stock (subject to adjustments for stock dividends, splits, combinations, and similar events as determined by the Board of Directors of the Corporation) and (ii) such shares may not be reissued by the Corporation.

**Procedural Requirements.** All holders of record of shares of Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Preferred Stock. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion

Time. Upon receipt of such notice, each holder of shares of Preferred Stock in certificated form shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Preferred Stock converted pursuant to Trigger Events will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender any certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of any certificate or certificates of such holders (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of Procedural Requirements. As soon as practicable after the Mandatory Conversion Time and, if applicable, the surrender of any certificate or certificates (or lost certificate affidavit and agreement) for Preferred Stock, the Corporation shall (a) issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates (or if such shares are uncertificated, a notice of issuance of uncertificated shares) for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, and (b) pay any declared but unpaid dividends on the shares of Preferred Stock converted. Such converted Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for shareholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

Except as otherwise required by law or provided by the other provisions of this Certificate of Formation, as amended, the Preferred Stock shall have no voting rights.

See “Exhibit A, Certificate of Amendment of Avawatz Company”

## LITIGATION

The Company is not presently a party to any material litigation, nor to the knowledge of Management is any litigation threatened against the Company, which may materially affect the business of the Company or its assets.

## MANAGEMENT COMPENSATION

There is no accrued compensation that is due any member of Management. No directors who are members of Management will receive any director's fees. Each director will be entitled to reimbursement of expenses incurred while conducting Company business. Each director may also be a shareholder in the Company and as such will share in the profits of the Company when and if dividends are paid. Management reserves the right to reasonably increase their salaries assuming the business is performing profitably and Company revenues are growing on schedule. Any augmentation of these salaries will be subject to the profitability of the Business and the effect on the Business cash flows. Current and projected Management salaries for the next 12 months are:

**Rajini Anachi**, CEO and President:

Current: \$200,000 annualized salary payable monthly

Projected 12 months: \$200,000 annualized salary payable monthly

## BOARD OF DIRECTORS

The Company has established a Board of Directors that includes highly qualified business and industry professionals. The Board will assist the Management team in making appropriate decisions and taking effective action. Currently, there are two members of the Board of Directors.



**Rajini Anachi**

Rajini Anachi, Founder, CEO, and President of AvaWatz, is a serial entrepreneur and investor. She has successfully managed the development and go-to-market strategies of high-tech products and built successful businesses from ideation to M&A. Previously, Dr. Anachi founded mZeal/CyGlass, an AI-based cybersecurity company that was sold to Nominet, in 2020. Dr. Anachi has the business and technology experience to lead AvaWatz commercialization to bring new innovative and cost-effective cooperative robotic solutions to disrupt the flightline operations, transit asset maintenance, and surveillance markets worldwide. She is focused on bringing tremendous value to AvaWatz customers, employees, and investors. She has a PhD from Indian Institute of Science, Bangalore

Bala Jana is the Co-Founder, Vice President, Treasurer, and Secretary at AvaWatz. Mr. Jana brings deep operational expertise in commercialization, product-market-fit, and production. He was an early team member leading product innovation at Navic Networks, acquired by Microsoft in 2008. He served as operational lead at Cartera Commerce, acquired by Rakuten Company in 2017. At Zipcar, he led the application group, acquired by AVIS BUDGET Group. Mr. Jana was a director and strategic advisor at mZeal/CyGlass (acquired by Nominet in 2020). Mr. Jana's primary occupation is with Texas Instruments. He holds a Bachelor's degree in Mechanical Engineering from the University of Madras.



**Bala Jana**

## **DILUTION**

Investors should understand the potential for dilution. The investor's stake in a company could be diluted due to the Company issuing additional shares. In other words, when the Company issues more shares, the percentage of the Company that you own will go down, even though the value of the Company may go up. You will own a smaller piece of a larger company. This increase in the number of shares outstanding could result from a stock offering (such as an initial public offering, another crowdfunding round, a venture capital round, or angel investment), employees exercising stock options, or by conversion of certain instruments (e.g. convertible bonds, preferred shares or warrants) into stock. If the Company decides to issue more shares, an investor could experience value dilution, with each share being worth less than before, and control dilution, with the total percentage an investor owns being less than before. There may also be earnings dilution, with a reduction in the amount earned per share (though this typically occurs only if the Company offers dividends, and most early-stage companies are unlikely to offer dividends, preferring to invest any earnings into the Company).

## INVESTOR SUITABILITY STANDARDS

Each Purchaser will be required to represent that such Purchaser's overall commitment to investments, which are not readily marketable, is not disproportionate to such Purchaser's net worth and that such Purchaser's investment in the Company will not cause such overall commitment to become excessive; that such Purchaser can sustain a complete loss of such Purchaser's investment in the Securities and has limited need for liquidity in such Purchaser's investment in the Securities; and that such Purchaser has evaluated the risks of investing in the Securities.

The Company and/or ODB may reject a Purchaser for any reason in its sole and absolute discretion. If a Purchaser is rejected, any payment remitted by the Purchaser will be returned without interest. Only persons of adequate financial means who have no need for present liquidity with respect to this investment should consider purchasing the Securities offered hereby because: (i) an investment in the Securities involves a number of significant risks (See '**Risk Factors**'), and (ii) no market for the Securities or the purchase rights contained therein, and none is likely to develop in the reasonably foreseeable future. This Offering is intended to be a private offering that is exempt from registration under the Securities Act and applicable state securities laws.

We may also request any documentation or other information regarding an Investor and its beneficial owners, if applicable, in connection with the disqualification provisions under Rule 506(c) of Regulation D under the Act, which may prohibit us from relying on the Rule 506 offering exemption if an Investor or one or more of an Investor's significant equity holders has had a disqualifying event as described in Rule 506(c).

THE BELOW SUITABILITY STANDARDS REPRESENT MINIMUM REQUIREMENTS AND NEITHER THE SATISFACTION OF SUCH STANDARDS BY A PROSPECTIVE PURCHASER NOR THE ACCEPTANCE BY THE COMPANY OF A PROSPECTIVE PURCHASER'S SUBSCRIPTION NECESSARILY MEANS THAT THE SECURITIES ARE A SUITABLE INVESTMENT FOR THE PURCHASER. THE FINAL DETERMINATION AS TO THE SUITABILITY OF AN INVESTMENT IN THE COMPANY CAN BE MADE ONLY BY A PROSPECTIVE PURCHASER AND HIS OR HER ADVISORS, IF ANY.

## ACCREDITED INVESTORS

**The Company will conduct the Offering in such a manner that Units may be sold only to "Accredited Investors" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933 (the "Securities Act"). In summary, a prospective investor will qualify as an "Accredited Investor" if he, she, or it meets any one of the following criteria:**

Any natural person whose individual net worth, or joint net worth with that person's spouse or spousal equivalent, at the time of his purchase, exceeds \$1,000,000. Except as provided in paragraph (2) of this section, for purposes of calculating net worth under this paragraph:

1. The person's primary residence shall not be included as an asset;
2. Indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and
3. Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability.

Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse or spousal equivalent in excess of \$300,000 in each of those years and who has a reasonable expectation of reaching the same income level in the current year.

Any bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities and Exchange Act of 1934 (the "Exchange Act"); any insurance company as defined in Section 2(13) of the Exchange Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company (SBIC) licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any Rural Business Investment Company as defined in section 384A of the Consolidated Farm and Rural Development Act; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are Accredited Investors.

Any private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940;

Any organization described in Section 501(c)(3)(d) of the Internal Revenue Code, corporation, business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.

Any director or executive officer, or general partner of the issuer of the securities being sold, or any director, executive officer, or general partner of a general partner of that issuer.

Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Section 501(b)(2)(ii) of Regulation D adopted under the Act.

Any entity in which all the equity owners are Accredited Investors.

Any natural person who is a “knowledgeable employee,” as defined in rule 3c-5(a)(4) under the Investment Company Act of 1940 (17 CFR 270.3c-5(a)(4)), of the issuer of the securities being offered or sold where the issuer would be an investment company, as defined in section 3 of such act, but for the exclusion provided by either section 3(c)(1) or section 3(c)(7) of such act.

Any “family office,” as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1): (i) With assets under management in excess of \$5,000,000, (ii) That is not formed for the specific purpose of acquiring the securities offered, and (iii) Whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment.

Any “family client,” as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1)), of a family office meeting the requirements in paragraph (a)(12) of this section and whose prospective investment in the issuer is directed by such family office pursuant to paragraph (a)(12)(iii).

Any individual holding in good standing one or more professional certifications or designations or credentials from an accredited educational institution that the SEC has designated as qualifying an individual for accredited investor status. On the date of this Memorandum, the SEC designated the following certifications, when held in good standing, as qualifying natural persons for accredited investor status:

- Licensed General Securities Representative (Series 7);
- Licensed Investment Adviser Representative (Series 65); or
- Licensed Private Securities Offerings Representative (Series 82).

You will be required to represent to the Company in writing that you are an accredited investor under Regulation D, as described above, and will also be required to provide certain documentation in support of such representation. In addition to the foregoing requirement, you must also represent in writing that you are acquiring the Securities for your own account and not for the account of others and not with a view to resell or distribute such securities. You hereby agree to deliver to the Company and ODB, through the Platform such other information as to certain matters under the Act and as the Company may reasonably request in order to ensure compliance with such Act and the availability of any exemption thereunder. In addition, you may be required to provide written confirmation from a registered broker-dealer, an SEC-registered investment adviser, a licensed attorney, or a certified public accountant that such person or entity has taken reasonable steps to verify that you are accredited. In lieu of or in addition to such a letter, we may also verify that you are accredited, including but not limited to by requesting one or more of the following from you: (i) Internal Revenue Service forms that report the your income for the last two years (including Form W-2, Form 1099, Schedule K-1 to Form 1065, and Form 1040) and a written representation from the Investor that he or she has a reasonable expectation of reaching the income level necessary to qualify as an accredited investor during the current year; and/or (ii) documentation disclosing your assets and liability which is dated within three months prior to the date of this Memorandum, including but not limited to bank statements, brokerage statements and other

statements of securities holdings, certificates of deposit, tax assessments, appraisal reports issued by independent third parties, and a credit report from at least one of the nationwide consumer reporting agencies, as well as a written representation that all liabilities necessary to make a determination of net worth have been disclosed.

Set forth below is a discussion, in summary form, of certain United States federal income tax consequences relating to an investment in a Securities and the acquisition, ownership and disposition of the Securities. 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 Securities. In particular, foreign investors, financial institutions, insurance companies, tax-exempt entities, investors subject to the alternative minimum tax and other investors of special status must consult with their own professional tax advisors regarding a prospective investment. 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 Internal Revenue Service (the “IRS”) and no assurance can be given that the IRS will agree with the tax consequences described in this summary. The following discussion assumes that each prospective Investor will acquire Securities as a capital asset (generally, property held for investment).

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

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

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

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

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE PURCHASERS 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 SECURITIES, THE PURCHASE RIGHTS CONTAINED THEREIN AND THE SECURITY DISTRIBUTION IS UNCERTAIN AND THERE MAY BE ADVERSE TAX CONSEQUENCES FOR INVESTORS UPON CERTAIN FUTURE EVENTS. AN INVESTMENT PURSUANT TO THE SECURITIES PURSUANT THERETO MAY RESULT IN ADVERSE TAX CONSEQUENCES TO INVESTORS, INCLUDING WITHHOLDING TAXES, INCOME TAXES AND TAX REPORTING REQUIREMENTS. EACH PURCHASER SHOULD CONSULT WITH AND MUST RELY UPON THE ADVICE OF ITS OWN PROFESSIONAL TAX ADVISORS WITH RESPECT TO THE UNITED STATES AND NON-TAX TREATMENT OF AN INVESTMENT IN THE SECURITIES AND THE RIGHTS CONTAINED THEREIN.

In this Offering, each prospective Purchaser accepts the responsibility for conducting its own due diligence investigation and consulting with its own professional advisors in connection with their investment. Prospective Purchasers and their advisors are invited to ask us questions concerning the Company, the instrument, the terms of this Offering and such other matters as the prospective Purchasers and their advisors deem pertinent in connection with this investment. We will use reasonable efforts to respond fully to such questions and to supply all information (other than confidential information) available to us that the prospective Purchasers or their advisors request.

The Company's officers may participate in the filming or recording of various media and in the course of the filming, may present certain business information to the investor panel appearing on the show (the "Presentation"). The Company will not pass upon the merits of, certify, approve, or otherwise authorize the statements made in the Presentation. The Presentation commentary being made should not be viewed as superior or a substitute for the disclosures made in this Memorandum. Accordingly, the statements made in the Presentation, unless reiterated in the Offering materials provided herein, should not be applied to the Company's business and operations as of the date of this Offering. Moreover, the Presentation may involve several statements constituting puffery, that is, exaggerations not to be taken literally or otherwise as an indication of factual data or historical or future performance.

## **CERTAIN RISK FACTORS**

AvaWatz Company commenced preliminary business development operations in February 13, 2019 and is organized as a C corporation under the laws of the State of Texas. Accordingly, the Company has only a limited history upon which an evaluation of its prospects and future performance can be made. The Company's proposed operations are subject to all business risks associated with new enterprises. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the expansion of a business, operation in a competitive industry, and the continued development of advertising, promotions and a corresponding customer base. There is a possibility that the Company could sustain losses in the future.

There can be no assurances that the Company will operate profitably.

### **Inadequacy Of Funds:**

We may need to raise additional capital, which might not be available or might be available only on terms unfavorable to us or our investors. In order to continue to operate and grow the business, we will likely need to raise additional capital beyond this current financing round by offering shares of our Common or Preferred Stock and/or other classes of equity. All of these would result in dilution to our existing investors, plus they may include additional rights or terms that may be unfavorable to our existing investor base. We cannot assure you that the necessary funds will be available on a timely basis, on favorable terms, or at all, or that such funds if raised, would be sufficient. The level and timing of future expenditure will depend on a number of factors, many of which are outside our control. If we are not able to obtain additional capital on acceptable terms, or at all, we may be forced to curtail or abandon our growth plans, which could adversely impact the Company, its business, development, financial condition, operating results, or prospects.

### **Uncertain Risk.**

An investment in the Company (also referred to as "we", "us", "our", or "Company") involves a high degree of risk and should only be considered by those who can afford the loss of their entire investment. Furthermore, the purchase of any of the Preferred Stock should only be undertaken by persons whose financial resources are sufficient to enable them to indefinitely retain an illiquid investment. Each investor in the Company should consider all of the information provided to such potential investor regarding the Company as well as the following risk factors, in addition to the other information listed in the Company's Private Placement Memorandum. The following risk factors are not intended, and shall not be deemed to be, a complete description of the commercial and other risks inherent in the investment in the Company.

### **Dependence On Management:**

In the early stages of development the Company's business will be significantly dependent on the Company's management team. The Company's success will be particularly dependent upon Rajini Anachi. The loss of this individual could have a material adverse effect on the Company. See "MANAGEMENT" section. The Company carries D&O insurance for its CEO, Rajini Anachi.

**Risks Associated with Expansion:**

The Company plans on expanding its core business through the deployment of capital invested through this Offering. Any expansion of operations the Company may undertake will entail risks, such actions may involve specific operational activities which may negatively impact the profitability of the Company. Consequently, shareholders must assume the risk that (i) such expansion may ultimately involve expenditures of funds beyond the resources available to the Company at that time, and (ii) management of such expanded operations may divert Management's attention and resources away from its existing operations, all of which factors may have a material adverse effect on the Company's present and prospective business activities.

**Customer Base and Market Acceptance:**

While the Company believes it can develop a customer base through the marketing and promotion of the Company's products and services, the inability of the Company to further develop such a customer base could have a material adverse effect on the Company. Although the Company believes that its product and services matrix offers advantages over competitive companies, no assurance can be given that AvaWatz Company's products and services will attain a degree of market acceptance on a sustained basis or that it will generate revenues sufficient for sustained profitable operations.

**Competition:**

While there does exist some current competition, Management believes that the AvaWatz Company product and services line is unique and the expertise of Management combined with the innovative nature of its products and services will set the Company apart from its competitors. There is the possibility that new competitors could seize upon AvaWatz Company's business ideas and produce competing products and services. Likewise, these new competitors could be better capitalized than AvaWatz Company which could give them a significant advantage. There is the possibility that the competitors could capture significant market share of AvaWatz Company's intended market.

**General Economic Conditions:**

The financial success of the Company may be sensitive to adverse changes in general economic conditions in the United States, such as recession, inflation, unemployment, and interest rates. Management believes that the niche products and services they market will insulate the Company from excessive reduced demand. AvaWatz Company has no control over these changes.

**Possible Fluctuations In Operating Results:**

The Company's operating results may fluctuate significantly from period to period as a result of a variety of factors, including purchasing patterns of customers, competitive pricing, debt service and principal reduction payments, and general economic conditions. Consequently, the Company's revenues may vary by quarter, and the Company's operating results may experience fluctuations.

**Risks Of Borrowing:**

If the Company incurs indebtedness, a portion of its cash flow will have to be dedicated to the payment of

principal and interest on such indebtedness. Typical loan agreements also might contain restrictive covenants which may impair the Company's operating flexibility. Such loan agreements would also provide for default under certain circumstances, such as failure to meet certain financial covenants. A default under a loan agreement could result in the loan becoming immediately due and payable and, if unpaid, a judgment in favor of such lender which would be senior to the rights of owners of Preferred Stock of the Company. A judgment creditor would have the right to foreclose on any of the Company's assets resulting in a material adverse effect on the Company's business, operating results or financial condition.

### **Unanticipated Obstacles To Execution Of The Business Plan:**

The Company's business plans may change significantly. Many of the Company's potential business endeavors are capital intensive and may be subject to statutory or regulatory requirements. Management believes that the Company's chosen activities and strategies are achievable in light of current economic and legal conditions with the skills, background, and knowledge of the Company's principals and advisors. Management reserves the right to make significant modifications to the Company's stated strategies depending on future events.

### **Management Discretion As To Use Of Proceeds:**

The net proceeds from this Offering will be used for the purposes described under "Use of Proceeds." The Company reserves the right to use the funds obtained from this Offering for other similar purposes not presently contemplated which it deems to be in the best interests of the Company and its shareholders in order to address changed circumstances or opportunities. As a result of the foregoing, the success of the Company will be substantially dependent upon the discretion and judgment of Management with respect to application and allocation of the net proceeds of this Offering. Investors for the Preferred Stock offered hereby will be entrusting their funds to the Company's Management, upon whose judgment and discretion the investors must depend.

### **Control By Management:**

As of March 1, 2024 the Company's officers and directors owned approximately 79.65% of the Company's issued voting class shares. Upon completion of this Offering, the Company's Managers will own approximately 79.65% of then issued and outstanding voting class stock, and will be able to continue to control AvaWatz. See "PRINCIPAL SHAREHOLDERS".

### **Our future success depends on the efforts of a small management team:**

The loss of services of the members of the management team may have an adverse effect on the company. There can be no assurance that we will be successful in attracting and retaining other personnel we require to successfully grow our business.

### **Dividend Policy:**

A holder of Preferred Stock will be entitled to receive dividends only when, as, and if declared by the Board of Directors out of funds legally available therefor. The Company's Board of Directors will determine future dividend policy based upon the Company's results of operations, financial condition,

capital requirements, and other circumstances.

### **No Assurances of Protection for Proprietary Rights; Reliance on Trade Secrets:**

In certain cases, the Company may rely on trade secrets to protect proprietary technology and processes which the Company has developed or may develop in the future. There can be no assurances that secrecy obligations will be honored or that others will not independently develop similar or superior technology. The protection of proprietary technology through claims of trade secret status has been the subject of increasing claims and litigation by various companies both in order to protect proprietary rights as well as for competitive reasons even where proprietary claims are unsubstantiated. The prosecution of proprietary claims or the defense of such claims is costly and uncertain given the uncertainty and rapid development of the principles of law pertaining to this area. The Company, in common with other firms, may also be subject to claims by other parties with regard to the use of technology information and data which may be deemed proprietary to others.

### **We may need to raise additional capital, which might not be available or might be available only on terms unfavorable to us or our investors:**

In order to continue to operate and grow the business, we will likely need to raise additional capital beyond this current financing round by offering shares of our Common or Preferred Stock and/or other classes of equity. All of these would result in dilution to our existing investors, plus they may include additional rights or terms that may be unfavorable to our existing investor base. We cannot assure you that the necessary funds will be available on a timely basis, on favorable terms, or at all, or that such funds, if raised, would be sufficient. The level and timing of future expenditure will depend on a number of factors, many of which are outside our control. If we are not able to obtain additional capital on acceptable terms, or at all, we may be forced to curtail or abandon our growth plans, which could adversely impact the Company, its business, development, financial condition, operating results or prospects.

### **Limited Transferability & Liquidity:**

To satisfy the requirements of certain exemptions from registration under the Securities Act, and to conform with applicable state securities laws, each investor must acquire his Shares for investment purposes only and not with a view towards distribution. Consequently, certain conditions of the Securities Act may need to be satisfied prior to any sale, transfer, or other disposition of the Shares. Some of these conditions may include a minimum holding period, availability of certain reports, including financial statements from AvaWatz Company, limitations on the percentage of Shares sold and the manner in which they are sold. AvaWatz Company can prohibit any sale, transfer or disposition unless it receives an opinion of counsel provided at the holder's expense, in a form satisfactory to AvaWatz Company, stating that the proposed sale, transfer or other disposition will not result in a violation of applicable federal or state securities laws and regulations. No public market exists for the Shares and no market is expected to develop. Consequently, owners of the Shares may have to hold their investment indefinitely and may not be able to liquidate their investments in AvaWatz Company or pledge them as collateral for a loan in the event of an emergency.

**Long Term Nature of Investment:**

An investment in the Shares may be long term and illiquid. As discussed above, the offer and sale of the Shares will not be registered under the Securities Act or any foreign or state securities laws by reason of exemptions from such registration which depends in part on the investment intent of the investors. Prospective investors will be required to represent in writing that they are purchasing the Shares for their own account for long-term investment and not with a view towards resale or distribution. Accordingly, purchasers of Shares must be willing and able to bear the economic risk of their investment for an indefinite period of time. It is likely that investors will not be able to liquidate their investment in the event of an emergency.

**If the Company cannot raise sufficient funds it will not succeed:**

The Company is offering Preferred Stock in the amount of up to \$5,000,000 in this offering. Even if the maximum amount is raised, the Company is likely to need additional funds in the future in order to grow, and if it cannot raise those funds for whatever reason, including reasons relating to the Company itself or the broader economy, it may not survive. If the Company manages to raise only the minimum amount of funds, sought, it will have to find other sources of funding for some of the plans outlined in “Use of Proceeds”.

**We rely on third parties to provide services essential to the success of our business:**

We rely on third parties to provide a variety of essential business functions for us, including manufacturing, shipping, accounting, legal work, public relations, advertising, retailing, and distribution. It is possible that some of these third parties will fail to perform their services or will perform them in an unacceptable manner. It is possible that we will experience delays, defects, errors, or other problems with their work that will materially impact our operations and we may have little or no recourse to recover damages for these losses. A disruption in these key or other suppliers’ operations could materially and adversely affect our business. As a result, your investment could be adversely impacted by our reliance on third parties and their performance.

**Insufficient Funds:**

The company might not sell enough securities in this offering to meet its operating needs and fulfill its plans, in which case it will cease operating and you will get nothing. Even if we sell all the Preferred Stock we are offering now, the Company will (possibly) need to raise more funds in the future, and if it can’t get them, we will fail. Even if we do make a successful offering in the future, the terms of that offering might result in your investment in the company being worth less, because later investors might get better terms.

**No Current Market for Shares:**

There is no current market for the Shares offered in this private Offering and no market is expected to develop in the near future.

**Terms of subsequent financings may adversely impact your investment:**

We will likely need to engage in additional common equity, debt, or preferred stock financings in the future, which may reduce the value of your investment in the Preferred Stock. Interest on debt securities could increase costs and negatively impact operating results. Preferred stock could be issued in series from time to

time with such designation, rights, preferences, and limitations as needed to raise capital. The terms of preferred stock could be more advantageous to those investors than to the holders of this class of Preferred Stock. In addition, if we need to raise more equity capital from the sale of Preferred Stock, institutional or other investors may negotiate terms that are likely to be more favorable than the terms of your investment, and possibly a lower purchase price per share.

### **Management Discretion as to Use of Proceeds:**

Our success will be substantially dependent upon the discretion and judgment of our management team with respect to the application and allocation of the proceeds of this Offering. The use of proceeds described in the “Use of Proceeds” section is an estimate based on our current business plan. We, however, may find it necessary or advisable to re-allocate portions of the net proceeds reserved for one category to another, and we will have broad discretion in doing so.

### **You are trusting that management will make the best decision for the company:**

You are trusting in management discretion. You are buying securities as a non-voting holder, and therefore must trust the management of the Company to make good business decisions that grow your investment.

### **Insufficient Funds:**

The company might not sell enough securities in this offering to meet its operating needs and fulfill its plans. Even if we sell all the preferred stock we are offering now, the Company will (possibly) need to raise more funds in the future, and if it can’t get them, we will fail. Even if we do make a successful offering in the future, the terms of that offering might result in your investment in the company being worth less, because later investors might get better terms.

### **Projections: Forward-Looking Information:**

Any projections or forward-looking statements regarding our anticipated financial or operational performance are hypothetical and are based on management’s best estimate of the probable results of our operations and will not have been reviewed by our independent accountants. These projections will be based on assumptions that management believes are reasonable. Some assumptions invariably will not materialize due to unanticipated events and circumstances beyond management’s control. Therefore, actual results of operations will vary from such projections, and such variances may be material. Any projected results cannot be guaranteed.

### **The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business:**

To be successful, the Company requires capable people to run its day-to-day operations. As the Company grows, it will need to attract and hire additional employees in sales, marketing, design, development, operations, finance, legal, human resources, and other areas. Depending on the economic environment and the Company’s performance, we may not be able to locate or attract qualified individuals for such positions when we need them. We may also make hiring mistakes, which can be costly in terms of resources spent in recruiting, hiring, and investing in the incorrect individual and in the time delay in locating the right employee fit. If we are unable to attract, hire and retain the right talent or make too many hiring mistakes, it is likely

our business will suffer from not having the right employees in the right positions at the right time. This would likely adversely impact the value of your investment.

### **Compliance with Securities Laws:**

The Shares are being offered for sale in reliance upon certain exemptions from the registration requirements of the Securities Act, applicable Texas Securities Laws, and other applicable state securities laws. If the sale of Shares were to fail to qualify for these exemptions, purchasers may seek rescission of their purchases of Shares. If a number of purchasers were to obtain rescission, AvaWatz Company would face significant financial demands which could adversely affect AvaWatz Company as a whole, as well as any non-rescinding purchasers.

### **Terrorist Attacks Or Other Acts Of Violence Or War May Affect The Industry In Which The Company Operates, Its Operations & Its Profitability:**

Terrorist attacks may harm the Company's results of operations and an Investor's investment. There can be no assurance that there will not be more terrorist attacks against the United States or U.S. businesses. These attacks or armed conflicts may directly or indirectly impact the value of the property the Company owns or that secure its loans. Losses resulting from these types of events may be uninsurable or not insurable to the full extent of the loss suffered. Moreover, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. They could also result in economic uncertainty in the United States or abroad. Adverse economic conditions resulting from terrorist activities could reduce demand for space in the Company's properties due to the adverse effect on the economy and thereby reduce the value of the Company's properties.

## **INDUSTRY-RELATED RISKS**

### **Some of our products are still in prototype phase and might never be operational products:**

It is possible that there may never be an operational product or that the product may never be used to engage in transactions. It is possible that the failure to release the product is the result of a change in business model upon the Company's making a determination that the business model, or some other factor, will not be in the best interest of the Company and its stockholders.

### **Our trademarks, copyrights, and other intellectual property could be unenforceable or ineffective:**

Intellectual property is a complex field of law in which few things are certain. It is possible that competitors will be able to design around our intellectual property, find prior art to invalidate it, or render the patents unenforceable through some other mechanism. If competitors are able to bypass our trademark and copyright protection without obtaining a sublicense, it is likely that the Company's value will be materially and adversely impacted. This could also impair the Company's ability to compete in the marketplace. Moreover, if our trademarks and copyrights are deemed unenforceable, the Company will almost certainly lose any potential revenue it might be able to raise by entering into sublicenses. This would cut off a significant potential revenue stream for the Company.

**Our ability to sell our product or service is dependent on outside government regulation which can be subject to change at any time:**

Our ability to sell product is dependent on the outside government regulation such as the FAA (Federal Aviation Administration), FTC (Federal Trade Commission) and other relevant government laws and regulations. The laws and regulations concerning the selling of product may be subject to change and if they do then the selling of product may no longer be in the best interest of the Company. At such point, the Company may no longer want to sell product and therefore your investment in the Company may be affected.

**Developing new products and technologies entails significant risks and uncertainties:**

It is possible that there may never be an operational product or that the product may never be used to engage in transactions. It is possible that the failure to release the product is the result of a change in business model upon the Company's making a determination that the business model, or some other factor, will not be in the best interest of the Company and its stockholders. Our new product could fail to achieve the sales projections we expected.

Our growth projections are based on an assumption that with an increased advertising and marketing budget our products will be able to gain traction in the marketplace at a faster rate than our current products have. It is possible that our new products will fail to gain market acceptance for any number of reasons. If the new products fail to achieve significant sales and acceptance in the marketplace, this could materially and adversely impact the value of your investment.

**Our business projections are only projections:**

There can be no assurance that the Company will meet our projections. There can be no assurance that the Company will be able to find sufficient demand for our product, that people think it's a better option than a competing product, or that we will be able to provide the service at a level that allows the Company to make a profit and still attract business.

**The cost of enforcing our trademarks and copyrights could prevent us from enforcing them:**

Trademark and copyright litigation has become extremely expensive. Even if we believe that a competitor is infringing on one or more of our trademarks or copyrights, we might choose not to file suit because we lack the cash to successfully prosecute a multi-year litigation with an uncertain outcome; or because we believe that the cost of enforcing our trademark(s) or copyright(s) outweighs the value of winning the suit in light of the risks and consequences of losing it; or for some other reason. Choosing not to enforce our trademark(s) or copyright(s) could have adverse consequences for the Company, including undermining the credibility of our intellectual property, reducing our ability to enter into sublicenses, and weakening our attempts to prevent competitors from entering the market. As a result, if we are unable to enforce our trademark(s) or copyright(s) because of the cost of enforcement, your investment in the Company could be significantly and adversely affected.

**The Company is vulnerable to hackers and cyber-attacks:**

As an internet-based business, we may be vulnerable to hackers who may access the data of our investors and the issuer companies that utilize our platform. Further, any significant disruption in service on AvaWatz or in its computer systems could reduce the attractiveness of the platform and result in a loss of investors

and companies interested in using our platform. Further, we rely on a third-party technology provider to provide some of our back-up technology. Any disruptions of services or cyber- attacks either on our technology provider or on Avawatz could harm our reputation and materially negatively impact our financial condition and business.

The amount raised in this offering may include investments from officers and directors of the company. Once the total amount of funds raised in this offering exceeds the minimum funding goal, officers and directors (and immediate family members) of the company may make investments in this offering. Any such investments will be included in the raised amount reflected on the campaign page.

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## USE OF PROCEED

The Company seeks to raise minimum gross proceeds of \$10,000 and maximum gross proceeds of \$5,000,000 from the sale of shares in this Offering. The Company intends to apply these proceeds substantially as set forth herein, subject only to reallocation by Management in the best interests of the Company.

### SALE OF EQUITY

CATEGORY	MAX. PROCEEDS	MIN. PROCEEDS
PROCEEDS FROM SALE OF SHARES	\$5,000,000	\$10,000

### OFFERING EXPENSES & COMMISSIONS

CATEGORY	MAX. PROCEEDS	MIN. PROCEEDS
EXPENSES <sup>1</sup>	\$10,000	0
BROKERAGE COMMISSIONS <sup>2</sup>	\$300,000	\$600
<b>TOTAL OFFERING FEES</b>	<b>\$310,000</b>	<b>\$600</b>

1. Includes estimated memorandum preparation, filing, printing, legal, accounting and other fees and expenses related to the Offering.
2. The Company shall pay ODB 6.0% of the gross proceeds for subscriptions up to \$50,000 and 3.0% of the gross proceeds for subscriptions greater than \$50,000. The company shall also pay ODB a securities commission equivalent to 2.0% of the dollar value of Securities sold in this Offering, such amounts will not affect the net proceeds, but will have a dilutive effect on the Securities issued to Investors.

ODB shall charge approximately two percent (2.0%) of the Offering's proceeds as the cumulative fee for payment processing services, which may include ACH, credit card, wires, and payments in alternative currencies convertible to dollars, shall be passed through to the Issuer from those fees charged by any bank utilized by the Platform, BitPay Inc., Stripe Inc., and any other payment processor mutually agreed to by ODB and the Issuer.

ODB shall, in its sole discretion, charge a 2.0% cash fee on gross subscriptions made by each Investor who subscribes to the Offering through the Platform, with a minimum fee of \$5 and a maximum of \$300 per subscription.

**CORPORATE APPLICATION OF PROCEEDS**

<b>CATEGORY</b>	<b>MAX. PROCEEDS</b>	<b>MIN. PROCEEDS</b>
MARKETING, CAPITAL RAISE, SALES MATERIALS AND MARKETING PROGRAMS	\$1,547,700	\$3,102
CUSTOMER RESEARCH, NEW PRODUCT DEVELOPMENT, MARKET TESTING, MATURE CURRENT PRODUCT LINE	\$1,594,600	\$3,196
HIRING KEY PERSONNEL	\$1,547,700	\$3,102
<b>TOTAL CORPORATE USE</b>	<b>\$4,690,000</b>	<b>\$9,400</b>

**TOTAL USE OF PROCEEDS**

<b>CATEGORY</b>	<b>MAX. PROCEEDS</b>	<b>MIN. PROCEEDS</b>
OFFERING EXPENSES & COMMISSIONS	\$310,000	\$600
CORPORATE APPLICATION OF PROCEEDS	\$4,690,000	\$9,400
<b>TOTAL PROCEEDS</b>	<b>\$5,000,000</b>	<b>\$10,000</b>

## **TRANSFER AGENT & REGISTRAR**

The Company will act as its own transfer agent and registrar for its Preferred Shares.

## **PLAN OF PLACEMENT**

The Shares are offered on a “best efforts” basis by the Company. There can be no assurance that all or any of the Shares offered, will be sold. The Company has engaged OpenDeal Broker LLC dba the Capital R (“ODB”) to provide a landing page for the Company’s Offering and perform related services, including broker-dealer services. The Offering will be conducted via <https://republic.com> (the “Platform”) which is operated for the benefit of ODB.

## **ESCROW OF SUBSCRIPTION FUNDS**

Cash received in connection with purchases will be placed into an escrow account established by the Company with an escrow agent designated by ODB for the benefit of the Offering (the “Escrow Account”). Purchasers in the Offering will not have the right to revoke their purchase at any time. If a purchase is rejected for any reason, it will be refunded without interest or deduction save any applicable wires fees. Purchasers will follow instructions for completing payment when making their investment via the Republic Platform that is operated for the benefit of the offering. Any subscription made through the Republic Platform will have the consideration directed and immediately be deposited into the bank account of an escrow agent designated by ODB (the “Escrow Agent”).

## **HOW TO SUBSCRIBE FOR SHARES**

We plan to market this Offering to potential Investors through the Platform. We will hold an initial closing on any number of Securities at any time during the Offering after we have received notification of approval when we and ODB determine, and thereafter may hold one or more additional closings until we determine to cease having any additional closings during the Offering. We will close on proceeds based upon the order in which they are received. We will consider various factors in determining the timing of any additional closings following the initial closing, including the amount of proceeds received at the initial closing and any prior additional closings. Investment commitments are not binding on the Company until they are accepted by the Company. Once accepted by the Company, subscriptions are irrevocable.

OPENDEAL HAS NOT INVESTIGATED (NOR HAVE ANY OF ITS AFFILIATES INVESTIGATED) THE DESIRABILITY OR ADVISABILITY OF AN INVESTMENT IN THIS OFFERING OR THE SECURITIES OFFERED HEREIN. OPENDEAL AND ITS AFFILIATES MAKE NO REPRESENTATIONS, WARRANTIES, ENDORSEMENTS, OR JUDGMENT ON THE MERITS OF THE OFFERING OR THE SECURITIES OFFERED HEREIN. OPENDEAL BROKER’S CONNECTION TO THE OFFERING IS SOLELY FOR THE LIMITED PURPOSES OF ACTING AS A SERVICE PROVIDER.

## **ADDITIONAL INFORMATION**

Each prospective investor may ask questions and receive answers concerning the terms and conditions of this offering and obtain any additional information which the Company possesses, or can acquire without unreasonable effort or expense, to verify the accuracy of the information provided in this Memorandum. The principal executive offices of the Company are located 4400 State Highway 121, Suite 300-315, Lewisville, TX 75056 and the telephone number is (214) 513-3417

## ERISA CONSIDERATIONS

### GENERAL

When deciding whether to invest a portion of the assets of a qualified profit-sharing, pension or other retirement trust in the Company, a fiduciary should consider whether: (i) the investment is in accordance with the documents governing the particular plan; (ii) the investment satisfies the diversification requirements of Section 404(a)(1)(c) of Employee Retirement Income Security Act of 1974, as amended (“ERISA”); and (iii) the investment is prudent and in the exclusive interest of participants and beneficiaries of the plan.

### PLAN ASSETS

Under ERISA, whether the assets of the Company are considered “plan assets” is also critical. ERISA generally requires that “plan assets” be held in trust and that the trustee or a duly authorized Manager have exclusive authority and discretion to manage and control the assets. ERISA also imposes certain duties on persons who are “fiduciaries” of employee benefit plans and prohibits certain transactions between such plans and parties in interest (including fiduciaries) with respect to the assets of such plans. Under ERISA and the Code, “fiduciaries” with respect to a plan include persons who: (i) have any power of control, management or disposition over the funds or other property of the plan; (ii) actually provide investment advice for a fee; or (iii) have discretion with regard to plan administration. If the underlying assets of the Company are considered to be “plan assets,” then the Manager(s) of the Company could be considered a fiduciary with respect to an investing employee benefit plan, and various transactions between Management or any affiliate and the Company, such as the payment of fees to Managers, might result in prohibited transactions. A regulation adopted by the Department of Labor generally defines plan assets as not to include the underlying assets of the issuer of the securities held by a plan. However, where a plan acquires an equity interest in an entity that is neither a publicly offered security nor a security issued by certain registered investment companies, the plan’s assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless: (i) the entity is an operating company or; (ii) equity participation in the entity by benefit plan investors (as defined in the regulations) is not significant (i.e., less than twenty-five percent (25%) of any class of equity interests in the entity is held by benefit plan investors). Benefit plan investors are not expected to acquire twenty-five percent (25%) or more of the Shares offered by the Company. Management of the Company intends to preclude significant investment in the Company by such plans. Employee benefit plans (including IRAs), however, are urged to consult with their legal advisors before subscribing for the purchase of Shares to ensure the investment is acceptable under ERISA regulations.

# **SECTION 3:**

## Exhibits

## **Exhibit A**

### **SUPPORTING DOCUMENTATION**

## **AvaWatz Company**

4400 State Highway 121 Suite 300-315, Lewisville, TX 75056

Corporations Section  
P.O.Box 13697  
Austin, Texas 78711-3697



Jane Nelson  
Secretary of State

## Office of the Secretary of State

### CERTIFICATE OF FILING OF

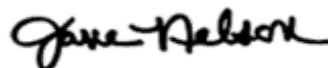
AvaWatz Company  
803237669

The undersigned, as Secretary of State of Texas, hereby certifies that a Certificate of Amendment for the above named entity has been received in this office and has been found to conform to the applicable provisions of law.

ACCORDINGLY, the undersigned, as Secretary of State, and by virtue of the authority vested in the secretary by law, hereby issues this certificate evidencing filing effective on the date shown below.

Dated: 06/08/2023

Effective: 06/08/2023



Jane Nelson  
Secretary of State

Phone: (512) 463-5555  
Prepared by: Bernadette DeJoya

*Come visit us on the internet at <https://www.sos.texas.gov/>*

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TID: 10303

Dial: 7-1-1 for Relay Services  
Document: 1255057290002

**CERTIFICATE OF AMENDMENT  
OF  
AVAWATZ COMPANY**

This Certificate of Amendment (the “**Amendment**”) amends the Certificate of Formation of AvaWatz Company, a for-profit corporation originally incorporated in Texas on February 13, 2019 (the “**Corporation**”). The filing number issued to the Corporation by the Secretary of State is 803237669. This Amendment has been duly adopted in accordance with Chapter 21, Subchapter I §21.052 and §21.054 of the Texas Business Organizations Code (the “**TBOC**”).

1. Article IV of the Certificate of Formation is amended to set forth the restrictions, rights, powers, and preferences of the holders of the Preferred Stock.
2. The Certificate of Amendment has been effected in conformity with the provisions of the TBOC and the constituent documents of the Corporation, and such Certificate of Amendment was duly adopted by the Corporation’s shareholders effective as of June 8, 2023, by an action by written consent.
3. Article IV is hereby amended and restated in its entirety as follows:

“ARTICLE IV.

The total number of shares of capital stock that the Corporation will have the authority to issue is fifty million (50,000,000) shares divided into two classes, of which thirty million (30,000,000) shares are designated as Common Stock with a par value of \$0.001 per share, and twenty million (20,000,000) shares are designated as Preferred Stock with a par value of \$0.001 per share.

A. **PREFERRED STOCK.** The Preferred Stock of the Corporation shall have the following rights, preferences, powers, privileges and restrictions, qualifications and limitations. Unless otherwise indicated, references to “Sections” in this Part A of this Article IV refer to sections of Part A of this Article IV.

1. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

1.1 **Preferential Payments to Holders of Preferred Stock.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders, and in the event of a Deemed Liquidation Event (as defined below), the holders of shares of Preferred Stock then outstanding shall be entitled

to be paid out of the consideration payable to shareholders in such Deemed Liquidation Event or out of the Available Proceeds (as defined below), as applicable, before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the greater of (i) one (1) times the applicable Original Issue Price, plus any dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of Preferred Stock been converted into Common Stock pursuant to Section 3 immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the “**Liquidation Amount**”). The “**Original Issue Price**” shall mean, with respect to the Preferred Stock, \$4.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Preferred Stock. If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its shareholders shall be insufficient to pay the holders of shares of Preferred Stock the full amount to which they shall be entitled under this Section 1.1, the holders of shares of Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full. For purposes of this Section 1, “**Available Proceeds**” means the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation), together with any other assets of the Corporation available for distribution to its shareholders, all to the extent permitted by Texas law governing distributions to shareholders.

1.2 Payments to Holders of Common Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after the payment in full of all Liquidation Amounts required to be paid to the holders of shares of Preferred Stock, the remaining assets of the Corporation available for distribution to its shareholders or, in the case of a Deemed Liquidation Event, the consideration not payable to the holders of shares of Preferred Stock pursuant to Section 1.1 or the remaining Available Proceeds, as the case may be, shall be distributed among the holders of shares of Common Stock, pro rata based on the number of shares held by each such holder.

### 1.3 Deemed Liquidation Events.

1.3.1 Definition. Each of the following events shall be considered a “**Deemed Liquidation Event**” unless the holders of a majority of the outstanding shares of Preferred Stock elect otherwise by written notice sent to the Corporation at least ten (10) days prior to the effective date of any such event:

- (a) a merger or consolidation in which

(i) the Corporation is a constituent party; or

(ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation,

except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority of the capital stock of (1) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or

(b) (1) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole or (2) the sale or disposition (whether by merger, consolidation or otherwise, and whether in a single transaction or a series of related transactions) of one (1) or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

1.3.2 Effecting a Deemed Liquidation Event. The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Section 1.3.1(a)(i) unless the agreement or plan of merger or consolidation for such transaction (the “**Merger Agreement**”) provides that the consideration payable to the shareholders of the Corporation in such Deemed Liquidation Event shall be allocated to the holders of capital stock of the Corporation in accordance with Sections 1.1 and 1.2.

1.3.3 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities to be paid or distributed to such holders pursuant to such Deemed Liquidation Event. The value of such property, rights or securities shall be determined in good faith by the Board of Directors of the Corporation.

2. Voting. Except as otherwise required by law or provided by

the other provisions of this Certificate of Formation, as amended, the Preferred Stock shall have no voting rights. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors (the “**Voting Stock**”), voting together as single class, without a separate vote of the holders of the Preferred Stock or any series thereof.

### 3. Mandatory Conversion.

3.1 Trigger Events. Upon either (a) the closing of the sale of shares of Common Stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, or (b) the offering of shares of Common Stock to the public on another exchange or marketplace approved the Board of Directors, including a secondary trading platform (the time of such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the “**Mandatory Conversion Time**”), then (i) each outstanding share of Preferred Stock shall automatically be converted into one (1) fully paid and non-assessable share of Common Stock (subject to adjustments for stock dividends, splits, combinations, and similar events as determined by the Board of Directors of the Corporation) and (ii) such shares may not be reissued by the Corporation.

3.2 Procedural Requirements. All holders of record of shares of Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Preferred Stock pursuant to this Section 3. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Preferred Stock in certificated form shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Preferred Stock converted pursuant to Section 3.1 will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender any certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of any certificate or certificates of such holders (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Section 3.2. As soon as practicable after the Mandatory Conversion Time and, if applicable, the surrender

of any certificate or certificates (or lost certificate affidavit and agreement) for Preferred Stock, the Corporation shall (a) issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates (or if such shares are uncertificated, a notice of issuance of uncertificated shares) for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, and (b) pay any declared but unpaid dividends on the shares of Preferred Stock converted. Such converted Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for shareholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

3.3 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the number of shares of Common Stock to be issued upon conversion of the Preferred Stock shall be rounded to the nearest whole share.

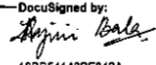
B. COMMON STOCK. Except as otherwise required by law or as otherwise provided in this Certificate of Formation, as amended, the holders of the Common Stock will exclusively possess all voting rights and powers and the holders of the Common Stock will have one vote for each share of Common Stock held of record. The liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers, and preferences of the holders of the Preferred Stock set forth herein.”

4. This Amendment to the Certificate of Formation has been approved in the manner required by the TBOC and the Corporation’s governing documents.

5. This Amendment will become effective when the Amendment is filed by the Secretary of State.

The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument and certifies under penalty of perjury that the undersigned is authorized under the provisions of law governing the Corporation to execute the filing instrument.

Date: June 8, 2023

DocuSigned by:  
  
188554148BF842A  
Rajini Anachi, President

## **EXHIBIT B**

### **FINANCIALS**

# **AvaWatz Company**

4400 State Highway 121 Suite 300-315, Lewisville, TX 75056

## CURRENT BALANCE SHEET

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## FINANCIAL PROJECTIONS

AVAWATZ COMPANY Balance sheet				
For the Year Ended December 31,	2024	2025	2026	2027
<b>Assets</b>				
Current Assets				
Cash	3,358,275	1,169,179	1,033,472	3,233,207
Accounts Receivable	333,332	833,330	1,249,995	1,687,493
0	-	-	-	-
Total Current Assets	<u>\$ 3,691,607</u>	<u>\$ 2,002,509</u>	<u>\$ 2,283,467</u>	<u>\$ 4,920,700</u>
Fixed Assets				
Software Development 1	-	-	-	-
Computers and Equipment	46,891	46,891	46,891	46,891
Software Development 2	-	-	-	-
Website Development	-	-	-	-
Vehicles	69,073	69,073	69,073	69,073
0	-	-	-	-
Accumulated Depreciation	(87,008)	(104,826)	(115,964)	(115,964)
Total Fixed Assets Net	<u>\$ 28,956</u>	<u>\$ 11,138</u>	<u>\$ 0</u>	<u>\$ -</u>
Deferred tax asset	<u>\$124,500</u>	<u>\$124,500</u>	<u>\$124,500</u>	<u>\$124,500</u>
<b>Total Assets</b>	<b><u>\$3,845,062</u></b>	<b><u>\$ 2,138,147</u></b>	<b><u>\$ 2,407,967</u></b>	<b><u>\$ 5,045,200</u></b>
<b>Liabilities and Equity</b>				
Current Liabilities				
Accounts Payable	241,102	497,737	618,030	734,092
	-	-	-	-
Total Current Liabilities	<u>\$ 241,102</u>	<u>\$ 497,737</u>	<u>\$ 618,030</u>	<u>\$ 734,092</u>
	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 241,102</u>	<u>\$ 497,737</u>	<u>\$ 618,030</u>	<u>\$ 734,092</u>
Shareholders' Equity				
Paid In Capital	739,382	739,382	739,382	739,382
Additional Equity Funding	5,892,800	5,892,800	5,892,800	5,892,800
Retained Earnings	(3,028,222)	(4,991,772)	(4,842,246)	(2,321,074)
Total Equity	<u>\$ 3,603,960</u>	<u>\$ 1,640,410</u>	<u>\$ 1,789,937</u>	<u>\$ 4,311,108</u>
<b>Total Liabilities and Equity</b>	<b><u>\$ 3,845,062</u></b>	<b><u>\$ 2,138,147</u></b>	<b><u>\$ 2,407,967</u></b>	<b><u>\$ 5,045,200</u></b>

<b>AVAWATZ COMPANY</b> <b>Income Statement</b>				
For the Year Ended December 31,	2024	2025	2026	2027
<b>Sales</b>				
Hardware Revenue	-	-	-	-
Subscription Revenue	-	-	-	-
Other Revenue	\$ 3,999,984	\$ 9,999,960	\$ 14,999,940	\$ 20,249,919
\$	-	-	-	-
<b>Total Sales</b>	<u>3,999,984</u>	<u>9,999,960</u>	<u>14,999,940</u>	<u>20,249,919</u>
<b>Cost of Goods Sold</b>				
Hardware COGS	-	-	-	-
Subscription Direct Costs	-	-	-	-
Cloud Services	1,199,995	2,999,988	4,499,982	6,074,976
Other Direct Costs	-	-	-	-
\$	-	-	-	-
<b>Total Cost of Goods Sold</b>	<u>\$ 1,199,995</u>	<u>\$ 2,999,988</u>	<u>\$ 4,499,982</u>	<u>\$ 6,074,976</u>
<b>Gross Margin</b>	<u>\$ 2,799,989</u>	<u>\$ 6,999,972</u>	<u>\$ 10,499,958</u>	<u>\$ 14,174,943</u>
Percent	70%	70%	70%	70%
<b>Operating Expenses</b>				
Advertising/Marketing	205,312	211,471	217,815	224,350
Accounting/bookkeeping	12,000	36,000	48,000	60,000
Office Expenses	13,460	13,864	14,280	14,708
Rent	60,000	120,000	123,600	127,308
Professional Services	48,000	60,000	72,000	84,000
Subscriptions & Software	6,180	6,365	6,556	6,753
Dues and Subscriptions	14,090	14,513	14,949	15,397
Payroll processing	12,360	12,731	13,113	13,506
B&P Consulting	127,741	131,573	135,520	139,586
Insurance, general	12,360	12,731	13,113	13,506
Travel	7,416	7,638	7,868	8,104
Meals	1,236	1,273	1,311	1,351
IT	288,399	742,627	1,147,359	1,595,402
Telephone	2,620	2,699	2,780	2,863
Security	828	853	879	905
Shipping	779	802	826	851
Business development	28,440	29,294	30,172	31,078
Independent R&D	135,960	140,039	144,240	148,567
Auto expenses	2,472	2,546	2,623	2,701
Officer's life insurance	11,361	11,702	12,053	12,414
Salaries and fringe benefits	3,595,440	7,386,984	8,323,682	9,039,891
Depreciation and Amortization	17,817	17,817	11,138	0
<b>Total Operating Expenses</b>	<u>\$ 4,604,271</u>	<u>\$ 8,963,522</u>	<u>\$ 10,343,876</u>	<u>\$ 11,543,241</u>
<b>Net Profit</b>	<u>\$ (1,804,283)</u>	<u>\$ (1,963,550)</u>	<u>\$ 156,082</u>	<u>\$ 2,631,703</u>
Income Tax	-	-	6,555	110,532
<b>Net Income</b>	<u>\$ (1,804,283)</u>	<u>\$ (1,963,550)</u>	<u>\$ 149,527</u>	<u>\$ 2,521,171</u>
<b>EBITDA</b>	<u>\$ (1,786,465)</u>	<u>\$ (1,945,733)</u>	<u>\$ 167,220</u>	<u>\$ 2,631,703</u>

AVAWATZ COMPANY Statement				
For the Year Ended December 31,	2024	2025	2026	2027
<b>Cash at Beginning of Period.</b>	<b>\$2,101,692</b>	<b>\$3,358,275</b>	<b>\$1,169,179</b>	<b>\$1,033,472</b>
<b>Cash Receipts from Operating Activities</b>				
Cash From Sales	3,749,985	9,499,962	14,583,275	19,812,421
<b>Cash Payments for Operating Activities</b>				
Cash paid for beg. Accounts payable				
Cash from beg. Subscriptions Receivable				
Cash from beg. Deferred taxes change				
Cash paid for salaries	(3,502,730)	(7,229,003)	(8,284,653)	(9,010,049)
Cash paid for taxes	-	-	(6,555)	(110,532)
Advertising/Marketing	(205,063)	(211,215)	(217,551)	(224,078)
Accounting/bookkeeping	(11,750)	(35,000)	(47,500)	(59,500)
Office Expenses	(13,444)	(13,847)	(14,262)	(14,690)
Rent	(57,970)	(117,500)	(123,450)	(127,154)
Professional Services	(47,250)	(59,500)	(71,500)	(83,500)
Subscriptions & Software	(6,173)	(6,358)	(6,548)	(6,745)
Dues and Subscriptions	(14,073)	(14,495)	(14,930)	(15,378)
Payroll processing	(12,345)	(12,715)	(13,097)	(13,490)
B&P Consulting	(127,586)	(131,413)	(135,356)	(139,416)
Insurance, general	(12,345)	(12,715)	(13,097)	(13,490)
Travel	(7,407)	(7,629)	(7,858)	(8,094)
Meals	(1,235)	(1,272)	(1,310)	(1,349)
IT	(279,299)	(723,701)	(1,130,495)	(1,576,734)
Telephone	(2,617)	(2,696)	(2,777)	(2,860)
Security	(827)	(852)	(877)	(904)
Shipping	(778)	(801)	(825)	(850)
Business development	(28,406)	(29,258)	(30,136)	(31,040)
Independent R&D	(135,795)	(139,869)	(144,065)	(148,387)
Auto expenses	(2,469)	(2,543)	(2,619)	(2,698)
Officer's life insurance	(11,347)	(11,687)	(12,038)	(12,399)
<b>Net Cash from Operating Activities</b>	<b>\$ (1,893,417)</b>	<b>\$ (2,189,096)</b>	<b>\$ (135,707)</b>	<b>\$ 2,199,735</b>
<b>Cash from Financing and Investing</b>				
Cash from new loans	-	-	-	-
Cash from new investments	3,150,000	-	-	-
Cash paid on loan principal	-	-	-	-
Cash paid for fixed assets	-	-	-	-
<b>Net Cash from Financing and Investing</b>	<b>\$ 3,150,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash Before Owner Draw</b>	<b>3,358,275</b>	<b>1,169,179</b>	<b>1,033,472</b>	<b>3,233,207</b>
<b>Net Cash Inflow (Outflow)</b>	<b>\$1,256,583</b>	<b>\$ (2,189,096)</b>	<b>\$ (135,707)</b>	<b>\$ 2,199,735</b>
<b>Cash at End of Period</b>	<b>\$ 3,358,275</b>	<b>\$ 1,169,179</b>	<b>\$1,033,472</b>	<b>\$ 3,233,20</b>

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**AVAWATZ COMPANY**

**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
*(Audited)*

*(Expressed in United States Dollars)*

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**INDEX TO FINANCIAL STATEMENTS**

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5850 W 3rd St Ste E, #244, Los Angeles, CA 90036  
[www.setapartfinancial.com](http://www.setapartfinancial.com)  
213-814-2809

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
AvaWatz Company  
Frisco, Texas

### Opinion

We have audited the financial statements of AvaWatz Company (the "Company,"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for period of twelve months from the date of issuance of these financial statements.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:



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- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

SetApart FS

April 8, 2024  
Los Angeles, California

AVAWATZ COMPANY

BALANCE SHEETS

FOR YEARS ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022

As of December 31, (USD \$ in Dollars)	2023	2022
<b>ASSETS</b>		
Current Assets:		
Cash & cash equivalents	\$ 491,085	\$ 390,734
Prepays and other current assets	-	57,152
<b>Total current assets</b>	<b>491,085</b>	<b>447,886</b>
Property and equipment, net	45,649	64,589
Deferred Tax Assets	347,700	124,500
<b>Total assets</b>	<b>\$ 884,434</b>	<b>\$ 636,975</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 21,540	\$ 16,835
Credit Card	28,372	10,727
Current portion of loan	-	4,189
Other current liabilities	143,057	168,637
<b>Total current liabilities</b>	<b>192,969</b>	<b>200,388</b>
<b>Total liabilities</b>	<b>\$ 192,969</b>	<b>\$ 200,388</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, \$0.001 par, 30,000,000 shares authorized, 16,829,991 issued and outstanding as of December 31, 2023 and 16,065,000 issued and outstanding as of December 31, 2022	16,830	16,065
Preferred Stock Series Seed, \$0.001 par, 20,000,000 shares authorized, 74,002 issued and outstanding as of December 31, 2023 and 0 issued and outstanding as of December 31, 2022	74	-
Additional Paid In Capital	1,840,562	723,317
Retained earnings/(Accumulated Deficit)	(1,166,001)	(302,795)
<b>Total stockholders' equity</b>	<b>691,465</b>	<b>436,587</b>
<b>Total liabilities and members' equity</b>	<b>\$ 884,434</b>	<b>\$ 636,975</b>

See accompanying notes to financial statements.

**AVAWATZ COMPANY**  
**STATEMENTS OF OPERATIONS**  
**FOR YEARS ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022**

For Fiscal Year Ended December 31,	2023	2022
(USD \$ in Dollars)		
Net revenue	\$ -	\$ 389,523
Cost of goods sold	-	223,485
Gross profit	-	166,038
<b>Operating expenses</b>		
Sales and marketing	118,870	163,011
General and administrative	966,420	594,433
Total operating expenses	1,085,290	757,444
Operating income/(loss)	(1,085,290)	(591,406)
Interest expense	(1,257)	(143)
Other income/(loss)	141	69
Income/(Loss) before provision for income taxes	(1,086,406)	(591,480)
Benefit/(Provision) for income taxes	223,200	122,500
<b>Net income/(Net Loss)</b>	<b>\$ (863,206)</b>	<b>\$ (468,980)</b>

*See accompanying notes to financial statements.*

**AVAWATZ COMPANY**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR YEARS ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022**

For Fiscal Year Ended December 31, 2023

(USD \$ in Dollars, except per share data)	Common Stock		Preferred Stock		Additional Paid in Capital	Retained earnings/ (Accumulated Deficit)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance—December 31, 2021	10,000	\$ 33	-	\$ -	\$ 1,485	\$ 146,135	\$ 147,600
Issuance of Common Stock	14,055,000	14,055	-	-	721,822	-	737,877
Net Income/(Loss)	-	-	-	-	-	(418,082)	(418,082)
Balance—December 31, 2022	14,065,000	\$ 14,088	-	\$ -	\$ 723,307	\$ (418,096)	\$ 405,299
Issuance of Common Stock	794,991	795	-	-	1,021,341	-	1,022,006
Issuance of Preferred Stock	-	-	74,002	74	96,004	-	96,078
Net Income/(Loss)	-	-	-	-	-	(363,206)	(363,206)
Balance—December 31, 2023	14,829,991	\$ 14,833	74,002	\$ 74	\$ 1,840,352	\$ (1,144,002)	\$ 891,483

See accompanying notes to financial statements.

**AVAWATZ COMPANY**  
**STATEMENTS OF CASH FLOWS**  
**FOR YEARS ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022**

As of December 31,	2023	2022
<i>(USD \$ in Dollars)</i>		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Income/(loss)	\$ (863,206)	\$ (468,980)
<i>Adjustments to reconcile net income to net cash provided/(used) by operating activities:</i>		
Depreciation and amortization	18,940	18,830
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable, net	-	75,000
Prepays and other current assets	57,152	(57,152)
Accounts payable	4,705	11,635
Credit Cards	17,645	5,815
Deferred revenue	-	(100,000)
Other current liabilities	(25,580)	26,458
Deferred Tax Assets	(223,200)	(122,500)
<b>Net cash provided/(used) by operating activities</b>	<b>(1,013,544)</b>	<b>(610,895)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(7,088)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(7,088)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issuance of Common Stock	1,118,084	737,877
Repayment of long-term debt	(4,189)	(21,519)
<b>Net cash provided/(used) by financing activities</b>	<b>1,113,895</b>	<b>716,358</b>
Change in cash	100,351	98,375
Cash—beginning of year	390,734	292,359
<b>Cash—end of year</b>	<b>\$ 491,085</b>	<b>\$ 390,734</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 1,257	\$ 143
Cash paid during the year for income taxes	\$ -	\$ -
<b>OTHER NONCASH INVESTING AND FINANCING ACTIVITIES AND SUPPLEMENTAL DISCLOSURES</b>		
Purchase of property and equipment not yet paid for	\$ -	\$ -
Conversion of debt into equity	\$ -	\$ -

See accompanying notes to financial statements.

**AVAWATZ COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022**

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**1. NATURE OF OPERATIONS**

AvaWatz Company was originally formed on July 19, 2018, in the state of Massachusetts. On February 13, 2019 converted to a corporation in the state of Texas. The financial statements of AvaWatz Company (which may be referred to as the "Company", "we", "us", or "our") are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company's headquarters are located in Frisco, Texas.

AvaWatz is the next generation AI decision intelligence software company. Based on deep neural learning – knowledge network technologies, AvaWatz provides enterprise customers with multiple solutions including clinical, military, and business decision support. Avawatz provides end-to-end private / hybrid cloud computing-based SaaS and AI-at-the-Edge solutions.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies is presented to assist in understanding the Company's financial statements. The accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP" and "US GAAP").

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with US GAAP and the Company has adopted the calendar year as its basis of reporting.

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include all cash in banks, cash on hand and all highly liquid investments with original maturities of three months or less at the time of purchase. As of December 31, 2023 and 2022, the Company's cash & cash equivalents exceeded FDIC insured limits by \$241,085 and \$140,734, respectively.

**Concentration of Credit Risk**

The Company is subject to concentrations of credit risks primarily from cash and cash equivalents. At various times during the years, the Company may have bank deposits in excess of Federal Deposit Insurance Corporation insurance limits. Management believes any credit risk is low due to the overall financial strength of the financial institutions. Accounts receivable consist of uncollateralized receivables from customers/clients primarily located throughout the United States of America.

**Property and Equipment**

Property and equipment are stated at cost. Expenditures for additions, major renewals and betterments are capitalized, and expenditures for maintenance and repairs are charged against income as incurred. When property and equipment

AVA WATZ COMPANY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022

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are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in statements of operations.

Depreciation and amortization of property and equipment are computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized on a straight-line basis over either the useful life of the improvement or the remainder of the related lease term, whichever is shorter.

Estimated useful lives for property and equipment are as follows:

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Category	Useful Life
Computer equipment	5 years
Vehicles	7 years
Furnitures and fixtures	7 years

**Impairment of Long-lived Assets**

Long-lived assets, including property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recorded in the period in which it is determined that the carrying amount is not recoverable. The determination of recoverability is made based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. The measurement of the impairment for long-lived assets is based on the asset's estimated fair value. No such impairment was recorded for the years ended December 31, 2023 and 2022.

**Revenue Recognition**

The Company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. In determining when and how revenue is to be recognized from contracts with customers, the Company performs the following five step analysis laid under Accounting Standard Codification ("ASC") 606, Revenue from Contracts with Customers: (1) identification of contract with customers, (2) determination of performance obligations, (3) measurement of the transaction price, (4) allocation of transaction price to the performance obligations, and (5) recognition of revenue when or as the company satisfies each performance obligation.

Revenue is recognized over time as the work on contracts with customers progress towards completion using an output method. Under the output method, progress is measured based on achievement of specific milestones or events under contract. Milestones may include the completion of certain project phases, delivery of key deliverables, or attainment of specified performance metrics. Revenue recognized to date is calculated based on achievement of these specific milestones.

The Company earns revenues from the sale of its multiple solutions services including clinical, military, and business decision support to customers.

**Cost of sales**

Costs of goods sold include the cost of labor consultants, direct equipment, etc.

AVA WATZ COMPANY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022

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**Income Taxes**

The Company is taxed as a C corporation for income tax purposes. The Company accounts for income taxes under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the deferred tax asset will not be realized. The Company records interest, net of any applicable related income tax benefit, on potential income tax contingencies as a component of income tax expense. The Company records tax positions taken or expected to be taken in a tax return based upon the amount that is more likely than not to be realized or paid, including in connection with the resolution of any related appeals or other legal processes. Accordingly, the Company recognizes liabilities for certain unrecognized tax benefits based on the amounts that are more likely than not to be settled with the relevant taxing authority. The Company recognizes interest and/or penalties related to unrecognized tax benefits as a component of income tax expense.

**Fair Value of Financial Instruments**

The carrying value of the Company's financial instruments included in current assets and current liabilities (such as cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term nature of such instruments).

The inputs used to measure fair value are based on a hierarchy that prioritizes observable and unobservable inputs used in valuation techniques. These levels, in order of highest to lowest priority, are described below:

*Level 1* — Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

*Level 2* — Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

*Level 3* — Unobservable inputs reflecting the Company's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

**Advertising and Promotion**

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses for the years ended December 31, 2023, and December 31, 2022 amounted to \$118,870 and \$163,011, which is included in sales and marketing expenses.

**Subsequent Events**

The Company considers events or transactions that occur after the balance sheet date, but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through April 8, 2024, which is the date the financial statements were available to be issued.

AVAWATZ COMPANY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022

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**3. DETAILS OF CERTAIN ASSETS AND LIABILITIES**

Accounts payable consist primarily of trade payables, while credit card liabilities refer to short-term liabilities towards the bank due to the credit card usage.

Other current assets consist of the following items:

<b>As of Year Ended December 31,</b>	<b>2023</b>	<b>2022</b>
Deposits	-	44,720
Subscription receivable	-	12,432
<b>Total Other Current Assets</b>	<b>-</b>	<b>57,152</b>

Other current liabilities consist of the following items:

<b>As of Year Ended December 31,</b>	<b>2023</b>	<b>2022</b>
Accrued expenses	112,614	150,147
Tax Payable	-	10,000
Payroll liabilities	30,443	8,490
<b>Total Other Current Liabilities</b>	<b>143,057</b>	<b>168,637</b>

**4. PROPERTY AND EQUIPMENT**

As of December 31, 2023, and December 31, 2022, property and equipment consists of:

<b>As of Year Ended December 31,</b>	<b>2023</b>	<b>2022</b>
Computer equipment	\$ 41,554	\$ 41,554
Furnitures and fixtures	5,337	5,337
Vehicles	69,072	69,072
<b>Property and Equipment, at Cost</b>	<b>115,963</b>	<b>115,963</b>
Accumulated depreciation	(70,314)	(51,374)
<b>Property and Equipment, Net</b>	<b>\$ 45,649</b>	<b>\$ 64,589</b>

Depreciation expenses for property and equipment for the fiscal year ended December 31, 2023, and 2022 were in the amount of \$18,940 and \$18,830, respectively.

**AVA WATZ COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022**

**5. DEBT**

**Promissory Notes & Loans**

During 2020, the Company entered into a vehicle loan agreement. The details of the Company's loans and the terms are as follows:

	Principal Amount	Finance Charge	Receiving Period	Maturity Date	For the Year Ended December 2023			For the Year Ended December 2022		
					Current Portion	Non-Current Portion	Total	Current Portion	Non-Current Portion	Total
Auto Loan - Vehicle Loan	\$ 64,072	\$ 953	20.7.2020	1.4.2023	\$ -	\$ -	\$ -	\$ 4,189	\$ -	\$ 4,189
<b>Total</b>					\$ -	\$ -	\$ -	\$ 4,189	\$ -	\$ 4,189

**6. CAPITALIZATION AND EQUITY TRANSACTIONS**

**Common Stock**

The Company is authorized to issue 30,000,000 shares designated as \$0.001 par value Common Stock. As of December 31, 2022, and December 31, 2021, 16,829,991 shares and 16,065,000 shares have been issued and are outstanding, respectively.

**Preferred stock**

The Company is authorized to issue 20,000,000 shares designated as \$0.001 par value Preferred Stock. As of December 31, 2023, and December 31, 2022, 74,002 shares and 0 Preferred Shares have been issued and are outstanding, respectively.

**7. RELATED PARTY TRANSACTIONS**

There are no related party transactions.

**8. INCOME TAXES**

Income tax expense (benefit) from continuing operations was as follows:

<b>As of Year Ended December 31,</b>	<b>2023</b>	<b>2022</b>
<b>Current:</b>		
Federal, state, and local	\$ -	\$ -
Foreign	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Deferred</b>		
Federal, state, and local	223,200	122,500
Foreign	-	-
Total non-current benefit (expense)	223,200	122,500
<b>Total</b>	<b>\$ 223,200</b>	<b>\$ 122,500</b>

AVAWATZ COMPANY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022

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Deferred tax assets (liabilities) comprised the following:

As of Year Ended December 31,	2023	2022
Deferred Tax Assets:		
Accrued expenses	\$ 352,000	\$ 131,000
Deferred Tax Liabilities	-	-
Depreciation	(4,300)	(6,500)
<b>Total</b>	<b>\$ 347,700</b>	<b>\$ 124,500</b>

Since the Company expects to continue operating positively and no valuation allowance has been applied against deferred tax assets.

## 9. COMMITMENTS AND CONTINGENCIES

### Operating leases

The Company has no long-term leases in place and all lease terms are on a short-term basis. Rent expenses were in the amount of \$8,077 and \$7,835 as of December 31, 2023, and December 31, 2022, respectively.

### Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. Management of the Company believes that the Company is in compliance with applicable local and state regulations as of December 31, 2023, and December 31, 2022.

### Litigation and Claims

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2023 and December 31, 2022, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations.

## 10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events that occurred after December 31, 2023, through April 8, 2024, which is the issuance date of these financial statements.

There have been no events or transactions during this time which would have a material effect on these financial statements.

**EXHIBIT C**

**SUBSCRIPTION AGREEMENT**

**AvaWatz Company**

4400 State Highway 121 Suite 300-315, Lewisville, TX 75056

**AVAWATZ COMPANY**  
**SUBSCRIPTION AGREEMENT**

THE SECURITIES ARE BEING OFFERED PURSUANT TO RULE 506(C) OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE NOT BEEN REGISTERED UNDER THE ACT OR THE SECURITIES LAWS OF ANY STATE OR ANY OTHER JURISDICTION. NO FEDERAL OR STATE SECURITIES ADMINISTRATOR HAS REVIEWED OR PASSED ON THE ACCURACY OR ADEQUACY OF THE OFFERING MATERIALS FOR THESE SECURITIES. THERE ARE SIGNIFICANT RESTRICTIONS ON THE TRANSFERABILITY OF THE SECURITIES DESCRIBED HEREIN AND NO RESALE MARKET MAY BE AVAILABLE AFTER RESTRICTIONS EXPIRE. THE PURCHASE OF THESE SECURITIES INVOLVES A HIGH DEGREE OF RISK AND SHOULD BE CONSIDERED ONLY BY PERSONS WHO CAN BEAR THE RISK OF THE LOSS OF THEIR ENTIRE INVESTMENT WITHOUT A CHANGE IN THEIR LIFESTYLE.

AvaWatz Company  
4400 State Highway 121, Suite 300,  
Lewisville, TX

Ladies and Gentlemen:

The undersigned (the "**Subscriber**") understands that AvaWatz Company, a Texas corporation (the "**Company**"), is offering up to 1,979,167 shares of the Company's Preferred Stock (the "**Securities**") in a private placement. This offering is made pursuant to the Offering Memorandum, dated April 1, 2024 (the "**Offering Documents**"), all as more particularly described and set forth in the Offering Documents. The undersigned further understands that the offering is being made without registration of the Securities under the Securities Act of 1933, as amended (the "**Securities Act**"), or any securities law of any state of the United States or of any other jurisdiction, and is being made only to "accredited investors" (as defined in Rule 501 of Regulation D under the Securities Act).

**1. Subscription.**

(a) Subject to the terms and conditions hereof, the undersigned hereby subscribes for the Securities set forth on the signature page hereto for the aggregate purchase price set forth on the signature page hereto, which is payable as described in Section 4 hereof. The purchase price per share of the Securities will be discounted based on the Subscriber's aggregate investment amount as set forth on Appendix A hereto.

(b) The undersigned acknowledges that the Securities will be subject to restrictions on transfer as set forth in this subscription agreement (the "**Subscription Agreement**").

2. **Acceptance of Subscription and Issuance of Securities.** It is understood and agreed that the Company shall have the sole right, at its complete discretion, to accept or reject this subscription, in whole or in part, for any reason and that the same shall be deemed to be accepted by the Company only when it is signed by a duly authorized officer of the Company and delivered to the undersigned at the Closing referred to in Section 3 hereof. Subscriptions need not be accepted in the order received, and the Securities may be allocated among subscribers. Notwithstanding anything in this Subscription Agreement to the contrary, the Company shall have no obligation to issue any of the Securities to any person who is a resident of a jurisdiction in which the issuance of Securities to such person would constitute a violation of the securities, "blue sky" or other similar laws of such jurisdiction (collectively referred to as the "**State Securities Laws**").

3. **The Closing.** The closing of the purchase and sale of certain Securities to the undersigned (the "**Closing**") shall (i) occur no more frequently than every twenty-eight (28) calendar days and (ii) when no less than \$50,000 is dispersible. The Company may hold multiple closings.

4. **Payment for Securities.** Payment for the Securities shall be received by the Company from the undersigned by wire transfer of immediately available funds, automated clearing house (ACH) money transfer, or other means approved by the Company at or prior to the Closing, in the amount as set forth on the signature page hereto. The Company may deliver certificates representing the Securities to the undersigned at the Closing bearing an appropriate legend referring to the fact that the Securities were sold in reliance upon an exemption from registration under the Securities Act.

5. **Representations and Warranties of the Company.** As of each Closing, the Company represents and warrants that:

(a) The Company is duly formed and validly existing under the laws of Texas, with full power and authority to conduct its business as it is currently being conducted and to own its assets; and has secured any other authorizations, approvals, permits and orders required by law for the conduct by the Company of its business as it is currently being conducted.

(b) The Securities have been duly authorized and, when issued, delivered and paid for in the manner set forth in this Subscription Agreement, will be validly issued, fully paid and nonassessable, and will conform in all material respects to the description thereof set forth in the Offering Documents.

6. **Representations and Warranties of the Undersigned.** The undersigned hereby represents and warrants to and covenants with the Company that:

(a) **General.**

(i) The undersigned has all requisite authority (and in the case of an individual, the capacity) to purchase the Securities, enter into this Subscription Agreement and to perform all the obligations required to be performed by the undersigned hereunder, and such purchase will not contravene any law, rule or regulation binding on the undersigned or any investment guideline or restriction applicable to the undersigned.

(ii) The undersigned is a resident of the state set forth on the signature page hereto and is not acquiring the Securities as a nominee or agent or otherwise for any other person.

(iii) The undersigned will comply with all applicable laws and regulations in effect in any jurisdiction in which the undersigned purchases or sells Securities and obtain any consent, approval or permission required for such purchases or sales under the laws and regulations of any jurisdiction to which the undersigned is subject or in which the undersigned makes such purchases or sales, and the Company shall have no responsibility therefor.

(b) **Information Concerning the Company.**

(i) The undersigned has received a copy of the Offering Documents. The undersigned has not been furnished any offering literature other than the Offering Documents, and the undersigned has relied only on the information contained therein.

(ii) THE UNDERSIGNED UNDERSTANDS AND ACCEPTS THAT THE PURCHASE OF THE SECURITIES INVOLVES A HIGH DEGREE OF RISK, INCLUDING THE RISKS OUTLINED IN THE OFFERING DOCUMENTS AND IN THIS SUBSCRIPTION AGREEMENT. The undersigned represents that it is able to bear any and all loss associated with an investment in the Securities.

(iii) The undersigned confirms that it is not relying on any communication (written or oral) of the Company or any of its affiliates, as investment or tax advice or as a recommendation to purchase the Securities. It is understood that information and explanations related to the terms and conditions of the Securities provided in the Offering Documents or otherwise by the Company or any of its affiliates shall not be considered investment or tax advice or a recommendation to purchase the Securities, and that neither the Company nor any of its affiliates is acting or has acted as an advisor to the undersigned in deciding to invest in the Securities. The undersigned acknowledges that neither the Company nor any of its affiliates has made any representation regarding the proper characterization of the Securities for purposes of

determining the undersigned's authority to invest in the Securities.

(iv) The undersigned is familiar with the business and financial condition and operations of the Company, all as generally described in the Offering Documents. The undersigned has had access to such information concerning the Company and the Securities as it deems necessary to enable it to make an informed investment decision concerning the purchase of the Securities.

(v) The undersigned understands that, unless the undersigned notifies the Company in writing to the contrary at or before each Closing, each of the undersigned's representations and warranties contained in this Subscription Agreement will be deemed to have been reaffirmed and confirmed as of the Closing, taking into account all information received by the undersigned.

(vi) The undersigned acknowledges that the Company has the right in its sole and absolute discretion to abandon this private placement at any time prior to the completion of the offering. This Subscription Agreement shall thereafter have no force or effect, and the Company shall return the previously paid subscription price of the Securities, without interest thereon, to the undersigned.

(vii) The undersigned understands that no federal or state agency has passed upon the merits or risks of an investment in the Securities or made any finding or determination concerning the fairness or advisability of this investment.

(viii) The undersigned acknowledges that the shares of Preferred Stock being sold hereunder have no voting rights, except as required by law or provided in the Company's Certificate of Formation, as amended.

(c) **No Guaranty.** The undersigned confirms that the Company has not (A) given any guarantee or representation as to the potential success, return, effect or benefit (either legal, regulatory, tax, financial, accounting or otherwise) an of investment in the Securities or (B) made any representation to the undersigned regarding the legality of an investment in the Securities under applicable legal investment or similar laws or regulations. In deciding to purchase the Securities, the undersigned is not relying on the advice or recommendations of the Company and the undersigned has made its own independent decision, alone or in consultation with its investment advisors, that the investment in the Securities is suitable and appropriate for the undersigned.

(d) **Status of Undersigned.**

(i) The undersigned has such knowledge, skill and experience in business, financial and investment matters that the undersigned is capable of evaluating the merits and risks of an investment in the Securities. With the assistance of the undersigned's own professional advisors, to the extent that the undersigned has deemed

appropriate, the undersigned has made its own legal, tax, accounting, and financial evaluation of the merits and risks of an investment in the Securities and the consequences of this Subscription Agreement. The undersigned has considered the suitability of the Securities as an investment in light of its own circumstances and financial condition and the undersigned is able to bear the risks associated with an investment in the Securities, and it is authorized to invest in the Securities.

(ii) The undersigned is an "accredited investor" as defined in Rule 501(a) under the Securities Act. The undersigned agrees to furnish all additional information and documentation requested by the Company or any of its affiliates or agents to assure compliance with applicable U.S. federal and state securities laws in connection with the purchase and sale of the Securities. All information that has been furnished or that will be furnished by the undersigned to evidence its status as an accredited investor is accurate and complete, and does not contain any misrepresentation or material omission.

(e) **Restrictions on Transfer or Sale of Securities.**

(i) The undersigned is acquiring the Securities solely for the undersigned's own beneficial account, for investment purposes, and not with a view to, or for resale in connection with, any distribution of the Securities. The undersigned understands that the Securities have not been registered under the Securities Act or any State Securities Laws by reason of specific exemptions under the provisions thereof which depend in part upon the investment intent of the undersigned and of the other representations made by the undersigned in this Subscription Agreement. The undersigned understands that the Company is relying upon the representations and agreements contained in this Subscription Agreement (and any supplemental information) for the purpose of determining whether this transaction meets the requirements for such exemptions.

(ii) The undersigned understands that the Securities are "restricted securities" under applicable federal securities laws and that the Securities Act and the rules of the U.S. Securities and Exchange Commission (the "**Commission**") provide in substance that the undersigned may dispose of the Securities only pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, and the undersigned understands that the Company has no obligation or intention to register any of the Securities or the offering or sale thereof, or to take action so as to permit offers or sales pursuant to the Securities Act or an exemption from registration thereunder (including pursuant to Rule 144 thereunder). Accordingly, the undersigned understands that under the Commission's rules, the undersigned may dispose of the Securities only in "private placements" which are exempt from registration under the Securities Act, in which event the transferee will acquire "restricted securities," subject to the same limitations that apply to the Securities in the hands of the undersigned. Consequently, the undersigned understands that the

undersigned must bear the economic risks of the investment in the Securities for an indefinite period of time.

(iii) The undersigned agrees: (A) that the undersigned will not sell, assign, pledge, give, transfer, or otherwise dispose of the Securities or any interest therein, or make any offer or attempt to do any of the foregoing, unless the transaction is registered under the Securities Act and complies with the requirements of all applicable State Securities Laws, or the transaction is exempt from the registration provisions of the Securities Act and all applicable requirements of State Securities Laws; (B) that any certificates representing the Securities will bear a legend making reference to the foregoing restrictions; and (C) that the Company and its affiliates shall not be required to give effect to any purported transfer of such Securities, except upon compliance with the foregoing restrictions.

(f) **Uncertificated Shares.** The undersigned acknowledges that the Company is authorized to issue uncertificated shares, and hereby waives the undersigned's right to receive a stock certificate representing the securities and consents and agrees to the issuance of uncertificated shares.

7. **Conditions to Obligations of the Undersigned and the Company.** The obligations of the undersigned to purchase and pay for the Securities specified on the signature page hereto and of the Company to sell the Securities are subject to the satisfaction at or prior to the Closing of the following conditions precedent: the representations and warranties of the Company contained in Section 5 hereof and of the undersigned contained in Section 6 hereof shall be true and correct as of the Closing in all respects with the same effect as though such representations and warranties had been made as of the Closing.

8. **Obligations Irrevocable.** Following each Closing, the obligations of the undersigned shall be irrevocable.

9. **Legend.** The certificates representing the Securities sold pursuant to this Subscription Agreement will be imprinted with a legend in substantially the following form:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE STATE SECURITIES LAWS AND THE SECURITIES LAWS OF OTHER

JURISDICTIONS, AND IN THE CASE OF A TRANSACTION EXEMPT FROM REGISTRATION, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR SUCH OTHER APPLICABLE LAWS."

10. **Waiver, Amendment.** Neither this Subscription Agreement nor any provisions hereof shall be modified, changed, discharged or terminated except by an instrument in writing, signed by the party against whom any waiver, change, discharge or termination is sought.

11. **Assignability.** Neither this Subscription Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by either the Company or the undersigned without the prior written consent of the other party.

12. **Waiver of Jury Trial.** THE UNDERSIGNED IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING ARISING OUT OF THE TRANSACTIONS CONTEMPLATED BY THIS SUBSCRIPTION AGREEMENT.

13. **Submission to Jurisdiction.** With respect to any suit, action or proceeding relating to any offers, purchases or sales of the Securities by the undersigned ("**Proceedings**"), the undersigned irrevocably submits to the jurisdiction of the federal or state courts located in Dallas, Texas, which submission shall be exclusive unless none of such courts has lawful jurisdiction over such Proceedings.

14. **Governing Law.** This Subscription Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to conflict of law principles thereof.

15. **Section and Other Headings.** The section and other headings contained in this Subscription Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Subscription Agreement.

16. **Counterparts.** This Subscription Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which together shall be deemed to be one and the same agreement. Counterparts may be delivered via electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, *e.g.*, [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

17. **Notices.** All notices and other communications provided for herein shall be

in writing and shall be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid or email to the following addresses (or such other address as either party shall have specified by notice in writing to the other):

If to the Company: AvaWatz Company  
4400 State Highway 121 Suite 300  
Lewisville, TX 75056  
E-mail: investor.relations@avawatz.com

with a copy to: Scale LLP  
548 Market Street, STE 86147  
San Francisco, CA 94104  
E-mail: lindsey@scalefirm.com  
Attention: Lindsey Altmeyer

If to the Purchaser, at the address set forth on the signature page hereto.

18. **Binding Effect.** The provisions of this Subscription Agreement shall be binding upon and accrue to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

19. **Survival.** All representations, warranties and covenants contained in this Subscription Agreement shall survive (i) the acceptance of the subscription by the Company and each Closing, (ii) changes in the transactions, documents and instruments described in the Offering Documents which are not material or which are to the benefit of the undersigned and (iii) the death or disability of the undersigned.

20. **Notification of Changes.** The undersigned hereby covenants and agrees to notify the Company upon the occurrence of any event prior to the closing of the purchase of the Securities pursuant to this Subscription Agreement, which would cause any representation, warranty, or covenant of the undersigned contained in this Subscription Agreement to be false or incorrect.

21. **Severability.** If any term or provision of this Subscription Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Subscription Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

22. **Indemnification.** The undersigned agrees to indemnify and hold harmless the Company and its directors, officers, and agents (including legal counsel) from any and all damages, losses, costs and expenses (including reasonable attorneys' fees) that

they, or any of them, may incur by reason of the undersigned's failure, or alleged failure, to fulfill any of the terms and conditions of this subscription or by reason of the undersigned's breach of any of the undersigned's representations and warranties contained herein.

23. **Market Stand-Off.** If so requested by the Company or any representative of the underwriters (the "**Managing Underwriter**") in connection with any underwritten or Regulation A+ offering of securities of the Company under the Securities Act, the undersigned (including any successor or assign) shall not sell or otherwise transfer any Securities or other securities of the Company during the 30-day period preceding and the 270-day period following the effective date of a registration or offering statement of the Company filed under the Securities Act for such public offering or Regulation A+ offering or underwriting (or such shorter period as may be requested by the Managing Underwriter and agreed to by the Company) (the "**Market Standoff Period**"). The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement as of \_\_\_\_\_, 2024

PURCHASER (if an individual):

PURCHASER (if an entity):

\_\_\_\_\_  
Legal Name of Entity

\_\_\_\_\_  
Name: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Email: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

\_\_\_\_\_  
Email: \_\_\_\_\_

Phone: \_\_\_\_\_

State/Country of Domicile or Formation: \_\_\_\_\_

Aggregate Subscription Amount: US\$ \_\_\_\_\_

Price per Share: US\$ \_\_\_\_\_

Number of Securities to be Acquired: \_\_\_\_\_

.....  
The offer to purchase Securities as set forth above is confirmed and accepted by the Company as to \_\_\_\_\_ shares of Preferred Stock.

AVAWATZ COMPANY

By \_\_\_\_\_

Name: Rajini Anachi

Title: President

## **APPENDIX A**

### **PERKS PROGRAM**

Investors are eligible to receive a discount on the share price based on when they make their investments.

During the period from opening of the Offering by the Issuer and ending on May 31 at 11:59 p.m. Pacific Time (“Offering Period 1”), a 25% discount will be applied to the share price.

During the period commencing on June 1, 2024 at 12:00 a.m. Pacific Time and ending upon the conclusion of the offering of the Securities (“Offering Period 2”), no discount will be applied.

#### **Discount issued pursuant to the timing of the investment:**

The following table describes discounts issued to an Investor based on the timing of their investment:

Investment Time Frame	Discount Applied	Price per Share
Offering Period 1	25%	\$3.00
Offering Period 2	0%	\$4.00

#### **Additional Bonus Shares issued pursuant to the amount of the investment:**

Certain investors in this Offering are eligible to receive additional bonus shares based on the amount of their investment in this offering, which effectively gives them a further discount on their investment. Bonus shares issued are based upon a share price of \$4/share, regardless of whether the investment is made during Offering Period 1 or Offering Period 2.

The table below indicates the % of bonus shares eligible by tier:

Amount Invested	Bonus Shares
\$20,000+	5%
\$50,000+	10%
\$100,000+	15%
\$250,000+	25%