

arcade

blockchain modus = gamer's zenith

DISCOUNTED SALE OFFER (DSO) INFORMATION PAPER

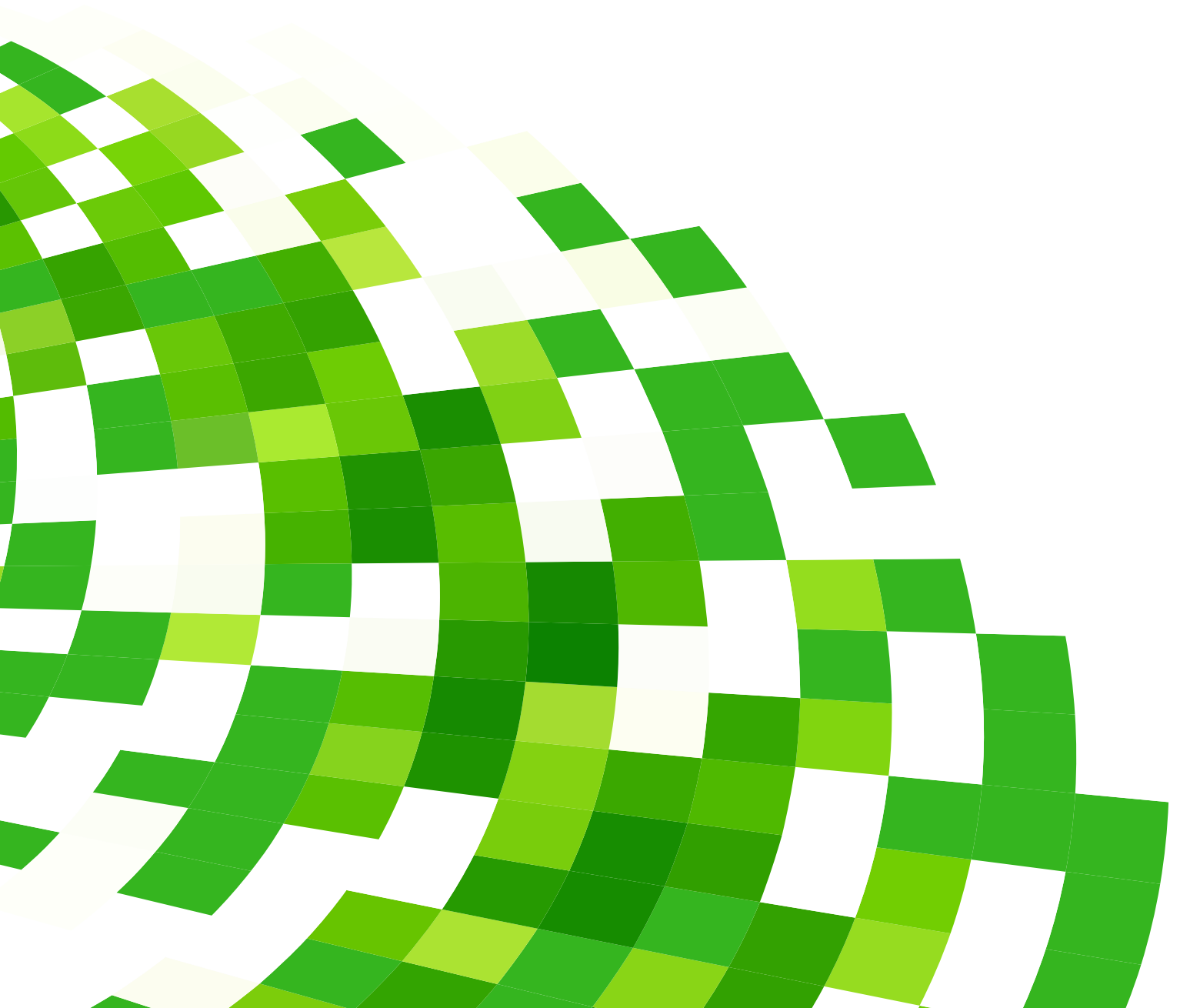


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ABSTRACT

At present, gamers and game publishers face many challenges concerning the maintenance of their various in-game balances. These challenges include the two-way exchange of their in-game credits, the transfer of the credits from one game to another, the requirement for linked credit cards for in- application purchases, accessibility to digital wallets such as through Google or iTunes, and excessive revenue sharing with digital wallet providers.

To solve this issue, we are building Xarcade: a NEM blockchain powered exchange platform for video game in-game credits (the currency in a game), and functions as a "crypto" video game applications store (the **Platform** and its **Services**). The objective of Xarcade is to offer a new method of exchanging and handling in-game credits.

INTRODUCTION TO DSO

The Xarcade Discounted Sale Offer (DSO) will sell XAR at a 20% discount during the pre-sell offer based on the terms and conditions below. Xarcade is selling XAR at a discount and then the XAR may be utilized on the Platform. By using the Services and/or the Platform, you accept and agree to be bound by the terms and conditions of this DSO Information Offer Paper (the Offer Paper) and confirm that you accept and comply with the Offer Paper.

You acknowledge that this Offer Paper including anything it incorporates by reference may be varied, altered, modified, substituted, supplemented or amended from time to time by Xarcade. Changes to this Offer Paper will be specifically notified by Xarcade, or will alternatively be posted on the homepage.

DOCUMENT DESCRIPTIONS

In this Offer Paper, the following definitions apply unless the context otherwise admits:

API:	An application program interface.
Blockchain:	A publicly accessible ledger of all cryptocurrency transactions that have ever been executed.
Cryptocurrency:	Any digital currency, including but not limited to XEM, in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank.
DSO:	The Discounted Sale Offer of XAR more particularly described in section 4 below. The Term of the DSO shall be from January 1st to January 31st.
E-wallet:	The NEM Universal E-Wallet.
Game:	Any game purchased or accessed through the Platform. A Game Publisher is an entity that publishes video games on the Platform. A Gamer is a consumer of a Game through the Platform.
NEM:	The NEM Smart Asset Blockchain peer-to-peer crypto platform, more particularly described at https://nem.io/about/ and subject to those terms and conditions.
Platform:	The Xarcade exchange platform.
EUR:	Euro (€), the lawful currency of the euro area (eurozone) of the European Union.
User Flow:	The Game Publisher and Gamer user flow described in section 5 below.
XAR:	The Xarcade in-Platform token or in-Game token or "gateway" token.
Xarcade:	Xarcade, their agents and permitted assigns and successors.
XEM:	The peer-to-peer cryptocurrency denomination of NEM, more particularly described at https://nem.io/about/ and subject to those terms and conditions.

PLATFORM OBJECTIVES

The Platform is expected to offer the following with a target date of Q1 2018.

- (a) Games from independent video game publishers;
- (b) Web-based application for accessing tokens, exchanging and maintaining;
- (c) Software Developer Kits (**SDKs**) available for download on the Xarcade platform for game publishers to integrate with their non-blockchained games;
- (d) A DSO for public participation by January 2018;
- (e) A mobile application to send and receive in-game tokens from gamers, collectively, the "**Platform Objectives**".

ADVANTAGES OF THE PLATFORM

The Platform is intended to allow video game publishers to maintain their own in-game credits on the NEM blockchain. This is made possible upon after the video game publisher downloads the Xarcade SDK from the platform and integrate it.

The Platform enables users to exchange, purchase and transfer the in-game credits, which would be accessible from:

- (a) The desktop;
- (b) Mobile devices;
- (c) An in-game browser window.

The Platform facilitates the buying of in-game credits and in-game products with XAR, enabling users to purchase “outside” of the game.

The Platform supports game publishers to create an ecosystem of spending and earning by paying through a two-way exchange ability model, and circumvents the requirement of in-app purchases for game points, so that game publishers do not need to rely on payment solutions such as Google/Apple in-app payment solutions.

XAR can be used to buy XEM, however XEM can only be exchanged through the use of XAR, which is effectively the “gateway token,” for all users on the Platform.

XAR can also be purchased on designated exchanges or purchased directly from the Platform. Users must purchase XAR for in-game purchases. Accumulated in-game tokens can be exchanged for XAR.

Platform users may use the NEM universal e-wallet and the SDKs will automatically detect the e-wallet once it is integrated into a publisher's game.

LEVERAGING THE NEM BLOCKCHAIN

According to its website, NEM's features include:

- (a) API-call access to NEM through any blockchain node.
- (b) NEM's **Mosaic** feature, which creates individual tokens on the NEM chain and are customizable by amount in either a fixed or a mutable quantity. Each mosaic is assigned a name that is under a unique domain in the namespace system in the format of "**subdomain.domain**" mosaic
- (c) NEM uses a Node Reputation System to ensure the blockchain's security and function by monitoring a past node's behaviour
- (d) The **Namespace** feature which leases names for blockchain accounts.

THE DSO

There will be a 20% discount during the term of the Xarcade DSO. The XAR will be pegged at EUR 1.00, but buyers during the DSO will have the advantage of purchasing XAR at EUR0.80.

All in-game credits sold by the game publishers that are converted into XAR will be given to the game publishers on a quarterly basis.

In relation to the "Howey Test" from the American Securities Exchange Commission (SEC) - XAR is a "consumptive token" because there is no expectation from Xarcade of a return of profit from its use and it would be used to purchase something or create the entitlement of a discount on the platform. XAR also has no "common enterprise" because there is no correlation between the fortunes of an investor and a promoter and the success the investor is not dependent on a promoter's expertise.

In short, XAR is not a token of investment but a token that has a consumptive nature, like any other services to be consumed with the use of prior purchased credits.

How XAR pricing will work:

Throughout the DSO, the pricing on the XAR will be based on the pricing updates provided by Coinmarket.com:

The prices from Coinmarket.com will be sampled every 5 minutes and will be averaged on the hour (the sum total price/12)

It is important to note that each batch of transactions will be valued every hour on the hour. Therefore, (for example) if a transaction is sent in at 15:22 UTC, it will be valued based on the average between 15:05 UTC and 16:00 UTC.

When BTC is sent to the Xarcade wallet, it may assume a different price which is computed based on an average formula using Coinmarketcap.com.

Throughout the DSO, the price of each XAR will have the following scale:

- Less than 5 million XAR sold, the price is EUR 0.80 per XAR
- Next 5 million XAR, between 5 million and 10 million XAR sold, the price is EUR 0.85 per XAR
- Next 5 million XAR, between 10 million and 15 million XAR sold, the price is EUR 0.90 per XAR
- Next 5 million XAR, between 15 million and 20 million XAR sold, the price is EUR 0.95 per XAR
- Above 20 million XAR sold, the price shall be EUR 0.99 per XAR

USER FLOW FOR BOTH GAME PUBLISHER AND GAMER

A Game Publisher and Gamer must register on the Platform in order to upload and manage their Games. Xarcade reserves the right to decline or cancel the registrations of any Game Publisher or Gamer at its discretion.

Game Publishers can directly distribute their Games to Gamers on the Platform.

All Platform transactions will be verified and processed using NEM blockchain technology.

Gamers will be able to make in-game purchases and convert in-game credits into XAR or XEM on the Platform.

By using the Platform or any of the Services, Gamers and Game Publishers and all users of the Platform agree to be bound by its terms and conditions, if any, in addition to any applicable terms contained in this Offer Paper, as published on the platform or the Xarcade website www.xarcade.io (as the case may be), including for the avoidance of doubt, any applicable Privacy Policy.

By registering on the Platform, users acknowledge and consent that their personal information may be used in accordance with the Privacy Policy.

THE PLATFORM ROADMAP

The Xarcade Store to be published in January will provide with a games store in which the XAR token can be used for purchases.

Xarcade's XAR token is to be published on the NEM platform for which we have developed a wrapper to integrate features in your games more easily.

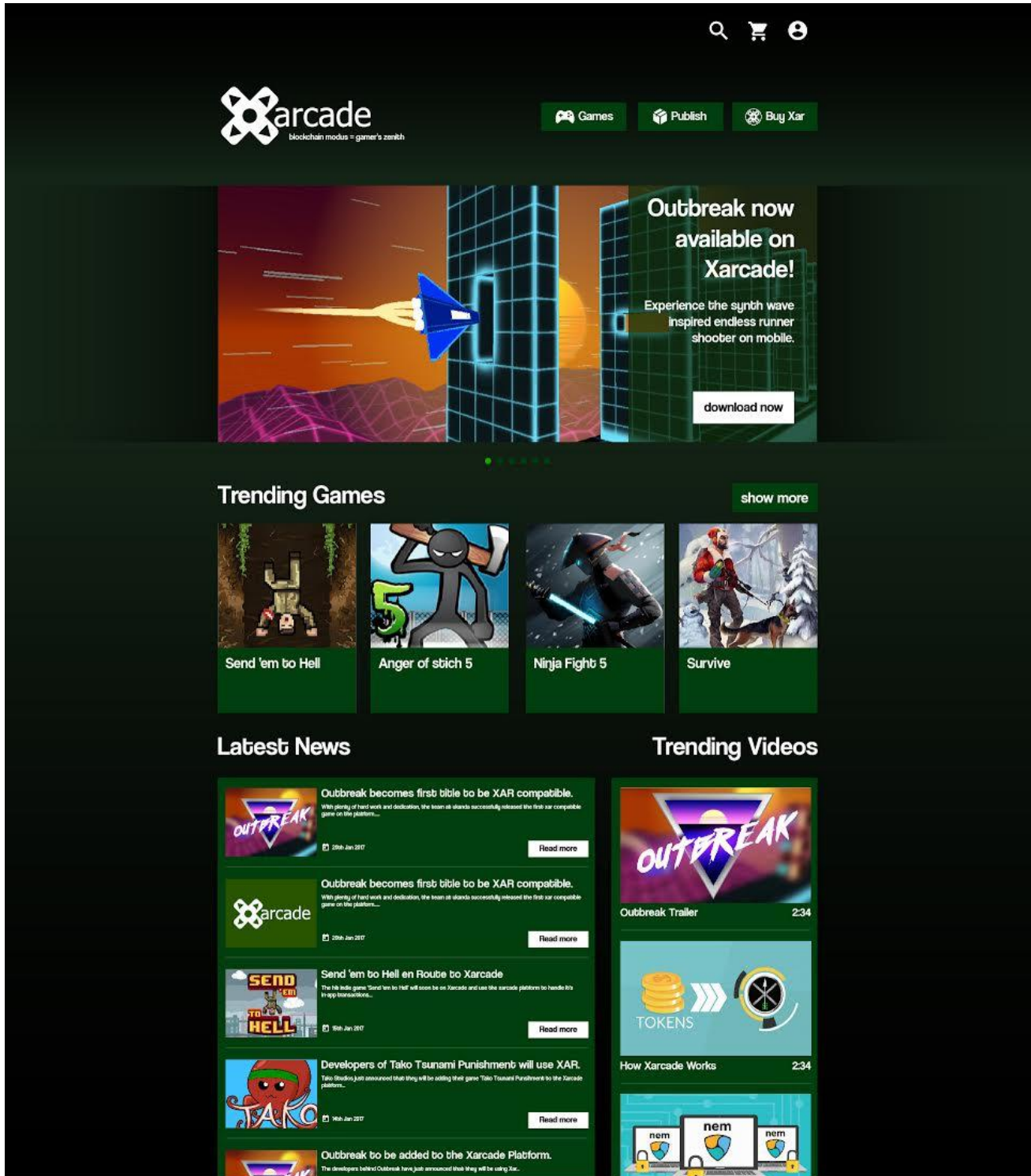
In addition to the games store, Game Publishers will have access to a back-office to see their Wallet, their Sales and other details about games published on the Xarcade Store.

The first release of the Xarcade Store should allow users to buy XAR with XEM as well as sell XAR for XEM using an averaged XEM market price.

Withdrawals from the platform will be managed *with daily and weekly limits*. The process of withdrawals will be automated with future releases.

The store platform is mostly ready and we are currently working on the wallet integration, preparing a first release.

XARCADE HOMEPAGE MOCKUP



XARCADE CORPORATE INFORMATION

Xarcade's DSO is promoted by a company incorporated under the laws of Lithuania and headquartered in Talino g. 67-5, Vilnius.

6.2 UAB Tadela

6.3 Registration date: 2017.12.22

6.4 Company registration code: 304708583

6.5 Xarcade website: www.xarcade.io

6.6 Email contact: dsoenquiry@xarcade.io

TEAM

Otto von Nostitz, Co-founder and Chief Executive Officer (CEO)

With more than eight years of business development experience in the mobile gaming and digital entertainment fields, he is an experienced marketer who as a partner in a Malaysia based consultancy has successfully specialized in bringing cutting edge technology businesses to the Asia Pacific region.

Lon Wong, Co-Founder and Head Strategist

President of the NEM.io Foundation and CEO of Dragonfly Fintech. Lon is an entrepreneur with 30+ years' experience in the network, infrastructure and software design space, who pioneered wireless internet broadband services in Malaysia.

Stephen Chia, Head of Partnerships

Regional Head of the NEM.io Foundation for Southeast Asia. Investor and serial entrepreneur with 30+ years' experience in the IT sector: scaling startups, building partnerships and working with companies such as IBM and Ernst & Young.

Maxim Nawangwe, Chief Technology Officer (CTO)

Programmer and seasoned developer in the mobile games industry, currently focusing on software engineering and his passion for blockchain technology. Previously worked on mobile games, digital art installations and VR experiences.

Gregory Saive, Core Developer

With more than nine years of software development experience, he is an experienced programmer with a great passion for blockchain technology. More than being an enthusiast about NEM, Greg will help Xarcade with his expertise about software development and blockchain integrations.

Kailin Odonnel, Core Developer

Founding member of the NEM.io Foundation. Experienced software developer with a focus on database management, networks and blockchain technology. Previously developed a number of back end applications and Software Development Kits.

Dani Hussain, Developer

Senior software developer and founder of GetRanked, with all round experience in web development, systems optimization and internet marketing. Previously worked with a wide range of startups helping them grow exponentially.

DISCLAIMERS

DSO is not an offer to solicit securities and risks associated with XAR and/or XEM on the Platform.

- (a) This document and Offer Paper is for informational purposes only and does not constitute an offer or solicitation to sell shares or securities in Xarcade or any related or associated company. Any such offer or solicitation would only be made by a confidential offering memorandum and in accordance with applicable securities and other laws.
- (b) None of the information or analyses presented is intended to form the basis for any investment decision, and no specific recommendations are intended. Accordingly, this document does not constitute investment advice or counsel or solicitation for investment in any security.
- (c) This document does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or any invitation to offer to buy or subscribe for, any securities, nor should it or any part of it form the basis of, or be relied on in any connection with, any contract or commitment whatsoever.
- (d) Xarcade expressly disclaims any and all responsibility for any direct consequential loss or damage of any kind whatsoever arising directly or indirectly from: (i) reliance on any information contained in this document, (ii) any error, omission or inaccuracy in any such information or (iii) any action resulting there from.
- (e) The Xarcade token, or "XAR" is a cryptographic token used by the Xarcade Platform. At the time of this writing, XAR has no known uses outside the Xarcade Platform. XAR is not an investment.
- (f) "Offer Paper" refers to the agreement between Platform Users and Xarcade regulating the use of the Platform and the Services. All Platform users agree and acknowledge by using the Platform that no offer was made by to solicit securities and risks associated with XAR and/or XEM on the Platform.

(g) Through this DSO, Xarcade is conducting a sale of game credits or vouchers which are pre-sold to interested buyers. It is Important to note that Xarcade is conducting what we call a "Discounted Sale Offer," which is as stated in our FAQ section - "Xarcade is not raising money and is only selling its services ahead in a pre-sell offer of Xarcade's XAR. Xarcade is selling XAR at a discount so that gamers can make use of it to buy more in-game credits for the same XAR that will be sold later.

(h) There is no guarantee and there is no reason to believe that any XAR and XEM you Purchase, through or on the Platform or otherwise will increase in value. It may and probably will at some point decrease in value. XAR and XEM is not evidence of ownership or right to control. Controlling XAR and XEM does not grant its controller ownership or equity in Xarcade, or the Xarcade Platform. XAR and XEM does not grant any right to participate in the control, direction or decision making of Xarcade or the Xarcade Platform.

(i) All Platform users warrant and represent to Xarcade that by using the Platform, the Services, including but not limited to the purchase or exchange of any in-Game token or credit or XAR, or the exchange of XAR for XEM, or any other transaction howsoever effected on the Platform, it has obtained the benefit of independent advice and makes no reliance on the information in this DSO and has made sufficient independent due enquiry to form the decision to use and exploit all or any part of the Platform and Services, including the purchase of XAR through this DSO, and that they have read and understood the Disclosures in section 8 below.

Regulatory Issues

(a) Xarcade is not a general-purpose NEM or XEM wallet for permanent or temporary storage of any currency or cryptocurrency, a NEM or XEM exchange, a cryptocurrency marketplace or any other service to purchase, sell or convert cryptocurrency. To the extent of our knowledge, transactions within the NEM network are not monetary transactions in cash or electronic money under applicable law, any guideline or regulation promulgated there under or any other applicable legal statute. XEM (the transferrable units of account used for payments on the NEM network) do not constitute a currency or money as defined under applicable laws. Transactions on the Platform or the NEM network do not constitute any of the payment services or non-cash foreign currency transactions listed or approved by any central bank. The exchange of cryptocurrencies into fiat currencies does not constitute an exchange of currencies. XEM do not constitute an investment in instruments pursuant to the FSA. Transactions within the NEM network are not under the permission, supervision, control or any other review of any central bank and related authorities, or any other regulatory office. Xarcade is not an authorised payment services provider or payment system licensee or regulated under any applicable law.

General Prohibition

You may not use the Platform or Services for any purposes that do not relate to the sales or purchase of Games or in-Game purchases or exchanges, including but not limited to any acts relating to money laundering, including under any money laundering or terrorism financing legislation of any country, or any act that would constitute a punishable offense under the applicable laws of any sovereign nation, or any acts constituting an attempt, conspiracy or incitement, aiding, abetting, counselling or procuring the commission to perform such an act. You represent and warrant to us that your use of the Platform or the Service does not relate to the sales of drugs, narcotics, dangerous chemicals, medicals or any controlled substances, items that infringe or violate any copyright or trademark of any party, items that are restricted from trade by the decision of responsible authorities, ammunition, firearms, explosives, weapons, high yield programme schemes, "Ponzi schemes", or any other similar schemes. No use of the Platform or the Services is permitted for any other activity forbidden in the jurisdictions governing this Offer Paper, the company Xarcade, as well as your own jurisdiction of any user of the Platform or the Services.

Limitation of Liability and No Warranty

In no event will we, Xarcade, be liable with respect to any subject matter of this Offer Paper under any contract, negligence, strict liability or other legal or equitable theory for: (i) any direct, indirect, special, incidental, consequential, exemplary or punitive damages; (ii) any loss, theft, disappearance, or damages for lost profits, lost revenues, lost data or other intangible losses that result from the use of, inability to use, or unavailability of our Service or the Platform; (iii) the cost of procurement for substitute products or services; (iv) for interruption of use or loss or corruption of data; (v) for any damage, loss or injury resulting from hacking, tampering, virus transmission or other unauthorised access or use of our Service or the Platform, or any information contained therein; (vi) for any amounts of the fees paid by you to Xarcade under this Offer Paper. Xarcade shall have no liability for any failure or delay due to matters beyond their reasonable control. The foregoing shall not apply to the extent prohibited by applicable law. The Platform and Services is provided "as is" and "as available". Xarcade and its suppliers and licensors hereby disclaim all warranties of any kind, express or implied, including, without limitation, the warranties of merchantability, fitness for a particular purpose and non-infringement. Neither Xarcade nor its suppliers and licensors, makes any warranty that the Platform or Services will be error free or that access thereto will be continuous or uninterrupted. You understand that you download from, or otherwise obtain content or services through, our Platform at your own discretion and risk.

Intellectual Property Rights

This Offer Paper does not transfer from us to you any of our or third party intellectual property (Xarcade IPR), and all right, title and interest in and to such property will remain (as between the parties) solely with us. Xarcade, its logo, and all other trademarks, service marks, graphics and logos used in connection with our Service and Platform, are trademarks or registered trademarks of us or our licensors. Other trademarks, service marks, graphics and logos used in connection with our Service and the Platform may be the trademarks of other third parties. Your use of our Service grants you no right or license to reproduce or otherwise use any of our or third-party trademarks. You are not allowed rent, lease, sublicense, distribute, transfer, copy, reproduce, download, display, modify or timeshare the Xarcade IPR or any part thereof. You shall not construct any derivative work based on the Xarcade IPR, nor shall you translate, reverse engineer, decompile or disassemble the Xarcade IPR.

Indemnification and Waiver

You agree to indemnify and hold harmless Xarcade, its contractors, and its licensors, and their respective directors, officers, employees and agents from and against any and all claims and expenses, including attorneys' fees, howsoever arising out of your use of our Service and the Platform, including but not limited to your violation of this Offer Paper, the DSO and any of its terms and conditions, including those incorporated herein by reference. Any rights or provisions not explicitly asserted in this Offer Paper do not constitute a waiver thereof. A waiver by either party of any term or condition of this Offer Paper or any breach thereof, in any one instance, will not waive such term or condition or any subsequent breach thereof.

DISCLOSURES

By using the Platform and any Service, you accept, acknowledge and agree to the following:

Risks Associated with the NEM Protocol: Any malfunction, unintended function, unexpected functioning of or attack on the NEM protocols may cause the Xarcade Platform or XAR and XEM to malfunction or function in an unexpected or unintended manner. The native unit of account of the NEM protocol, may itself lose value in ways similar to XAR and XEM, and also other ways.

Risks Associated with Purchaser Credentials: Any third party that gains access to or learns of the purchaser's login credentials or private keys may be able to dispose of the purchasers XAR and XEM.

Risk of Unfavorable Regulatory Action in One or More Jurisdictions: Blockchain technologies have been the subject of scrutiny by various regulatory bodies around the world. The functioning of the Xarcade Platform and XAR and XEM could be impacted by one or more regulatory inquiries or actions, including the licensing of or restrictions on the use, sale, or possession of digital tokens like XAR and cryptocurrencies like XEM, which could impede, limit or end the usage of the Xarcade Platform.

Risk of Insufficient Interest in the Xarcade Platform or Distributed Applications: It is possible that the Xarcade Platform will not be used by a large number of businesses, individuals, and other organizations and that there will be limited public interest in the creation and development of distributed applications. Such a lack of interest could negatively impact XAR and XEM and the Xarcade Platform.

Risk that the Xarcade Platform, As Developed, Will Not Meet the Expectations of Xarcade or the user: The Xarcade Platform is presently under development and may undergo significant changes before release. Any expectations or assumptions regarding the form and functionality of the Xarcade Platform (including participant behaviour) held by Xarcade or the purchaser may not be met upon release, for any number of reasons including mistaken assumptions or analysis, a change in the design and implementation plans and execution of the Xarcade Platform.

Risk of Theft and Hacking: Hackers or other groups or organizations or countries may attempt to interfere with the Xarcade Platform or the availability of XAR and XEM in any number of ways, including service attacks, Sybil attacks, spoofing, smurfing, malware attacks or consensus based attacks.

Risk of Security Weaknesses in the Xarcade Platform: There is a risk that the Xarcade team, or other third parties may intentionally or unintentionally introduce weaknesses or bugs into the core infrastructural elements of the Xarcade Platform interfering with the use of or causing the loss of XAR or XEM.

Risk of Weaknesses or Exploitable Breakthroughs in the Field of Cryptography: Advances in cryptography, or technical advances such as the development of quantum computers, could present risks to cryptocurrencies and the Xarcade Platform, which could result in the theft or loss of XAR and XEM.

Risk of XAR and XEM Mining Attacks: As with other decentralised cryptographic tokens and cryptocurrencies, the blockchain used for the Xarcade Platform is susceptible to mining attacks, including double-spend attacks, majority mining power attacks, selfish-mining attacks, and race condition attacks. Any successful attacks present a risk to the Xarcade Platform, XAR and XEM. Despite the efforts of the Xarcade team, the risk of known or novel mining attacks exists.

Risk of Lack of Adoption or Use of the Xarcade Platform: While XAR and XEM should not be viewed as an investment, it may have value over time. That value may be limited if the Xarcade Platform lacks use and adoption. If this becomes the case, there may be few or no markets following the launch of the platform, potentially having an adverse impact on XAR and XEM.

Risk of an Illiquid Market for XAR and XEM: There very well may never be a secondary market for XAR and XEM. There are currently no exchanges upon which XAR and XEM would trade. If ever exchanges do develop, they will likely be relatively new and subject to poorly understood regulatory oversight. They may therefore be more exposed to fraud and failure than established, regulated exchanges for other products and have a negative impact on XAR and XEM.

Risk of Uninsured Losses: Unlike bank accounts or accounts at some other financial institutions, funds or cryptocurrencies held using the Xarcade Platform are generally uninsured. In the event of any loss, there is no public insurer or private insurer, to offer recourse to the user or purchaser.

Risk of Dissolution of the Xarcade Platform: It is possible that, due to any number of reasons, including an unfavorable fluctuation in the value of XAR and XEM, development issues with the Xarcade Platform, the failure of business relationships, or competing intellectual property claims, the Xarcade Platform may no longer be viable as a business or otherwise and may dissolve or fail to launch.

Risk of Malfunction in the Xarcade Platform: It is possible that the Xarcade Platform malfunctions in an unfavorable way, including one that results in the loss of XAR and XEM.

Unanticipated Risks: Cryptographic tokens are a new and untested technology. In addition to the risks discussed in this Offer Paper, there are risks that the Xarcade team cannot anticipate. Further risks may materialize as unanticipated combinations or variations of the express risks or the emergence of new risks.