



AFFIRMATION OF SMI STOCK POSITION

The undersigned hereby affirms the purchase of [REDACTED] shares (\$1500 each) of Class-A Preferred Stock of SEG Magnetics, Inc., a Nevada Corporation, and this document shall serve as a 'Subscription Agreement' effective as of the date of such purchase(s).

By executing and delivering this subscription, the undersigned specifically accepts and adopts each and every provision of this Subscription Agreement and agrees to be bound by the terms and conditions hereof.

The undersigned understands, agrees, recognizes and declares that:

- (1) The undersigned (please check one) **is an 'Accredited Investor.'** *An Accredited Investor has a net worth (either individually or with his or her spouse) in excess of \$1,000,000.00 (exclusive of his or her primary (residence) or annual income greater than \$200,000.00 (\$300,000.00 jointly with Spouse) for the fiscal years ended 2015, 2016 and reasonably expected for the year ending 2017; is able to bear the economic risk of the investment made hereby and has such knowledge and experience related to investments of the kind made hereby as is necessary to evaluate the information provided to him or her related to the Company and the risks of an investment in the shares.*
- (2) The undersigned has received or had access to, and has read and understands, copies of the Executive Summary, Business plan(s) and other disclosure documents. In addition, the undersigned has been afforded an opportunity to ask questions and request additional information from management of the Company and all such questions have been fully answered and all such information requested has been supplied. The undersigned has made such investigation of the Company as he or she believes is necessary to make an informed investment decision.
- (3) The undersigned is aware that investment in the shares is speculative and entails the risk of loss of the entire investment.
- (4) The shares are being acquired for investment for the undersigned's own account and not with a view to or for resale in connection with, any distribution thereof. The undersigned realizes that the basis for the exemption from the registration requirements of the Securities Act of 1933, as amended (the "Act"), and certain requirements of State securities laws relied upon by the Company in connection with the offering of the shares may not be available if, notwithstanding such representation, the undersigned has in mind merely acquiring the shares for a fixed or determinable period and the undersigned hereby confirms the absence of any such intention. The undersigned further understands, agrees and recognizes that:
- (5) The shares are not, and at the time of issuance will not be, registered under the Act and the issuance of the shares is based upon an exemption from registration under the Securities Act of 1933, as amended ("the Act") and the rules, regulations and interpretations of the Securities and Exchange Commission promulgated under the Act, and the Company's reliance on such exemption is predicated in part on the representations of the undersigned set forth herein.
- (6) No federal or state agency has made any finding or determination as to the fairness of the investment nor any recommendation or endorsement of the shares.

Net worth” means the excess of total assets at fair market value, including cash, stock, securities, personal property and real estate (other than your primary residence), over total liabilities (other than a mortgage or other debt secured by your primary residence). In the event that the amount of any mortgage or other indebtedness secured by your primary residence exceeds the fair market value of the residence, that excess liability should also be deducted from your net worth. Any mortgage or indebtedness secured by your primary residence incurred within 60 days before the time of the sale of the securities described herein, other than as a result of the acquisition of the primary residence, shall also be deducted from your net worth.

- (8) The shares may not be sold, transferred, or otherwise disposed of without registration under the Act or any other applicable securities laws or the availability of an exemption therefrom, and, in the absence of an effective registration statement covering the Shares or the availability of an exemption from registration under the Act and any other applicable securities laws, it may be necessary to hold the shares indefinitely.
- (9) The undersigned is aware that no public trading market currently exists for the Company’s common or preferred stock which could restrict the marketability of the shares. Undersigned represents that the undersigned will not sell, transfer or otherwise dispose of the shares in the absence of an effective registration statement under the Act and any applicable securities law or a satisfactory opinion of counsel that such registration is not required.
- (10) All certificates evidencing shares shall bear a legend referring to this restriction on transfer.

The undersigned hereby acknowledges and agrees that the undersigned is not entitled to cancel, terminate or revoke this subscription, which shall survive the death or disability of the undersigned.

The obligations of the Company, undertaken in this Subscription Agreement, constitute all of the contractual obligations of the Company to the undersigned in connection with the issuance of the Shares.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Affirmation of Stock Position and Subscription Agreement, thereby affirming subscription for Shares on the terms set forth herein.

Signature of Purchaser: _____ Date: _____

Name of Purchaser (Print): _____

| Address | City | State/Prov. | Zip |
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ACCEPTED BY: _____

Fernando D. Morris, Chairman