



**INVESTOR MEMORANDUM  
2017-2020**



**CONFIDENTIAL**

**KROOZ, Inc.**

A Texas Corporation

**\$ 5,000,000**



**5,000,000 Share(s)**

**\$1.00 USD per Share**

KROOZ, Inc. is offering a maximum of five million shares (the "Share(s)") in the Company. There is no public market for the Share(s) or any other securities of the Company and no such market will develop as a result of this offering.

THE SHARE(S) OFFERED HEREIN ARE HIGHLY SPECULATIVE AND AN INVESTMENT IN THE COMPANY INVOLVES A HIGH DEGREE OF RISK AND IMMEDIATE AND SUBSTANTIAL DILUTION FROM THE OFFERING PRICE. SEE "RISK FACTORS" AND "DILUTION." THE SHARE(S) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES LAWS OF THE TEXAS OR APPLICABLE SECURITIES LAWS AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THESE LAWS.

THE SHARE(S) HAVE NOT BEEN APPROVED OR DISAPPROVED ANY REGULATORY BODY OR HAS ANY SUCH BODY PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR

ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE UNLAWFUL. THE SHARE(S) MAY NOT BE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER APPLICABLE SECURITIES LAWS OR AN OPINION OF COUNSEL IN FORM AND SUBSTANCE ACCEPTABLE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.



	Number of Share(s) Offered <sup>(1)</sup>	Offering Price	Selling Commissions <sup>(2) (3)</sup>	Proceeds to the Company <sup>(4)</sup>
Per Share(s)	--	\$1.00	\$-0-	-
Total Maximum	5,000,000	\$5,000,000	\$-0-	\$5,000,000

<b><i>Investment Offering</i></b>	<b><i>Seed</i></b>
Proposed Year:	1
Valuation, Investment, Shares	
Investment Amount	\$5,000,000
Equity Share Offering Percentage	20.00%
<b>Valuation</b>	<b>\$25,000,000</b>
Share Ownership	Year 1
Founders' Shares	45,000,000
Investor Shares Issued	5,000,000
Price per share	\$1.00
Year 1 Investors' Shares	5,000,000
<b>Total Shares Outstanding</b>	<b>50,000,000</b>
Equity Ownership Percentage	Year 1
Founders' Equity	80.00%
Year 1 Investors' Equity	20.00%
Total Equity	100.00%
Investors' Equity	20.00%
<b>Founders' &amp; Employees' Equity</b>	<b>80.00%</b>

(1) The Company is offering a maximum of 5,000,000 of the Share(s) at the price indicated.

(2) They also have agreed to indemnify the Placement Agent against certain civil liabilities, including liabilities under securities Law.

(3) The Company has agreed to offer the Share(s) on an agency and "best efforts" basis. The offering will be terminated if the maximum number of shares is not subscribed for by the expiration date of the offering, unless sooner terminated or extended by the Company. Funds paid by investors will be held in an escrow account and will be returned promptly if the offering is terminated. The minimum investment is 5% of Total Offering, subject to the Company's right to accept a lesser amount.

(4) Before deducting offering expenses payable by the Company, estimated to be approximately 3% of the Proceeds to the Company, and the non-accountable expense allowance payable to the Placement Agent of up to 2% of the Proceeds to the Company.



**The date of this INVESTOR Memorandum is Tuesday September 19, 2017.**

No person has been authorized to give any information or to make any representations in connection with the offer made by this INVESTOR Memorandum, nor has any person been authorized to give any information or make any representations other than those contained in this INVESTOR Memorandum, and if given or made, such information or representations must not be relied upon. The delivery of this INVESTOR Memorandum shall, under any circumstances, create an implication that there has been no change in the affairs of the company since the date hereof. The acceptance of this document constitutes an agreement on the part of the recipient hereof and the recipient's representatives to maintain the confidentiality of the information contained herein.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the author.

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Date of Printing: Tuesday September 19, 2017

## **Concept Summary**

KROOZ, Inc. is a Texas-based, Inc. enterprise focused on the development and delivery of ride-sharing transportation. The Company aims to achieve a preeminent position in the transit channel based on the concept of cultivating loyal, brand specific consumer segments within the targeted market.

## **Features**

- Easy-to-use app interface
- Excellent ride-sharing services
- Safe, secure transportation
- Low rates
- High driver compensation
- Available in all cities and states in USA and Canada.



## Competitive Advantage

KROOZ is positioned to experience rapid growth and outperform in a challenging marketplace for the following reasons:

The Company's services are included in a burgeoning and rapidly expanding market.

The Company's senior management has insight, creativity and experience which are relevant and transferable within application development, operations, marketing and finance in the ride share industry.

The Company has created a marketing plan to position KROOZ as a superior service provider of ride-sharing transportation using aggressive marketing strategies combined with unique marketing skills and experiences.

## Key Advantages

KROOZ has completed its operational and personnel planning with cost efficiency and flexibility as factors. An emphasis is placed on sales and marketing staffing and strategies to enhance revenue growth.

**The Company offers ride-sharing transportation which is in high demand in the global market place; ride-share market expected to grow to \$285 billion by 2030 according to Goldman's analysts. The Company's management has designed its strategic growth and operating plans to be scalable which also provides for enhanced revenue growth.**

## EXECUTIVE SUMMARY

### Introduction

*The following summary is qualified in its entirety by the detailed information appearing elsewhere in this memorandum. See "Risk Factors" for information to be considered by affiliated parties.*

***Founded in September 30, 2015, KROOZ, Inc., through development and delivery of its ride-sharing services is poised to become a leader in the transit channel.***

This Memorandum (the "Memorandum") has been prepared for your review and to showcase the Company's service and the expected financial impact on the Company and its shareowners for the period 2017-2020. The Company is formed as an Incorporation. in Texas and provides ride-sharing transportation for use across a variety of vertical channels.

### Mission and Vision



### **Mission**

The mission of KROOZ, Inc. is to become a predominant market leader in advanced transit and ride-sharing transportation while encouraging a friendly and fair work environment; all in a fiduciary manner which supports our company, industry and community.

### **Vision**

The vision of the Company is to grow and prosper in a fashion similar to other successful organizations including, Uber and Lyft. In this regard the firm shows a keen desire to provide a unique product and service, and be a responsible corporate citizen, while growing profits and maintaining user satisfaction.

In order to realize this vision, the Company strives to maintain consumer satisfaction and attract additional consumers within the Company's targeted marketplace by creating value for them through safe and comfortable transport. The Company seeks to integrate new and in-demand ride-sharing ideas, grow profits through innovative management and work toward expansion through new market segments.

### **Strategy**

The Company's core strategy revolves around its focus on providing low costs for every consumer and fair payment for every driver. Within this focus, the Company will develop and distribute a profitable brand image, create and develop a variety of additional products and services, and create loyalty with consumers via a full understanding of the benefits of the Company's products and services.

### **Values**

Keeping in line with the Mission of the Company, KROOZ values integrity, transparency and excellence in all aspects of the business. These values allow the Company to build trust and loyalty with consumers and shareholders, creating a foundation for the successful future of the Company.

### **Expansion Plan**

The Company expects that after the initial launch revenues will aggressively expand during the following 1-3 years of operation. The Company intends to implement a diverse marketing strategy throughout the identified target market segments (geographic, psychographic, behavioral) and expanding to a variety of other markets effectively targeting a new and existing customer base.

The Company anticipates using the following expansion strategies to provide for growth and increased revenues.



### **Organic Expansion**

The Company anticipates utilizing an Organic Expansion model, experiencing growth from its own profits.

The primary advantage to organic expansion for KROOZ is the flexibility it provides in directing the initial growth of the Company. Once KROOZ is profitable enough to create a capital pool to reinvest and has clear indicators which areas provide the highest chance of successful growth; an organic plan can be formed on actual, tangible results, which is the best information to go on when determining which ways to expand.

The core requirement of the Company's organic expansion is a willingness on the part of management and shareowners to reinvest excess capital.

### **Government Aid**

The Company is seeking funding from state and federal agencies that provide technology based grants in the form of low-cost loans to expand the Company. KROOZ qualifies for such funding based on the following criteria.

- Improved public transportation services
- Increased job opportunities
- Safer transportation – potential for lower crime rates

### **Raising Investment Capital**

In an effort to aggressively build brand equity and grow the Company's core business, private capital will be raised through the following sources:

- Friends and Family – include high net worth individuals and small to medium sized businesses within the professional network of the Company's founders.
- Angel Investors – private capital investors who generally look for higher risk opportunities.
- Institutional Investors – include large commercial investment firms, Venture Capitalists, life insurance companies and mutual funds.

### **Capital Requirements**

KROOZ is currently seeking investment capital totaling (\$5,000,000) to fuel start-up activities, launch marketing efforts and ongoing operations as identified in this plan. By investing primarily into developing a quality service and marketing and sales activities, the Company expects to establish substantive market share within an eighteen (18) month timeframe, allowing for speed to market and preventing additional competitors the opportunity to create counter solutions.

<i><b>Startup</b></i>	
Startup Expenses	
Formation	\$125,000
Technology and in-house Developers	\$165,000
TNC locations, more cities permit for expansion.	\$115,000
Legal and Accounting	\$220,000
Licenses and Permits	\$180,000
Marketing and Advertising	\$2,140,000



Apps Enhancement	\$465,000
Allocation for Hiring and Administration	\$280,000
Signs and Supplies	\$55,000
Prepaid Items/Deposits	\$35,000
Insurance	\$130,000
Unanticipated Expenses	\$55,000
Total Startup Expenses	\$3,965,000
Cash Required	\$1,035,000
Total Assets	\$1,035,000
<b>Total Requirements</b>	<b>\$5,000,000</b>

### Sales Forecast Summary

The following information represents the Company's annual, forecasted sales divided by service type and is based upon a prediction of future sales over a specific period of time, based on past performance of services in the target market, standardized COLA and inflation rates, organizational spending patterns and market trends. In the preparation of a comprehensive operating plan, the Company created sales forecasts to help and develop an operating budget allocating marketing resources, while monitoring the competition and the product environment.

<i>Sales Forecast</i>			
	Year 1	Year 2	Year 3
Sales			
Booking Fee Revenues	\$460,000	\$851,000	\$1,489,250
Fare Commissions Revenues	\$520,000	\$962,000	\$1,683,500
Total Sales	\$980,000	\$1,813,000	\$3,172,750
Direct Cost of Sales	Year 1	Year 2	Year 3
Allocation for Chargebacks and Collections	\$29,400	\$49,857	\$82,491
<b>Subtotal Direct Cost of Sales</b>	<b>\$29,400</b>	<b>\$49,857</b>	<b>\$82,491</b>

### Business Model

The KROOZ business model consists of a multi-source revenue model. The Company anticipates deploying a marketing and advertising campaign across a variety of market channels which supports the following business model implementation.

#### Brokerage Model

KROOZ provides an app for buyers to schedule and pay for ride-sharing with an easy-to-use order interface which affords visitors the ability to view the Company's services, place an order and pay for the selected service. The Company derives revenue from charging a fee for the use of these services; acting as the broker between the buyer and the seller.





### **Commission Model**

KROOZ uses the commission model which is a cross between an advertising model and a brokerage model. The Company earns revenue from sales of services manufactured and distributed by existing organizations yet it requires less up-front investment and/or licensing than the broker model.

### **Multi-level Marketing Business Model**

KROOZ uses a multi-level marketing (MLM) strategy to produce sales while building an internal sales force who are compensated not only for sales they personally generate, but also for the sales of the other salespeople they recruit. The Company intends to use a down line which provides for the greatest opportunity for success for the Company and the sales force and is based on the following formula.

### **The Offering**

The Company is offering a maximum of five million shares at (\$1.00) per share. The minimum purchase per investor subject to the terms and conditions of the offering is two hundred fifty thousand (250,000) shares or (\$250,000) of the outstanding shares of KROOZ.

### **Conclusion**

A stellar service offering combined with a burgeoning target market and an efficient and effective management team provide KROOZ with the necessary tools to forge ahead as a successful venture while securing brand equity, consumer loyalty and profits. The information contained herein has been provided to serve as a guide for interested parties to review and understand the form and function of KROOZ.

## **SERVICES**

### **Service Overview**

KROOZ primary service includes ride-sharing transportation which represents the Company's underlying philosophy of providing services which are consistently recognized as ultra-high quality at competitive prices and which provide complete satisfaction to the end user. Additionally, the Company strives to provide its services in a manner which reflects the Company's belief in the importance of customer satisfaction and increasing sales through service improvements and the introduction of additional products and services.

### **Key Competitive Strengths**

KROOZ provides a superior service and is better positioned than the Company's primary competitors to take advantage of the increasing demands for ride-sharing transportation due to the Company's focus exclusively on high-quality service distribution. In addition to current services, the Company is striving to continue its offering of unique and in demand services.

- Safer, more secure transportation
- High compensation for drivers
- Opportunity for expansion
- Skill Advantage
- Added Value, Less Costs
- Know How Competitive Advantage



### **Sourcing**

KROOZ will acquire the product using third party sourcing and will attempt to eliminate extra layers of development and distribution to ensure the highest level of net profit available per “sale” which allows the Company to operate with strong operating and profit margins, while providing customers with competitive pricing.

### **Key Competitive Weaknesses**

The Company has identified the following primary weaknesses, yet remains confident in the service offered combined with the Company’s strategic growth and operating plans.

- Lacks Strong Online Presence – which will be addressed in a comprehensive website design and marketing plan
- Branding and Reputation – fully addressed in a comprehensive marketing plan
- Insufficient Marketing Budget – which will be addressed in the securing of funds which is the aim and purpose of this document
- Established, well-known competitors – fully addressed in the attractive differentiation in services, prices and payment options

### **Features**

The Company’s services provide the end user with the following features:

- Easy-to-use app interface, and a unique USPTO patent pending features
- Excellent ride-sharing services
- Safe, secure transportation
- Low rates
- High driver compensation
- Availability in 25 countries

Unlike a taxi service; ride-sharing allows customers to schedule transportation through the Company’s app. A driver arrives to pick up the customer and payment is calculated based on the distance/time to the location of choice. Customers have the ability to rate drivers through the app, upgrade their services and pay instantly. Drivers have the ability to pick up extra work driving their own cars, whenever they want.

## **THE COMPANY**

### **Company Summary**

KROOZ is based in Dallas and incorporated in Texas. The business was formed in September 30, 2015 and deemed to serve as a global leader in the transit channel. KROOZ expects to gain a dominant market position with consumers within geographic, psychographic and behavioral market segments.

**Location:** KROOZ is located at:

**Office of Record**  
KROOZ, Inc.  
2025 Saturn Rd #7  
Garland, Texas 75041  
1 (844) 445-7669



### Shares Outstanding

The Company's entire equity structure is currently comprised of Class A Shares. Currently, the total current outstanding Shares and the respective owner included below.

Registered Owner	Percentage of Total
Common Shares Outstanding	
Founders: Godwin E. Enogieru	100.00%
Total Outstanding Shares (Upon Full Dilution)	100.00%

### Company Organizational Structure

The Company has assembled a management team of industry experts and entrepreneurs and expects to fill additional senior management and operating positions in 2017-2020. A proposed organizational chart is provided below.

### Personnel Plan

The salaries and benefits of the Company's officers are commensurate with their experience and conservatively represent market rates for technology companies. Below is a table of officer's current salaries.

#### Godwin E. Enogieru

##### Chief Executive Officer

The Company's CEO is in charge of total management of the organization and will serve as the ultimate decision maker of the company.

#### Vacant

##### Chief Financial Officer

The Company's chief financial officer (CFO) is primarily responsible for managing the financial affairs of the corporation while taking responsibility for financial planning and record-keeping and financial reporting to the CEO.

#### Vacant

##### Chief Technology Officer

The duties as Chief Technology Officer include primary responsibility for design and development of the TBD portal. Additionally; the CTO shares responsibility with other team members with regard to formulating product development of the application to enhance the market position of the Company, Much of the CTO's role is highly analytical including competitive intelligence and market research functions. Other functions of this position are of a creative nature and through his efforts will improve functionality.



**Vacant**

**Chief Operating Officer**

The Chief Operating Officer position is an integral part of the management team and possesses a wide variety of duties and responsibilities. The COO must have an in-depth understanding of the fundamental goals and characteristics of the Company, its shareholders and its competitors.

**Vacant**

**Chief Marketing Officer**

The Chief Marketing officer responsible is to overseeing marketing initiatives within the company. He/She will works to develop areas such as sales management, product development, distribution channel management, marketing communications, including advertising and promotions, pricing, market research, and customer service.

## **WHY YOU SHOULD INVEST IN KROOZ.**

KROOZ is seeking a broad audience of potential investors, we are offering this opportunity to the crowd – everyone to invest early on and become part of the ever revolving ride-share market expected to grow to \$285 billion by 13 years according to Goldman’s analysts; KROOZ strive and set to take the lead.

We intend to list on a national stock exchange such as the NYSE subsequent to this offering. Now is the perfect time to get in on the ground floor with us, here is your chance to invest and be a part of our company at pre-IPO valuations, capturing more growth for your investment while giving us an opportunity to find a meaningful new source of capital. Invest in your future.

With the investment KROOZ will be able to launch nationwide advertising campaign; create employment which includes hiring more customer service representatives; IT team; along with the ability to secure more TNC locations and cities permit for expansion.

KROOZ is set to rise and exceed among the TNC with higher value and in profit margin. We're revolutionizing the ride-share market.

- Ride-share market expecting to grow \$285 billion in the next 13 years.
- KROOZ is on the move and set to rise higher in profits.
- Now is the perfect time to get in on the ground floor with us.
- Since launched in July 26th 2017 KROOZ has 240+ active drivers & growing.



## **RISK FACTORS**

An affiliation or investment in the Company entails a high degree of risk and is only suitable for persons or entities capable of participating in such an affiliation or investment. The risk factors listed are those that the Company is of the opinion could constitute the greatest threat that the investment may be lost in whole or in part, or that the investment may not provide a return to the investor. Accordingly, each prospective affiliated party or investor should carefully consider the following elements of risk involved with the Company, as well as such other risk factors that the investor may consider based upon that person's experience. Note: In addition to the risks contained herein, businesses are often subject to risks not foreseen or fully appreciated by Management. In reviewing this Memorandum, Investors should consider carefully other possible risks that could be important.

- **New Formation.** KROOZ, Inc. (The "Company" or "KROOZ,") is newly formed, and therefore, has limited/negligible operating history. There is no assurance that the Company will operate profitably or that the client's investment in whole or in part will be returned. KROOZ is subject to all of the risks inherent in the establishment of a new business venture, including a limited operating history. As of the date of this document, KROOZ has commenced operations and has not shown profitability. The likelihood of the success of KROOZ must be considered in light of the problems, expenses, financial difficulties, complications and delays frequently encountered in connection with the formation of any new business. Further, the company is new and has no operating history. There can be no assurance that KROOZ will realize earnings from operations or net profits in the future.
- **Inadequate Financing.** The proceeds from the Offering, as defined herein, will be insufficient to provide the funds necessary to completely pay for the other costs associated with the commencement and sustainability of operations. The Company has not obtained a formal commitment for the necessary financing and there is no assurance that such financing or other arrangements will be available on acceptable terms due to lender requirements, credit worthiness of the Company, loan costs, market conditions or other factors outside the control of the Company.
- **Absence of Diversification.** The Company anticipates operating within a narrow scope and the successful operation of the Company will depend solely upon the Company's performance in this market. This lack of business diversity coupled with the limited financial resources available to the Company means an investment in the Company will be subject to greater risk than an investment in a more diversified enterprise with greater financial resources and operations.
- **Absence of Securities Registration.** None of the Company's securities have been registered with any National, State or Local government and are being offered pursuant to applicable securities laws. Therefore, no government agency has reviewed or passed upon either the adequacy of the disclosure contained in this Memorandum or the fairness of the terms of any offering. The exemptions relied upon in this offering are dependent in significant respects upon the accuracy of the representations of the affiliated party or investor. In the event that any such



representations by any affiliated party or investor proves to be untrue, the registration exemptions relied upon might not be available and liability to the Company could result under applicable securities laws for rescission or damages.

- **Compensation to Management Regardless of Profitability.** The Management is entitled to receive certain fees and other compensation, payments and reimbursements regardless of whether the Company operates at a profit. Such fees and other compensation were not determined through a process of arms length bargaining.

- **Limited Control by Investors.** Under the By Laws, the Management in conjunction with the Board of Directors has broad discretion over the business of the Company and therefore, the development of the business. Other associated individuals and entities may not take part in the conduct or control of the business of the Company.

- **Lack of Liquidity.** There will be no ready market for the Share or for any asset of the Company and the transferability of such items will be restricted by conditions set forth in the Operating Agreement, and by the effect of certain provisions of government tax laws and government securities laws. Share may be assigned only under certain limited circumstances. Moreover, any Assignee thereof shall be substituted as a substitute Patient only with the written consent of the Management. A transfer of Share may also result in adverse tax consequences to the Patient. The Members will have no right to withdraw capital from the Company or recover any return of Capital Contributions other than those distributions made to Members out of net operating revenues. Consequently, an investment in the Company lacks

liquidity. Each potential client and affiliated party should, therefore, view his investment as a long term investment and should not rely upon his investment in the Company to meet any financial emergency or contingency.

- **Non-Arm's Length Agreements.** Agreements, contracts or arrangements between the Company and the Management or its Affiliates, or employees, may or may not be negotiated at arm's length. The policies with respect to Conflicts of Interest set forth in this Memorandum were designed to generally lessen the potential conflicts, which may arise from such relationships.

- **Tax Ramifications.** No tax opinion is expressed herein. There is material tax risks associated with an investment in the Company. These risks include, without limitation, that United States Internal Revenue Service may contest characterization, amounts attributable to, the deductibility of expenses and the tax period in which certain items expected to be claimed as deductions by the Company. Accordingly, each prospective investor should carefully review this offering with his or her tax advisor in order to evaluate the tax ramifications of an investment in the Company.

- **Competition.** There are substantial, similar products and services for sale in and around the global marketplace. As such, the Company will experience minimum competition. Other competitors of the Company may have more and varied inventory for sale, greater financial



resources and longer operating histories, along with greater experience. The anticipatory entry of the Company in the online industry category against established competition involves significant speculative risks.

- **Discretion in Application of Proceeds.** Although there is a budget for application of Offering proceeds which can be found in Memorandum, the Management has broad discretion under the Company's By Laws to utilize the offering proceeds for working capital, to pay other obligations of the Company and to reserve proceeds for operating deficits; therefore, potential investors should understand that the use of the offering proceeds will not be subject to budget allocations or limitations.
- **No Assurance.** The Company does not anticipate any annual distributions.
- **Offering Price.** The offering price of the Shares has been arbitrarily determined by the Company through the consideration of such factors deemed relevant by it. Each prospective investor should make an independent valuation of the fairness of the price under the circumstances.
- **Limited Assignment.** Each subscriber will be required to represent that his purchase of the Shares will be for investment only and not with a view toward the resale or distribution thereof.

Shares may only be assigned effective as of the first day of any month and may not be assigned without the consent of the Management, whose consent may be withheld at its sole discretion. It will be the policy of the Management to withhold consent to transfers or assignments of Shares that would violate federal or state securities laws or that would cause termination for federal tax purposes. The Management may condition assignment of a Share upon the furnishing of an opinion of legal counsel satisfactory to the Management that such assignment may be made without the necessity of a registration statement being filed under the Securities Act or under any applicable state securities law. The transferring investor will bear all costs of assigning a Share.

- **Possible Changes in Income Tax Laws.** Changes in United States income tax laws might adversely affect the taxation of the Company and/or the Members or affiliated parties. Moreover, the Company cannot predict what legislative proposals, if any, might be enacted or the extent of their retroactivity, if any. The Company cannot predict what changes may be made in existing Regulations or what revisions may occur in the policy of Ministry of Finance. Consequently, no assurance can be given that the federal income tax consequences to the Members or affiliated parties will not be altered or that the alterations will not be retroactive.
- **Policies with Respect to Conflicts of Interest.** It is the policy of the Management that the Company's relationship with the Management or any of its Affiliates or persons employed by Management of such Affiliates will be conducted on terms that are fair to the Company and are commercially reasonable. (See Conflict of Interest / Competitive Activities of Management and Affiliates)



- **Risk of Uninsured Losses.** The Company will attempt to obtain comprehensive insurance, including fire, liability and extended coverage for the Company. Nevertheless, such insurance might not adequately protect against all covered losses and certain losses may be either uninsurable or not economically insurable. If for any reason an uninsured loss occurs, and investor could lose part or all of its investment.
- **Conflicts of Interest and Competitive Activities of the Management and Affiliates.** The Management and its Affiliates are involved in other ventures, which may require a substantial amount of the Management's time, attention and capital. Members and affiliated parties will have no interest in such ventures. The participation by the Management in other ventures may create certain conflicts of interest with the Company. However, the Management will devote such time to the Company as it deems necessary to ensure proper and efficient administration of the Company's business and affairs. The Management and its Affiliates will devote only such time and efforts to the business of the Company as it determines are necessary for the Company's purposes. The Management or its Affiliates may engage in other activities that are competitive with the Company. It will have no obligation to offer any interest in such activities to the Company or the investors.
- **Exclusive Management Vested in the Management.** The Management in conjunction with the Board of Directors will have complete and exclusive control over the activities of the Company, with certain limited exceptions. The Management may, however, appoint officers or other persons to perform various management related services for the Company. The Members or affiliated parties will have no contractual right to be involved in the day-to-day operations of the Company or in the control of the Company's business. (See Operating Agreement)
- **Fees and Other Compensation Payable to the Management and Affiliates.** Transactions involving the purchase, financing, operations and sale of the Company's products and services may involve commissions, fees, compensation and other income to the Management and its Affiliates. Therefore conflicts of interest may arise in connection with these transactions.
- **Development Risk.** KROOZ growth plan consists of cooperation from governments and industry, both domestic and abroad. While initial introductions and negotiations have shown great promise, there is no assurance this will be the case across all markets.
- **Control by Current Shareholders.** Because certain of the shareholders and the senior management control KROOZ, they may be able to determine the outcome of all matters submitted to the shareholders for approval, regardless of the preferences of minority shareholders. It is important for investors to understand the skill sets of the proposed management team and to adequately understand the background and business experience of the founding shareholders.
- **Risks Associated with the Industry.** Competition within the industry is generally divided into different market segments. All of these existing companies have longer operating histories than KROOZ and are likely better capitalized as well. In addition, there may be other new companies





with competitive technologies or businesses of which they are unaware. There is no guarantee that KROOZ will be able to successfully compete against existing or future competitors.

- **Dependence on Key Personnel.** KROOZ is dependent upon the efforts of its executive officers and upon its ability to attract and retain qualified technical, marketing and sales personnel. There can be no assurance that KROOZ will be able to recruit qualified personnel to enable it to conduct its business successfully. In addition, with the expansion of the Company, the operating complexity of KROOZ as well as the responsibilities of management personnel will increase. KROOZ ability to manage growth effectively will require it to continue to expand and improve its operational and financial systems and to expand, train and manage its employee base. There can be no assurance that new personnel will be successfully integrated into the Company or that the Company will have the ability to effectively manage its hiring of additional personnel and expansion.

- **Risks Associated with the Offering.** KROOZ financial figures included in the materials furnished have not yet been audited or reviewed by an independent accounting firm. The financial figures have been prepared internally based on all available information to date and are believed by the Company to have been presented in a reasonable and consistent manner. Management's discussion and analysis of the financial figures contain statements relative to KROOZ performance. Such statements are based upon management's knowledge of the financial structure of the Company and access to all relevant data and reports customarily produced by the Company.

- **Uncertainty of Projections.** The projections contained herein do not comply with the guidelines established by the American Institute of Certified Public Accountants regarding projections, and the projections have not been examined or compiled by an independent public accountant. While presented with numerical specificity, these projections are based upon a variety of assumptions and, though considered reasonable by the Company, may not be realized

and are subject to uncertainties and contingencies, many of which are beyond the control of the Company. The assumptions upon which the projections are based are described herein and each investor should carefully review the assumptions. In the event that one or more of the assumptions proves incorrect, the Company's ability to meet the projections contained herein could be materially affected. Furthermore, even if all assumptions proved correct, there can be no assurance that the projections will be realized, and actual results may vary materially from those shown.

