

**Offering Memorandum: Part II of Offering Document (Exhibit A to Form C)**

SAEBO, Inc.  
2459 Wilkinson Blvd. Ste 120-B  
Charlotte, NC 28208  
<https://www.saebo.com/>

Up to \$1,069,999.00 in Common Stock at \$0.50  
Minimum Target Amount: \$10,000.00

A crowdfunding investment involves risk. You should not invest any funds in this offering unless you can afford to lose your entire investment.

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 or approved by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon the accuracy or adequacy of this document.

The U.S. Securities and Exchange Commission does not pass upon the merits of any securities offered or the terms of the offering, nor does it pass upon the accuracy or completeness of any offering document or literature.

These securities are offered under an exemption from registration; however, the U.S. Securities and Exchange Commission has not made an independent determination that these securities are exempt from registration.

## **Company:**

**Company:** SAEBO, Inc.

**Address:** 2459 Wilkinson Blvd. Ste 120-B, Charlotte, NC 28208

**State of Incorporation:** NC

**Date Incorporated:** June 29, 2004

## **Terms:**

### **Equity**

**Offering Minimum:** \$10,000.00 | 20,000 shares of Common Stock

**Offering Maximum:** \$1,069,999.00 | 2,139,998 shares of Common Stock

**Type of Security Offered:** Common Stock

**Purchase Price of Security Offered:** \$0.50

**Minimum Investment Amount (per investor):** \$248.00

*\*Maximum Number of Shares Offered subject to adjustment for bonus shares. See Bonus info below.*

### **Votings Rights of Securities Sold in this Offering**

Voting Proxy. Each Subscriber shall appoint the President of the Company (the "President"), or his or her successor, as the Subscriber's true and lawful proxy and attorney, with the power to act alone and with full power of substitution, to, consistent with this instrument and on behalf of the Subscriber, (i) vote all Securities, (ii) give and receive notices and communications, (iii) execute any instrument or document that the President determines is necessary or appropriate in the exercise of its authority under this instrument, and (iv) take all actions necessary or appropriate in the judgment of the President for the accomplishment of the foregoing. The proxy and power granted by the Subscriber pursuant to this Section are coupled with an interest. Such proxy and power will be irrevocable. The proxy and power, so long as the Subscriber is an individual, will survive the death, incompetency and disability of the Subscriber and, so long as the Subscriber is an entity, will survive the merger or reorganization of the Subscriber or any other entity holding the Securities. However, the Proxy will terminate upon the closing of a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933 covering the offer and sale of Common Stock or the effectiveness of a registration statement under the Securities Exchange Act of 1934 covering the Common Stock.

### **Investment Incentives and Bonuses\***

#### **Time-Based:**

Friends and Family Early Birds

Invest within the first 48 hours and receive an additional 20% bonus shares.



## Super Early Bird Bonus

Invest within the first week and receive an additional 15% bonus shares.

## Early Bird Bonus

Invest within the first two weeks and receive an additional 10% bonus shares.

### **Amount-Based:**

\$500+

#### Supporter Level

Supporters will receive a \$25 gift card for the products or swag of your choice at saebo.com. You'll also receive a personalized coupon code to save 20% on any product of your choice.\*

\$1,000+

#### Bronze Investor Level

Bronze Investors will receive a \$50 gift card for the products or swag of your choice at saebo.com. You'll also receive a coupon code to save 20% on your entire next order.\*

\$2,500+

#### Silver Investor Level

Silver Investors will receive a \$100 gift card for the products or swag of your choice at saebo.com. You'll also receive a personalized coupon code to save 20% on all of your orders for an entire year.\*

\$5,000+

#### Gold Investor Level

Gold Investors will receive 10% Bonus Shares plus all of the Silver Level perks. In addition, Saebo will donate, in your name, \$500 worth of products to patients in need.

\$10,000+

#### Platinum Investor Level

Platinum Investors will receive 15% Bonus Shares plus all of the Silver Level perks. In addition, Saebo will donate, in your name, \$1,000 worth of products to patients in need.

\*Excludes hospital-based treatment equipment (e.g., items priced over \$5,000).

*\*All perks occur when the offering is completed.*

## The 10% StartEngine Owners' Bonus

Saebo, Inc. will offer 10% additional bonus shares for all investments that are committed by investors that are eligible for the StartEngine Crowdfunding Inc. OWNER's bonus.

This means eligible StartEngine shareholders will receive a 10% bonus for any shares they purchase in this offering. For example, if you buy 100 shares of Common Stock at \$0.50 / share, you will receive 110 shares of Common Stock, meaning you'll own 110 shares for \$50. Fractional shares will not be distributed and share bonuses will be determined by rounding down to the nearest whole share.

This 10% Bonus is only valid during the investors eligibility period. Investors eligible for this bonus will also have priority if they are on a waitlist to invest and the company surpasses its maximum funding goal. They will have the first opportunity to invest should room in the offering become available if prior investments are cancelled or fail.

Investors will only receive a single bonus, which will be the highest bonus rate they are eligible for.

## **The Company and its Business**

### *Company Overview*

Saebo is a leading international provider of stroke and neuro rehabilitation products for the upper and lower extremities. In 2019, we sold over 13,000 products in 44 countries on six continents. Since its founding, Saebo has generated over \$44MM in total revenues. The company is established, well-known in the industry, and its award-winning line of products have been proven effective in over 4,000 hospitals and over 100,000 patient homes around the world. The company is approaching cash flow break-even, so your investment will primarily be used to accelerate growth of an established industry leader.

Saebo is different from most of its competitors. They focus on selling expensive (\$25,000-250,000), high tech products with sensors and robotics to hospitals. Great products, but there are a limited number of rehab hospitals to sell to, there's lots of competition, and patients can't use these expensive products at home.

While we do sell capital products to hospitals (average sale price of just \$10,000), Saebo's main focus is on selling *"affordable, effective, evidence-based" products to patients for use in their homes* as assistive devices or to continue with their rehabilitation. In the US alone, there are over 800,000 new strokes per year, over 600,000 new stroke survivors per year and over 6,000,000 "legacy" stroke survivors from previous years. Saebo has something for all of these survivors – whether it is our free exercise guide (77,656 downloaded worldwide), our free mental practice exercises, or one of our innovative, affordable products, ***we can help every single stroke survivor with their recovery.***



Stroke/neuro rehabilitation is a large and growing market that will only increase as the US population ages.

As the #1 cause of long term disability worldwide according to the World Stroke Organization, suffering a stroke can have a devastating impact on quality-of-life, leaving many patients unable to use their hand or leg, and dependent upon others for basic tasks such as dressing or eating.

Based on the latest research demonstrating the brain's innate "cortical plasticity," our innovative products (17 patents to date) help patients "rewire" their brains and regain lost function and mobility.

In the US, our products have been recommended by leading clinicians at each of the Top 10 Rehabilitation Hospitals as ranked by US News & World Reports, and over 2,000 other hospitals nationwide.

Worldwide, our products have been used by an estimated 800,000 patients in over 4,000 hospitals and are currently featured in 14 different stroke rehabilitation textbooks.

With a broad, multi-channel distribution model, we sell our products directly to hospitals, providers, domestic and international distributors, and most importantly patients. In fact, direct-to-patient sales represent the fastest growing segment of our business, and we are proud to offer a 100% money back guarantee on every single product we sell.

In addition to these direct channels, the company also sells products through a range of domestic distributors in the Orthotics and Prosthetics (O&P), Durable Medical Equipment (DME) and Rehabilitation products industries.

Through its wholly owned UK subsidiary, Saebo UK, and through its extensive network of 24 exclusive and non-exclusive dealers the company is currently represented in 38 countries, which accounts for approximately 30% of the company's overall revenue.

Saebo's sophisticated digital marketing platform yields strong organic search rankings and low customer acquisition costs. Our complementary and expanding product line ensures a growing lifetime value of our customers. Finally, product exclusivity and high-touch customer service ensure high gross margins.

The company currently outsources almost all of its manufacturing and administrative/back office functions in order to minimize fixed costs and maximize operational flexibility and customer focus.

### *Competitors and Industry*

Saebo competes in the global marketplace for neuro-rehabilitation equipment targeting the treatment of patients who have suffered a stroke, TBI, or other neurological injury or disease that impairs mobility.



As a growing body of research now supports the understanding that patients can continue to improve mobility for years or even decades after their original injury or diagnosis, a new market for equipment to assist these patients has begun to emerge in recent years. Companies currently competing in this market can be grouped into the following classifications:

\*Electrical Stimulation: the application of electrical current to targeted muscle groups to cause contraction of those muscles and therefore movement in the affected limb. Companies currently marketing “e-stim” products include Bioness, Zynex, and Restorative Therapies.

\*Exoskeletons: the provision of powered mechanical assistance to paralyzed limbs to initiate or facilitate movement in the affected body part and enable the completion of functional tasks such as walking or grasping objects. Companies currently marketing exoskeletons include Ekso, ReWalk, Parker Hannafin, Rex Bionics, and Myomo.

\*Computer Based Gaming/Virtual Reality: the incentivization of high repetitions of movements in the affected body part via enhanced patient engagement through video gaming. Companies currently marketing computer based gaming environments include Meditouch, Neofect, Flint Rehab, and Mindmaze.

\*Robotic Assisted Therapy: the robotic manipulation (either passive or volitional) of the affected body part to facilitate high repetition movements during therapeutic exercise sessions. Companies currently marketing robotic assisted therapy include Hocoma, Tyromotion, Fourier, Rehatechnology, and Bionik.

For most patients, the products mentioned above will remain hopelessly out of reach. That's because they are either too expensive (and not covered by insurance) or too complicated for home use.

At Saebo, we believe the future of neuro-rehabilitation is “in-home” therapy based upon its ability to deliver improved patient outcomes while simultaneously lowering the short and long term costs of care. Therefore, each of our products is designed to be used with no specialized training and is priced to be within reach for most patients, even if they have no insurance coverage.

### *Current Stage and Roadmap*

#### **Company History of Development**

As one of the earliest and most established companies in the global market for stroke-rehabilitation equipment, Saebo has already assembled a diverse product portfolio and extensive distribution network.

\*Product Development: The company's current portfolio of flagship products have already satisfied FDA pre-marketing requirements or are regulated as Class I devices which are exempt from premarket requirements. In the process of developing these products, the company has been granted 17 different patents by the US Patent Office.

Upon introduction to the market, the company's products have gained wide spread adoption and have surpassed a number of remarkable milestones including over \$44 million in lifetime revenue to date.

In addition to developing its own proprietary product designs, the company also enters into exclusive distribution agreements for complimentary products developed by other medical device companies seeking to access Saebo's established distribution network.

**\*Business Model:** The company's multi-channel business model is now delivering scalable, capital-efficient growth opportunities based on falling customer acquisition costs and increasing customer life time values. The company uses product exclusivity and high-touch customer service to maintain high gross margins and enjoys a high level of revenue stability due to its diversification across multiple distribution channels as well as a steady, "recession-proof" demand for its healthcare related products.

The company is currently selling through the following channels:

- Direct to patient – Our largest and fastest-growing channel, especially through our on-line e-commerce website.
- Sales to hospitals and outpatient treatment centers – includes products designed for single use by individual patients, as well as treatment equipment designed for use by multiple patients (i.e., durable capital equipment).
- Wholesale – many of our products are purchased by local/regional Orthotic and Prosthetic (O&P), Durable Medical Equipment (DME) and rehabilitation product distributors and resold, either to facilities or billed to a patient's insurance.
- International – we have 12 exclusive and 12 non-exclusive distributors covering 38 countries, including a wholly-owned subsidiary in the UK.

**\*Marketing:** Following an initial customer acquisition strategy focused almost exclusively on generating patient referrals from healthcare providers (e.g. occupational therapists, physical therapists, neurologists, etc.), in 2015 the company pivoted and expanded its marketing efforts to include patient end-users directly via sophisticated digital marketing and ecommerce platforms, and is experiencing robust high double digit growth in this channel.

The company's digital marketing efforts have also delivered strong organic search rankings and decreasing customer acquisition costs. The company now ranks in the top 3 organic search results for over 2,000 search terms related to stroke and stroke rehabilitation.

**\*Sales:** The company currently maintains a staff of five inside sales positions and relies on a network of per-diem clinicians to provide technical assistance and training to customers in the field. The company also sells products wholesale through a national network of independent and chains of Orthotics and Prosthetics and Durable



Medical Equipment providers.

\*Operations: The company currently outsources most of its manufacturing and back office functions (e.g., accounting, payroll, etc.) to minimize fixed costs and maximize operational flexibility. Warehouse and fulfillment operations are retained in-house to ensure maximum control over the entirety of the customer experience.

\*COVID: Prior to COVID, the company was on a trajectory to reaching positive cash flow for 2020. Subsequent to COVID, the company has temporarily suspended a portion of its direct-to-hospital sales activities to offset declining revenue in that channel and to reestablish its trajectory towards positive cash flow for 2021. While the future impact of COVID is uncertain, the company has presently regained approximately 85% of its pre-COVID revenue levels and projects cash flow at or near breakeven for 2021.

**Future Roadmap:** with an established product line of roughly 16 significant lines of business and business model, the company's roadmap now calls for the allocation of resources towards achieving scale. Leveraging the company's strong brand and marketing infrastructure, we will focus on the following core initiatives:

1. Expand our product portfolio for existing diagnoses (i.e., more products for patients suffering from stroke and other acquired brain injuries).
2. Expand our product portfolio for new diagnoses (i.e., more products for patients suffering from other neurological diagnoses such as MS, CP, and diabetic/idiopathic neuropathy).
3. Expand our distribution channels to establish true omni-channel presence.
4. Expand our international dealer network and international ecommerce sales.
5. Expand our marketing team and focus beyond our current organic and remarketing campaigns.
6. Expand our sales and clinical support teams to focus on regional and national accounts and new business development opportunities.
7. Expand our operational efficiencies (i.e., leverage scale to both lower our cost-of-goods, and reduce overhead as a percentage of revenue).

## **The Team**

### **Officers and Directors**

**Name:** Henry B. Hoffman Jr.

Henry B. Hoffman Jr.'s current primary role is with the Issuer.

Positions and offices currently held with the issuer:



- **Position:** Co-Founder  
**Dates of Service:** June 29, 2004 - Present  
**Responsibilities:** Oversees new product development and all clinical operations including the company's scientific advisory board and educational curriculum. Responsible for initiating and communicating the company's vision and mission and overseeing the company's intellectual property strategy.
- **Position:** President  
**Dates of Service:** October 22, 2020 - Present  
**Responsibilities:** Oversees new product development and all clinical operations including the company's scientific advisory board and educational curriculum. Responsible for initiating and communicating the company's vision and mission and overseeing the company's intellectual property strategy.
- **Position:** Director  
**Dates of Service:** July 01, 2004 - Present  
**Responsibilities:** Oversees new product development and all clinical operations including the company's scientific advisory board and educational curriculum. Responsible for initiating and communicating the company's vision and mission and overseeing the company's intellectual property strategy.

**Name:** Todd D. Wiebusch

Todd D. Wiebusch's current primary role is with the Issuer.

Positions and offices currently held with the issuer:

- **Position:** Executive Chairman  
**Dates of Service:** June 29, 2004 - Present  
**Responsibilities:** Assists with corporate strategy, directs the procurement and deployment of financial resources, and oversees the company's management team. Responsible for maximizing the value of the company and ensuring sound corporate governance. Manages the company's overseas expansion and international operations.
- **Position:** Director  
**Dates of Service:** June 29, 2004 - Present  
**Responsibilities:** Charts corporate strategy, directs the procurement and deployment of financial resources, and oversees the company's management team. Responsible for maximizing the value of the company and ensuring sound corporate governance. Manages the company's overseas expansion and international operations.

Other business experience in the past three years:

- **Employer:** CHMG Capital, LLC

**Title:** CEO

**Dates of Service:** August 05, 2004 - Present

**Responsibilities:** Corporate Strategy, Investment Decisions, Management of Senior Personnel of Majority owned portfolio companies. CHMG Capital, LLC is a personal investment vehicle operated by Mr. Wiebusch. CHMG Capital, LLC owns 100% of CHMG Solutions, LLC. CHMG Solutions has 13 employees, including Alan Zdyb. Saebo pays CHMG Solutions a fee (at cost) for outsourced billing, collection, accounting, IT and other admin services.

Other business experience in the past three years:

- **Employer:** Courage Ventures Funds, Oy  
**Title:** Partner  
**Dates of Service:** August 01, 2016 - Present  
**Responsibilities:** Assist with making Venture Capital investments in Finnish digital health and wellness companies that aspire to enter the US market

**Name:** Christopher L. Klett

Christopher L. Klett's current primary role is with the Issuer.

Positions and offices currently held with the issuer:

- **Position:** Chief Operating Officer  
**Dates of Service:** January 15, 2020 - Present  
**Responsibilities:** Oversees all aspects of the company's domestic operations: strategic and financial planning, legal and compliance review, and development and implementation of the company's marketing and sales initiatives. Directs all back office functions including supply chain management, order fulfillment, management information systems, accounting, and human resources.
- **Position:** Secretary  
**Dates of Service:** January 01, 2015 - Present  
**Responsibilities:** Oversees all aspects of the company's domestic operations: strategic and financial planning, legal and compliance review, and development and implementation of the company's marketing and sales initiatives. Directs all back office functions including supply chain management, order fulfillment, management information systems, accounting, and human resources.
- **Position:** Director  
**Dates of Service:** January 15, 2020 - Present  
**Responsibilities:** Oversees all aspects of the company's domestic operations: strategic and financial planning, legal and compliance review, and development and implementation of the company's marketing and sales initiatives. Directs all back office functions including supply chain management, order fulfillment, management information systems, accounting, and human resources.



**Name:** Alan J. Zdyb

Alan J. Zdyb's current primary role is with CHMG Solutions, LLC. Alan J. Zdyb currently services 10 hours per week in their role with the Issuer.

Positions and offices currently held with the issuer:

- **Position:** Director  
**Dates of Service:** July 01, 2010 - Present  
**Responsibilities:** Voting member of board of directors responsible for controlling the company according to company Bylaws. In his role as VP of Finance for CHMG Solutions, which provides fully outsourced accounting and financial services to the Company, he oversees all aspects of Saebo's finance, accounting, billing and collections functions.

Other business experience in the past three years:

- **Employer:** CHMG Solutions, LLC  
**Title:** VP of Finance  
**Dates of Service:** November 26, 2001 - Present  
**Responsibilities:** Oversees all areas of Finance, Accounting, Accounts Payable, Billing, Collections and IT services for CHMG Solutions and the outsourced services it provides to third party clients, including Saebo. Alan receives 100% of his salary from CHMG Solutions, but spends about 25% of his time on Saebo-related issues/topics.

## **Risk Factors**

The SEC requires the company to identify risks that are specific to its business and its financial condition. The company is still subject to all the same risks that all companies in its business, and all companies in the economy, are exposed to. These include risks relating to economic downturns, political and economic events and technological developments (such as hacking and the ability to prevent hacking). Additionally, early-stage companies are inherently more risky than more developed companies. You should consider general risks as well as specific risks when deciding whether to invest.

These are the risks that relate to the Company:

### ***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 Common 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 Form C. 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.

***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.

***Any valuation at this stage is difficult to assess***

The valuation for the offering was established by the Company. Unlike listed companies that are valued publicly through market-driven stock prices, the valuation of private companies, especially startups, is difficult to assess and you may risk overpaying for your investment.

***The transferability of the Securities you are buying is limited***

Any Common Stock purchased through this crowdfunding campaign is subject to SEC limitations of transfer. This means that the stock/note that you purchase cannot be resold for a period of one year. The exception to this rule is if you are transferring the stock back to the Company, to an "accredited investor," as part of an offering registered with the Commission, to a member of your family, trust created for the benefit of your family, or in connection with your death or divorce.

***Your investment could be illiquid for a long time***

You should be prepared to hold this investment for several years or longer. For the 12 months following your investment there will be restrictions on how you can resell the securities you receive. More importantly, there is no established market for these securities and there may never be one. As a result, if you decide to sell these securities in the future, you may not be able to find a buyer. The Company may be acquired by an existing player in the health care and/or rehabilitation industry. However, that may never happen or it may happen at a price that results in you losing part or all of your money on this investment.

***We may not have enough capital as needed and may be required to raise more capital.***

We anticipate needing access to credit in order to support our working capital requirements as we grow. Although interest rates are low, it is still a difficult environment for obtaining credit on favorable terms. If we cannot obtain credit when we need it, we could be forced to raise additional equity capital, modify our growth plans, or take some other action. Issuing more equity may require bringing on additional investors. Securing these additional investors could require pricing our equity below its current price. If so, your investment could lose value as a result of this additional dilution. In addition, even if the equity is not priced lower, your ownership



percentage would be decreased with the addition of more investors. If we are unable to find additional investors willing to provide capital, then it is possible that we will choose to cease our sales activity. In that case, the only asset remaining to generate a return on your investment could be our intellectual property. Even if we are not forced to cease our sales activity, the unavailability of credit could result in the Company performing below expectations, which could adversely impact the value of your investment.

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

We may need to engage in common equity, debt, or preferred stock financings in the future, which may reduce the value of your investment in the Common 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 Common Stock. In addition, if we need to raise more equity capital from the sale of Common 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 below 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.

***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 which 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.

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

It is possible that some of the products we have in development may never be an operational product or that the product may never be offered for sale. It is possible that the failure to release any product may be the result of a change in the Company's business model, focus, strategies or tactics upon the Company's making a determination that the continuation of the Company's business model, focus, strategies or tactics, or some other factor, may not be in the best interest of the Company and its stockholders.



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

Delays or cost overruns in the development of future products and failure of the product to meet our performance estimates may be caused by, among other things, unanticipated technological hurdles, difficulties in manufacturing, changes to design and regulatory hurdles. Any of these events could materially and adversely affect our operating performance and results of operations.

***Minority Holder; Securities with Voting Rights***

The common stock that an investor is buying has voting rights attached to them. However, you will be part of the minority shareholders of the Company and have agreed to appoint the President of the Company (the “President”), or his or her successor, as your voting proxy. You are trusting in management discretion in making good business decisions that will grow your investments. Furthermore, in the event of a liquidation of our company, you will only be paid out if there is any cash remaining after all of the creditors of our company have been paid out.

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

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

***This offering involves “rolling closings,” which may mean that earlier investors may not have the benefit of information that later investors have.***

Once we meet our target amount for this offering, we may request that StartEngine instruct the escrow agent to disburse offering funds to us. At that point, investors whose subscription agreements have been accepted will become our investors. All early-stage companies are subject to a number of risks and uncertainties, and it is not uncommon for material changes to be made to the offering terms, or to companies’ businesses, plans or prospects, sometimes on short notice. When such changes happen during the course of an offering, we must file an amendment to our Form C with the SEC, and investors whose subscriptions have not yet been accepted will have the right to withdraw their subscriptions and get their money back. Investors whose subscriptions have already been accepted, however, will already be our investors and will have no such right.

***Our new product could fail to achieve the sales projections we expected***

Our growth projections are based in part on an assumption that with an increased product development budget, and an increased advertising and marketing budget, we will be able to develop more products, and that these 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.

***We face significant market competition***

We will compete with larger, established companies around the world who currently have products on the market and/or various respective product development



programs. They may have much better financial means and marketing/sales and human resources than us. They may succeed in developing and marketing competing equivalent products earlier than us, or superior products than those developed by us. There can be no assurance that competitors will render our technology or products obsolete or that the products developed by us will be preferred to any existing or newly developed technologies. It should further be assumed that competition will intensify.

***We are an early stage company and have not yet generated any profits***

Saebo, Inc. was formed on 6/29/2004. There is no assurance that we will be profitable in the next 3 years or generate sufficient revenues to pay dividends to the holders of the shares.

***We have existing patents that we might not be able to protect properly***

One of the Company's most valuable assets is its intellectual property. We believe one of the most valuable components of the Company is our intellectual property portfolio. Due to the value, competitors may misappropriate or violate the rights owned by the Company. The Company intends to continue to protect its intellectual property portfolio from such violations. It is important to note that unforeseeable costs associated with such practices may use a disproportionate amount of the capital of the Company.

***We have pending patent approval's that might be vulnerable***

One of the Company's most valuable assets is its intellectual property. The Company's intellectual property such as patents, trademarks, copyrights, Internet domain names, and trade secrets may not be registered with the proper authorities. We believe one of the most valuable components of the Company is our intellectual property portfolio. Due to the value, competitors may misappropriate or violate the rights owned by the Company. The Company intends to continue to protect its intellectual property portfolio from such violations. It is important to note that unforeseeable costs associated with such practices may use a disproportionate amount of the capital of the Company due to its unregistered intellectual property.

***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.

***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 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***

Our future success depends on the efforts of key personnel and consultants, especially our Co-founder, Director, and President, Henry Hoffman, our Executive Chairman and Director, Todd Wiebusch, and our Chief Operating Officer and Director, Christopher Klett. Although the company currently maintains key man life insurance policies on the aforementioned individuals, there is no guarantee that the amount of coverage would be sufficient to fully offset the financial impact to the company of losing one of these key employees. Further, 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, attract or retain 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 to replace them. 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.

***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 FDA (Food and Drug 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.

***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.

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

With a significant e-commerce presence and digital marketing program that operates over the internet, we may be vulnerable to hackers who may access the data of our customers, suppliers, partners and/or investors. Further, any significant disruption to the operations of Saebo, or in its computer systems could reduce the company's sales, increase expenses to remedy any cyber attack(s) and result in a loss of revenue. 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 Saebo, Inc. could harm our reputation and materially negatively impact our financial condition and business.

***Product Liability***

The nature of our products means there is a risk we will face product liability lawsuits. We sell products that are considered medical devices and are used by patients in both clinical and home settings. Based on the classifications of our products and the settings in which they are used, the company may be at risk for potential product liability lawsuits. If our products are shown to be defectively designed or manufactured, then we may be forced to pay significant awards, undertake a costly product recall, and/or redesign the product. These costs could bankrupt the company, which would significantly reduce the value of your investment.

***As a result of government regulation, we may be unable to market one or more of our devices in the United States in the future for the indications for which they were designed.***

Our devices have been marketed in the United States based upon existing FDA classifications and 510k clearances for specific indications. Future adverse decisions by the FDA may impact our marketing efforts for current products, and/or products currently in development, and/or products which may be placed in development in the future.

***If our products fail to perform as expected, we may have to recall them and our ability to develop, market and sell our products could be harmed.***

Our products may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. There can be no assurances that we will not be required to recall any products in the future. There can be no assurance that we will be able to detect and fix any defects in our products prior to their sale. Any product defects or any other failure of our products to perform as expected could



harm our reputation and result in adverse publicity, lost revenue, delivery delays, product recalls, product liability claims, harm to our brand and reputation, and significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects.

***Manufacturing and selling our products internationally may present risks.***

Certain components of our products are manufactured internationally, and specifically in China. There are many risks associated with international business. These risks include, but are not limited to, language barriers, fluctuations in currency exchange rates, political and economic instability, regulatory compliance difficulties, problems enforcing agreements, and greater exposure of our intellectual property to markets where a high probability of unlawful appropriation may occur. Failure to successfully mitigate any of these potential risks could damage our business. In addition, there is currently a risk that the coronavirus outbreak in China may disrupt parts supply. We intend to mitigate this risk through inventory and supply chain management practices. There are many potential contract manufacturers that can produce our products both in the US and abroad. In addition, we are required to comply with all applicable domestic and foreign export control laws, including the Export Administration Regulations. In addition, we may be subject to the Foreign Corrupt Practices Act and international counterparts that generally bar bribes or unreasonable gifts for foreign governments and officials. Violation of any of these laws or regulations could result in significant sanctions, which could reduce our future revenue and net income.

***We are subject to changes in foreign currency exchange rates.***

Some of our products are manufactured in China and some are sold in other countries throughout the world. As a result, the price we pay for our products and what they may be sold for depends on the exchange rates between the U.S. dollar and other currencies. Over the past several years, these exchange rates have had material fluctuations and we expect they will continue to fluctuate. If the U.S. dollar becomes significantly weaker, our products will likely cost us more to purchase and we may receive less than expected when they are sold, adversely impact the economics of our business and your investment.

***Natural disasters and other events beyond our control could materially adversely affect us.***

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers and could decrease demand for our services.

***We store personally identifiable information of consumers which is subject to vast regulation.***

Some jurisdictions have enacted laws requiring companies to notify individuals of



data security breaches involving certain types of personal data. Evolving regulations regarding personal data and personal information, in the United States, European Union and elsewhere, including, but not limited to, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the Health Information Technology for Economic and Clinical Health Act (HITECH), the General Data Protection Regulation, which we refer to as GDPR, the California Consumer Privacy Act of 2018 and similar privacy laws in other states and jurisdictions, may limit or inhibit our ability to operate or expand our business, or market our products. Such laws and regulations require or may require us to implement privacy and security policies, permit consumers to access, correct or delete personal information stored or maintained by us, inform individuals of security incidents that affect their personal information, and, in some cases, obtain consent to use personal information for specified purposes. Such laws and regulations could restrict our ability and our customers' ability to collect and use personal information, which may reduce demand for our solutions. Changing industry standards and industry self-regulation regarding the collection, use and disclosure of data may have similar effects. Existing and future privacy and data protection laws and increasing sensitivity of consumers to unauthorized disclosures and use of personal information may also negatively affect the public's perception of our kiosks and software solutions. If our solutions are perceived to cause, or are otherwise unfavorably associated with, invasions of privacy, whether or not illegal, we or our customers may be subject to public criticism. Any failure on our part to comply with applicable privacy and data protection laws, regulations, policies and standards or any inability to adequately address privacy concerns associated with our solutions, even if unfounded, could subject us to liability, damage our reputation, impair our sales and harm our business. Furthermore, the costs of compliance with, and other burdens imposed by, such laws, regulations, policies and standards may result in a decrease in our profitability and/or limit adoption of and demand for our products.

***If we are unable to adequately control the costs associated with operating our business, our business, financial condition, operating results and prospects will suffer.***

If we are unable to maintain a sufficiently low level of costs for manufacturing, marketing, selling and distributing our products relative to their selling prices, our operating results, gross margins, business and prospects could be materially and adversely impacted. Many of the factors that impact our operating costs are beyond our control. If we are unable to keep our operating costs aligned with the level of revenues we generate, our operating results, business and prospects will be harmed.

***We depend on technology and advanced information systems, which may fail or be subject to disruption.***

There are no assurances that our software solutions and website will be uninterrupted or fully secure, or that users will be willing to access, adopt, and use our website and software solutions. Further, our software solutions may be the target of malicious attacks seeking to identify and exploit weaknesses. Cyber-attacks may target vendors, customers or other third parties, or the communication infrastructure on which they depend. Despite good faith efforts by us to mitigate the risks associated with cyber-attacks, through various security protocols, an attack or a breach of security could result in a loss and theft of private data, violation of applicable privacy and other laws,



significant legal and financial exposure, damage to reputation, and a loss of confidence in security measures, any of which could have a materially adverse effect on our business. The integrity, reliability, and operational performance of our information technology (“IT”) infrastructure are critical to our operations. Our IT infrastructure may be damaged or interrupted by increases in usage, human error, unauthorized access, natural hazards or disasters, or similarly disruptive events. Furthermore, our software solutions may be unable to support a significant increase in traffic or increase in user numbers, whether as a result of organic or inorganic growth of the business. While we have taken measures to safeguard against a failure of our IT infrastructure, or the telecommunications and/or other third-party infrastructure on which such infrastructure relies, failure could lead to significant costs and disruptions that could reduce revenue, damage our reputation, and have a materially adverse effect on our operations, financial performance, and prospects. We intend to maintain business continuity procedures and security measures to protect against network or IT failure or disruption. However, these procedures and measures may not be effective against all forms of disruptions and may not ensure that we are able to carry on our business. Should these measures and protections fail to operate as intended or at all, they may not prevent a material disruption to our operations, and the consequence of such would have a materially adverse effect on our financial performance and prospects. We do not guarantee that the use of applications and systems designed for system security will effectively counter evolving security risks or address the security concerns of existing and potential users. Any failures in our security measures could have a materially adverse effect on our business, financial condition, and results of operations. In addition, our controls may not be effective in detecting or preventing any intrusion or other security breaches, or safeguarding against sabotage, hackers, viruses, and other forms of cybercrime. Any failure in these protections could harm our reputation and have a materially adverse effect on our operations, financial performance, and prospects. Our software solutions store investor, customer and vendor personal and other sensitive information/digital data. Any accidental or willful security breaches or other unauthorized access could cause the theft and criminal use of this data and/or theft and criminal use of our information. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation, and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our software solutions are exposed and exploited, and, as a result, a third party obtains unauthorized access to any of our investor, customer or vendor data, our relationships with our investors, customers, vendors, and/or other third parties will be severely damaged, and we could incur significant liability. Since techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we and any third-party hosting facility that we may use, may be unable to anticipate these techniques or to implement adequate preventative measures.

### *COVID-19*

In December 2019, a novel strain of coronavirus, COVID-19, was reported in Wuhan,



China. The World Health Organization has since declared the outbreak to constitute a pandemic. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers and our sales cycles, impact on our customer, employee or industry events, and effect on our vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. If the COVID-19 outbreak continues to spread, we may need to limit operations or implement limitations, including work from home policies. There is a risk that other countries or regions may be less effective at containing COVID-19, or it may be more difficult to contain if the outbreak reaches a larger population or broader geography, in which case the risks described herein could be elevated significantly.

## Ownership and Capital Structure; Rights of the Securities

### Ownership

The following table sets forth information regarding beneficial ownership of the company's holders of 20% or more of any class of voting securities as of the date of this Offering Statement filing.

Stockholder Name	Number of Securities Owned	Type of Security Owned	Percentage
Todd D. Wiebusch	1,015,873	Series A Preferred Shares	65.62
Todd D. Wiebusch	763,170	Series B Preferred Shares	65.62
Todd D. Wiebusch	1,143,712	Series C Preferred Shares	65.62
Todd D. Wiebusch	9,197,296	Series D Preferred Shares	65.62
Todd D. Wiebusch	1,847,287	Common Stock	65.62

### The Company's Securities

The Company has authorized Common Stock, Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, and Series D Preferred Shares. As part of the Regulation Crowdfunding raise, the Company will be offering up to 2,139,998 of Common Stock.

#### *Common Stock*

The amount of security authorized is 21,145,517 with a total of 9,791,438 outstanding.

#### *Voting Rights*

1 vote per share

#### *Material Rights*

### **Stock Incentive Plan**

The total amount of common shares outstanding (9,791,438) includes:

2,057,170 of shares to be issued to employees pursuant to the company's 2015 Stock Incentive Plan, and

1,847,287 of shares reserved for the conversion of preferred shares at a greater than 1:1 ratio.

### **Voting Rights of Securities Sold in this Offering**

**Voting Proxy.** Each Subscriber shall appoint the President of the Company (the "President"), or his or her successor, as the Subscriber's true and lawful proxy and attorney, with the power to act alone and with full power of substitution, to, consistent with this instrument and on behalf of the Subscriber, (i) vote all Securities, (ii) give and receive notices and communications, (iii) execute any instrument or



document that the President determines is necessary or appropriate in the exercise of its authority under this instrument, and (iv) take all actions necessary or appropriate in the judgment of the President for the accomplishment of the foregoing. The proxy and power granted by the Subscriber pursuant to this Section are coupled with an interest. Such proxy and power will be irrevocable. The proxy and power, so long as the Subscriber is an individual, will survive the death, incompetency and disability of the Subscriber and, so long as the Subscriber is an entity, will survive the merger or reorganization of the Subscriber or any other entity holding the Securities. However, the Proxy will terminate upon the closing of a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933 covering the offer and sale of Common Stock or the effectiveness of a registration statement under the Securities Exchange Act of 1934 covering the Common Stock.

### ***Series A Preferred Shares***

The amount of security authorized is 1,120,000 with a total of 1,015,873 outstanding.

### ***Voting Rights***

One vote per share (based on the number of common shares granted upon conversion from preferred to common).

### ***Material Rights***

### **Key Material Rights**

***Please refer to Exhibit F of the Offering Memorandum for further details.***

- Distribution rights and preferences
  - Covered by Liquidation/Dividend/Redemption/Conversion/Right of First Refusal.
- Liquidation rights and preferences
  - Liquidation preferences over Common Stock. The amount to be paid is the Original Issue Price of the shares plus any accrued but unpaid dividends. Series A holders hold liquidation preference over other preferred shares and Common Stock.
- Dividend rights
  - Entitled to dividends at an interest rate of 5%. Payable when declared by the Board or on liquidation/dissolution/redemption of Series A Preferred Stock.
- Right of first refusal
- Drag Along/Tag Along
  - At least 2/3rds of the outstanding Preferred Shares, voting together as a single class, are required for a merger/consolidation/exchange of shares with another entity, or to

sell/lease/license/or transfer all or substantially all of the corporation's assets.

- Redemption Rights

- At the option of the Electing Holders, the corporation must redeem the outstanding Preferred Shares by paying cash for each Series A share in the amount of the Series A redemption price.

- Voting Rights

- Except as provided, Preferred Holders will be entitled to the number of votes equal to the number of Common Shares each Preferred Share could convert into. Preferred Holders will vote together with Common Stock holders, except as otherwise provided, as a single class.

- Preferred Holders will vote as a separate class for the election of 3/5 of the company's directors and in relation to the Preferred Stock Protective Provisions.

- Conversion Rights

- Preferred Stock will convert into Common Stock. The conversion rate is calculated by dividing the Original Price by the Conversion Price, determined at the time of conversion. Preferred Stock is automatically converted on a Liquidation Event/IPO/election of preferred shareholders.

- No fractional conversions are allowed, only conversions into full shares.

- Anti-Dilution Rights

- Shares are entitled to preemptive rights as per the Investor Rights Agreement.

- Mandatory Conversion Rights

- Mandatory conversion to Common Shares at the applicable Conversion Price occurs on a Qualified IPO/merger/sale of substantially all assets, or upon election of the majority of the holders.

- Protective Provisions

- As long as 50% of the Preferred Shares remain outstanding, at least two-thirds of Preferred Shareholders must consent to: 1) altering rights of Preferred Stock; 2) altering amount of Preferred Stock; 3) authorize a new class of stock; 4) reclassify Common Stock; 5) Alter Articles or Bylaws in a way that adversely affects the Preferred Stock; 6) Pay dividends (other than to Preferred Stock); 7) Merge/Exchange shares with another entity; 8) Wind down event/Change of Control event; 9) Liquidation event; 10) Initial Public Offering of securities with a value less than \$20M and \$3 per Common Share); 11) Change size of Board of Directors from 5 directors; 12) Create employee Stock Option Plan.

- Election of Directors Rights



- Holders of Preferred Stock, voting as a single class, will be entitled to elect 3 directors via majority vote of the Preferred Shares.

- No Reissuance Rights

- No Preferred Share or Preferred Shares acquired by the corporation will be reissued. It must be cancelled and returned to the shares of undersigned Preferred Stock.

#### ***Series B Preferred Shares***

The amount of security authorized is 763,170 with a total of 763,170 outstanding.

#### ***Voting Rights***

One vote per share (based on the number of common shares granted upon conversion from preferred to common).

#### ***Material Rights***

**Please refer to Exhibit F of the Offering Memorandum for further details. Series A - D Preferred Stock operates on a parri passu basis for material rights.**

#### ***Series C Preferred Shares***

The amount of security authorized is 1,160,998 with a total of 1,160,998 outstanding.

#### ***Voting Rights***

One vote per share (based on the number of common shares granted upon conversion from preferred to common).

#### ***Material Rights***

**Please refer to Exhibit F of the Offering Memorandum for further details. Series A - D Preferred Stock operates on a parri passu basis for material rights.**

#### ***Series D Preferred Shares***

The amount of security authorized is 9,197,296 with a total of 9,197,296 outstanding.

#### ***Voting Rights***

One vote per share (based on the number of common shares granted upon conversion from preferred to common).

#### ***Material Rights***

**Please refer to Exhibit F of the Offering Memorandum for further details. Series A - D Preferred Stock operates on a parri passu basis for material rights.**

**What it means to be a minority holder**

As a minority holder of Common Stock you will have limited rights in regards to the corporate actions of the company, including additional issuances of securities, company repurchases of securities, a sale of the company or its significant assets, or company transactions with related parties. Further, investors in this offering may have rights less than those of other investors, and will have limited influence on the corporate actions of the company.

## **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, in the event the company issues more shares, the percentage of the company that you own will go down. It is possible that with the issuance of new shares, the value of the company could go up, but it could also go down. In either event, you will own a smaller percentage of the company after any new share issuance. This increase in number of shares outstanding could result from a stock offering (such as an initial public offering, another crowdfunding round, a venture capital round, angel investment or other equity 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).

## **Transferability of securities**

For a year, the securities can only be resold:

- In an IPO;
- To the company;
- To an accredited investor; and
- To a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance.

## **Recent Offerings of Securities**

We have made the following issuances of securities within the last three years:

## **Financial Condition and Results of Operations**



## Financial Condition

*You should read the following discussion and analysis of our financial condition and results of our operations together with our financial statements and related notes appearing at the end of this Offering Memorandum. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this Offering Memorandum.*

## Results of Operations

Circumstances which led to the performance of financial statements:

### Results of operations

#### Year ended December 31, 2018 compared to year ended December 31, 2017

##### Revenue

2018 was a record year for Saebo with fiscal year revenue of \$4,280,922, up 26% compared to fiscal year 2017 revenue of \$3,397,779. Growth was consistent across all geographies – with US/CAN up 29%, UK up 27% and International up 15%. Growth was also consistent across both our Patient Product lines (products primarily for patient use) and Capital Products (products sold primarily to health care facilities). Our wholly-owned subsidiary in the UK continues to be our largest international distributor, accounting for about 6% of sales, with the balance of international sales making up another 20% of total sales

In 2018, we continued to invest more heavily in the Patient Product segment of the business. With over 800,000 new strokes per year in the US alone, and over 6,000,000 "legacy" US stroke survivors from prior years, we believe this segment has much more potential to generate "recurring" revenue than selling one-off Capital Products to health care facilities. However, we do continue to sell through this channel because of the popularity of some of our Capital Products and the still favorable gross margins of the Capital Product line (~55%). We also believe we can generate "recurring" revenue from Patient Product referrals from facilities that are familiar with our product line. Capital equipment sales also facilitate brand awareness of the overall Saebo product line.

##### Cost of sales

Cost of sales in 2018 was \$1,823,098, an increase of approximately \$318,000, from costs of \$1,505,149 in fiscal year 2017. The increase was due to an increase in sales across all geographic areas and product lines..

##### Gross margins

2018 gross profit increased by \$565,000 over 2017 and gross margins as a percentage of revenues increased from 55.7% in 2017 to 57.41% in 2018. This improvement was due to an increase in higher-margin direct-to-consumer Patient Product sales in the US, and the relatively faster growth of the US market compared to relatively lower margin international markets served by distributors.

### **Expenses**

The Company's expenses consist of, among other things, employee compensation and benefits, marketing and sales expenses, fees for professional services and patents, research and development expenses and other operating expenses. Total operating expenses in 2017 were \$2,621,473 and increased about \$340,000 in fiscal year 2018. Approximately \$300,000 of this increase was for investments in growth in the form of additional sales resources, direct-to-consumer advertising, marketing expenses, conventions and tradeshows, and demo product shipping expenses.

### **Year ended December 31, 2019 compared to year ended December 31, 2018**

#### **Revenue**

2019 was another good year for the company as we continued to focus on our strategy of Patient Product sales growth, which increased by a combined 8% in all of our geographic areas (US, UK and International) despite having to discontinue an electrical stimulation product that reduced 2019 sales by \$61,000 versus 2018. Further, because Capital Product sales were down a combined \$188,000 in the UK and International, overall revenue was down about \$47,000 from \$4,280,921 in 2018 to \$4,223,825 in 2019.

#### **Ecommerce Sales 2017-19**

In 2017, in an expansion of its Direct-to-Patient strategy, the company introduced on-line shopping (ecommerce) on its website to allow customers to purchase directly from the company with an industry leading Risk-Free 30-day Money Back Guarantee. This "no questions asked" return policy allows patients to use a product in their home for a full 30 days and return it in any condition for a full refund if they are not completely satisfied with their purchase. The on-line shop has been a tremendous success, generating sales of \$187,937, \$501,141 and \$710,355 in 2017, 2018 and 2019, respectively, which is a 94% Compound Annual Growth Rate (CAGR).

#### **Cost of sales**

Cost of sales in 2019 were \$1,753,749, down \$69,000 from \$1,823,098 in fiscal year 2018. The decrease is due to slightly lower sales 2019 vs. 2018.

#### **Gross margins**

Despite slightly lower sales, gross margin improved by \$22,000 from \$2,457,823 to \$2,480,076 from 2018 to 2019, and from 57.41% to 58.56% over the same period. The continued improvement in gross margin is largely due to our continued focus on



selling higher margin Patient Products direct to consumers through our on-line shopping cart.

### **Expenses**

Expenses for 2019 were up \$176,000 compared to 2018, with most of the additional expenses invested in sales and marketing, including conversion to the Hubspot marketing platform. The company also added a senior Director of Clinical Services in 2019 to create additional video and educational content for our patients and therapist customers in 2019 and beyond. To fund higher ROI additional marketing investments, the company reduced advertising spend by approximately 33% in 2019 vs. 2018.

### **Year-to-Date 2020 Results**

2020 financials have not yet been reviewed by our Financial Accountant. The year started with a continuation of the positive trends at the end of 2019, with strong direct to patient sales in the US, especially through the on-line shop. With the advent of the COVID-19 pandemic, the vast majority of the rehab facilities that referred patients for products and purchased capital equipment closed temporarily. Further, key international markets in Europe including the UK, Italy, the Netherlands and Germany (combined accounting for over 60% of international sales) all experienced similar facility closures. This resulted in a 25% drop in overall revenue in Q2 compared to the Q1.

In late March, the company took aggressive cost-saving measures including a furlough of 40% of our staff. It took further measures to raise cash including securing a Paycheck Protection Program (PPP) Loan under the CARES Act, and an Economic Injury Disaster Loan (EIDL) from the SBA. On the advice of counsel and its accounting firm, the company believes it has used the PPP funds only for approved expenses. It has not used any of the EIDL at this time.

After the initial decline in revenue in late March/early April, the company's Shopping Cart sales rebounded as more patients sought solutions for their rehabilitation at home, since many facilities remained closed. International sales and Capital Equipment sales continued to be significantly below Q1 trends.

By the beginning of Q3, US Direct to patient sales were essentially back to pre-COVID levels and above pre-COVID year-over-year growth rates, though sales of patient and capital products to hospitals remained significantly behind prior year.

Beginning in July, the company started to receive orders from its International distributors in Europe which was re-opening its economies, as well as some Capital equipment orders and patient referrals from US facilities that were also re-opening. The company's July revenue, if annualized, would exceed the company's 2019 revenue. Further, Q3 2020 revenue was approximately 28% higher than Q2 2020 revenue, and within one percent (1%) of Q3 2019 revenue.

As a result of these positive revenue trends, we started to bring some of our

furloughed employees back in late Q2 and Q3. We are now back to 84% of our pre-COVID staff level, which, subject to further guidance from the government, will likely increase the amount of the PPP loan which will be forgiven.

### **Historical results and cash flows:**

#### Year-to-Date 2020 Results

The year started with a continuation of the positive trends at the end of 2019, with strong direct to patient sales in the US, especially through the on-line shop. With the advent of the COVID-19 pandemic, the vast majority of the rehab facilities that referred patients for products and purchased capital equipment closed temporarily. Further, key international markets in Europe including the UK, Italy, the Netherlands and Germany (combined accounting for over 60% of international sales) all experienced similar facility closures. This resulted in a 25% drop in overall revenue in Q2 compared to the Q1.

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Beginning in July, the company started to receive orders from its International distributors as Europe was re-opening its economies, as well as some Capital equipment orders and patient referrals from US facilities that were also re-opening. The company's July revenue, if annualized, would exceed the company's 2019 revenue. Further, Q3 2020 revenue was approximately 28% higher than Q2 2020 revenue, and within one percent (1%) of Q3 2019 revenue.

As a result of these very positive revenue trends, we started to bring some of our furloughed employees back in late Q2 and Q3. We are now back to 84% of our pre-COVID staff level, which, subject to further guidance from the government, will likely increase the amount of the PPP loan which will be forgiven.

As previously stated, the company believes it has adequate revenue momentum, liquidity and access to capital to continue operations without additional funding (subject, of course, to the risks outlined in that section).



## **Liquidity and Capital Resources**

**What capital resources are currently available to the Company? (Cash on hand, existing lines of credit, shareholder loans, etc...)**

As of 9/30/20, the company had \$435,000 cash on hand. In addition, the company has a revolving line of credit with CHMG Capital, LLC, for a total amount available of \$300,000. As of 9/30/20, this line of credit had an outstanding balance of \$245,795.

**How do the funds of this campaign factor into your financial resources? (Are these funds critical to your company operations? Or do you have other funds or capital resources available?)**

Because the company has the previously mentioned liquidity, access to capital and revenue momentum, the Company anticipates that, without a material adverse change to its operating environment (please see "Risk Factors"), the Company intends to use the funds raised primarily to fund the growth initiatives in the "Use of Proceeds" section. Further, in recent years, our lead investor has been willing to provide debt capital for growth investments (e.g. Dir. of Int'l Sales, Dir. of Digital Mktg, Hubspot conversion and implementation, New Product Devp., Digital Adspend and marketing etc.). While there is no assurance he will be willing to do so in the future, it remains a possible source of future capital, in the unlikely scenario it is necessary.

**Are the funds from this campaign necessary to the viability of the company? (Of the total funds that your company has, how much of that will be made up of funds raised from the crowdfunding campaign?)**

The funds from this campaign are not necessary for the viability of the company (except in the event of an unforeseen material adverse change in the Company's operating environment). The funds from this campaign will be used to expand our product offerings and marketing programs to accelerate our growth as outlined in the "Use of Proceeds" section.

**How long will you be able to operate the company if you raise your minimum? What expenses is this estimate based on?**

If we raised the minimum target amount in this offering, we believe the company would be able to operate indefinitely based on its current operating expenses (assuming no material adverse change to our operating environment). In Q3 '20, monthly average operating expenses were \$228k, compared to \$258K per month in Q1 '20 (pre-COVID). While monthly revenue can be inconsistent based on when orders are received, when products ship, international orders, etc., quarterly revenue tends to be better for comparison purposes. After a 34% decline in monthly average revenue in Q2 vs Q1 2020, (\$250K vs. \$336k), Q3 monthly average revenues have returned to 96%

of Q1 monthly average revenue (\$332k vs. \$336K). October and November revenue have continued above the Q3 average at approximately \$340K per month, and December revenue is on track to exceed the October-November Average.

**How long will you be able to operate the company if you raise your maximum funding goal?**

Per answer above, If we raise the maximum target amount in this offering, we believe we will be able to operate the company indefinitely (again, assuming no material adverse change to our operating environment). However, because of the additional funds from the Start Engine campaign, we believe the company will be able to grow at a significantly faster rate. While we will add some expenses to achieve this growth, the company is committed to fiscal and financial prudence.

**Are there any additional future sources of capital available to your company? (Required capital contributions, lines of credit, contemplated future capital raises, etc...)**

There are no additional future capital sources currently under consideration at this time.

## **Indebtedness**

- **Creditor:** CHMG Capital, LLC  
**Amount Owed:** \$1,575,000.00  
**Interest Rate:** 0.0%  
**Maturity Date:** January 01, 2030  
Due and payable upon the sale of all or substantially all of the assets or stock of Company, or a recapitalization of Company. Notes (and accrued interest, if applicable) may be prepaid at any time without penalty.
- **Creditor:** CHMG Capital, LLC  
**Amount Owed:** \$1,032,482.03  
**Interest Rate:** 6.0%  
**Maturity Date:** January 01, 2030  
Company, or a recapitalization of Company. Notes (and accrued interest, if applicable) may be prepaid at any time without penalty.
- **Creditor:** CHMG Solutions, LLC  
**Amount Owed:** \$1,655,000.00  
**Interest Rate:** 0.0%  
**Maturity Date:** January 01, 2030  
Company, or a recapitalization of Company. Notes (and accrued interest, if applicable) may be prepaid at any time without penalty.



- **Creditor:** CHMG Capital, LLC  
**Amount Owed:** \$120,456.92  
**Interest Rate:** 0.0%  
**Maturity Date:** January 01, 2030  
Company, or a recapitalization of Company. Notes (and accrued interest, if applicable) may be prepaid at any time without penalty.
- **Creditor:** CHMG Capital, LLC  
**Amount Owed:** \$37,000.00  
**Interest Rate:** 6.0%  
**Maturity Date:** January 01, 2030  
Company, or a recapitalization of Company. Notes (and accrued interest, if applicable) may be prepaid at any time without penalty.
- **Creditor:** Small Business Administration (COVID-19 Economic Injury Disaster Loan)  
**Amount Owed:** \$159,900.00  
**Interest Rate:** 3.75%  
**Maturity Date:** June 01, 2050  
Principal payments will be repaid monthly after a twelve month payment deferral over the following twenty nine years.
- **Creditor:** First National Bank (COVID-19 SBA Payroll Protection Program Loan)  
**Amount Owed:** \$304,600.00  
**Interest Rate:** 1.0%  
**Maturity Date:** April 01, 2022  
subject to forgiveness based on using the proceeds for payroll and certain other eligible expenses over a defined period and maintaining staffing levels. Principal amounts not forgiven, including accrued interest at 1%, will be repaid after a six month payment deferral over the following eighteen months.
- **Creditor:** National Westminster Bank (COVID-19 UK Bounce Back Loan)  
**Amount Owed:** \$65,000.00  
**Interest Rate:** 2.5%  
**Maturity Date:** June 09, 2026  
The length of the loan is 6 years, but can be repaid early without paying a fee. No repayments will be due during the first 12 months. Before your first repayment is due, your lender will contact you about further options to: • extend the term of your loan to 10 years • move to interest-only repayments for a period of 6 months (you can use this option up to 3 times) • pause your repayments for a period of 6 months if you have already made at least 6 repayments (you can use this option once)
- **Creditor:** CHMG Capital, LLC  
**Amount Owed:** \$245,000.00

**Interest Rate:** 6.0%

Revolving Line of Credit with a \$300,000 limit - payable upon demand

## Related Party Transactions

- **Name of Entity:** The Dye Stuff Space, LLC  
**Names of 20% owners:** Todd D. Wiebusch  
**Relationship to Company:** Sister company under the common ownership of Saebo's majority investor  
**Nature / amount of interest in the transaction:** The Company's office space is leased at market rates from The DyeStuff Space, LLC ("DyeStuff"), a Company related through common ownership. The total lease expenses to DyeStuff were \$70,400 and \$ 34,600 for the years ended December 31, 2019 and 2018 (2018 was a partial year), respectively. These amounts are included in general and administrative expenses in the accompanying statements of operations and members' equity. The total amount due to DyeStuff under the office lease and for pass through costs at December 31, 2019 and 2018 was \$6,000 and \$0, respectively.  
**Material Terms:** Lease terminates 8/30/23
- **Name of Entity:** CHMG Solutions, LLC  
**Names of 20% owners:** Todd D. Wiebusch  
**Relationship to Company:** Related through common ownership greater than 20%  
**Nature / amount of interest in the transaction:** The Company has retained CHMG Solutions, LLC ("CHMG"), a company related through common ownership, to provide various outsourced administrative, financial and management services, including, but not limited to, finance, accounting, accounts payable, information technology, and billing and collections services. The services are provided to the Company at CHMG's cost. The total fee expenses due to CHMG were \$324,000 for the years ended December 31, 2019 and 2018, respectively. These amounts are included in general and administrative expenses in the Company's statements of operations and stockholders' equity. To conserve the Company's cash, CHMG agreed to convert fees incurred in 2018 and 2019 to notes payable. The notes payable do not accrue interest. The total amounts due under these non-interest bearing notes payable at December 31, 2019 and 2018 were \$1,655,000 and \$1,331,000, respectively.  
**Material Terms:** The notes do not accrue interest and are due and payable upon the sale of all or substantially all of the assets or stock of the Company. Notes may be prepaid at any time without penalty.
- **Name of Entity:** CHMG Capital, LLC  
**Names of 20% owners:** Todd D. Wiebusch  
**Relationship to Company:** Sister company under common ownership  
**Nature / amount of interest in the transaction:** CHMG Capital, LLC, provides executive consulting services to the Company regarding strategy, cash



management, sales and marketing, among other areas. The total consulting services expenses were \$150,000 for the years ended December 31, 2019 and 2018, respectively. These amounts are included in general and administrative expenses in the Company's statements of operations and stockholders' equity. To conserve the Company's cash, these amounts were converted to notes payable. The notes payable do not accrue interest. The total amounts due for consulting services at December 31, 2019 and 2018 were \$1,575,000 and \$1,425,000, respectively. Since 2014, the Company has also borrowed \$1,032,482.03 in cash from CHMG Capital for working capital and various growth hires - e.g. Director of International Sales, Director of Digital Marketing and Director of Clinical Services, as well as to invest in various advertising, sales and marketing initiatives - e.g. Hubspot conversion, google, Facebook and other ad spending, and marketing consultants. Interest accrues at 6% on this cash loan. The Company owes CHMG Capital \$120,456.92 in unpaid fees from the period before 12/31/14. Interest does not accrue on this note. The company owes \$37,000 to CHMG Capital for a loan amount outstanding as of 12/31/17. Interest on this note accrues at 6% per annum. Finally, CHMG Capital has established a Line of Credit to Company in the amount of \$300,000 for short term working capital purposes. As of September 30, 2020, there was \$245,000 outstanding on the line of credit.

**Material Terms:** All amounts are due and payable upon the sale of all or substantially all of the assets or stock of the Company. Amounts outstanding may be prepaid at any time without penalty.

## Valuation

**Pre-Money Valuation:** \$10,964,387.50

### Valuation Details:

The company determined its valuation based on an analysis of multiple factors. First, we calculated the average valuation metrics of seven, small publicly traded companies in our industry as of 11/6/20, and compared them to Saebo's equity valuation in the chart below:

All figures are Trailing Twelve Months (TTM)

### Competitor

#### Metric (TTM) Average Saebo

- The average Enterprise Value/Sales ratio of the Competitor set is 7.62x – Saebo's EV/Sales ratio is 6.11x
- Competitor set average Gross Profit is 54% - Saebo GP is 58%
- Competitor set average Enterprise Value/GP is 36.94x – Saebo EV/GP is 10.63x

- Competitor set EV/GP (w/o the lowest GP outlier) is 11.66x - Saebo EV/GP is 10.63x
- Competitor set average EBITDA percent is -52% - Saebo EBITDA is -18%
- Excluding the most and least profitable companies, Competitor set ave EBITDA % is -191% - Saebo EBITDA is -18% (and improving)

Second, we also compared Saebo *qualitatively* to this competitor set:

- Saebo has been in business over 15 years, with an established brand, products that work, and lifetime sales of over \$44MM in over 80 countries.
- Despite COVID, and because of the changes we have made to the business, Saebo believes it has enough revenue momentum, liquidity and access to capital to achieve cash flow profitability in the next 12 months *without* a crowdfunding campaign.
- As such, It is *possible* that this will be the last outside equity Saebo needs to raise for the foreseeable future.
- Therefore, Start Engine funds raised will go *primarily* to growth initiatives, not funding losses.
- Most of our comparable competitors will likely need to continue to raise additional equity to survive for the foreseeable future. In fact, backing out the most and least profitable competitors above, their average EBITDA is a ***negative 191.4% (TTM)***.
- Further, Saebo has a robust product development pipeline allowing for the introduction of 1-2 new products per year for *at least* the next five years.
- And while we already have 24 exclusive and non-exclusive distributors selling in 38 countries, we believe there is tremendous opportunity to grow our international sales through additional distributors and new product offerings for many years to come.
- Finally, as of 12/31/19, Saebo had \$9,381,584, and \$5,159,727 of federal and North Carolina tax loss carryforwards, respectively, to shield any future profits from taxes.

In conclusion, the Company set its valuation internally, without a formal-third party independent evaluation. The pre-money valuation has been calculated on a fully diluted basis. In making this calculation, we have assumed: (i) all preferred stock is converted to common stock; (ii) all outstanding options, warrants, and other securities with a right to acquire shares are exercised; and (iii) any shares reserved for issuance under a stock plan are issued.

## Use of Proceeds

If we raise the Target Offering Amount of \$10,000.00 we plan to use these proceeds as follows:

- *StartEngine Platform Fees*  
3.5%



- *Marketing*  
96.5%  
Additional paid remarketing campaigns (Facebook/Google) to further boost conversion rate of organic website traffic into first time purchasers.

If we raise the over allotment amount of \$1,069,999.00, we plan to use these proceeds as follows:

- *StartEngine Platform Fees*  
3.5%
- *Marketing*  
19.5%  
Hire senior level Marketing leader to oversee all marketing functions, assist with brand development/management and expand our digital marketing reach in current and new product categories. Increase use of outsourced marketing assets in content marketing, SEO, lead nurture and PR.
- *Research & Development*  
8.0%  
On-going investment in design and engineering for both new and existing product lines.
- *Company Employment*  
13.0%  
New hires to support the expansion of our on-line education platform, the launch of a new affiliate marketing program, the development of new on-line communities for patients and clinicians, and the expanded production of video content for training/support of patients and clinicians.
- *Operations*  
6.0%  
Software and installation of an inventory management system that integrates with our accounting and CRM systems to better manage inventory levels and costs.
- *Working Capital*  
41.0%  
Reserve for possible small acquisitions (Saebo is regularly approached by small companies with niche products) and other potential expansion opportunities as they may arise.
- *Inventory*  
9.0%  
Fund the initial inventory of new products currently under development. Also fund higher volume production runs and increased inventory levels for existing products to support higher sales volume and lower costs per unit.

The Company may change the intended use of proceeds if our officers believe it is in the best interests of the company.

## **Regulatory Information**

### **Disqualification**

No disqualifying event has been recorded in respect to the company or its officers or directors.

### **Compliance Failure**

The company has not previously failed to comply with the requirements of Regulation Crowdfunding.

### **Ongoing Reporting**

The Company will file a report electronically with the SEC annually and post the report on its website no later than April 30 (120 days after Fiscal Year End). Once posted, the annual report may be found on the Company's website at <https://www.saebo.com/> (<https://www.saebo.com/annualreport>).

The Company must continue to comply with the ongoing reporting requirements until:

- (1) it is required to file reports under Section 13(a) or Section 15(d) of the Exchange Act;
- (2) it has filed at least one (1) annual report pursuant to Regulation Crowdfunding and has fewer than three hundred (300) holders of record and has total assets that do not exceed \$10,000,000;
- (3) it has filed at least three (3) annual reports pursuant to Regulation Crowdfunding;
- (4) it or another party repurchases all of the securities issued in reliance on Section 4(a)(6) of the Securities Act, including any payment in full of debt securities or any complete redemption of redeemable securities; or
- (5) it liquidates or dissolves its business in accordance with state law.

### **Updates**

Updates on the status of this Offering may be found at: [www.startengine.com/saebo](http://www.startengine.com/saebo)

### **Investing Process**

See Exhibit E to the Offering Statement of which this Offering Memorandum forms a part.





**EXHIBIT B TO FORM C**

**FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANT'S REVIEW FOR SAEBO, Inc.**

*[See attached]*



# **SAEBO INC.**

and subsidiaries

Unaudited Consolidated Financial Statements  
For the calendar years ended December 31, 2019 and 2018



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

October 21, 2020

To: Board of Directors, SAEBO INC.

Re: 2019-2018 Consolidated Financial Statement Review

We have reviewed the accompanying combined financial statements of SAEBO INC. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, owners' equity/deficit and cash flows for the calendar year periods thus ended, and the related notes to the financial statements.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially limited in scope compared to an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.



**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Going Concern**

As discussed in the Notes and Additional Disclosures, certain conditions indicate there is substantial doubt as to whether the Company may continue as a going concern. The accompanying financial statements do not include any adjustments which might be necessary should the Company be unable to continue as a going concern. Our conclusion is not modified with respect to that matter.

Sincerely,

The logo for IndigoSpire CPA Group features a stylized purple and white geometric shape resembling a mountain peak or a spire.

IndigoSpire CPA Group

IndigoSpire CPA Group, LLC  
Aurora, CO

**SAEBO INC. and Subsidiaries**  
**CONSOLIDATED BALANCE SHEET**  
**As of December 31, 2019 and 2018**  
**See Accountant's Review Report and Notes to the Financial Statements**  
**(Unaudited)**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Current Assets		
Cash and cash equivalents	\$ 25,660	\$ 90,733
Accounts receivable, net of allowances	401,583	344,826
Inventory, net	922,923	900,627
Other current assets	21,789	46,208
Total current assets	<u>1,371,954</u>	<u>1,382,393</u>
Fixed assets, net of accumulated depreciation	37,537	41,026
Other intangible assets, net of accumulated amortization	39,500	101,762
Total Assets	<u>\$ 1,448,991</u>	<u>\$ 1,525,181</u>
<b>LIABILITIES AND OWNERS' EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 782,950	\$ 714,407
Accrued expenses	224,213	243,396
Total Current Liabilities	<u>1,007,162</u>	<u>957,804</u>
Notes payable, long-term	6,968,441	5,796,714
Total Liabilities	<u>7,975,603</u>	<u>6,754,518</u>
<b>OWNERS' EQUITY</b>		
Common Stock (21,145,517 and 21,145,517 no par shares issued and outstanding as of December 31, 2019 and 2018, respectively)	354,272	354,272
Preferred Stock (14,197,296 shares of 5% preferred shares authorized, 12,137,337 and 12,137,337 shares issued and outstanding as of December 31, 2019 and 2018, respectively)	5,567,298	5,567,298
Cumulative translation adjustment	(186,981)	(85,562)
Retained deficit	(12,261,201)	(11,065,345)
Total Owners' Equity	<u>(6,526,612)</u>	<u>(5,229,337)</u>
Total Liabilities and Owners' Equity	<u>\$ 1,448,991</u>	<u>\$ 1,525,181</u>



**SAEBO INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**For Years Ending December 31, 2019 and 2018**  
**See Accountant's Review Report and Notes to the Financial Statements**  
**(Unaudited)**

	<b>2019</b>	<b>2018</b>
Revenues, net	\$ 4,444,270	\$ 4,470,674
Less: Cost of goods sold	1,783,145	1,801,561
Gross profit	<u>2,661,124</u>	<u>2,669,112</u>
Operating expenses		
General and administrative	3,428,944	3,220,545
Total operating expenses	<u>3,428,944</u>	<u>3,220,545</u>
Net Operating Income (Loss)	<u>(767,820)</u>	<u>(551,433)</u>
Depreciation	20,679	39,972
Interest expense	407,358	401,073
Tax provision (benefit)	0	0
Net Income (Loss)	<u>\$ (1,195,857)</u>	<u>\$ (992,477)</u>

**SAEBO INC.**  
**CONSOLIDATED STATEMENT OF OWNERS' EQUITY**  
For Years Ending December 31, 2019 and 2018  
See Accountant's Review Report and Notes to the Financial Statements  
(Unaudited)

	Common Stock		Preferred Stock		Additional Paid-in Capital	Cumulative Translation Adjustment	Retained Deficit	Total Owners' Equity
	# Shares	\$	# Shares	\$				
Balance as of January 1, 2018	21,145,517	\$ 354,272	12,137,337	\$ 5,567,298		\$ (1,323)	\$ (10,072,868)	\$ (4,152,620)
Period currency adjustment						(84,239)		(84,239)
Net Income (Loss)							(992,477)	(992,477)
Balance as of December 31, 2018	21,145,517	\$ 354,272	12,137,337	\$ 5,567,298		\$ (85,562)	\$ (2,149,874)	\$ (5,229,337)
Period currency adjustment						(101,419)		(101,419)
Net Income (Loss)							(1,195,857)	(1,195,857)
Balance as of December 31, 2019	21,145,517	\$ 354,272	12,137,337	\$ 5,567,298		\$ (186,981)	\$ (12,261,201)	\$ (6,526,612)



**SAEBO INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For Years Ending December 31, 2019 and 2018**  
**See Accountant's Review Report and Notes to the Financial Statements**  
**(Unaudited)**

	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Net Income (Loss)	\$ (1,195,857)	\$ (992,477)
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Add: Depreciation and amortization	20,679	39,972
Add: Currency adjustment	(101,419)	(84,239)
Changes in operating asset and liabilities:		
(Increase) Decrease in accounts receivable	(56,757)	(8,563)
(Increase) Decrease in inventory	(22,297)	(66,460)
(Increase) Decrease in other current assets	24,419	2,833
(Increase) Decrease in other assets	62,262	2,796
Increase (Decrease) in accounts payable	68,542	214,724
Increase (Decrease) in accrued expenses	(19,184)	84,577
	(1,219,793)	(806,838)
Net cash used in operating activities		
<b>Investing Activities</b>		
Purchase of fixed assets	(17,007)	(15,415)
	(17,007)	(15,415)
Net cash used in operating activities		
<b>Financing Activities</b>		
Proceeds from current borrowings	1,171,727	876,585
	1,171,727	876,585
Net change in cash from financing activities		
Net change in cash and cash equivalents	(65,074)	54,332
Cash and cash equivalents at beginning of period	90,733	36,401
Cash and cash equivalents at end of period	\$ 25,659	\$ 90,733
Cash paid for income taxes	\$ 0	\$ 0
Cash paid for interest	\$ 0	\$ 0

**SAEBO INC. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**See Accountant's Review Report**  
**AS OF DECEMBER 31, 2019 and 2018**  
**(UNAUDITED)**

**NOTE 1 – NATURE OF OPERATIONS**

SAEBO INC. and subsidiaries (which may be referred to as the “Company”, “we,” “us,” or “our”) serves as a distributor of stroke rehab products and equipment in the United States and in countries around the world. SAEBO UK Ltd is a wholly owned subsidiary of the Company. The Company is majority owned by a lead investor. The Company was organized in North Carolina in June 2004.

Since Inception, the Company is in a development stage and has relied on securing loans, issuing securities and pre-sales to fund its operations. As of December 31, 2019, the Company had negative retained earnings and will likely incur additional losses prior to generating positive working capital. These matters raise substantial concern about the Company’s ability to continue as a going concern (see Note 3). During the next twelve months, the Company intends to fund its operations with funding from a crowdfunding campaign (see Note 9) and the receipt of funds from revenue producing activities, if and when such can be realized. If the Company cannot secure additional capital, it may cease operations. These financial statements and related notes thereto do not include any adjustments that might result from these uncertainties.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“US GAAP”). The accompanying unaudited financial statements do not include all the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for the fair presentation of the unaudited financial statements for the years presented have been included.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could materially differ from these estimates. It is reasonably possible that changes in estimates will occur in the near term.

Significant estimates inherent in the preparation of the accompanying financial statements include valuation of provision for refunds and chargebacks, equity transactions and contingencies.

*Risks and Uncertainties*

The Company's business and operations are sensitive to general business and economic conditions in the United States and other countries that the Company operates in. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include recession, downturn or otherwise, local competition or changes in consumer taste. These adverse conditions could affect the Company's financial condition and the results of its operations.



#### *Concentration of Credit Risk*

The Company maintains its cash with a major financial institution located in the United States of America, which it believes to be credit worthy. The Federal Deposit Insurance Corporation insures balances up to \$250,000. At times, the Company may maintain balances in excess of the federally insured limits.

#### *Cash and Cash Equivalents*

The Company considers short-term, highly liquid investment with original maturities of three months or less at the time of purchase to be cash equivalents. Cash consists of funds held in the Company's checking account. As of December 31, 2019 and 2018, the Company had \$25,660 and \$90,733 of cash on hand, respectively.

#### *Fixed Assets*

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which range from three to forty years.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. As of December 31, 2019 and 2018, the Company had net fixed assets of \$37,537 and \$41,026, respectively.

#### *Fair Value Measurements*

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and such principles also establish a fair value hierarchy that prioritizes the inputs used to measure fair value using the following definitions (from highest to lowest priority):

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.
- Level 3 – Prices or valuation techniques requiring inputs that are both significant to the fair value measurement and unobservable.

#### *Income Taxes*

Income taxes are provided for the tax effects of transactions reporting in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of receivables, inventory, property and equipment, intangible assets, and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Any deferred tax items of the Company have been fully valued based on the determination of the Company that the utilization of any deferred tax assets is uncertain.

The Company complies with FASB ASC 740 for accounting for uncertainty in income taxes recognized in a company's financial statements, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. FASB ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company believes that its income tax positions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position.

#### *Revenue Recognition*

The Company recognizes revenue in accordance with ASC 606 when it has satisfied the performance obligations under an arrangement with the customer reflecting the terms and conditions under which products or services will be provided, the fee is fixed or determinable, and collection of any related receivable is probable. ASC Topic 606, "Revenue from Contracts with Customers" establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements: 1) identify the contract with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to performance obligations in the contract; and 5) recognize revenue as the performance obligation is satisfied.

The Company earns revenues through the sale of its product to customers and records those revenues as products are shipped.

#### *Accounts Receivable*

Patient accounts receivable are stated at the amounts billed to commercial accounts or patients, less the allowance for uncollectible accounts. The allowance for uncollectible accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the receivables in light of historical experience, the nature and type of account, adverse situations that may affect the payor's ability to repay and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Accounts are deemed to be past due upon invoice due date.

Receivables deemed uncollectible are charged off against the allowance when management believes the assessment of the above factors will likely result in the inability to collect the past due accounts. The Company's standard terms and conditions with commercial accounts generally requires payment within 30 days of the invoice date, however, timing of payment of specific customers may be separately negotiated. Amounts due from patients are generally due at the time of sale although some are offered payment plans of up to 12 months.



### *Advertising*

The Company expenses advertising costs as they are incurred.

### *Recent Accounting Pronouncements*

In June 2019, FASB amended ASU No. 2019-07, Compensation – Stock Compensation, to expand the scope of Topic 718, Compensation – Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

In August 2019, amendments to existing accounting guidance were issued through Accounting Standards Update 2019-15 to clarify the accounting for implementation costs for cloud computing arrangements. The amendments specify that existing guidance for capitalizing implementation costs incurred to develop or obtain internal-use software also applies to implementation costs incurred in a hosting arrangement that is a service contract. The guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

### **NOTE 3 – GOING CONCERN**

These financial statements are prepared on a going concern basis. The Company began operation in 2004 and incurred a cumulative loss since inception. The Company's ability to continue is dependent upon management's plan to raise additional funds and achieve profitable operations. The financial statements do not include any adjustments that might be necessary if the Company is not able to continue as a going concern.

### **NOTE 4 – DEBT**

The Company has non-interesting payable notes payable primarily due to the Company's lead investor for consulting fees and to CHMG for administrative and management fees (See Footnote 6). To conserve the Company's cash, these amounts were not paid in 2018 and 2019 and were converted to notes payable. The notes payable do not accrue interest. The notes are payable upon the sale of all or substantially all the assets or stock of the Company or a recapitalization of the Company. Notes may be prepaid at any time without penalty.

The Company has notes payable due to the Company's lead investor for cash loans. The notes payable accrue interest at 6 percent. The notes and accrued interest are payable upon the sale of all or substantially all the assets or stock of the Company or a recapitalization of the Company. Notes and accrued interest may be prepaid at any time without penalty.

## NOTE 5 – INCOME TAX PROVISION

The Company has filed its corporate income tax return for the period ended December 31, 2019 and 2018. The income tax returns will remain subject to examination by the Internal Revenue Service under the statute of limitations for a period of three years from the date it is filed. The Company incurred a loss during the period from Inception through December 31, 2019 and carries a federal net operating loss of more than \$9,000,000 that can be used to offset future corporate taxable income (to extent allowed by law).

## NOTE 6 – COMMITMENTS AND CONTINGENCIES

### *Lease commitments*

The Company leases office space and warehouse facilities. Additionally, the Company leases an office space from a related party (see Note 6). Total rent expense was approximately \$146,108 and \$150,214 for the year ended December 31, 2019 and 2018, respectively.

Future minimum lease payments are expected to be as follows:

Year	Lease Commitment
2020	\$133,715
2021	135,258
2022	136,840
2023	30,000
Thereafter	\$435,813

The Company is also required to pay property taxes and common area maintenance charges related to the leases.

### *Litigation*

The Company, from time to time, may be involved with lawsuits arising in the ordinary course of business. In the opinion of the Company's management, any liability resulting from such litigation would not be material in relation to the Company's consolidated financial position, results of operations and cash flows. There is no pending or threatened litigation.

## NOTE 7 – PREFERRED EQUITY

The Company has authorized 14,197,296 shares and has issued 12,137,337 shares of preferred stock. The stock accrues a 5 percent preferred return. No payments are required of the preferred return and no payments have been made since issuance. The accrued interest is a priority payable upon the sale of all or substantially all the assets or stock of the Company or a recapitalization of the Company. At the holder's option the preferred stock can be converted to common stock at various conversion rates. The majority of the preferred stock is held by the lead investor of the Company.

## NOTE 8 – RELATED PARTY TRANSACTIONS

The Company's lead investor has significant experience in managing growing companies and provides consulting services in the areas of strategy, cash management, sales, marketing, among others areas to the Company. The total consulting services expenses were \$150,000 for the years ended December 31, 2019 and 2018, respectively. These amounts are included in general and administrative expenses in the



accompanying statements of operations and stockholders' equity. To conserve the Company's cash, these amounts were converted to notes payable. The notes payable do not accrue interest. The total amounts due for consulting services at December 31, 2019 and 2018 were \$1,575,000 and \$1,425,000, respectively. See Note 4.

The Company has retained CHMG Solutions, LLC ("CHMG") a company related through common ownership to provide various outsourced administrative and management services, including, but not limited to, finance, accounting, accounts payable, information technology, billing and collections services. The services are provided to the Company at CHMG's fully allocated cost. The total management fee expenses to CHMG were \$324,000 for the years ended December 31, 2019 and 2018, respectively. These amounts are included in general and administrative expenses in the accompanying statements of operations and stockholders' equity. The company has also provided loans to the company for cash flow needs. To conserve cash, the Company converted fees incurred in 2018 and 2019 to notes payable. The notes payable do not accrue interest. The total amounts due at December 31, 2019 and 2018 were \$1,655,000 and \$1,331,000, respectively.

Office space is leased at market rates from The DyeStuff Space, LLC ("DyeStuff"), a Company related through common ownership since June 2018. The total lease expenses to DyeStuff were \$70,400 and \$34,600 for the years ended December 31, 2019 and 2018, respectively. These amounts are included in general and administrative expenses in the accompanying statements of operations and members' equity. The total amount due to DyeStuff under the office lease and for pass through costs at December 31, 2019 and 2018 was \$6,000 and \$0, respectively. The DyeStuff lease runs through 2023.

## **NOTE 9 – SUBSEQUENT EVENTS**

### *COVID-19 Related Actions*

On March 10, 2020, the World Health Organization declared the coronavirus outbreak ("COVID19") to be a pandemic. The outbreak is negatively impacting businesses across a range of industries. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Company's customers, employees and vendors, all of which are uncertain and cannot be predicted. This has resulted in a reduction of sales particularly of capital equipment since March. It has also resulted in a furlough of some employees. Therefore, the extent to which COVID-19 may impact the Company's financial condition or results of operations in the future is uncertain.

As part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act, the Company received a Paycheck Protection Program (PPP) loan through the Small Business Administration (SBA) in April 2020 for \$304,600. Under the provisions of the loan agreement the loan may be subject to forgiveness based on using the proceeds for payroll and certain other eligible expenses over a defined period and maintaining staffing levels. The Company has segregated these funds and after extensive consulting with our CPA have carefully used the funds as allowed by the SBA. The Company believes a significant portion may qualify for forgiveness but it is uncertain until the final rules are issued by the SBA. Loan principal amounts not forgiven, including accrued interest at 1%, will be repaid after a six month payment deferral over the following eighteen months.

In response to the Coronavirus (COVID-19) pandemic, the US Small Business Association offered small business owners Economic Injury Disaster Loans (EIDL). EIDL loans was designed to provide economic relief to businesses that were experiencing a temporary loss of revenue due to the impacts of COVID-19. EIDL loan proceeds can be used to cover a wide array of working capital and normal operating expenses. The Company received a \$10,000 EIDL loan in April 2020 and a \$149,900 EIDL loan in June 2020. Loan

amounts, including accrued interest at 3.75% and principal payments, will be repaid monthly after a twelve month payment deferral over the following twenty nine years. The Company has segregated these funds and after extensive consulting with our CPA will carefully use the funds as allowed by the SBA.

#### *Anticipated Crowdfunded Offering*

The Company is offering (the “Crowdfunded Offering”) up to \$1,070,000 of securities. The Company must receive commitments from investors totaling the minimum amount by the offering deadline listed in the Form C, as amended in order to receive any funds.

The Crowdfunded Offering is being made through StartEngine and its FINRA approved Regulation CF portal. StartEngine is being compensated under customary terms for facilitating the Crowdfunded Offering.

#### *Additional Notes Payable*

The Company has non-interesting payable notes payable primarily due to the Company’s lead investor for consulting fees and to CHMG for administrative and management fees (See Note 6). To conserve the Company’s cash, these amounts are not paid in 2020 and were converted to notes payable. The notes payable do not accrue interest. The notes are payable upon the sale of all or substantially all the assets or stock of the Company or a recapitalization of the Company. Notes may be prepaid at any time without penalty.

The Company has added \$130,000 in notes payable due to the Company’s lead investor in 2020 for cash loans. The notes payable accrue interest at 6 percent. The notes and accrued interest are payable upon the sale of all or substantially all the assets or stock of the Company or a recapitalization of the Company. Notes and accrued interest may be prepaid at any time without penalty.

#### *Management’s Evaluation*

Management has evaluated subsequent events through October 21, 2020, the date the financial statements were available to be issued. Based on this evaluation, no additional material events were identified which require adjustment or disclosure in the financial statements.



**EXHIBIT C TO FORM C**

**PROFILE SCREENSHOTS**

*[See attached]*

This offering is not live or open to the public at this moment.



## Saebo

No Plateau In Sight.



[Website](#) [Charlotte, NC](#)

HEALTH TECH

Saebo's award-winning rehabilitation products offer stroke survivors a second chance to overcome paralysis and regain quality-of-life. Designed specifically for ease-of-use and affordability, Saebo's products are targeted to unlock the vast untapped market for in-home neurorehabilitation.

**\$0.00** raised

**0** Investors **\$11M** Valuation

**\$0.50** Price per Share **\$248.00** Min. Investment

**Common** Shares Offered **Equity** Offering Type

**\$1.07M** Offering Max **Reg CF** Offering

INVEST NOW



This Offering is eligible for the [StartEngine Owner's 10% Bonus](#)

*This Reg CF offering is made available through StartEngine Capital, LLC.*

[Overview](#) [Team](#) [Terms](#) [Updates](#) [Comments](#)

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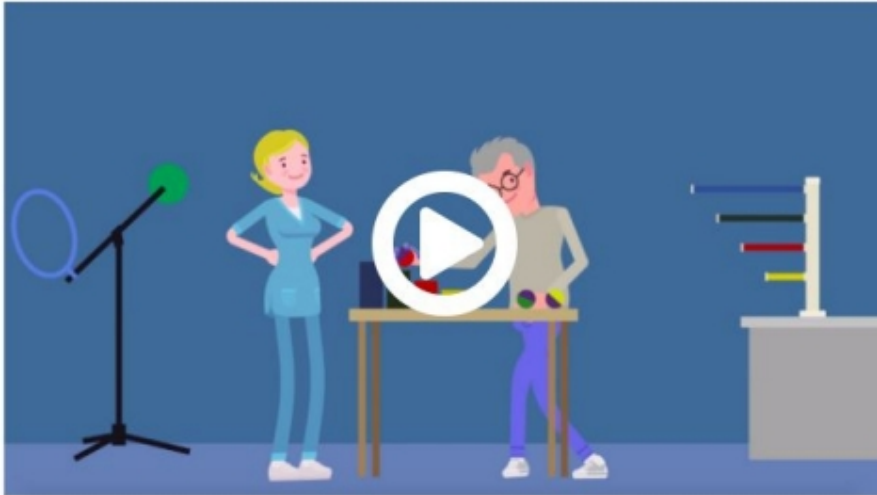
## Reasons to Invest

- Stroke is the #1 cause of long-term disability with a market size that is projected to double between 2010 and 2050.
- As healthcare costs skyrocket, Saebo's affordable home-based rehabilitation products improve patient recoveries while lowering the short- and long-term costs of care.
- A proven track record with 17 patents awarded, a network spanning six continents and over 40 countries, and \$44 million in net revenue to date.



# Leaving no patient behind

Saebo is dedicated to bringing accessible, affordable, mobility solutions to all. Committed to “leaving no patient behind” Saebo sets out to create products that could benefit every patient. Saebo’s revolutionary product offering is based on the latest advances in rehabilitation research. From the SaeboFlex to the SaeboMAS, Saebo provides innovative and affordable rehabilitation products.



Saebo has grown into a leading global provider of rehabilitative products created through unrelenting leadership and a strong network of clinicians around the world. As we help over 600,000 clients regain function, we aim to make our newest products more accessible than ever.

## THE PROBLEM

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### **Stroke rehabilitation equipment is overpriced, ineffective, or too complicated for home use**

Every 2.1 seconds, someone in the world suffers a stroke. For those who are lucky enough to survive, overcoming paralysis can take months or even years of intense therapy.

Too often, patients are treated in facilities that do not offer the latest advances in stroke rehabilitation technology. Then, they are often sent home with no effective home program and without the tools and resources they need to recover. Most at home stroke rehabilitation technology is overpriced, ineffective, or too

complicated for home use.

## At Home Stroke Rehabilitation Options Are Either



Expensive      **OR**      Ineffective

All along the way, doctors routinely misinform stroke patients about the potential for additional recovery. Many patients are told that they have reached a recovery “plateau” and additional progress is no longer possible.



Without help, patients experience worsening paralysis, decreased range-of-motion, increased pain and depression, and a deteriorating quality-of-life.

Making matters worse, even in developed countries like the U.S., insurance rarely covers the cost of long-term therapy or innovative rehabilitation products.



Covers the cost of long-term therapy or innovative rehabilitation products.

The latest research demonstrates that it doesn't have to be this way. Today, we now know that recovery can continue for many years, even decades, but only if patients get the help they need.



## THE SOLUTION

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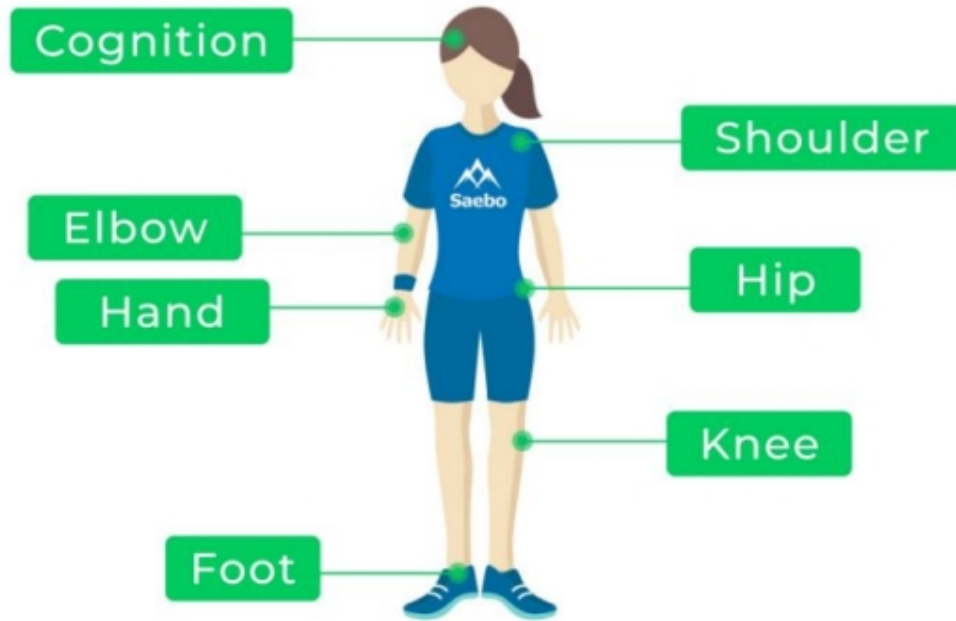
# Providing effective and affordable rehabilitation products delivered directly to the patient's home

Saebo creates effective, safe, and affordable products allowing every patient to maximize their neurological recovery, from the clinic to the home.

- Each of our exclusive, easy-to-use products is designed and vetted by experienced, practicing clinicians.
- Our products are backed by years of clinical research and designed for simple use at home.
- Our FDA approved and non-invasive devices are affordable, even to those without insurance coverage.

Our portfolio of products help stroke patients overcome a variety of impairments and maximize their recovery.

and maximize their recovery.



We have a product or service for every patient looking to improve their recovery at home.

## No Plateau In Sight<sup>®</sup>





to improve grip strength, coordination, balance, and sensation and decrease the severity of stroke and other neurological disorders.

device to improve motor impairment and re-educate and strengthen weakened muscles.

And, because our products are guaranteed to be effective, affordable, and easy-to-use, patients can order any product on our website and enjoy a 30-Day Money-Back Guarantee. We also provide a free evaluation, expert advice, and follow-up clinical support with each order.



## OUR TRACTION

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# Saebo is a trusted brand with global reach

Our lifetime net revenue is at over \$44 million and we've seen tremendous growth to-date across our B2B and B2C sectors:

- A distributor network spanning 6 continents and over 40 countries





- 17 Patents: our innovative product designs have been awarded 17 different patents by the US Patent Office
- FDA clearance: our products has already satisfied FDA pre-marketing requirements or are regulated as class I devices, which are exempt from premarket requirements
- Global adoption: Our products have been used by an estimated 800,000 patients in more than 4,000 hospitals around the world.



Additionally, our products are recommended by the 10 top rehabilitation hospitals in the US (as ranked by [US News and World Report](#)). Our products and treatment approaches have now been featured in 20 different medical textbooks and publications, authored by the top neurologists and professors around the world. Saeboproducts and programs are featured in numerous university curriculums around the world.

Our very first product, the SaeboproductFlex, was recently put on permanent display at the London Science Museum alongside other breakthrough medical technologies such as penicillin and the first MRI.

## THE BUSINESS MODEL

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# A multi-channel distribution system,

## secured with high lifetime value

With over \$44 million in net revenue to date, Saebo has a well-established multi-channel business model.

We sell products directly to the end-user through our D2C e-commerce platform. This platform leverages clinical expertise, producing educational content that generates over 250,000 website visits per month. This has paved the way for our significant digital footprint.



**Ranked Top 3**

organic search  
results for  
stroke & stroke  
rehab searches



**75,000+**

patients &  
clinicians around  
the world active in  
our email  
database



**150,000**

new visitors  
per month



**10,000**

social media  
followers

Another primary revenue stream is our B2B channel. We sell products directly to hospitals and treatment centers for use in the care of their patients.

We also sell our products through various domestic and international healthcare providers and medical product distributors. This hybrid approach leverages a wide network of international distributors, who can then leverage their insurance networks and/or provider networks to navigate local compliance and logistics issues.







**Direct to  
Consumer**



**Direct to  
Treatment  
Centers**



**Healthcare  
Providers**

We have seen steady growth to-date across all of these channels:

- 90% compound annual growth rate (CAGR) for products sold to US patients through our ecommerce platform since 2017.
- 27% compound annual growth rate (CAGR) for direct-to-patient unit product sales between 2013 and 2018.
- 10% compound annual growth rate (CAGR) for equipment sold to hospitals between 2013 and 2018.



high average  
transaction values



healthy gross  
margins



strong customer  
loyalty

And our multi-channel approach is now delivering scalable, capital-efficient growth opportunities based on falling customer acquisition costs and increasing customer lifetime values. Our current cost-per-acquisition is around \$45 and our estimated lifetime value is about \$300 per customer and rising.

## THE MARKET

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# Stroke is the #1 cause of long-term disability worldwide

Saebo is a well-established leader in the neurorehabilitation market for a significant population of stroke survivors:

- Globally, there are over 15 million stroke survivors ([source](#)).

- The U.S. alone is home to over 6.4 million stroke survivors with another 800,000 new survivors every year ([source](#)).
- Between 2010 and 2050 the number of strokes in the U.S. is projected to double ([source](#)).
- By 2030, almost 4% of US adults will have had a stroke ([source](#)).
- Roughly 70% of stroke survivors are 65 or older; one of the fastest-growing demographics in the developed world ([source](#)).
- Stroke is the number one cause of long-term adult disability worldwide ([source](#)).
- The total direct annual stroke-related medical costs are projected to increase from \$71 billion in 2012 to \$183 billion by 2030 ([source](#)).

Consistent, long-term growth in the worldwide market for stroke rehabilitation products will be driven by a number of factors including:

- Increasing stroke incidence levels due to changing demographics and lifestyles (as people live longer, they are more likely to have a stroke at some point in their lives).
- Increasing stroke survival rates due to advances in acute medical care (growing number of survivors means more require post-stroke rehabilitation).
- Increasing demand for new technologies due to advances in neuroscience (new evidence on cortical plasticity is demonstrating that old approaches to treatment are no longer adequate)

## Additional Market Growth Driven By:



Increasing



An Aging



Advances In

Stroke Survival  
Rates

Population

Neurological  
Science

And finally, with COVID-19, we have seen an increased incidence of stroke. Particularly with pandemic restrictions, there is an increased urgency and demand for effective in-home therapy.

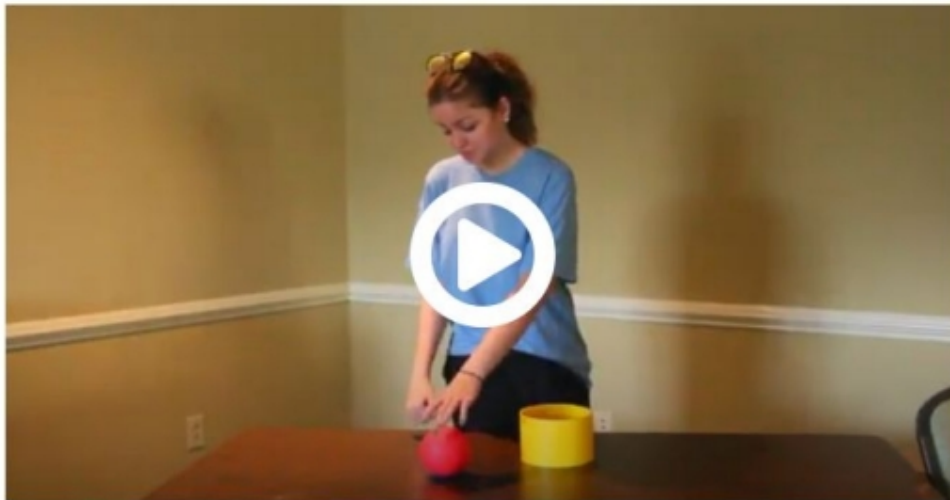
WHAT WE DO

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## Improving stroke rehab: Reimagining what's possible.

From hospital to home, our products and services support patients each step of the way. Our patient-targeted solutions are designed to meet three simple criteria:

1. Proven Efficacy: every product we sell is based on treatment principles backed by science and years of clinical research
2. Affordability: we focus on making every product we sell as affordable as possible; in fact, we even have several products and services that we offer for free!
3. Ease-of-use: our products are vetted by clinicians with years of hands-on experience helping patients in real-world settings



We also devote many of our resources to educating patients and clinicians around the world about the latest advancements in treatment and how our products incorporate these treatment principles.



products incorporate those treatment paradigms.

The screenshot shows the Saebo website's 'Continuing Education Courses for Therapists' page. At the top, there is a navigation bar with the Saebo logo, 'ALL COURSES', 'REQUEST A FREE TRIAL', and 'SIGN IN'. The main header features a blue-tinted image of a therapist assisting an elderly man, with the text 'Continuing Education Courses for Therapists' and a 'Sign up' button. Below this, a section titled 'Free Self-Study CEUs' encourages users to build their treatment programs. Three course cards are displayed, each with an image of a Saebo device and a 'View more courses' button at the bottom.

**Continuing Education Courses for Therapists**

Build your comprehensive treatment program today. Maximize clinical outcomes with your clients while earning free CEUs. Learn more about our AOTA-approved courses below.

- SaeboFlex and SaeboReach: Improving Upper Extremity Motor Recovery** (3 Modules, Free)
- SaeboStretch: A Dynamic Resting Hand Splint for Neurophysiological Changes** (3 Modules, Free)
- SaeboStim One and SaeboStim Pro: Overcome Weakness and Improve Function** (3 Modules, Free)

Saebo Academy is approved by the American Occupational Therapy Association to provide accredited continuing education courses to clinicians. To date, more than 20,000 therapists have participated in our educational programs worldwide.



Our technology and ever-expanding product base continue to grow, with 17 existing patents, demonstrating our unique and innovative technologies.

Saebo has been a worldwide leader in stroke rehabilitation since 2004 and continues to lead the way for patient recovery-focused solutions.

## A Helping Hand For Every Patient

At Saebo, we believe every patient deserves a helping hand. That means empowering patients with the education, tools, and financial assistance they need to take control of their own recovery.



Today, Saebo is considered by many to be the foremost leader in stroke rehabilitation. Tomorrow, we look forward to bringing our expertise to an ever-expanding range of neurological conditions and impairments.

			
Stroke	Traumatic Brain Injury	Spinal Cord Injury	MS

The stroke survivor population is only the beginning. We also help treat veterans with traumatic brain injuries at VA centers across the country. Millions suffering from Multiple Sclerosis, neuropathy, and other neurological disorders could benefit from our technology.

**Future Expansion Into Adjacent Markets**

	Diabetic Neuropathy
---	---------------------



## OUR LEADERSHIP

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### Decades of Diverse Expertise

With a combined 112 years of clinical experience and 49 years of management experience, the Saebo team is made up of exceptional leaders in business and medicine, poised to change the lives of patients around the world.



## WHY INVEST

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**We've helped about 1 million stroke patients worldwide. 79 million to go.**



## patients worldwide. 7.7 million to go.

To continue to provide life-changing solutions for those suffering from impaired mobility and function, Saebo aims to expand global partnerships and provide directly accessible devices for every patient who needs them.



We hope to follow our momentum with funding from StartEngine for new product development, lower-cost product sourcing, a sophisticated DTP digital marketing platform, and additional domestic and international distribution channels and partners. We hope you will join the charge to provide innovative, affordable, and positively impactful solutions so that no patient is ever left behind.

## Testimonials

**It feels like I have my hand back.** I haven't been able to move my fingers in 11 months and now I can hold them out instead of them being scrunched up all the time. I like how the SaeboFlex gives me the motivation to use it because **I automatically see it working** on my



hand. -Heather W.



**SaeboFlex patented.**

First hand orthosis developed and patented as the flagship product for Saebo.



**SaeboMAS patented.**

Patent awarded for dynamic mobile arm support now used in hospitals around the world.



**Launched 3 New Patient Products.**

SaeboGlove patented and launched 3 new products: SaeboStep, SaeboStim Micro, and the FDA-cleared SaeboVR virtual reality system.



**Launched Saebo Academy e-Learning Platform.**

New continuing education platform for therapists, approved by AOTA.



**Neuro Glove and SaeboStretch patented.**

First dynamic resting hand splint designed to treat patients with contracture.



**Launched the SaeboRejoyce.**

Released the SaeboRejoyce, a virtual task-oriented upper-extremity rehabilitation workstation.



**SaeboFlex featured in London Science Museum.**

SaeboFlex featured on display at the Wellcome Galleries medicines exhibit.

2003

2004

2005

2008

2011

2012

2013

2015

2017

2019

2019

2020

2020



**SaeboReach patented.**

Additional elbow component to the SaeboFlex added to Saebo's list of proprietary technology.



**Launched Saebo.com Website.**

Launched digital marketing program to expand reach and build the brand online.



**Launched the SaeboStim Pro.**

Released the SaeboStim Pro comprehensive e-stim device for upper and lower body recovery.



**Saebo, Inc. founded.**

Company founded by two occupational therapists to provide affordable, evidence-based rehabilitation solutions.



**Reciprocal EMG Triggered Stimulation patented.**

Released the Saebo MyoTrac Infinity, biofeedback triggered stimulation technology.



**Launched 3 New Patient Products.**

SaeboMind, SaeboStim One, and Saebo Mirror Box designed for patients to use at home.



News-Review



SHOW MORE

## Meet Our Team



### Henry Hoffman

Co-Founder and President

*Most known for co-creating the revolutionary SaeboFlex exoskeleton for stroke recovery which is currently on permanent display at the London Museum of Science, Henry holds 17 patents with products that have helped tens of thousands of patients regain function.*

*As an occupational therapist, Henry has worked in a variety of clinical settings including home health, acute, sub-acute, and outpatient rehab. Prior to leaving Burke Rehabilitation Hospital in New York in 2002, he worked as a clinical specialist in stroke and orthopedic medicine and manual therapy of the upper quadrant. After leaving Burke, Henry co-founded Saebo, with the goal of creating innovative and life-changing solutions for the physically impaired population. He currently holds 17 patents with products that have helped tens of thousands of clients regain function. Saebo's name is an acronym for Henry's grandmother "Sarah Eileen Booth". Her entire life was dedicated to providing a hand to others in need. Saebo's mission is to*



match her spirit, dedication, and desire to help others.



**Todd D. Wiebusch**

Executive Chairman

*Todd is an experienced health care investor and operator with 30 years of experience in the DME, Home Health, Hospice, SNFs/ALFs and Rehabilitation industries. He spends about 50% of his time on Saebo. [www.CHMGCapital.com](http://www.CHMGCapital.com). He is also a partner in [www.CourageVenturesFunds.com](http://www.CourageVenturesFunds.com), an early-stage VC fund based in Helsinki, Finland investing in digital health and wellness companies that aspire to enter the US Market. Since 2016 he has served as Honorary Consul of Finland for North and South Carolina.*



**Alan Zdyb**

VP Finance

*Finance executive with 35 years of experience in auditing and in financial operations of growing health care companies. Alan's areas of expertise include financial reporting, cash flow management, risk management, and human resources. Alan began his career in public accounting with Peat Marwick & Mitchell (now KPMG) where he advanced his career to the manager level while successfully passing the CPA exam. He worked for a growing Durable Medical Equipment and Home IV therapy company as Receivables Management Director. He then was Controller of a multi-location nursing home company with responsibility for most areas of the financial operations and reporting. For the last 19 years, Alan has worked for CHMG Solutions or its predecessors as Controller and now VP Finance. Alan spends approximately 10 hours per week working on Saebo-related issues, projects, etc., and is responsible for all financial functions and reporting for Saebo and many other related companies, primarily home health care and assisted living companies.*



**Christopher Klett**

Chief Operating Officer

*With executive roles in finance, operations, and marketing, Chris has over 30 years of experience in the healthcare, direct-to-consumer, and retail markets.*

*With a passion for early-stage companies, Chris joined Saebo in its first year of operations and has enjoyed overseeing the back-office, warehouse and distribution operations, while also directing the reimbursement, compliance, and marketing strategies as Saebo's full-time COO. Prior to joining Saebo, Chris built his experience in the healthcare sector as Director of Mergers and Acquisitions for CHMG Capital. Chris received his BA in Economics from Davidson College.*



**Sean Jones**

Director of Supply Chain

*His job requirements involve the management of raw and finished Goods, Assembly, Imports and Exports, Purchasing, and Quality Control.*

*Sean has worked in the manufacturing/production field for over 20 years and has been with Saebo for the last 10 years.*

*Before joining Saebo he ran three manufacturing plants at one time for a Multinational craft company. While attending college for a business degree in management, he started working in the plants learning the different tasks in various departments from the bottom up. This has given him a solid foundation consisting of academic knowledge as well as hands-on experience.*



### **Dr. Scott Thompson**

Director of Clinical Services  
*With executive roles in clinical and educational development, Scott has experience in almost every type of medical setting and managerial role possible.*

*A seeker of knowledge, Scott holds Masters and Doctorate degrees in Occupational therapy, with advanced certifications in neurological treatment. While he is a full time (40 hours/week) employee of Saebo, he also participates in professional duties by holding advisory board positions for two occupational therapy schools and sits as an executive board member of his state's occupational therapy association and foundation.*



### **Dr. Steve Wolf**

Advisory Board Member  
*Dr. Wolf is a physical therapist and neuroscientist. His primary interests have been in researching ways to improve movement capabilities in aging and neurological populations. Until recently he also spent considerable time evaluating and treating patients diagnosed with stroke. He is past vice president of the Physical Therapy Association of Georgia and recipient of its Merit Award. While he has received numerous awards, those most relevant include: The Golden Pen Award, Lucy Blair Service Award, and The Helen J. Hislop Award for Outstanding Contributions to Literature. He has been a Catherine Worthingham Fellow of the APTA since 1987 and was the 2002 Mary McMillan Lecturer.*

*Dr. Wolf's professional contributions include establishing the inclusion criteria for forced use of the upper extremity following stroke and contributing to the formulation of what later became known as constraint-induced movement therapy, establishing Tai Chi as a falls' prevention exercise for older adults, and helping to establish what is today known as the FiRST (Frontiers in Rehabilitation Science and Technology) Council of the APTA. Considered by some to be a bit of a visionary, he has received honors from multiple professional organizations, has authored or co-authored over 270 refereed articles; edited 9 books; procured over \$70M in grant funding; and has provided over 800 national and international lectures.*

*Dr. Wolf spends up to approximately 5 hours per month, as needed, consulting with Saebo on education topics, product development and industry trends.*



### **Glyn Blakey**

Managing Director,  
SaeboUK

*A chartered physiotherapist specializing in stroke rehabilitation leading the Saebo UK limited company.*

*Glyn has worked with the National Health Service and private practice as a clinical specialist in stroke rehabilitation. He now enjoys his active managing director role as an educator within the stroke rehabilitation industry. He has played a pivotal role in setting up the European Saebo distributorships.*



### **Amy Bean**

Clinical Specialist

*Amy is a Neurological Physiotherapist with over 18 years of clinical experience. Amy provides clinical support, training, and sales support for Saebo in the UK.*

*Amy has grown her clinical experience in a variety of locations within the National Health Service in the UK, and also in private health care in Australia. Her switch to working with Saebo for the last 11 years comes from seeing the significant difference in rehabilitation outcomes using the Saebo range in her previous clinical role in Stroke Rehabilitation.*



## Offering Summary

**Company** : SAEBO, Inc.  
**Corporate Address** : 2459 Wilkinson Blvd. Ste 120-B,  
Charlotte, NC 28208  
**Offering Minimum** : \$10,000.00  
**Offering Maximum** : \$1,069,999.00  
**Minimum Investment Amount** : \$248.00  
**(per investor)** :

## Terms

**Offering Type** : Equity  
**Security Name** : Common Stock  
**Minimum Number of Shares Offered** : 20,000  
**Maximum Number of Shares Offered** : 2,139,998  
**Price per Share** : \$0.50  
**Pre-Money Valuation** : \$10,964,387.50

*\*Maximum Number of Shares Offered subject to adjustment for bonus shares. See Bonus info below.*

### **Votings Rights of Securities Sold in this Offering**

Voting Proxy. Each Subscriber shall appoint the President of the Company (the "President"), or his or her successor, as the Subscriber's true and lawful proxy and attorney, with the power to act alone and with full power of substitution, to, consistent with this instrument and on behalf of the Subscriber, (i) vote all Securities, (ii) give and receive notices and communications, (iii) execute any instrument or document that the President determines is necessary or appropriate in the exercise of its authority under this instrument, and (iv) take all actions necessary or appropriate in the judgment of the President for the accomplishment of the foregoing. The proxy and power granted by the Subscriber pursuant to this Section are coupled with an interest. Such proxy and power will be irrevocable. The proxy and power, so long as the Subscriber is an individual, will survive the death, incompetency and disability of the Subscriber and, so long as the Subscriber is an entity, will survive the merger or reorganization of the Subscriber or any other entity holding the Securities. However, the Proxy will terminate upon the closing of a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933 covering the offer and sale of Common Stock or the effectiveness of a registration statement under the Securities Exchange Act of 1934 covering the Common Stock.

### **Investment Incentives and Bonuses\***

#### **Time-Based:**

Friends and Family Early Birds

Invest within the first 48 hours and receive an additional 20% bonus shares.

Super Early Bird Bonus

Invest within the first week and receive an additional 15% bonus shares.

Early Bird Bonus



Invest within the first two weeks and receive an additional 10% bonus shares.

**Amount-Based:**

\$500+

Supporter Level

Supporters will receive a \$25 gift card for the products or swag of your choice at saebo.com. You'll also receive a personalized coupon code to save 20% on any product of your choice.\*

\$1,000+

Bronze Investor Level

Bronze Investors will receive a \$50 gift card for the products or swag of your choice at saebo.com. You'll also receive a coupon code to save 20% on your entire next order.\*

\$2,500+

Silver Investor Level

Silver Investors will receive a \$100 gift card for the products or swag of your choice at saebo.com. You'll also receive a personalized coupon code to save 20% on all of your orders for an entire year.\*

\$5,000+

Gold Investor Level

Gold Investors will receive 10% Bonus Shares plus all of the Silver Level perks. In addition, Saebo will donate, in your name, \$500 worth of products to patients in need.

\$10,000+

Platinum Investor Level

Platinum Investors will receive 15% Bonus Shares plus all of the Silver Level perks. In addition, Saebo will donate, in your name, \$1,000 worth of products to patients in need.

\*Excludes hospital-based treatment equipment (e.g., items priced over \$5,000).

\*All perks occur when the offering is completed.

**The 10% StartEngine Owners' Bonus**

Saebo, Inc. will offer 10% additional bonus shares for all investments that are committed by investors that are eligible for the StartEngine Crowdfunding Inc. OWNER's bonus.

This means eligible StartEngine shareholders will receive a 10% bonus for any shares they purchase in this offering. For example, if you buy 100 shares of Common Stock at \$0.50 / share, you will receive 110 shares of Common Stock, meaning you'll own 110 shares for \$50. Fractional shares will not be distributed and share bonuses will be determined by rounding down to the nearest whole share.

This 10% Bonus is only valid during the investors eligibility period. Investors eligible for this bonus will also have priority if they are on a waitlist to invest and the company surpasses its maximum funding goal. They will have the first opportunity to invest should room in the offering become available if prior investments are cancelled or fail.

Investors will only receive a single bonus, which will be the highest bonus rate they are eligible for.

## Irregular Use of Proceeds

We will not incur any irregular use of proceeds.

[Offering Details](#)

[Form C Filings](#)

[SHOW MORE](#)

## Risks

A crowdfunding investment involves risk. You should not invest any funds in this offering unless you can afford to lose your entire investment. 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 or approved by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon the accuracy or adequacy of this document. The U.S. Securities and Exchange Commission does not pass upon the merits of any securities offered or the terms of the offering, nor does it pass upon the accuracy or completeness of any offering document or literature. These securities are offered under an exemption from registration; however, the U.S. Securities and Exchange Commission has not made an independent determination that these securities are exempt from registration.

## Updates

Follow Saebo to get notified of future updates!

## Comments (0 total)

Add a public comment...

0/2500



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## EXHIBIT D TO FORM C

### VIDEO TRANSCRIPT

#### Video 1

Henry Hoffman (00:20):

My name is Henry Hoffman, I am the co-founder of Saebo and I'm excited to be here at the Science Museum in London for the brand new opening of the medicines gallery exhibit, which is the future home of the SaeboFlex.

Henry Hoffman (00:32):

Prior to the SaeboFlex, many stroke survivors were told that they had plateaued or that no further progress can be made. They were basically living a one-handed life.

Henry Hoffman (00:40):

With our device, thousands of patients have improved more arm and hand function and went on to live a better life. When we first created the SaeboFlex, we also created a slogan, "No plateau in sight," because that signifies a stroke survivor's journey. Research shows that stroke survivors can make more progress many years after their injury, if they have the right tools and the right treatment interventions and we feel that we got that covered with a SaeboFlex.

Amy Bean (01:06):

This has been exciting in my role to watch Saebo develop and progress from the SaeboFlex to bringing out a more lightweight version, the SaeboGlove, progressing into electrical stimulation, deweighting devices and becoming a fairly established brand of technology for neurological rehab in the UK.

Glyn Blakey (01:26):

I was working as a neuro physio therapist and a stroke survivor came to me and asked, "How can I get to use my hand?" His hand was like a fist. So, we saw an advert on the internet for the SaeboFlex and I contacted the American company and it was two occupational therapists.

Henry Hoffman (01:47):

So when we started Saebo, not too long after, we had a stroke survivor from the United Kingdom contact us along with a physiotherapist.

Glyn Blakey (01:55):

So, I flew over to America. I'd never been to America before.

Henry Hoffman (01:59):

He was very interested in using the SaeboFlex to help get his hand back.

Glyn Blakey (02:02):

And we learned how to build a SaeboFlex on a kitchen table and the rest is history, really.

Henry Hoffman (02:08):

Many years later, it's amazing to see our device here at the prestigious Science Museum on permanent public display. It's truly a remarkable moment.

## **Video 2**

### **Voice over Script of animated video.**

Scene 1: This is Betty. She suffered a stroke not long ago, and like many stroke survivors, she lost the ability to use her arm and hand.

Betty in a hospital bed with her family around.

Scene 2: Betty now regularly visits a rehab facility that, unfortunately, does not have access to the latest break-through stroke technology. The therapists are very kind, but have struggled to make any meaningful progress with her recovery.

Exterior shot of the facility. Then cut to a close-up of Betty, then we pull out to see her working with a therapy team (her elbow bent, hand in a fist)

Scene 3: Because of this, Betty hasn't seen the progress she hoped for, which is very frustrating for her and her family....

Betty with her husband and daughter, all looking a bit sad. (Betty's elbow is bent and hand in a fist)

Scene 4: This is George, another stroke survivor. George visits a facility that utilizes current, research-based technologies like Saebo therapy equipment.

Close-up of George. We pull out to reveal him with a Saebo glove on his hand.

Scene 5: With the help of his therapists and Saebo equipment, George has begun re-training his arm and hand and has seen great progress.

With the Saebo glove on, George is moving his fingers slightly. He looks happy.

Scene 6: Because Saebo products are affordable and designed for home use, even after discharge, George is able to continue his therapy with Saebo equipment at home, progressing his rehabilitation.

George using his Saebo glove at home. On-screen text to emphasize "affordable" and "designed for home use"

Scene 7: George has even been able to get back to activities he enjoys, like wood-working.

George in his garage.

Scene 8: Meanwhile, Betty continues to struggle to use her hand with her home program, performing only the traditional basic maintenance.

Betty at home, looking the same as in Scenes 1 and 2

Scene 9: The simplest everyday tasks like eating and getting dressed continue to be challenging for her...

Betty unable to pick up her fork. Then cut to Betty unable to tie her shoes.

Scene 10: ...while the activities she loves like gardening and cooking seem completely out of reach.

A thought bubble above her head pops up, showing her garden overgrown with weeds and her watching the family cook for her.

Scene 11: Knowing Betty's frustration, her family began to search high and low for a better alternative.

Betty's daughter in front of a computer

Scene 12: Luckily, they came across Saebo, too!

Saebo website (simplified) comes up on the computer screen.

Scene 13: Betty is thrilled to find that she can test Saebo products for free, and they're delivered right to her doorstep.

Package being delivered to Betty's doorstep (Betty and her husband are there to greet the delivery guy)

Scene 14: With no plateau in sight, George and Betty are well on their way to full use of all of their limbs, thanks to Saebo.

End screen with a little round call-out window on the left, showing happy George and another window on the right showing happy Betty.

Logo and contact info.



## **STARTENGINE SUBSCRIPTION PROCESS (Exhibit E)**

### Platform Compensation

- As compensation for the services provided by StartEngine Capital, the issuer is required to pay to StartEngine Capital a fee consisting of a 6-8% (six to eight percent) commission based on the dollar amount of securities sold in the Offering and paid upon disbursement of funds from escrow at the time of a closing. The commission is paid in cash and in securities of the Issuer identical to those offered to the public in the Offering at the sole discretion of StartEngine Capital. Additionally, the issuer must reimburse certain expenses related to the Offering. The securities issued to StartEngine Capital, if any, will be of the same class and have the same terms, conditions and rights as the securities being offered and sold by the issuer on StartEngine Capital's website.

### Information Regarding Length of Time of Offering

- **Investment Cancellations:** Investors will have up to 48 hours prior to the end of the offering period to change their minds and cancel their investment commitments for any reason. Once within 48 hours of ending, investors will not be able to cancel for any reason, even if they make a commitment during this period.
- **Material Changes:** Material changes to an offering include but are not limited to: A change in minimum offering amount, change in security price, change in management, material change to financial information, etc. If an issuer makes a material change to the offering terms or other information disclosed, including a change to the offering deadline, investors will be given five business days to reconfirm their investment commitment. If investors do not reconfirm, their investment will be cancelled and the funds will be returned.

### Hitting The Target Goal Early & Oversubscriptions

- StartEngine Capital will notify investors by email when the target offering amount has hit 25%, 50% and 100% of the funding goal. If the issuer hits its goal early, the issuer can create a new target deadline at least 5 business days out. Investors will be notified of the new target deadline via email and will then have the opportunity to cancel up to 48 hours before new deadline.
- **Oversubscriptions:** We require all issuers to accept oversubscriptions. This may not be possible if: 1) it vaults an issuer into a different category for financial statement requirements (and they do not have the requisite financial statements); or 2) they reach \$1.07M in investments. In the event of an oversubscription, shares will be allocated at the discretion of the issuer.
- If the sum of the investment commitments does not equal or exceed the target offering amount at the offering deadline, no securities will be sold in the offering, investment commitments will be cancelled and committed funds will be returned.
- If a StartEngine issuer reaches its target offering amount prior to the deadline, it may conduct an initial closing of the offering early if they provide notice of the new offering deadline at least five business days prior to the new offering deadline (absent a material change that would require an extension of the offering and reconfirmation of the investment commitment). StartEngine will notify investors when the issuer meets its

target offering amount. Thereafter, the issuer may conduct additional closings until the offering deadline.

#### Minimum and Maximum Investment Amounts

- In order to invest, to commit to an investment or to communicate on our platform, users must open an account on StartEngine Capital and provide certain personal and non-personal information including information related to income, net worth, and other investments.
- Investor Limitations: Investors are limited in how much they can invest on all crowdfunding offerings during any 12-month period. The limitation on how much they can invest depends on their net worth (excluding the value of their primary residence) and annual income. If either their annual income or net worth is less than \$107,000, then during any 12-month period, they can invest up to the greater of either \$2,200 or 5% of the lesser of their annual income or net worth. If both their annual income and net worth are equal to or more than \$107,000, then during any 12-month period, they can invest up to 10% of annual income or net worth, whichever is less, but their investments cannot exceed \$107,000.

**EXHIBIT F TO FORM C**

**ADDITIONAL CORPORATE DOCUMENTS**

*[See attached]*



SOSID: 0732443  
Date Filed: 11/30/2010 4:36:00 PM  
Elaine F. Marshall  
North Carolina Secretary of State  
C201033400373

ARTICLES OF RESTATEMENT

OF

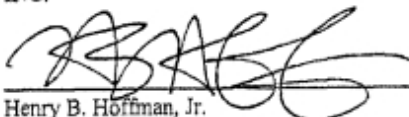
SAEBO, INC.

In accordance with Section 55-10-07 of the North Carolina Business Corporation Act (the "Act"), the undersigned corporation hereby submits these Articles of Restatement for the purpose of integrating into one document is original articles of incorporation and all amendments thereto and also for the purpose of amending its articles of incorporation.

1. The name of the corporation is SAEBO, Inc. (the "Company").
2. Attached hereto as Exhibit A are the Third Amended and Restated Articles of Incorporation, which contain an amendment to the Articles of Incorporation requiring shareholder approval.
3. The Third Amended and Restated Articles of Incorporation of the Company were adopted by the Company's Board of Directors and shareholders in accordance with Section 55-10-03 of the Act as of the 30<sup>th</sup> day of ~~October~~, 2010.

November  
This the 30<sup>th</sup> day of ~~October~~, 2010  
November

SAEBO, INC.

By:   
Name: Henry B. Hoffman, Jr.  
Title: President

STATE OF NORTH CAROLINA  
DEPARTMENT OF THE SECRETARY OF STATE

THIRD AMENDED AND RESTATED  
ARTICLES OF INCORPORATION

- I. **NAME.** The corporation's name is SAEBO, Inc. (the "Corporation").
- II. **OFFICE AND AGENT.** The Corporation's registered office is Suite 300, 2725 Water Ridge Parkway, Charlotte, NC 28217, and the registered agent at that address is Henry B. Hoffman, Jr. The Corporation's principal office is located at Suite 320, 2725 Water Ridge Parkway, Charlotte, NC 28217.
- III. **STOCK.** The Corporation is authorized to issue two classes of stock as follows:

<u>Class of Shares</u>	<u>Authorized Number of Each Class</u>
Common Stock	10,000,000
Preferred Stock	5,000,000

The relative rights, preferences, and limitations of the shares of each class, and of each series within a class, are as follows:

1. **Common Stock.** The Corporation expressly grants the Corporation's Board of Directors the authority to issue up to 10,000,000 shares of common stock of the Corporation (the "Common Stock"). The Corporation's shares of Common Stock ("Common Shares") will have no par value. The common shareholders of record (the "Common Holders") will be entitled to unlimited voting rights equating to one vote per outstanding Common Share on all matters on which shareholders are entitled to vote. Common Shares will have distribution, dividend, and liquidation rights granted by law or declared by Board of Director resolution or resolutions from time to time, except that in the absence of the establishment of liquidation rights for any series of Preferred Stock (as defined below), either preferentially to, or on a parity with, the Common Stock, as provided below, the Common Holders will be entitled to receive the Corporation's net assets on dissolution. The distribution, dividend, and liquidation rights associated with Common Shares will be subordinated only to the comparable distribution, dividend or liquidation rights associated with Preferred Stock, if any, but only to the extent the Board of Directors, in its discretion as provided below, establishes such preferences for any series of Preferred Stock.

2. **Preferred Stock.** The Corporation also expressly grants the Corporation's Board of Directors authority to issue up to 5,000,000 shares of preferred stock of the Corporation (the "Preferred Stock") in one or more series, and in connection therewith to adopt Board of Directors' resolutions from time to time providing for the issuance of such series, the number of shares of Preferred Stock to be included in a series, the designation thereof, and the series' relative rights, preferences, and limitations and the variations in rights, preferences, and limitations as between each series, all to the fullest extent permitted by Chapter 55 of the North Carolina General Statutes, the North Carolina Business Corporation Act, as amended from time to time (the "Act") or any subsequent provision of like tenor and import. Each Preferred Stock series will be eligible for issuance upon the Board of Directors duly adopting the appropriate resolution or resolutions and the filing with the Secretary of State of North Carolina of articles of amendment as set forth in the Act.

A. **Series A Convertible Preferred Stock, Series B Convertible Preferred Stock, and Series C Convertible Preferred Stock.** With respect to certain of the authorized Preferred Stock, the Corporation hereby establishes three (3) series of the Corporation's Preferred Stock consisting of the following:

- (i) 1,120,000 shares, no par value, designated "Convertible Preferred Stock Series A" having the preferences, limitations and relative rights set forth below (the "Series A Stock");

(ii) 763,171 shares, no par value, designated "Convertible Preferred Stock Series B" having the preferences, limitations and relative rights set forth below (the "Series B Stock"); and

(iii) 580,499 shares, no par value, designated "Convertible Preferred Stock Series C" having the preferences, limitations and relative rights set forth below (the "Series C Stock").

I. Dividends

(a) Series A Dividends. The holders of Series A Stock (the "Series A Holders") will be entitled, when, as and if declared by the Board of Directors, consistent with North Carolina law, on each outstanding share of Series A Stock ("Series A Share"), to cash dividends and distributions out of funds of the Corporation legally available for that purpose, at a compounded annual interest rate of five percent (5%) of the Series A Original Issue Price. The "Series A Original Issue Price" of each Series A Share means \$0.68906251 (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares). On the Corporation's default in redemption of the Series A Stock as set forth in Section 3 below, the annual dividend rate will be the greater of (i) the prime rate charged by Wells Fargo Bank, N.A., plus three percent (3%) per annum or (ii) five percent (5%) per annum.

(b) Series B Dividends. The holders of Series B Stock (the "Series B Holders") will be entitled, when, as and if declared by the Board of Directors, consistent with North Carolina law, on each outstanding share of Series B Stock ("Series B Share"), to cash dividends and distributions out of funds of the Corporation legally available for that purpose, at a compounded annual interest rate of five percent (5%) of the Series B Original Issue Price. The "Series B Original Issue Price" of each Series B Share means \$1.31032382 (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares). On the Corporation's default in redemption of the Series B Stock as set forth in Section 3 below, the annual dividend rate will be the greater of (i) the prime rate charged by Wells Fargo Bank, N.A., plus three percent (3%) per annum or (ii) five percent (5%) per annum.

(c) Series C Dividends. The holders of Series C Stock (the "Series C Holders" and together with the Series A Holders and the Series B Holders, the "Preferred Holders") will be entitled, when, as and if declared by the Board of Directors, consistent with North Carolina law, on each outstanding share of Series C Stock ("Series C Share"), to cash dividends and distributions out of funds of the Corporation legally available for that purpose, at a compounded annual interest rate of five percent (5%) of the Series C Original Issue Price. The "Series C Original Issue Price" of each Series C Share means \$0.68906251 (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares). On the Corporation's default in redemption of the Series C Stock as set forth in Section 3 below, the annual dividend rate will be the greater of (i) the prime rate charged by Wells Fargo Bank, N.A., plus three percent (3%) per annum or (ii) five percent (5%) per annum.

(d) Generally. Dividends will be payable only when, as and if declared by the Board of Directors, or on the Corporation's liquidation, dissolution, or on the Preferred Stock's redemption by the Corporation or on the Preferred Stock's conversion as provided below. For each Series A Share, dividends will accrue beginning on the date such share of Preferred Stock is first issued. For each Series B Share, dividends will accrue beginning on the date that the Corporation receives a cash payment of \$1.310324 in consideration for the issuance of such share. For each Series C Share, dividends will accrue beginning on the date that the Corporation receives a cash payment of \$0.68906251 in consideration for the issuance of such share. Dividends will be cumulative and will accumulate until paid, whether or not earned or declared and whether or not there are any funds legally available for the payment of the dividends (the "Accrued Dividends"). If not declared and paid, all Accrued Dividends will be paid only on the Corporation's liquidation under Section 2 below, on the redemption of Preferred Stock under Section 3 below or on conversion of the Preferred Stock under Section 5 below.

(e) Priority of Dividends Among Preferred Stock. In the event the Board of Directors declares the payment of a dividend on the Preferred Stock in an amount less than the total amount of Accrued Dividends accrued through the date of the payment, the Series A Holders will share ratably in the



payment (according to the amounts that would be payable in respect of the Series A Shares held by them on the date of such payment if all Accrued Dividends payable with respect to such Series A Shares were paid in full) prior to any payments of Accrued Dividends to the Series B Holders, and the Series B Holders will share ratably in the payment (according to the amounts that would be payable in respect of the Series B Shares held by them on the date of such payment if all Accrued Dividends payable with respect to such Series B Shares were paid in full) prior to any payments of Accrued Dividends to the Series C Holders.

(f) Participation in Dividends on Common Stock. With respect to the declaration, payment and setting apart of dividends, other than in Common Stock, whether of cash, securities of other persons, evidences of indebtedness, assets, Convertible Securities (as defined below), Stock Purchase Rights (as defined below), or rights to acquire any of the above, the Preferred Holders will be entitled to participate with the Common Stock and receive, before or at the same time as any dividends are declared and paid on or set aside for the Common Stock, the same dividends or distributions, on an as-converted basis, as are to be distributed to the Common Holders. Each share of Preferred Stock (each, a "Preferred Share" and collectively, the "Preferred Shares") will be treated for purposes of such participation as being equal to the number of Common Shares (which may be a fraction) into which such Preferred Share could then be converted. The rights of the Preferred Holders with respect to Common Stock dividends are set forth in Section 6.

## 2. Preference on Liquidation

(a) On the occurrence of any Liquidating Event, the Corporation will pay each Series A Holder, out of the Corporation's assets available for distribution to its shareholders, before any payment will be made in respect to the Corporation's Series B Stock, Series C Stock, and Common Stock, an amount equal to the respective Series A Original Issue Price (the "Series A Original Price") per Series A Share then held by it, plus declared or Accrued Dividends that are then unpaid for each Series A Share then held by such Series A Holder (in total, the "Series A Liquidation Preference Amount"), subject to any stock dividend, stock split, combination or other similar recapitalization affecting such shares. If on the occurrence of a Liquidating Event, the Corporation's assets available for distribution to its shareholders will be insufficient to pay the Series A Holders the full Series A Liquidation Preference Amount, the Series A Holders will share ratably in any distribution of assets (so that each Series A Holder receives the same percentage of the applicable Series A Liquidation Preference Amount per Series A Share).

(b) After payment has been made to the Series A Holders of the full Series A Liquidation Preference Amount, the Corporation will then, before any payment will be made in respect to the Corporation's Series C Stock or Common Stock, pay each Series B Holder, out of the Corporation's assets available for distribution to its shareholders, an amount equal to the respective Series B Original Issue Price (the "Series B Original Price") per Series B Share then held by it, plus declared or Accrued Dividends that are then unpaid for each Series B Share then held by such Series B Holder (in total, the "Series B Liquidation Preference Amount"), subject to any stock dividend, stock split, combination or other similar recapitalization affecting such shares. If on the occurrence of a Liquidating Event, the Corporation's assets available for distribution to its shareholders will be insufficient to pay the Series B Holders the full Series B Liquidation Preference Amount, the Series B Holders will, after the full amount of the Series A Liquidation Preference Amount has been paid, share ratably in any distribution of assets (so that each Series B Holder receives the same percentage of the applicable Series B Liquidation Preference Amount per Series B Share).

(c) After payment has been made to the Series A Holders of the full Series A Liquidation Preference Amount and to the Series B Holders of the full Series B Liquidation Preference Amount, the Corporation will then, before any payment will be made in respect to the Corporation's Common Stock, pay each Series C Holder, out of the Corporation's assets available for distribution to its shareholders, an amount equal to the respective Series C Original Issue Price (the "Series C Original Price") per Series C Share then held by it, plus declared or Accrued Dividends that are then unpaid for each Series C Share then held by such Series C Holder (in total, the "Series C Liquidation Preference Amount"), subject to any stock dividend, stock split, combination or other similar recapitalization affecting such shares. If on the occurrence of a Liquidating Event, the Corporation's assets available for distribution to its shareholders

will be insufficient to pay the Series C Holders the full Series C Liquidation Preference Amount, the Series C Holders will, after the full amount of the Series A Liquidation Preference Amount and the Series B Liquidation Preference Amount has been paid, share ratably in any distribution of assets (so that each Series C Holder receives the same percentage of the applicable Series C Liquidation Preference Amount per Series C Share).

(d) After payment has been made to the Series A Holders of the full Series A Liquidation Preference Amount, to the Series B Holders of the full Series B Liquidation Preference Amount, and to the Series C Holders of the full Series C Liquidation Preference Amount, the Corporation shall distribute any remaining assets ratably among the Common Holders, Series A Holders, Series B Holders, and Series C Holders as if the Preferred Shares had been converted voluntarily into Common Shares immediately prior to the Liquidating Event.

(e) Written notice of any Liquidating Event stating a payment date, the place where the Corporation will make payment, the amount of each payment in liquidation and the amount of dividends to be paid will be given by first class mail, postage prepaid, not less than thirty (30) days prior to the payment date stated therein, to each Preferred Holder of record at such Preferred Holder's address as shown in the Corporation's records; provided, however, that any Preferred Holder may convert its Preferred Shares to Common Shares during such period at any time prior to the payment date stated in the notice.

(f) A "Liquidating Event" means either (i) any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary or (ii) a sale, transfer or other disposition of all or substantially all the Corporation's assets to, or a merger or consolidation into, an entity; provided, that such surviving entity, immediately after the transaction, is not controlled, directly or indirectly, by the Corporation's shareholders. For purposes of this definition, "control" means ownership of voting securities that entitle the surviving entity's shareholders to elect more than fifty percent (50%) of the members of the surviving entity's Board of Directors. If the holders of at least two-thirds (2/3) of the Preferred Shares so elect by giving written notice to the Corporation before the effective date of a merger or consolidation that would otherwise be a Liquidating Event as defined herein, such merger or consolidation will not be deemed a Liquidating Event, and the provisions of Subsections 5(g) and 6(b) will apply. On the occurrence of any Liquidating Event that would involve the distribution of assets other than cash with respect to the outstanding Preferred Shares, the amount of such distribution will be deemed to be the fair market value thereof at the time of such distribution as determined in good faith by the Board of Directors.

(g) Notwithstanding anything in this Section 2 to the contrary, for purposes of determining the aggregate consideration to be paid with respect to a Liquidating Event, any personal gain to any officer, director or member of management who is a shareholder, warrant holder or option holder of the Corporation at the time of the Liquidating Event's consummation, or who on consummation of the Liquidating Event will be a shareholder, warrant holder or option holder of the Corporation (or its successor in the Liquidating Event) from any non-competition agreement or any other agreement providing for payments above the prevailing industry standard to such person on such transaction, will be included in calculating the total consideration to be paid to the Corporation under such Liquidating Event for purposes of this Section 2. In the event of any dispute regarding the determination of whether any such payment to an officer, director or member of management who is a shareholder, warrant holder or an option holder is above the prevailing industry standards, such dispute will be resolved in binding arbitration conducted by the JAMS in Charlotte, North Carolina. Any court having jurisdiction may enter judgment on any decision rendered by the arbitrator.

### 3. Redemption

(a) The Corporation must, at the option of the holders of a majority of the Preferred Shares (the "Electing Holders") at any time and from time to time after December 31, 2010, exercised by written notice provided by such Electing Holders to the Corporation at least sixty (60) days prior to such requested redemption (a "Redemption Election"), and subject to the provisions of this Section 3, redeem the outstanding Preferred Shares for which the Electing Holders have requested redemption by paying cash to the holders thereof (i) in respect to each Series A Share, the Series A Redemption Price, (ii) in respect to

each Series B Share, the Series B Redemption Price, and (iii) in respect to each Series C Share, the Series C Redemption Price (each as defined below), as the case may be, on a date (the "Redemption Date") within sixty (60) days after the date of the Redemption Election date.

(i) The price payable for each redeemed Series A Share (the "Series A Redemption Price"), subject to the availability of financing, will be equal to the greater of (i) the Appraised Value (as defined below) of such Series A Share; (ii) the respective Series A Liquidation Preference Amount, as defined in Section 2(a) above; (iii) the Corporation's book value per share (as determined by the Corporation's accountants and set forth in the Corporation's financial statements); or (iv) 5 times the previous year's EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, as determined by the Corporation's accountants and set forth in the Corporation's financial statements) per share, on an as-converted to Common Stock basis.

(ii) The price payable for each redeemed Series B Share (the "Series B Redemption Price"), subject to the availability of financing, will be equal to the greater of (i) the Appraised Value (as defined below) of such Series B Share; (ii) the respective Series B Liquidation Preference Amount, as defined in Section 2(b) above; (iii) the Corporation's book value per share (as determined by the Corporation's accountants and set forth in the Corporation's financial statements); or (iv) 5 times the previous year's EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, as determined by the Corporation's accountants and set forth in the Corporation's financial statements) per share, on an as-converted to Common Stock basis.

(iii) The price payable for each redeemed Series C Share (the "Series C Redemption Price"), subject to the availability of financing, will be equal to the greater of (i) the Appraised Value (as defined below) of such Series C Share; (ii) the respective Series C Liquidation Preference Amount, as defined in Section 2(c) above; (iii) the Corporation's book value per share (as determined by the Corporation's accountants and set forth in the Corporation's financial statements); or (iv) 5 times the previous year's EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, as determined by the Corporation's accountants and set forth in the Corporation's financial statements) per share, on an as-converted to Common Stock basis.

(b) The Board of Directors will determine the fair market value of the Preferred Stock by retaining a consultant or investment banker, at the Corporation's expense, to solicit offers for all of the Corporation's Preferred Stock and Common Stock to determine the Corporation's then current fair market value (the "Appraised Value"). The consultant or investment banker will then determine the Appraised Value of the Preferred Stock, each as a class (which Appraised Value will not include a discount for minority ownership interest or illiquidity), and each Electing Holder will be notified in writing of the Appraised Value within ten (10) days of its determination.

(c) Within ten (10) days of the Corporation's receipt of a Redemption Election, the Corporation will give written notice of such Redemption Election to all Preferred Holders of record (the "Redemption Notice"). Each such Preferred Holder will have twenty (20) days from the date of such Redemption Notice to elect to require the Corporation to redeem its Preferred Shares by forwarding a Redemption Election to the Corporation. Each Preferred Holder making an election will be considered an "Electing Holder" for purposes of this Section 3 whose Preferred Shares will be redeemed on the same terms and at the same time as Preferred Shares covered by the initial Redemption Election notice. At least thirty (30) days prior to the Redemption Date, written notice will be mailed, postage prepaid, to each Electing Holder at its post office address last shown on the Corporation's records, specifying the Redemption Date, the Series A Redemption Price, the Series B Redemption Price, and the Series C Redemption Price, the place at which payment may be obtained and the date on which such Preferred Holder's Conversion Rights (as hereinafter defined) as to such shares terminate and calling on such Preferred Holder to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the Preferred Shares to be redeemed. On or after the Redemption Date, the Series A Redemption Price, the Series B Redemption Price, and the Series C Redemption Price of such Preferred Shares will be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate will be cancelled. From and after the



Redemption Date, unless there will have been a default in payment of the Series A Redemption Price, the Series B Redemption Price, or the Series C Redemption Price, as applicable, all dividends on the Preferred Stock designated for redemption in the Redemption Notice will cease to accrue, all rights of the Preferred Holders of such Preferred Shares so redeemed (except the right to receive the Series A Redemption Price, the Series B Redemption Price, or the Series C Redemption Price, as applicable) will cease with respect to such Preferred Shares, and such Preferred Shares will not thereafter be transferred on the Corporation's books or be deemed to be outstanding for any purpose whatsoever.

(d) Notwithstanding anything else herein to the contrary, (i) the redemption of the Series A Stock shall occur in full before any redemption of the Series B Stock, or any other class or series of capital stock of the Corporation, (ii) after the redemption of the Series A Stock in full, the redemption of the Series B Stock shall occur in full before any redemption of any other class or series of capital stock of the Corporation, and (iii) after the redemption of the Series B Stock in full, the redemption of the Series C Stock shall occur in full before any redemption of any other class or series of capital stock of the Corporation. Any redemption effected pursuant to this Section 3 shall be made on a pro-rata basis among the applicable Preferred Holders in proportion to the number of Preferred Shares of the stock of such series held by such Preferred Holder.

#### 4. Voting

(a) Voting Rights. Except as otherwise expressly provided herein or as required by law, each Preferred Holder will be entitled to the number of votes equal to the number of Common Shares into which each Preferred Share could then be converted and will have voting rights and powers equal to the voting rights and powers of the Common Stock (except as otherwise expressly provided herein or as required by law, voting together with the Common Stock as a single class). The Preferred Holders will be entitled to notice of any shareholders' meeting in accordance with the Corporation's Bylaws. Fractional votes will not, however, be permitted, and any fractional voting rights resulting from the above formula (after aggregating all Common Shares into Preferred Shares held by each holder could be converted) will be reduced to the nearest whole number. Notwithstanding the foregoing, the Preferred Holders will not vote as a single class with the Common Stock with respect to any matters covered by Subsection 4(c).

(b) Election of Directors. The Corporation's Board of Directors will have 5 members and shall be elected as set forth in the Corporation's Second Amended and Restated Investor Rights Agreement (as amended or modified from time to time, the "IRA"). The Corporation's Board of Directors may have committees consisting of members of the Board of Directors elected in accordance with the Corporation's Bylaws.

(c) Protective Provisions. In addition to any other rights provided by law or as set forth in these Third Amended and Restated Articles of Incorporation, so long as fifty percent (50%) of the Preferred Shares originally issued remain outstanding, the Corporation will not, without first obtaining the affirmative vote or written consent of the holders of at least two-thirds (66-2/3%) of the then-outstanding Preferred Shares, consenting or voting together as a single class:

(i) take any action that alters or changes the powers, rights, preferences or privileges of any series of the Preferred Stock;

(ii) take any action that increases or decreases the total number of authorized shares of any series of Preferred Stock;

(iii) authorize or issue any new or existing class or classes or series of capital stock or incur any corporate debt having any preference or priority on parity with or senior to the Preferred Stock as to dividends, liquidation, redemption, conversion, registration rights, voting, or assets, or authorize or issue shares of stock of any class or any bonds, debentures, notes or other obligations convertible into or exchangeable for, or having option rights to purchase, any shares of stock of the Corporation having any preference or priority on parity with or senior to the Preferred Stock as to dividends, liquidation, redemption, conversion, registration rights, voting, or assets;

(iv) reclassify any Common Stock into shares having any preference or priority senior to or on a parity with any such preference or priority of the Preferred Stock as to dividends, liquidation, redemption, conversion, registration rights, voting, or assets;

(v) amend or repeal any provision of, or add any provision to, these Third Amended and Restated Articles of Incorporation or Bylaws that adversely affects any series of Preferred Stock;

(vi) pay or declare any dividend or distribution on any shares of its capital stock (other than the Preferred Stock), or apply any of its assets to the redemption, retirement, purchase or acquisition, directly or indirectly, through subsidiaries or otherwise, of any shares of its capital stock (other than the Preferred Stock), except for repurchases of shares from former employees on termination of employment under the terms of such former employees' stock purchase or restricted stock agreements approved by the Board of Directors providing for such repurchases at the original issuance prices for such shares;

(vii) merge, consolidate, or exchange shares with any other entity;

(viii) sell, lease, license, convey, exchange, transfer or otherwise dispose of all or substantially all of the Corporation's assets, or engage in any transaction or other action which results in the holders of the Corporation's capital stock prior to the transaction owning less than fifty percent (50%) of the voting power of the Corporation's capital stock after the transaction;

(ix) voluntarily or involuntarily liquidate, dissolve or wind up the Corporation or its business;

(x) authorize any public offering of capital stock or other securities other than in an underwritten public offering with aggregate net proceeds to the Corporation of not less than Twenty Million Dollars (\$20,000,000) and at a public offering price of \$3.00 per Common Share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) (a "Qualified IPO");

(xi) Change the size of the Board of Directors of the Corporation from 5 directors; or

(xii) Establish an employee stock option plan.

5. Conversion Rights. Except as otherwise provided under Section 3, each Preferred Share will be convertible at the option of the holder thereof, at any time after the issuance of such share (or, in the case of the Series B Stock, after the expiration of any assessment period described in the Purchase Agreement, hereinafter defined), into fully paid and nonassessable Common Shares of the Corporation. The number of Common Shares into which each Series A Share may be converted will be determined by dividing the respective Series A Original Issue Price by the Series A Conversion Price (determined as hereinafter provided) in effect at the time of the conversion. The number of Common Shares into which each Series B Share may be converted will be determined by dividing the respective Series B Original Issue Price by the Series B Conversion Price (determined as hereinafter provided) in effect at the time of the conversion. The number of Common Shares into which each Series C Share may be converted will be determined by dividing the respective Series C Original Issue Price by the Series C Conversion Price (determined as hereinafter provided) in effect at the time of the conversion.

(a) Before any adjustment is required under Section 6, the Series A Conversion Price will be equal to the Series A Original Issue Price, the Series B Conversion Price will be equal to the Series B Original Issue Price, and the Series C Conversion Price will be equal to the Series C Original Issue Price.

(b) Any Preferred Holder may exercise the conversion rights as to such Preferred Shares or any part thereof by delivering to the Corporation during regular business hours, at the office of any transfer agent of the Corporation for the Preferred Stock, or at the principal office of the Corporation or at such

other place as may be designated by the Corporation, the certificate or certificates for the Preferred Shares to be converted, duly endorsed for transfer to the Corporation or accompanied by a written instrument or instruments of transfer (if required by it), accompanied by written notice stating that the such Preferred Holder elects to convert all or a number of such Preferred Shares represented by the certificate or certificates. Such notice will also state such Preferred Holder's name or the names of the nominees in which such Preferred Holder wishes the certificate or certificates for Common Shares to be issued. Conversion will be deemed to have been effected on the date when such delivery is made, and such date is referred to herein as the "Conversion Date." As promptly as practicable thereafter the Corporation will issue and deliver to such Preferred Holder, at such office or other place designated by the Corporation, a certificate or certificates for the number of full Common Shares to which such Preferred Holder is entitled and a check for cash with respect to any fractional interest in a Common Share as provided in Subsection 5(c). Such Preferred Holder will be deemed to have become a Common Holder of record on the applicable Conversion Date. On conversion of only a portion of the number of Preferred Shares represented by a certificate surrendered for conversion, the Corporation will issue and deliver to such Preferred Holder of the certificate so surrendered for conversion, at the expense of the Corporation, a new certificate covering the number of Preferred Shares representing the unconverted portion of the certificate so surrendered.

(c) No fractional Common Shares or scrip will be issued on conversion of Preferred Shares. If more than one Preferred Share will be surrendered for conversion at any one time by the same Preferred Holder, the number of full Common Shares issuable on conversion thereof will be computed on the basis of the aggregate number of Preferred Shares so surrendered. Instead of any fractional Common Shares that would otherwise be issuable on conversion of any Preferred Shares, the Corporation will pay a cash adjustment in respect of such fractional interest equal to the fair market value of such fractional interest as determined in good faith by the Corporation's Board of Directors.

(d) The Corporation will pay any and all issue and other taxes that may be payable in respect of any issue or delivery of Common Shares on conversion of Preferred Stock pursuant hereto. The Corporation will not, however, be required to pay any tax that may be payable in respect of any transfer involved in the issue and delivery of Common Shares in a name other than that in which the Preferred Stock so converted was registered, and no such issue or delivery will be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid. Additionally, the Corporation will in no event be required to pay any personal income tax that may accrue to a Preferred Holder on conversion of Preferred Shares to Common Shares.

(e) The Corporation will at all times reserve and keep available, out of its authorized but unissued Common Stock, solely for the purpose of effecting the conversion of Preferred Stock, the full number of Common Shares deliverable on the conversion of all Preferred Shares from time to time outstanding. The Corporation will from time to time use its best efforts to obtain necessary director and shareholder approvals, in accordance with the laws of the State of North Carolina, to increase the authorized amount of its Common Stock if at any time the authorized amount of its Common Stock remaining unissued will not be sufficient to permit the conversion of all of the Preferred Shares at the time outstanding, and will take all such actions as are necessary to increase such authorized amount of Common Stock on obtaining such approvals.

(f) If the Common Stock issuable on the conversion of Preferred Stock will be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification, or otherwise (other than a subdivision or combination of shares or stock dividend provided for in Subsection 6(a)), then and in each such event each Preferred Holder will have the right thereafter to convert such share into the kind and amount of shares of stock and other securities and property receivable on such reorganization, reclassification, or other change, by holders of the number of Common Shares into which such Preferred Shares might have been converted immediately prior to such reorganization, reclassification, or change.

(g) In case of any consolidation or merger of the Corporation with or into another entity or the sale of all or substantially all of the assets of the Corporation to another entity (other than a



consolidation, merger or sale treated as a Liquidating Event under Subsection 2(d) above), each Preferred Share will thereafter be convertible into the kind and amount of shares of stock or other securities or property that a holder of the number of Common Shares of the Corporation deliverable on conversion of Preferred Stock would have been entitled on such consolidation, merger or sale; and in such case, appropriate adjustment (as determined in good faith by the Board of Directors) will be made in the application of the provisions of Sections 5 and 6 with respect to the rights and interest thereafter of the Preferred Holders, to the end that the provisions set forth in Sections 5 and 6 will thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable on the conversion of Preferred Stock.

(h) If any Common Shares to be reserved for the purpose of conversion of Preferred Shares require registration or listing with, or approval of, any governmental authority, stock exchange or other regulatory body under any federal or state law or regulation or otherwise, before such shares may be validly issued or delivered on conversion, the Corporation will in good faith and as expeditiously as possible endeavor to secure such registration, listing or approval, as the case may be.

(i) All Common Shares that may be issued on conversion of the Preferred Shares will on issuance by the Corporation be validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issuance thereof.

(j) In case any Preferred Shares will be converted under Sections 5 or 6 hereof, the Corporation will pay to the Preferred Holder within ten (10) days of the date of such conversion declared and/or Accrued Dividends that are then unpaid for each Preferred Share held by such Preferred Holder. If no funds or insufficient funds are legally available at the time the Corporation will be required to pay any such declared and/or Accrued Dividends, then the Corporation will pay such dividends as it can legally pay on a pro rata basis to such Preferred Holders based on the number of Preferred Shares held by such Preferred Holder. Each Preferred Holder will be entitled to receive any Accrued Dividends that have not been paid due to insufficient legally available funds and the Corporation will pay such Accrued Dividends as and when additional funds of the Corporation are legally available for the payment of such Accrued Dividends and such additional funds will be immediately used to make such payments.

(k) The Corporation will not, by amendment of these Third Amended and Restated Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all of the provisions of Sections 5 and 6 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the Preferred Holders against impairment.

6. Adjustment of Conversion Price. The conversion price of Preferred Shares from time to time in effect (the "Conversion Price") will be subject to adjustment from time to time as follows.

(a) Stock Splits, Dividends and Combinations. In case the Corporation will at any time subdivide the outstanding Common Shares or will issue a dividend in Common Stock on its outstanding Common Stock, in each case without a corresponding adjustment to the Preferred Stock, the Conversion Price for each Series A Share (the "Series A Conversion Price"), the Conversion Price for each Series B Share (the "Series B Conversion Price"), and the Conversion Price for each Series C Share (the "Series C Conversion Price"), each as in effect immediately prior to such subdivision or the issuance of such dividend, will be proportionately decreased, and in case the Corporation will at any time combine the outstanding Common Shares into a lesser number of Common Shares, without a corresponding adjustment to the Preferred Stock, the Series A Conversion Price for each Series A Share, the Series B Conversion Price for each Series B Share, and the Series C Conversion Price for each Series C Share, each as in effect immediately prior to such combination, will be proportionately increased, concurrently with the effectiveness of such subdivision, dividend or combination, as the case may be.

(b) Noncash Dividends, Capital Reorganizations and Dissolutions. In case:

(i) the Corporation will take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or any other distribution, payable otherwise than in cash; or

(ii) the Corporation will take a record of the holders of its Common Stock for the purpose of entitling them to subscribe for or purchase any shares of stock of any class or to receive any other rights (including Stock Purchase Rights or Convertible Securities); or

(iii) of any capital reorganization of the Corporation, reclassification of the capital stock of the Corporation (other than a subdivision or combination of its outstanding Common Shares), consolidation or merger of the Corporation with or into another Corporation that is not a Liquidating Event or conveyance of all or substantially all of the assets of the Corporation to another Corporation that is not a Liquidating Event;

then, and in any such case, the Corporation will cause to be mailed to the transfer agent for the Preferred Stock and to the Preferred Holders of record, at least 20 days prior to the date hereinafter specified, a notice stating the date on which (i) a record is to be taken for the purpose of such dividend, distribution or rights or (ii) such reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation or winding up is to take place and the date, if any is to be fixed, as of which holders of Common Stock of record will be entitled to exchange their Common Shares for securities or other property deliverable on such reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation or winding up.

(c) Issuances at Less than the Conversion Price. Other than an issuance of Common Stock under Subsections 6(a) or 6(d)(6) hereof, on the issuance or sale by the Corporation of any of the following (any such issuance or sale will be referred to hereinafter as a "Dilutive Issuance"):

(i) Common Stock for a consideration per share less than the respective Series A Conversion Price, Series B Conversion Price, or Series C Conversion Price in effect immediately prior to the time of such issue or sale; or

(ii) any Stock Purchase Rights where the consideration per share for which Common Shares may at any time thereafter be issuable on exercise thereof (or, in the case of Stock Purchase Rights exercisable for the purchase of Convertible Securities, on the subsequent conversion or exchange of such Convertible Securities) will be less than the respective Conversion Price in effect immediately prior to the time of the issue or sale of such Stock Purchase Rights; or

(iii) any Convertible Securities where the consideration per share for which Common Shares may at any time thereafter be issuable under the terms of such Convertible Securities will be less than the respective Conversion Price in effect immediately prior to the time of the issue or sale of such Convertible Securities;

then, forthwith on such issue or sale, the Series A Conversion Price for each Series A Share, the Series B Conversion Price for each Series B Share, and the Series C Conversion Price for each Series C Share, as the case may be, will be reduced to a price (calculated to the nearest cent) determined by the following formula:

$$CP^1 = CP * \frac{N + C}{N + AS}$$

where:

CP<sup>1</sup> = the Series A Conversion Price, the Series B Conversion Price, or the Series C Conversion Price, as the case may be, as so adjusted;

- CP = the former Series A Conversion Price, Series B Conversion Price, or Series C Conversion Price, as the case may be;
- N = the number of Common Shares outstanding immediately prior to such issuance (or deemed issuance) assuming exercise or conversion of all outstanding securities exercisable for or convertible into Common Stock, whether or not then exercisable or convertible;
- C = the number of Common Shares that the aggregate consideration received or deemed to be received by the Corporation for the total number of additional securities so issued or deemed to be issued would purchase if the purchase price per share were equal to the then-existing Conversion Price; and
- AS = the number of Common Shares so issued or deemed to be issued.

Notwithstanding the foregoing, the Conversion Price will not be reduced at such time if such reduction would be an amount less than \$0.01, but any such amount will be carried forward and deduction with respect thereto made at the time of and together with any subsequent reduction that, together with such amount and any other amount or amounts so carried forward, will aggregate \$0.01 or more.

(d) For purposes of this Section 6, the following provisions will be applicable:

(i) "Convertible Securities" means evidences of indebtedness, shares of stock (including, without limitation, the Preferred Stock) or other securities that are convertible into or exchangeable for, with or without payment of additional consideration, Common Shares.

(ii) "Stock Purchase Rights" means any warrants, options or other rights to subscribe for, purchase or otherwise acquire any Common Shares or any Convertible Securities.

(iii) Convertible Securities and Stock Purchase Rights will be deemed outstanding and issued or sold at the time of such issue or sale.

(iv) Determination of Consideration. The "consideration actually received" by the Corporation for the issuance, sale, grant or assumption of Common Shares, Stock Purchase Rights or Convertible Securities, irrespective of the accounting treatment of such consideration, will be valued as follows:

(A) Cash Payment. In the case of cash, the net amount received by the Corporation after deduction of any accrued interest or dividends and before deducting any expenses paid or incurred and any underwriting commissions or concessions paid or allowed by the Corporation in connection with such issue or sale;

(B) Noncash Payment. In the case of consideration other than cash, the value of such consideration, including the value of any loan made in connection with the issuance of Stock Purchase Rights or Convertible Securities, which will not include the value of any Convertible Securities of the Corporation being converted or exchanged, as determined by the Board of Directors in good faith, after deducting any accrued interest or dividends; and

(C) Stock Purchase Rights and Convertible Securities. The total consideration, if any, received by the Corporation as consideration for the issuance of the Stock Purchase Rights or the Convertible Securities, as the case may be, plus the minimum aggregate amount of additional consideration, if any, payable to the Corporation on the exercise of such Stock Purchase Rights or on the conversion or exchange of such Convertible Securities, as the case may be, in each case after deducting



any accrued interest or dividends.

(5) Readjustment of Conversion Price. In the event of any change in (i) the consideration, if any, payable on exercise of any Stock Purchase Rights or on the conversion or exchange of any Convertible Securities (including additional consideration paid to extend the term or to change another provision of the Stock Purchase Rights or Convertible Securities or required as a condition of exercise or conversion) or (ii) the rate at which any Convertible Securities are convertible into or exchangeable for Common Shares, the Conversion Price as computed on the original issue thereof will forthwith be readjusted to the Conversion Price that would have been in effect at such time had such Stock Purchase Rights or Convertible Securities provided for such changed purchase price, consideration or conversion rate, as the case may be, at the time initially granted, issued or sold. On the expiration of any Stock Purchase Rights not exercised or of any right to convert or exchange under any Convertible Securities not exercised, the Conversion Price then in effect will forthwith be increased to the Conversion Price that would have been in effect at the time of such expiration had such Stock Purchase Rights or Convertible Securities never been issued. No readjustment of the Conversion Price under this Subsection 6(d)(5) will (i) increase the applicable Conversion Price by an amount in excess of the adjustment originally made to the Conversion Price in respect of the issue, sale or grant of the applicable Stock Purchase Rights or Convertible Securities or (ii) require any adjustment to the amount paid or number of Common Shares received by any Preferred Holder on any conversion of any Preferred Share prior to the date on which such readjustment to the Conversion Price will occur.

(6) Exclusions. Anything herein to the contrary notwithstanding, the Corporation will not be required to make any adjustment of the Conversion Price in the case of:

- (i) the issuance or sale of Common Stock or of options, or the shares of stock issuable on exercise of such options, to purchase Common Stock to employees of the Corporation under stock options or stock purchase plans or agreements, whether "qualified" for tax purposes or not, under plans or arrangements approved by the Board of Directors;
- (ii) the issuance of Common Shares upon conversion of Preferred Shares;
- (iii) the issuance of Common Shares upon a Conversion Event;
- (iv) Common Shares issued pursuant to the conversion or exercise of Stock Purchase Rights or Convertible Securities outstanding as of the initial date of issuance of Series B Shares;
- (v) the issuance of securities in connection with any stock split, stock dividend, recapitalization or similar transaction by the Corporation for which an adjustment is made pursuant to Section 6(a) above; or
- (vi) Common Shares, and any other debt or equity securities of the Corporation convertible into or exercisable for Common Shares not described above that the holders of a majority of the Preferred Shares agrees in writing to exclude from an adjustment to the Conversion Price.

The issuances or sales described in the preceding sentence will be ignored for purposes of calculating any adjustment to any Conversion Price.

(7) Notice of Adjustments. On the occurrence of each adjustment or readjustment of the applicable Conversion Price under this Section 6, the Corporation at its expense will promptly compute such adjustment or readjustment in accordance with the terms thereof, and prepare and furnish to each Preferred Holder affected thereby a certificate setting forth such

adjustment or readjustment and showing in detail the facts on which such adjustment or readjustment is based. The Corporation will, on the written notice at any time of any Preferred Holder furnish or cause to be furnished to such Preferred Holder a like certificate setting forth (i) such adjustment or readjustment, (ii) the applicable Conversion Price at the time in effect and (iii) the number of Common Shares and the amount, if any, of other property that at the time would be received on the conversion of such Preferred Holder's Preferred Shares.

7. Mandatory Conversion. Each Preferred Share will automatically be converted into Common Shares at the then-applicable Conversion Price on the occurrence of a Qualified IPO (the "Conversion Event") or upon the written election of the holders of at least a majority of the issued and outstanding Preferred Shares. Immediately on the occurrence of the Conversion Event, the Preferred Stock will cease to have any rights of Preferred Stock and will instead have the rights attributable to the Common Shares into which the Preferred Stock is automatically converted, whether or not Preferred Stock certificates have been exchanged for Common Stock certificates. All holders of record of Preferred Shares will be given at least ten (10) days prior written notice of the estimated earliest date on which mandatory conversion of the Preferred Stock could occur and the event constituting the Conversion Event. Such notice will be sent by first class mail, postage prepaid, to each Preferred Holder at such holder's address as shown in the records of the Corporation. Each Preferred Holder will surrender the certificate or certificates for all such Preferred Shares to the Corporation at the place designated in such notice and will thereafter receive certificates for the number of Common Shares to which such Preferred Holder is entitled. The mechanics for conversion and other provisions relating to conversion of Preferred Stock into Common Stock set forth elsewhere in these Third Amended and Restated Articles of Incorporation will apply to the mandatory conversion of the Preferred Stock.

8. No Reissuance of Preferred Stock. No Preferred Share or Preferred Shares acquired by the Corporation by reason of redemption, purchase, conversion or otherwise will be reissued, and all such Preferred Shares must be cancelled and retired and returned to shares of undesignated Preferred Stock which the Corporation will be authorized to issue.

9. Assessments of Series B Stock and Series C Stock. The Series B Stock shall be assessable by the Corporation in accordance with and to the extent described in the Stock Purchase Agreement with respect to the Series B Stock between the Corporation and CHMG Capital, LLC, as purchaser (as amended or modified from time to time, the "Series B Stock Purchase Agreement"). The Series C Stock shall be assessable by the Corporation in accordance with and to the extent described in the Stock Purchase Agreement with respect to the Series C Stock between the Corporation and CHMG Capital, LLC, as purchaser (as amended or modified from time to time, the "Series C Stock Purchase Agreement"). Copies of the Series B Stock Purchase Agreement and the Series C Stock Purchase Agreement are on file with the Corporation.

IV. **PREEMPTIVE RIGHTS.** Each shareholder of the Corporation will be entitled to preemptive rights, and the shares of stock of any class issued by the Corporation will be subject to, the preemptive rights described in Section 7 of the IRA.

V. **CUMULATIVE VOTING.** The Corporation elects not to have cumulative voting. No shareholder will be entitled to vote cumulatively for the election of directors (or any other decision), and no shares of stock of any class issued by the Corporation may be cumulatively voted for the election of directors (or any other decision).

VI. **DIRECTOR IMMUNITY.** To the maximum extent permitted by the Act (as amended), the Corporation's directors will not have personal liability to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. This provision will eliminate or limit the liability of a corporate director to the maximum extent permitted from time to time by the Act or any successor law or laws. Any repeal or modification of the foregoing protection by the Corporation's shareholders will not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

- VII. **BLANK CHECK PREFERRED.** The Board of Directors may determine, in whole or in part, the preferences, limitations and relative rights (within the limits set forth in Section 55-6-01 of the Act) of (a) any class of shares before the issuance of any shares of that class or (b) one or more series within a class before the issuance of any shares of that series.
- VIII. **SHAREHOLDER ACTION WITHOUT MEETING.** In accordance with Section 55-7-04 of the Act, any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting upon the written consent of the shareholders having not less than the minimum number of votes that would be necessary to take the action at a meeting at which all shareholders entitled to vote were present and voted.
- IX. The provisions of the Act entitled "The North Carolina Shareholder Protection Act" and "The North Carolina Control Share Acquisition Act" shall not be applicable to the Corporation.
- X. To the extent permitted by law, the Corporation may agree to conduct a transaction by electronic means, such agreement to be conclusively, but not exclusively, evidenced by the Corporation conducting any part of such transaction by electronic means.



State of North Carolina  
 Department of the Secretary of State

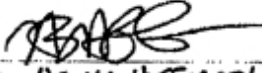
FIRST ARTICLES OF AMENDMENT  
 TO THIRD AMENDED AND RESTATED ARTICLES OF INCORPORATION

Pursuant to §55-10-06 of the General Statutes of North Carolina, SAEBO, Inc. (the "Corporation") hereby submits the following Articles of Amendment for the purpose of amending its Third Amended and Restated Articles of Incorporation.

1. The name of the Corporation is SAEBO, Inc.
  2. The text of each amendment adopted is as follows:
    - (a) Article III, Section 2.A.(iii) of the Corporation's Third Amended and Restated Articles of Incorporation shall be amended by deleting the reference to 580,499 shares of Series C Stock and inserting the amount of 1,160,998 shares of Series C Stock.
    - (b) Article III, Section 9 of the Corporation's Third Amended and Restated Articles of Incorporation shall be amended by deleting such Section in its entirety and inserting the following in lieu thereof:
 

9. Assessments of Series B Stock and Series C Stock. The Series B Stock shall be assessable by the Corporation in accordance with and to the extent described in the Stock Purchase Agreement with respect to the Series B Stock between the Corporation and CHMG Capital, LLC, as purchaser (as amended or modified from time to time, the "Series B Stock Purchase Agreement"). The Series C Stock shall be assessable by the Corporation in accordance with and to the extent described in one or more Stock Purchase Agreements with respect to the Series C Stock between the Corporation and each purchaser (collectively, as they may be amended or modified from time to time, the "Series C Stock Purchase Agreement"). Copies of the Series B Stock Purchase Agreement and the Series C Stock Purchase Agreement are on file with the Corporation.
  3. The amendments do not provide for an exchange, reclassification, or cancellation of issued shares.
  4. The amendments were adopted on November 22, 2011.
  5. The amendments were approved by shareholder action, and such shareholder approval was obtained as required by Chapter 55 of the North Carolina General Statutes.
  6. These articles will be effective upon filing.
- This the 22<sup>nd</sup> day of November, 2011.

SAEBO, Inc.

By:   
 Name: Henry Hoffman  
 Title: President

State of North Carolina  
Department of the Secretary of State

**SECOND ARTICLES OF AMENDMENT TO  
THIRD AMENDED AND RESTATED ARTICLES OF INCORPORATION**

Pursuant to Section 55-10-06 of the General Statutes of North Carolina, SAEBO, Inc. (the "**Corporation**") hereby submits the following Articles of Amendment for the purpose of amending its Third Amended and Restated Articles of Incorporation.

1. The name of the Corporation is SAEBO, Inc.
2. The text of each amendment adopted is as follows:
  - (a) Article III, Section 2.A.(iii) of the Corporation's Third Amended and Restated Articles of Incorporation, as amended by that certain First Articles of Amendment, shall be amended to (a) reflect the authorization and issuance of 9,197,296 shares of Series D Preferred Stock, and (b) delete the reference to 10,000,000 shares of Common Stock and insert the amount of 21,145,517 shares of Common Stock.
  - (c) Article III, Section 9 of the Corporation's Third Amended and Restated Articles of Incorporation shall be amended by deleting such Section in its entirety and inserting the following in lieu thereof:
    9. **Assessments of Series B Stock and Series C Stock.** The Series B Stock shall be assessable by the Corporation in accordance with and to the extent described in the Stock Purchase Agreement with respect to the Series B Stock between the Corporation and CHMG Capital, LLC, as purchaser (as amended or modified from time to time, the "**Series B Stock Purchase Agreement**"). The Series C Stock shall be assessable by the Corporation in accordance with and to the extent described in the Stock Purchase Agreement with respect to the Series C Stock between the Corporation and each purchaser (the "**Series C Stock Purchase Agreement**"). The Series D Stock shall be assessable by the Corporation in accordance with and to the extent described in the Stock Purchase Agreement with respect to the Series D Stock between the Corporation and each purchaser (the "**Series D Stock Purchase Agreement**"). Copies of the Series B Stock Purchase Agreement, the Series C Stock Purchase Agreement, and the Series D Stock Purchase Agreement are on file with the Corporation.
3. The amendments do not provide for an exchange, reclassification, or cancellation of issued shares.
4. The amendments were adopted on September 1, 2016.
5. The amendments were approved by shareholder action, and such shareholder approval was obtained as required by Chapter 55 of the North Carolina General Statutes.
6. These articles will be effective upon filing.

This the 29<sup>TH</sup> day of September, 2016.

SAEBO, Inc.

By: 

Name: Henry B. Hoffman, Jr.

Title: Vice President