

DENIM.LA, INC.

D S T L D

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**UP TO 12,500,000 SHARES OF SERIES A PREFERRED STOCK
(CONVERTIBLE INTO 12,500,000 SHARES OF COMMON STOCK*)**

* The Series A Preferred Stock is convertible into Common Stock either at the discretion of the investor or automatically upon effectiveness of registration of the securities in an Initial Public Offering. The total number of shares of the Common Stock into which the Series A Preferred may be converted will be determined by dividing the Original Issuer Price per share by the conversion price per share.

SEE "SECURITIES BEING OFFERED" AT PAGE 36

Series A Preferred Stock	Price to the Public	Underwriting discounts and commissions	Proceeds to issuer **
Per share:	\$ 0.48	0.036	0.444
Total Maximum:	\$ 6,000,000	450,000	5,550,000

** See "Plan of Distribution" for details regarding the compensation payable to placement agents in connection with this offering. The company has engaged North Capital Private Securities Corporation to serve as its sole and exclusive placement agent to assist in the placement of its securities.

The company expects that the amount of expenses, other than commissions, of the offering that it will pay will be approximately \$80,000, not including state filing fees.

The offering will terminate at the earlier of: (1) the date at which the maximum offering amount has been sold, (2) the date which is one year from this offering being qualified by the Commission, or (3) the date at which the offering is earlier terminate by the company in its sole discretion. The offering is being conducted on a best-efforts basis without any minimum target. The company may undertake one or more closings on a rolling basis. After each closing, funds tendered by investors will be available to the company.

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION DOES NOT PASS UPON THE MERITS OR GIVE ITS APPROVAL OF ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SOLICITATION MATERIALS. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE COMMISSION; HOWEVER THE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED ARE EXEMPT FROM REGISTRATION.

GENERALLY NO SALE MAY BE MADE TO YOU IN THIS OFFERING IF THE AGGREGATE PURCHASE PRICE YOU PAY IS MORE THAN 10% OF THE GREATER OF YOUR ANNUAL INCOME OR NET WORTH. DIFFERENT RULES APPLY TO ACCREDITED INVESTORS AND NON-NATURAL PERSONS. BEFORE MAKING ANY REPRESENTATION THAT YOUR INVESTMENT DOES NOT EXCEED APPLICABLE THRESHOLDS, WE ENCOURAGE YOU TO REVIEW RULE 251(d)(2)(i)(C) OF REGULATION A. FOR GENERAL INFORMATION ON INVESTING, WE ENCOURAGE YOU TO REFER TO www.investor.gov.

This offering is inherently risky. See “Risk Factors” on page 6.

Sales of these securities will commence on approximately [date].

The company is following the “Offering Circular” format of disclosure under Regulation A.

AN OFFERING STATEMENT PURSUANT TO REGULATION A RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. INFORMATION CONTAINED IN THIS PRELIMINARY OFFERING CIRCULAR IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED BEFORE THE OFFERING STATEMENT FILED WITH THE COMMISSION IS QUALIFIED. THIS PRELIMINARY OFFERING CIRCULAR SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR MAY THERE BE ANY SALES OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL BEFORE REGISTRATION OR QUALIFICATION UNDER THE LAWS OF SUCH STATE. WE MAY ELECT TO SATISFY OUR OBLIGATION TO DELIVER A FINAL OFFERING CIRCULAR BY SENDING YOU A NOTICE WITHIN TWO BUSINESS DAYS AFTER THE COMPLETION OF OUR SALE TO YOU THAT CONTAINS THE URL WHERE THE FINAL OFFERING CIRCULAR OR THE OFFERING STATEMENT IN WHICH SUCH FINAL OFFERING CIRCULAR WAS FILED MAY BE OBTAINED.

TABLE OF CONTENTS

SUMMARY	- 1 -
RISK FACTORS	- 6 -
DILUTION	- 10 -
USE OF PROCEEDS TO ISSUER	- 15 -
OUR BUSINESS	- 16 -
THE COMPANY'S PROPERTY	- 25 -
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	- 26 -
DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES	- 29 -
COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS	- 32 -
SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITYHOLDERS	- 33 -
INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS	- 35 -
SECURITIES BEING OFFERED	- 36 -
PLAN OF DISTRIBUTION AND SELLING SECURITYHOLDERS	- 41 -
FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDING DECEMBER 31, 2015 AND DECEMBER 31, 2014	- 43 -
INDEX TO EXHIBITS	- 65 -

In this Offering Circular, the terms "we", "DSTLD", "Denim.LA", or "the company" refers to Denim.LA, Inc.

THIS OFFERING CIRCULAR MAY CONTAIN FORWARD-LOOKING STATEMENTS AND INFORMATION RELATING TO, AMONG OTHER THINGS, THE COMPANY, ITS BUSINESS PLAN AND STRATEGY, AND ITS INDUSTRY. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON THE BELIEFS OF, ASSUMPTIONS MADE BY, AND INFORMATION CURRENTLY AVAILABLE TO THE COMPANY'S MANAGEMENT. WHEN USED IN THE OFFERING MATERIALS, THE WORDS "ESTIMATE," "PROJECT," "BELIEVE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE STATEMENTS REFLECT MANAGEMENT'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN THE FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE ON WHICH THEY ARE MADE.

SUMMARY

The Company

Overview

DSTLD (dis'til'd) is a modern lifestyle brand that strips away excess and impurities to present premium denim and ready-to-wear essentials without retail markup.

Our three brand tenets are:

LUXURY QUALITY

We craft the DSTLD line with upper echelon fabrics and finishes, premier caliber construction, and fit.

INDUSTRY-LEADING PRODUCERS

We work with some of the most sought-after factories and laundries in the industry – the same facilities producing for leading luxury apparel brands.

NO RETAIL MARKUP

We sidestep the middleman and sell our products ourselves, allowing us to offer top-tier quality without the standard 3-8 times retail markup.

We offer fashion essentials with premium brand quality at fast fashion prices. Our products include staples such as jeans, jackets, t-shirts and hoodies, in essential designs and a color palette of black, grey, white and denim.

We launched the DSTLD brand in June 2014 and have scaled rapidly:

- Cumulative customer base of over 20,000 at 1/1/2016
- Sales of \$275,000 for November 2015
- Average month-over-month gross sales growth of 9.3% since January 2015 (non-GAAP measurement of gross sales)
- 25% repeat customer rate
- Gross margins of 37.6%

Growth Metrics

Since we launched DSTLD in 2014 through December 31, 2015, we have had 20,000 customers ordering over 45,000 different items. Monthly sales reached \$275,000 in November 2015 with 110 skus (mens/womens split).

Gross Transaction Volume (“GTV”) represents the total dollar volume transacted by users on the DSTLD platform. GTV is a non-GAAP measurement, which differs from the presentation of revenues in the financial statements in that GTV is recorded at the time a user completes a transaction on DSTLD and does not account for returns or discounts. This is in contrast to the GAAP measurement of net revenues that are recognized when the product is shipped and accounts for returns and discounts. As such, these GTV figures are not representative of actual revenues or cash flow.

We have seen the following growth in DSTLD GTV to date:

2014 Q4 Gross Transaction Volume: \$299,155.87
2015 Q1 Gross Transaction Volume: \$359,346.29
2015 Q2 Gross Transaction Volume: \$556,815.58
2015 Q3 Gross Transaction Volume: \$693,542.03
2015 Q4 Gross Transaction Volume: \$736,954.68

97% of our sales were directly through the DSTLD website with 3% from other channels including Spring App (a mobile marketplace app), international wholesale, and other third-party sellers.

Our Current Products

Currently, the DSTLD product assortment includes jeans, short, tees and tanks, sweatshirts, belts, and sunglasses. We produce our products at high-end factories producing for other leading premium denim and contemporary brands, and offer them at competitive pricing.

Our premium denim starts at \$65, similar quality brands produced at the same factories wholesale for approximately \$65 and retail for over \$180. Our prices are in line with those of Zara, which is one of the largest clothing retailers, which suggests that our pricing is accessible to a large market.

Our Plans for DSTLD Products

Although we have focused primarily on denim and simple knits (tees and tanks) to date, we aspire to offer a full line of apparel and lifestyle products. We believe in a highly focused approach on fashion ‘essentials’ that have multi-year product lifecycles that allow us to iterate on product quality while keeping prices affordable and building long-term relationships with leading suppliers.

We aim to roll out products including jackets, button-down shirts, blazers, bags, sweaters, socks, underwear, shoes, and other product categories that allow customers to purchase their full wardrobe through DSTLD.

Our Differentiated Approach

'Distilled' Collection. Our focus is to produce a range of luxe essentials for the creative class that lives and works in denim. By distilling down our focus, we want to offer only core essentials in a monochromatic color scheme, by producing a range of non-seasonal apparel and accessories that are classic in design and never go out of style.

Contemporary quality and brand positioning, fast fashion pricing. Fashion retail is broken. Our goal is to fix the fashion industry by allowing the general population to have access to high quality product without waiting for the leftovers to go on sale. We plan to offer the same quality product as contemporary brands such as Theory, Vince, Rag & Bone, and All Saints, but priced closely to fast fashion brands such as Zara, H&M, and Topshop.

What We Believe Sets Us Apart

Digitally Competent. Our store is built on a custom Ruby on Rails platform with Spree (Ruby Gem) backend. Our website can be accessed via desktop, tablet or smartphone. We have acquired the majority of our customers via performance marketing and have acquired over 20,000 customers at a competitive and scalable price. Digital advertising channels, such as Facebook, allow us to track cost of acquiring a new customer and how much that customer spends over time.

Collaborative Design. User surveys to help influence design; we do small test orders to gauge product demand before large commitments; the company currently plans to develop 'design lab' for top customers to help identify new products, iterate on existing core products, and A/B test pricing.

Real-time data and just in time supply chain. All data is managed in real time through dashboard that integrate sales data, warehouse data from our 3PL, and site data from Analytics. Demand forecasting is paired with monthly or bi monthly deliveries from suppliers; keep weeks on hand low; show weeks on hand data; essentials collection approach allows for suppliers to build production efficiencies in replenishment programs and in some cases stock goods allowing for fast response to influxes in demand. In the future the company anticipates that suppliers can be given access to sales dashboards and automatically generate purchase orders on core products, within a predefined contract.

Our Growth Strategy

Continue to launch products. We intend to launch core products across multiple categories in order to drive up average order value and increase repeat customer rate. Categories include jeans, shorts, tee shirts, shirts, belts, leather accessories, bags, headwear, footwear, and outerwear.

Digital Marketing. We will continue to invest in proven digital consumer acquisition strategies, including Facebook, Instagram, display and retargeting while continuing to test emerging channels like Snapchat and Twitter.

Celebrity Product Placement. We intend to utilize public relations channels to ensure that our product is being seen on the most popular celebrity influencers, which will provide additional exposure and style validation for our entire product range.

Increased Global Distribution. By growing our paid acquisition channels and offering competitive pricing and shipping costs, we intend to grow beyond our home market into new countries in Europe, Asia, and Oceania.

Industry Background and Trends

E-Commerce for Clothing. With retail e-commerce revenue from apparel and accessories expected to reach 86 billion U.S. dollars in 2018, the industry appears to show no signs of slowing down. Many of the largest names in apparel and accessories retail offer online shopping to their consumers. In 2013, the market share of leading apparel e-retailers in the U.S. were measured, and subsequently ranked. Gap Inc. Direct, which was founded in 1969, came first with a market share of 7.27 percent. In comparison Footlocker, the sportswear and footwear retailer, held a 2.35 percent share of the market. Despite the large e-commerce revenue figure for apparel and accessories, the share of apparel and accessories sales in total U.S. e-retail sales from 2013 to 2018 reveals little indication of growth. In 2013, apparel and accessories sales accounted for 17 percent of total retail e-commerce sales in the U.S. By 2018, the share is only expected to grow half a percent to reach 17.5 percent. (Source: eMarketer).

Normcore Fashion Normcore wearers are people who do not wish to distinguish themselves from others by their clothing. This is not to mean that they are unfashionable people who wear whatever comes to hand, but that they consciously choose clothes that are undistinguished – except, frequently, for a highly visible label to impart prestige. (Source: Wikipedia).

Disintermediated Retail Consumers are becoming increasingly familiar with the retail disintermediation story, where products are sold direct to consumers without retail markup. Brands such as Dollar Shave Club, Warby Parker, and Everlane have been educating customers on this concept, which leads customers to seek out other brands that are offering high quality products at lower prices through a similar model. In an article titled “The New Trend that is Going to Change the Way You Shop”, The Zoe Report said “We’ll always have a soft spot for traditional retail (a visit to Barneys is never a bad idea), but in terms of saving money and time, your TZR editors are all aboard the direct-to-consumer trend. By eliminating the middlemen, online-only brands like Everlane, The Arrivals and StyleSaint avoid unnecessary price markups to give you chic, quality pieces at a modest cost. Consider their added perks from social consciousness to no-fuss return policies and speedy delivery—translation: no more stressful shopping trips to the mall!—and you’ll be sold on the strategy.”

Selected Risks Associated with the Business

Our company and our business are subject to a number of risks, which are set out in more detail in “Risk Factors.” Risks include the following:

- Our auditor has issued a “going concern” opinion.
- We are a new entrant to the clothing industry.
- Our results of operations are subject to variable influences and intense competition.
- New competitors may enter the market.
- We may not be able to successfully implement growth.
- We may not be able to respond to changing fashion trends.
- We are subject to seasonal buying patterns.
- If we cannot raise sufficient funds, we will not succeed.
- We depend on a small management team.
- There is no current market for any shares of the company's stock.

The Offering

Securities offered	Maximum of 12,500,000 shares of Series A Preferred Stock (\$6,000,000). We have declined to set a minimum amount.
Common Stock outstanding before the offering	9,396,362 shares
Preferred Stock outstanding before the offering	20,714,518 shares
Preferred Stock outstanding after the offering	33,214,518 shares (see “Dilution” for more information on conversion of outstanding convertible notes)
Use of proceeds	The proceeds of this offering will be used for marketing, personnel, and product buys.

RISK FACTORS

The SEC requires that we identify risks that are specific to our business and financial condition. We are still subject to all the same risks that all companies in our 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.

The company's auditor has issued a going concern opinion

Our auditor has issued a "going concern" opinion on the company's financial statements. The Company lacks liquidity to satisfy obligations as they come due and current liabilities exceed current assets by \$789,052 and \$335,441 as of December 31, 2015 and 2014, respectively.

We are a new entrant to the clothing industry.

We first organized as a company in September 2012 (as Denim.LA, LLC). As such, we are a new entrant to the clothing industry and do not have the same brand awareness and customer base as other players in the market space.

Our results of operations are subject to variable influences and intense competition.

Our company is sensitive to changes to in consumer spending patterns, consumer preferences, and overall economic conditions. We are also subject to fashion trends affecting the desirability of our products. In addition to competing with other direct-to-consumer clothing and apparel companies, we face competition from a broad range of retailers, many of which have greater financial resources than we do.

New competitors may enter the market.

We operate in an established market space that regularly sees the entrance of new competitors. New competitors may copy our business model and provide an expanded range of products at a lower cost, targeting the same customer base, which may force us to cut prices and decrease our margins.

Competitors may be able to call on more resources than us.

While we believe that the company is unique, there may be other ways to deliver luxury denim and clothing products without the use of middlemen and retail establishments. Additionally, competitors may replicate our business ideas and produce directly competing products. These competitors may be better capitalized than we are, which would give them a significant advantage. This would particularly be the case if a major clothing manufacturer or retailer were to enter the market.

We may not be able to respond to changing fashion trends.

Our company is sensitive to changes in consumer preference, fashion trends, and the fashion business environment. If we are unable to respond to changes in the business environment and fashion trends it may result in our brands no longer being accepted in the marketplace.

We are subject to seasonal buying patterns.

We experience seasonal fluctuations in our net sales and net income associated with the clothing and apparel industry. Our quarterly results of operations may also fluctuate significantly as a result of a variety of factors, including the timing of new products and marketing pushes.

We depend on a small management team.

We depend on the skill and experience of two individuals, Corey Epstein and Mark Lynn. Each has a different skill set. If we are not able to call upon one of these people for any reason, our operations and development could be harmed.

We may not be able to successfully implement growth.

We depend on our ability to scale customer acquisition while maintaining an acceptable customer acquisition cost while successfully implementing any growth or strategic plans. If we are unable to scale customer acquisition at an acceptable cost we may not be able to successfully increase our customer base.

If we cannot raise sufficient funds, we will not succeed.

We are offering Series A Preferred Stock in the amount of up to \$6,000,000 in this offering on a best-efforts basis and may not raise the complete amount. Even if the maximum amount is raised, we are likely to need additional funds in the future in order to grow, and if we cannot raise those funds for whatever reason, including reasons relating to the company itself or to the broader economy, the company may not survive. If we raise a substantially lesser amount than the Maximum Raise, we will have to find other sources of funding for some of the plans outlined in "Use of Proceeds."

There is no current market for any shares of the company's stock.

There is no formal marketplace for the resale of the Series A Preferred Stock. Shares of Series A Preferred Stock may be traded on the over-the-counter market to the extent any demand exists. Investors should assume that they may not be able to liquidate their investment for some time, or be able to pledge their shares as collateral.

The Series A Preferred Stock is non-voting; voting control is in the hands of a few large stockholders.

The Series A Preferred Stock we are offering is non-voting, so investors in this offering will not be able to influence our policies or any other corporate matter, including the election of directors, changes to our company's governance documents, expanding the employee option pool, and any merger, consolidation, sale of all or substantially all of our assets, or other major action requiring stockholder approval.

Stock must consent to jurisdiction in California.

Section 6 of the subscription agreement for this Offering requires investors to consent to the jurisdiction of any state or federal court of competent jurisdiction located within the State of California. As a result, investors located outside the State of California may have difficulty bringing a legal claim against us due to geographic limitations.

We could be hacked.

Hackers and/or data breaches could lead to material financial losses, reputational damage, and legal expenses. Credit card processors could refuse to do business with us if we were to receive a large number of chargebacks, which can be triggered by fraudulent use of stolen credit cards. We do security audits; we do not store credit card information; we do our best to safeguard our systems and assets but we cannot guarantee that we will be able to successfully repel future attempts to defraud us or hack into our customers' data.

We rely on our third-party logistics company.

All of our product is stored and shipped out of our third-party logistics provider, Newgistics. If there was a catastrophic event that resulted in a facility shut down or damaged goods, we would be unable to ship orders for a period of time. Additionally, we may be forced to renegotiate our contract and our rates, which could hamper our gross margin and potentially force us into searching for a new warehousing and fulfillment partner.

Our space is crowded and there are many competitors for share-of-wallet.

While apparel is very large industry it is also very fragmented. Competitors may be better capitalized than us and outspend us, which would give them a significant advantage.

We rely on third party manufacturers and vendors, some of whom are outside the United States.

Our products are primarily produced by, and purchased or procured from, independent manufacturing contractors located mainly in countries in North America, Europe and Asia. A manufacturing contractor's failure to ship products to DSTLD in a timely manner or meet the required quality standards could cause us to miss the delivery date requirements of our customers for those items. Due to our overseas production, which in some product categories is more than 75% of total, our business is subject to the following risks:

- political and economic instability in countries, including heightened terrorism and other security concerns, which could subject imported or exported goods to additional or more frequent inspections, leading to delays in deliveries or impoundment of goods;
- imposition of regulations and quotas relating to imports, including quotas imposed by bilateral textile agreements between the United States and foreign countries;
- imposition of increased duties, taxes and other charges on imports;
- significant fluctuation of the value of the dollar against foreign currencies;
- labor shortages in countries where contractors and suppliers are located;
- a significant decrease in availability or an increase in the cost of raw materials;
- restrictions on the transfer of funds to or from foreign countries;
- disease epidemics and health-related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas;
- increases in the costs of fuel, travel and transportation;
- increases in manufacturing costs in the event of a decline in the value of the United States dollar against major world currencies, particularly the Mexican Peso and Chinese Yuan, and higher labor costs being experienced by our foreign manufacturers in Mexico and China; and

· violations by foreign contractors of labor and wage standards and resulting adverse publicity.

If these risks limit or prevent us from selling or manufacturing products in any significant international market, prevent us from acquiring products from foreign suppliers, or significantly increase the cost of our products, our operations could be seriously disrupted until alternative suppliers are found or alternative markets are developed, which could negatively impact our business.

Fluctuations in the price, availability and quality of raw materials could cause delays and increase costs and cause our operating results and financial condition to suffer.

Fluctuations in the price, availability and quality of the fabrics or other raw materials, particularly cotton, leather, and synthetics used in our manufactured apparel, could have a material adverse effect on cost of sales or our ability to meet customer demands. The price and availability of the raw materials and, in turn, the fabrics used in our apparel may fluctuate significantly, depending on many factors, including crop yields, weather patterns, labor costs and changes in oil prices. If prices increase, we may not be able to pass these costs onto our customers, due to our competitive price point. This could result in lower gross margins and could have a significant adverse effect on our business, financial condition, and operating results. Delays in availability and delivery of raw materials could result in delays of product deliveries, potentially causing decreased sales and financial performance.

DILUTION

Dilution means a reduction in value, control or earnings of the shares the investor owns.

Immediate dilution

An early-stage company typically sells its shares (or grants options over its shares) to its founders and early employees at a very low cash cost, because they are, in effect, putting their “sweat equity” into the company. When the company seeks cash investments from outside investors, like you, the new investors typically pay a much larger sum for their shares than the founders or earlier investors, which means that the cash value of your stake is diluted because each share of the same type is worth the same amount, and you paid more for your shares than earlier investors did for theirs.

The following table compares the price that new investors are paying for their shares with the effective cash price paid by existing shareholders, giving effect to full conversion of all outstanding stock options, and assuming that the shares are sold at \$0.48 per share. The schedule presents shares and pricing as issued and reflects all transactions since inception, which gives investors a better picture of what they will pay for their investment compared to the company’s insiders than just including such transactions for the last 12 months, which is what the SEC requires.

	<u>Dates Issued</u>	<u>Issued Shares</u>	<u>Potential Shares</u>	<u>Total Issued and Potential Shares</u>	<u>Effective Cash Price per Share at Issuance or Potential Conversion</u>
Common Shares	2013	9,396,362		9,396,362	\$ 0.01(3)
Series Seed Preferred Shares	2014 - 2015	5,020,221(2)		5,020,221	\$ 0.27
Series Seed Preferred Shares (conversions of convertible notes payable)	2014	15,694,297(2)		15,694,297	\$ 0.19(5)
Convertible Notes Payable Outstanding:					
2015 Convertible Notes Payable	2015		1,124,783	1,124,783(4)	\$ 0.32(4)
2016 Convertible Notes Payable	2016		1,837,886	1,837,886	\$ 0.32(4)
Warrants:					
Advisory Agreement	2014		10,000	10,000(1)	\$ 0.15
Options:					
\$0.15 Options (net of forfeitures to date)	2014		4,629,319	4,629,319(1)	\$ 0.15
\$0.10 Options (net of forfeitures to date)	2015		5,855,000	5,855,000(1)	\$ 0.10
Total Common Share Equivalents		30,110,880	13,456,987	43,567,867	\$ 0.15
Investors in this offering, assuming \$6 Million raised		12,500,000		12,500,000	\$ 0.48
Total After Inclusion of this Offering		42,610,880	13,456,987	56,067,867	\$ 0.23

(1) Assumes conversion at exercise price of all outstanding warrants and options

(2) Assumes conversion of all issued preferred shares to common stock.

(3) Common shares issued for various terms ranging from zero cash to \$0.013 per share. Common shares issued without cash payment included 2,688,889 to a founder for a \$242,000 forgivable note receivable and 83,124 shares under an advisory agreement. 574,349 shares were issued for an effective cash price of \$0.009 per share. 6,050,000 shares were issued for an effective cash price of \$0.013 per share.

(4) Convertible notes potential shares calculated based on the \$15 million valuation cap per the convertible note agreements as the valuation in this offering exceeds the valuation cap. Assumes conversion of all preferred shares resulting from conversion of convertible notes to common stock.

(5) The weighted average conversion price is used in the table as conversion prices differed between the various notes. Actual conversion rates on the notes payable ranged from \$0.136 - \$0.272.

The following table demonstrates the dilution that new investors will experience upon investment in the Company. This table uses the Company's net tangible book value as of December 31, 2015 of \$(1,067,184), which is derived from the net equity of the Company in the December 31, 2015 financial statements. This tangible net book value is then adjusted to contemplate conversion all other convertible instruments outstanding at current that would provide proceeds to the Company, which assumes exercise of all options (10,484,319 shares) and warrants (10,000 shares) outstanding through current. Such conversions would provide \$1,281,398 of proceeds and result in the issuance of 10,494,319 shares of common stock, which are considered in the figures used in the calculations presented in the table. Additionally, the pre-financing shares outstanding include the conversion of outstanding convertible notes payable into 1,671,662 shares of common stock (or preferred stock, then converted to common stock), which do not provide any conversion proceeds. The offering costs assumed in the following three calculations are: \$75,000 fixed costs and 7.5% of gross offering proceeds.

The table presents three scenarios for the convenience of the reader: a \$500,000 raise from this offering, a \$3,000,000 raise from this offering, and a fully subscribed \$6,000,000 raise from this offering (maximum offering).

On Basis of Full Conversion of Issued Instruments

	\$500k Raise		\$3 Million Raise		\$6 Million Raise	
Price per Share	\$	0.48	\$	0.48	\$	0.48
Shares Issued		1,041,667		6,250,000		12,500,000
Capital Raised	\$	500,000	\$	3,000,000	\$	6,000,000
Less: Offering Costs	\$	(112,500)	\$	(300,000)	\$	(525,000)
Net Offering Proceeds	\$	387,500	\$	2,700,000	\$	5,475,000
Net Tangible Book Value Pre-Financing	\$	214,214(2)	\$	214,214(2)	\$	214,214(2)
Net Tangible Book Value Post-Financing	\$	601,714	\$	2,914,214	\$	5,689,214
Shares issued and outstanding pre-financing, assuming full conversion		43,567,867(1)		43,567,867(1)		43,567,867(1)
Post-Financing Shares Issued and Outstanding		44,609,534		49,817,867		56,067,867
Net tangible book value per share prior to offering	\$	0.005	\$	0.005	\$	0.005
Increase/(Decrease) per share attributable to new investors	\$	0.009	\$	0.054	\$	0.097
Net tangible book value per share after offering	\$	0.013	\$	0.058	\$	0.101
Dilution per share to new investors (\$)	\$	0.467	\$	0.422	\$	0.379
Dilution per share to new investors (%)		97.19%		87.81%		78.86%

(1) Assumes conversion of all issued preferred shares to common stock, conversion of convertible notes payable into 2,962,668 shares of preferred stock (then converted to common stock), conversion of 10,000 outstanding stock warrants (providing proceeds of \$1,500 to net tangible book value), and conversion of 10,484,319 outstanding stock options (providing proceeds of \$1,279,898 to net tangible book value).

(2) Net Tangible Book Value is adjusted for conversion proceeds for the outstanding warrants and stock options discussed at (1).

The next table is the same as the previous, but adds in consideration of authorized but unissued stock options, presenting the fully diluted basis. This adds 6,120,736 pre-financing shares outstanding and is not adjusted for potential conversion proceeds on the hypothetical exercise of these options.

On Basis of Full Conversion of Issued Instruments and Authorized but Unissued Stock Options

	\$500k Raise		\$3 Million Raise		\$6 Million Raise	
Price per Share	\$	0.48	\$	0.48	\$	0.48
Shares Issued		1,041,667		6,250,000		12,500,000
Capital Raised	\$	500,000	\$	3,000,000	\$	6,000,000
Less: Offering Costs	\$	(112,500)	\$	(300,000)	\$	(525,000)
Net Offering Proceeds	\$	387,500	\$	2,700,000	\$	5,475,000
Net Tangible Book Value Pre-Financing	\$	214,214(2)	\$	214,214(2)	\$	214,214(2)
Net Tangible Book Value Post-Financing	\$	601,714	\$	2,914,214	\$	5,689,214
Shares issued and outstanding pre-financing, assuming full conversion and authorized but unissued stock options		49,688,603(1)		49,688,603(1)		49,688,603(1)
Post-Financing Shares Issued and Outstanding		50,730,270		55,938,603		62,188,603
Net tangible book value per share prior to offering	\$	0.004	\$	0.004	\$	0.004
Increase/(Decrease) per share attributable to new investors	\$	0.008	\$	0.048	\$	0.087
Net tangible book value per share after offering	\$	0.012	\$	0.052	\$	0.091
Dilution per share to new investors (\$)	\$	0.468	\$	0.428	\$	0.389
Dilution per share to new investors (%)		97.53%		89.15%		80.94%

(1) Assumes conversion of all issued preferred shares to common stock, conversion of convertible notes payable into 2,962,668 shares of preferred stock (then converted to common stock), conversion of 10,000 outstanding stock warrants (providing proceeds of \$1,500 to net tangible book value), conversion of 10,484,319 outstanding stock options (providing proceeds of \$1,279,898 to net tangible book value), and conversion of authorized but unissued stock options of 2,170,076 shares (no adjustment for proceeds contemplated in the calculations).

(2) Net Tangible Book Value is adjusted for conversion proceeds for the outstanding warrants and outstanding stock options discussed at (1).

The final table is the same as the previous two, but removes the assumptions of conversion of outstanding convertible notes payable, options, and warrants and consideration of authorized but unissued stock options, instead only presenting issued shares (common shares, plus the assumption of conversion of all issued and outstanding preferred shares).

On Issued and Outstanding Basis:	\$500k Raise		\$3 Million Raise		\$6 Million Raise	
Price per Share	\$	0.48	\$	0.48	\$	0.48
Shares Issued		1,041,667		6,250,000		12,500,000
Capital Raised	\$	500,000	\$	3,000,000	\$	6,000,000
Less: Offering Costs	\$	(112,500)	\$	(300,000)	\$	(525,000)
Net Offering Proceeds	\$	387,500	\$	2,700,000	\$	5,475,000
Net Tangible Book Value Pre-Financing	\$	(1,067,184)	\$	(1,067,184)	\$	(1,067,184)
Net Tangible Book Value Post-Financing	\$	(679,684)	\$	1,632,816	\$	4,407,816
Shares Issued and Outstanding Pre-Financing		30,110,880(1)		30,110,880(1)		30,110,880(1)
Post-Financing Shares Issued and Outstanding		31,152,547		36,360,880		42,610,880
Net tangible book value per share prior to offering	\$	(0.035)	\$	(0.035)	\$	(0.035)
Increase/(Decrease) per share attributable to new investors	\$	0.014	\$	0.080	\$	0.139
Net tangible book value per share after offering	\$	(0.022)	\$	0.045	\$	0.103
Dilution per share to new investors (\$)	\$	0.50	\$	0.435	\$	0.377
Dilution per share to new investors (%)		104.55%		90.64%		78.45%

(1) Assumes conversion of all issued preferred shares to common stock

Future dilution

Another important way of looking at dilution is the dilution that happens due to future actions by the company. The investor's stake in a company could be diluted due to the company issuing additional shares, whether as part of a capital-raising event, or issued as compensation to the company's employees or marketing partners. In other words, when the company issues more shares, the percentage of the company that you own will go down, even though the value of the company may go up. You will own a smaller piece of a larger company. This increase in 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), 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 development stage companies do not pay dividends for some time).

The type of dilution that hurts early-stage investors most occurs when the company sells more shares in a "down round," meaning at a lower valuation than in earlier offerings. An example of how this might occur is as follows (numbers are for illustrative purposes only):

- In June 2014 Jane invests \$20,000 for shares that represent 2% of a company valued at \$1 million.
- In December the company is doing very well and sells \$5 million in shares to venture capitalists on a valuation (before the new investment) of \$10 million. Jane now owns only 1.3% of the company but her stake is worth \$200,000.

- In June 2015 the company has run into serious problems and in order to stay afloat it raises \$1 million at a valuation of only \$2 million (the “down round”). Jane now owns only 0.89% of the company and her stake is worth only \$26,660.

If you are making an investment expecting to own a certain percentage of the company or expecting each share to hold a certain amount of value, it’s important to realize how the value of those shares can decrease by actions taken by the company. Dilution can make drastic changes to the value of each share, ownership percentage, voting control, and earnings per share. In some cases, dilution can also completely wipe out the value of investments made by early investors, without any person being at fault.

Investors should understand how dilution works and the availability of anti-dilution protection.

Dilution Protection for Other Shareholders

Previous investors have protection from dilution that does not apply to investors in this offering. “Major Investors” are granted a right of first offer in Section 4 of the Denim.LA, Inc. Investors’ Rights Agreement dated October 10, 2014, as a form of protection from dilution. We have granted “Major Investors,” or those who own at least 735,000 outstanding shares of the company, prior to the Series A Preferred offering, and on a pre-stock split basis, the right of first offer to purchase shares in new securities we may propose to sell after the date of that agreement. When we propose to undertake an issuance of new securities, such as the Series A Preferred Stock in this offering, we must give each Major Investor written notice describing the type of new security, the price and the general terms. Each Major Investor will have ten days after the notice is mailed or delivered to agree to purchase their pro rata share of the new securities. If a Major Investor does not exercise their right of first refusal within the ten-day period, we have ninety days to sell or enter into an agreement to sell that portion of new securities before the right resets. Alternatively, we may request that each Major Investor waive their right of first offer. For this offering, we have received such a waiver from each Major Investor. The right of first offer in the agreement will end if we make an initial public offering.

USE OF PROCEEDS TO ISSUER

Since there is no minimum offering amount, after the expenses of the offering and commissions, we plan to allocate proceeds in the following order, up to \$500,000:

- The first \$250,000 will be used for online marketing:
 - We will test multiple channels to find a scalable online customer acquisition, including Facebook, SEO, affiliates, and email.
- The next \$150,000 will be used for personnel costs:
 - We will expand the company by hiring key members in marketing and customer service
- The next \$100,000 will be used for product buys:
 - We will expand our product offering and test different categories including leather, cotton basics, and core outerwear.
 - We will invest in additional products and inventory to support consumer demand.

We intend that any proceeds beyond the first \$500,000 will be allocated in the following way: 20% for product buys, 15% for personnel costs, 55% for advertising, and 10% for capital expenses.

The net proceeds to the company if the Maximum Offering Amount is raised, after the expenses of the total offering expenses and commissions, will be approximately \$5,475,000, depending on the final commission paid to North Capital Private Securities Corporation. We plan to use the proceeds as follows:

- Approximately 20% (\$1.01 million) will be used for product buys.
 - We will expand our product offering and test different categories including leather, cotton basics, and core outerwear.
 - We will invest in additional products and inventory to support consumer demand.
- Approximately 15% (\$0.82 million) will be used for personnel costs.
 - We will expand the company by hiring key team members in technology, marketing, and customer service.
- Approximately 55% (\$3.0 million) will be used for marketing.
 - We will test multiple channels to find scalable online customer acquisition including Facebook, search engine optimization, affiliates, and email.
 - We will continue to test small footprint retail pop-ups in key markets.
- Approximately 10% (\$0.55 million) will be used for capital expenses, which includes office space and equipment, computer hardware, etc.

We do not currently have plans to use proceeds from the offering to make payments to officers or directors, pay off any debt, or to acquire any major assets.

The company reserves the right to change the above use of proceeds if management believes it is in the best interests of the company.

Company history

The company was founded in 2012 (as Denim.LA, LLC) in order to sell premium essentials online, which include jeans, shorts, tops, accessories, and gift cards. In January 2013 the company converted into and reincorporated as Denim.LA, Inc. From September 2012 to August 2014 the company operated under the trade name “20JEANS” and in September 2014 the company began operating as “DSTLD”.

Principal Products and Services

DSTLD focuses on simple design, superior quality, and a pared-down product selection in order to deliver a perfect core wardrobe. We’re inspired by understated, modern style, and live by a fundamental, edited color palette: black, white, grey, and denim.

We demand a higher standard not just in our wardrobe, but also in labor practices and conditions. Whenever possible, we employ sustainable materials, natural dyes, and eco-friendly practices and techniques.

DSTLD does not have a single product that dominates our revenue. The primary products in order of importance are: men’s denim, women’s denim, men’s, tops, women’s tops, men’s accessories, and women’s accessories.

DSTLD offers the following men’s clothing and accessories:

Bottoms: DSTLD designs and sells premium grade denim at 1/3 the typical price of its contemporary brand competitors. While most premium denim is sold for \$180+, DSTLD’s jeans start at just \$65. We offer four proprietary men’s fits, which were developed under a veteran denim patternmaker and tested on highly experienced fit models. Our cuts range from our most fitted style, the Skinny, to our most relaxed style, the Straight Leg. We also offer denim and chino shorts. DSTLD works with a curated selection of premium fabrics, like American made denim from the U.S.’s most esteemed denim mill, Cone Mills, Japanese fabric from Japan’s Kaihara Mill, as well as Raw denim and lightweight Slub Twill denim. All of DSTLD’s bottoms are crafted utilizing top-level techniques, such as chain stitching, bar tacking, and clean-finished seams, and finished with premium details (No. 5 YKK zippers, durable khaki pockets, and sanforized and mercerized to protect against shrinkage).

Tees and Tanks: DSTLD offers a variety of made in Los Angeles tees, tanks, long sleeved tops, and polo shirts. All of our tops (with the exception of our long sleeved tops) are cut from 100% cotton in a modern, slim-fitted style. We utilize different types of woven cotton, including Cotton Slub, Cotton Piqué, and Heathered yarns, for a diverse selection of styles. Tops are pre-shrunk and finished with either a garment dye or pigment dye process, which helps achieve a soft hand and rich coloration. DSTLD has designed four essential tee styles, which include a classic Crew Neck tee, Crew Neck Pocket Tee, V-Neck tee, and a more contemporary Modern Crew Neck tee. All tops are constructed with clean finished seams. Tops range from \$20 - \$50.

Knits and Sweaters: DSTLD's Made in L.A. sweatshirts are ideal layering pieces for casual occasions. From sporty French Terry cotton to cozy cotton-blend fabrics, we offer classic sweatshirt styles, including a pullover hoodie, pullover crew neck, and zip up hoodie, in contemporary fits and modern construction. Sweatshirts range from \$55- \$85.

Accessories: DSTLD's curated selection of accessories includes everyday essentials, like sunglasses and belts. Our classic Aviator sunglasses are made in Italy with TAC® polarized lenses, which provide superior clarity and block 99% of harmful UV rays. We also offer a variety of Made in L.A. leather belts. Styles include the Standard belt, designed for more casual, everyday wear, and the Thin belt, ideal for more dressed up occasions. Belts are made from 100% cow leather imported from Australia and feature a nickel buckle. Both styles are available in Black and Brown leather and sell for \$45.

DSTLD offers the following women's clothing and accessories:

Bottoms: DSTLD designs and sells premium grade denim at 1/3 the typical price of its contemporary brand competitors. While most premium denim is sold for \$180+, DSTLD's jeans start at just \$65. We offer five different fits for women: Low Rise Skinny, Mid Rise Skinny, High Waisted Skinny, Boyfriend Jeans, and Cropped Jeans. Styles include black jeans, white jeans, ripped jeans, and washed jeans. All of our women's fabrics include stretch to ensure the denim retains its shape wear after wear. We designed our women's fits under the guidance of a veteran denim patternmaker. Premium construction and finishes include a dual-layer contoured waistband that hugs the hips for a "no gap" fit, lay flat seams, YKK zippers, and custom debossed trims. We also offer an assortment of denim shorts and cut-off shorts.

Tees and Tanks: A perfect complement to our denim, DSTLD offers three styles of women's tee shirts as well as a tank top. Styles range from a slightly oversized 100% Cotton Boyfriend tee, to a 100% Cotton Slub V-Neck tee, to a 100% Modal Scoop Neck tee. Tops are pre-shrunk and finished with either a garment dye or pigment dye process, which helps achieve a soft hand and rich coloration. All styles are made in Los Angeles and range from \$20 - \$34.

Accessories: Currently, DSTLD's curated selection of women's accessories includes polarized Aviator sunglasses. Our classic Aviator sunglasses are made in Italy with TAC® polarized lenses, which provide superior clarity and block 99% of harmful UV rays, and come with either gunmetal frames or gold frames. Sunglasses are lightweight and come with a hard case and lens cleaner.

Market

While the entire adult population of the United States are prospective purchasers of our products, our target market is discerning college-educated younger professionals with higher levels of discretionary income. The company's targeted market includes men and women 18 years and older who are comfortable with purchasing apparel and accessories online. Our research shows that our typical customers have an average age of 30 and an average household income of \$58,000, 60% are not married, and 75% are college educated.

The global denim jeans market was valued at \$58 billion for the year 2014, and it continues to grow on account of its lifespan as compared to other apparel. This market is further classified into three major categories such as mass market denim jeans, standard or economy jeans, and premium denim jeans. Geographically, North Americans have been the largest consumers of denim jeans followed by consumers in Western Europe, Japan, and Korea.

Premium denim accounts for roughly 26% of the overall Jeans market with the highest market potential and is also the fastest growing segment of the market. The company plans to address this market by offering premium quality at fast fashion pricing.

Design and Development

Our products are designed at the company's headquarters in Los Angeles. Several of our employees are engaged in analyzing trends, markets and social media, using tools such as Trendalytics and Google Trends to identify essential styles. The time taken to design new styles is generally one to two weeks. After design, we create multiple samples to micro-test styles, and preview those styles to top customers via email marketing and surveys to obtain design feedback. The sampling process takes approximately one month.

We then place a minimum order quantity test on our website to determine actual demand. We can determine actual demand by launching paid (Facebook, Google, Affiliate, etc.) and unpaid (Email, PR outreach, etc.) marketing campaigns that drive traffic at specific products. This allows us to determine, in a relatively short period of time, how a product performs compared to other past best sellers in similar categories. The replenishment program starts immediately after the product passes the test phase. Using tools such as Google Analytics and RJ Metrics to analyze real-time sales data by size and color, we determine precise re-order quantities.

Product Suppliers

We work with a variety of apparel manufacturers in North America and Europe. The company's largest suppliers are Flamehead, which supplies our jeans and shorts, and JS Apparel, which supplies our basic tops. We are on Net 30 payment terms with Flamehead and 30% Deposit and 70% Net 30 payment terms with JS Apparel. We are currently looking to source additional vendors that can offer us up to Net 90 payment terms, as well as full package (supplying fabric and trims along with cut, sew and wash) production capabilities. Many of our current vendors only manufacture garments, and we still need to source fabric and trims separately. Moving to full package production allows us to maximize cash flow and optimize operations.

Depending on the specific product, assembly occurs in United States (primarily Southern California), Mexico, or Italy.

Our products are manufactured in the same factories as notable designer labels.

Marketing

Digital Advertising

Currently, DSTLD advertises through Facebook and Instagram campaigns. We utilize this platform to not only target our own customers and mailing list, but also generate new leads through targeting the customers of brands similar to ours. By focusing on customers from brands like Zara, Everlane, Allsaints, and others, we're able to reach a large and compatible audience for DSTLD. We feel that paid advertising can become a valuable source of growth for DSTLD in the future, and hope to increase our paid marketing initiatives beyond Facebook and Instagram.

PR

To generate ongoing organic and word-of-mouth awareness, we routinely work with print and online media outlets to announce new products and develop timely news stories. We're regularly in contact with the top fashion, business, and tech writers in order to capitalize on celebrity fashion features, e-commerce trend pieces, or general brand awareness articles. We have a full-time, in-house publicist and we also utilize outside agencies from time to time. Twice a year, we visit the major fashion, tech, and news outlets in New York City in order to keep them up to date on our latest launches and any relevant company developments. We also consistently host local Los Angeles press at our office space.

To date, DSTLD has been featured in the top TV, fashion, and business outlets, including TODAY Show, Vogue.com, People StyleWatch, Women's Health, ELLE.com, MarieClaire.com, VanityFair.com, Refinery29, MensJournal.com, GQ.com, AOL.com, Forbes.com, TechCrunch.com, USA Today, TIME, and Us Weekly to name a few.

Instagram and Influencer Marketing

Instagram and influencer marketing is one of the largest initiatives for us. On a daily basis, we reach out to and receive requests from tastemakers in fashion, lifestyle, and photography. We've developed a certain set of criteria for working with influencers (ie: engagement level, aesthetic, audience demographic) that have enabled us to garner impactful impressions. Our focus is not on the size of an account, but on creating organic relationships with influencers who are excited to tell our story. While most of our collaborations are compensated solely through product gifts, we also offer an affiliate commission of up to 20% through the influencer platform rewardStyle, which is the parent company of LiketoKnow.it, the first influencer platform to make Instagram shoppable (users receive an email directly to their inbox with complete outfit details when they "Like" a photo with LiketoKnow.it technology).

Celebrity Gifting

We approach celebrity gifting in a strategic, discerning manner. We have successfully placed clothing on A-list celebrities like Kendall Jenner, Gigi Hadid, Selena Gomez, Reese Witherspoon, and Lea Michele, to name a few.

Referral Marketing

DSTLD currently employs a rewards-based Share + Earn program to encourage customers to refer friends. Incentives include a \$10 gift when 5 friends sign up, all the way to a free pair of jeans with 50 sign ups. In the future, we'd love to be able to expand this program to include exclusive experiences and monetary incentives for those being referred.

Distribution

Our products are sold solely online, through our website. Our website is built on a custom Ruby on Rails platform with Spree (Ruby Gem) backend. Our website can be accessed via desktop, tablet or smartphone. We forgo the middlemen (department stores and boutiques) to offer premium denim and luxury essentials at or about 1/3 the traditional retail price.

In the past, a small percentage of our sales (approximately 3%) have been sold through other online channels, including Spring, Amazon, Zulily, HauteLook and other small wholesale channels. The majority of these sales through these channels are from discontinued styles.

Competition

We face direct competition from other digitally competent, vertically integrated brands such as Everlane, Ayr, Bonobos, JackThreads, and The Arrivals.

Everlane is the most direct analogue in terms of product/market fit. The price point and positioning is similar and they, like DSTLD, don't put products on sale, which is brand positioning usually reserved for luxury brands at the top end of the market.

Some of these brands market themselves as full price and do several sales per year.

All of these companies use digital paid acquisition as a primary driver of their businesses and have in depth competency in digital marketing and brand.

More broadly, there are thousands of competitors in the highly fragmented apparel category including fast fashion players including Zara, H&M and Uniqlo and Gap which all compete for DSTLD's wallet share at our affordable price point.



DSTLD
High waisted Skinny jeans
in black powerstretch
\$65



JBRAND
Maria Super Skinny
in Seriously Black
\$198



ZARA
High Waist Jeans
in Black
\$49.90

Furthermore, contemporary denim brands such as Diesel, Rag & Bone, AG, Paige Denim, Frame, G-Star Raw, Nudie Jeans and 3x1 compete to make a name for themselves in the denim lifestyle market.

However, these brands are substantially more expensive than DSTLD and can only be purchased in our price point when they are on sale.

Fashion is a large and fragmented space that can, and does already, support a diverse ecosystem of competing and complementary products and services

Customers

To date we have had over 20,000 paying consumers who have purchased a total of 45,000 products from us. Two percent of our users are outside the United States and we plan to invest in international growth. Sixty-four percent of DSTLD customers are men and our average customer is 30 years old. Sixty percent of our customers have a household income above \$75k and 95% are college educated.

Household Income

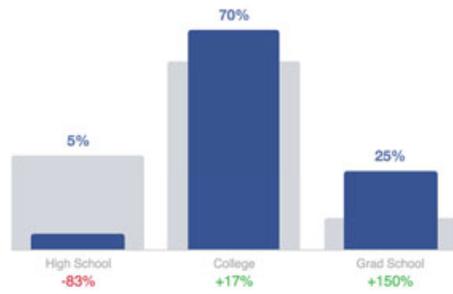
Estimated income for US households based on survey responses and estimates using demographic dat...

In Thousands of US Dollars



Education Level

The highest level of education reached based on self-reported dat...



Source: Facebook Audience Insights / Acxiom

Our customers are more likely to be members of the Creative Class, which is a demographic segment made up of knowledge workers, intellectuals and various types of artists.

Job Title

Likely industries where people work based on self-reported data on Facebook.

Job Title	Selected Audience	Compare
Architecture and Engineering	15%	+200%
Computer and Mathematics	15%	+200%
Life, Physical, and Social Science	15%	+200%
Arts, Entertainment, Sports and Media	35%	+133%
Business and Financial Operations	20%	+100%
IT and Technical	20%	+100%

Source: Facebook Audience Insights

Payment Processors and Other Services

We currently use two payment processors to transact payments to/from our users: (1) PayPal, a publicly traded online payments processor and (2) Banctek for credit card transactions. Merchant fees charged by these providers are as follows:

- P a y p a l - 2.9% + \$0.30 per transaction
- B a n c t e k - ~3% per transaction

We also work approximately 20 other vendors to provide various back-office and customer facing services. These include:

- A m a z o n Web Services - website hosting
- S p r e e Commerce - e-commerce platform
- M a i l c h i m p - email marketing
- D e s k - customer service ticket management
- R J Metrics - internal analytics dashboard

Research and Development

Since inception, we have spent approximately \$30,000 on research and development of our products. The majority of these expenditures are related to purchasing product samples, development of product patterns, and technical design.

Employees

DSTLD currently has eight employees working full-time in West Hollywood, CA. We have entered into Employment Agreement and Employee Proprietary Information and Inventions Agreements with all employees.

Our current employees are responsible for managing the following job functions: Product Design, Production Management, Technology, Graphic Design, Photography, Marketing, Operations, Finance & Accounting, and Customer Service. Additionally, we hire part-time contractors and consultants from time to time to assist with Marketing, Content development, Accounting, and other functions.

As we grow, we plan to add headcount in the Marketing, Finance, Technology, and Product functions, among others.

Intellectual Property

The company has filed for trademark protection for DSTLD and 20JEANS with the United States Patent and Trademark Office. Denim.LA filed for its trademark of DSTLD in November 2013 (Trademark 86118799) and the mark was published for opposition April 8th 2014.

Litigation

The company is not currently involved in any litigation.

THE COMPANY'S PROPERTY

We currently lease our premises and own no significant plant or equipment. Our office space in West Hollywood, CA serves as our company headquarters. All employees of DSTLD work from this location.

Warehousing of finished product is done by our third-party logistics provider, Newgistics, at their facilities in Commerce, CA. All outbound orders and returns are processed at the Newgistics facility.

All of our production is done by third-party suppliers that operate in the United States, Mexico, Europe, and Asia. We do not directly manage production in factories, and do not own or operate any production facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operating Results

Our 2014 net revenues were \$1,737,979 (approximately 85% 20Jeans Revenue; DSTLD was fully launched in Sept 2014) compared with \$1,720,432 (100% DSTLD Revenue), in 2015, representing a slight decrease, while our gross profit was \$157,521 (9.1% gross margins) in 2014 compared with \$647,238 (37.6% gross margins) in 2015.

We believe that one key to our success will be to increase average order value ("AOV"). By growing this, we are able to offset the relatively fixed costs associated with fulfilling an order, as we offer free shipping on all orders. In January 2015, our AOV was \$88.88 and by the fourth quarter of 2015 our AOV was nearly \$100. We were able to accomplish this by adding lower priced items such as t-shirts and accessories, which complement our current core business of bottoms (jeans and shorts) and are easy to add on to existing orders. This continues to be our strategy into 2016: by adding a wide range of new products and categories (sweaters, shirts, outerwear, small leather goods), many of which are over \$100, we will be able to increase our AOV, which has a direct correlation with larger gross margin. Additionally, the more new products we launch, the more likely our existing customers are likely to purchase multiple times.

Historically, we see over 20% of our customers coming back to make a second purchase within 6 months of their first purchase. Similarly, over 30% of all sales in 2015 were from existing customers. As we add new product categories, we anticipate that this percentage will increase, providing additional returns on any costs associated with acquiring our customers for the first time.

We have been able to increase our average per product profit margin from 56% in January 2015 to 67% in December 2015. This has been accomplished by sourcing products from cost-effective producers, cultivating relationships and negotiating down costs with our existing manufacturers, adding higher-margin items to our product collection, and optimizing retail price on our website. We are aggressively trying to lower costs even further in 2016, and have a goal of hitting a 72% product margin by December 2016.

DSTLD offers free shipping and returns to its customers, which represents a large portion of the costs reflected in our gross margin. By analyzing historical shipping costs and order details, we have been able to make significant gains in per-order shipping costs. In January 2015, an order cost us \$13.65 to pack and ship, however, by December 2015 this decreased to \$8.37 per order, representing a 38% savings in outbound order costs. This was due primarily to new shipping methods to US customers, improved and lighter packaging and less marketing collateral per order.

The company's operating expenses consist of payroll, marketing, technology, professional services, and general & administrative costs. Operating expenses in 2015 amounted to \$2,357,306, which represents a decrease of 25% from \$3,127,806 in 2014. The primary components of this decrease were:

- Over 50% decrease in headcount coupled with increased operational efficiencies with our general & administrative, product, and marketing employees;
- Outsourcing our warehouse in September 2014 to Newgistics, a third party logistics company;
- A 27% decrease in sales and marketing costs, even with a slight increase in gross sales. This was largely due to increased internal knowledge of optimizing acquisition marketing spend and creative advertising; and
- A 50% decrease in professional fees.

Our net loss for 2015 was \$1,652,863, a 54% decrease from net losses of \$3,605,341 in 2014. The decrease in losses was primarily driven by the decreases in expenses discussed above, in addition to the fact that one time losses on inventory write-off (loss of \$398,748), disposal of assets (loss of \$135,623), and interest expense on discounts from converted notes (\$610,108) are one-off expenses incurred in 2014 and not in 2015.

Our current focus is to grow marketing spend by approximately 20% each month via paid channels, primarily Facebook and Google. Part of this strategy involves hiring a full time Acquisition Marketing manager, who will manage these platforms and source new paid sources. In first quarter of 2016 we expect to spend approximately \$80,000 in acquisition marketing, and plan to increase that to nearly \$300,000 in the second quarter of 2016 and \$400,000 in the third quarter of 2016. We have been able to optimize this channel over the past two years, despite having no dedicated full time resources. Acquisition marketing is iterative and the more experience and resources the company has, the better we will continue to become at optimizing cost per acquisition. A steady or decreasing cost per acquisition, coupled with a high average order value and increasing customer repurchase rate, will lead us to grow our acquisition spend greatly over the next few years, as any costs associated with acquiring a customer will be far outstripped by a customer's lifetime value.

As of January 2016, the company had 8 full time employees, representing approximately \$70,000 of the monthly operating expenses of the company. By December 2016, we plan to have 19 full time employees, representing approximately \$120,000 of the monthly operating expenses of the company. These hires will come mostly from Finance/Operations, Product, and Customer Service.

Break Even Scenario

Based on a headcount of nineteen, which is more than double our current staffing, and increased fixed costs and expenses, a cost per customer acquisition of \$45, and assuming a gross margin of 55%, which we have not yet achieved, we expect that we can break even (EBITDA positive) at \$1,343,000 in monthly gross revenue:

Gross Sales	\$	1,343,000	
Refunds	\$	(300,000)	Assumes 20% return rate
Cost of Goods Sold	\$	465,000	55% gross margin
Gross Profit	\$	578,000	
Advertising	\$	(304,000)	\$45 cost per customer acquisition
Operating Expenses	\$	(256,000)	19 person headcount
EBITDA	\$	19,000	

Liquidity and Capital Resources

Loan from OnDeck Capital

The company obtained a \$250,000 small business loan from OnDeck Capital with an interest rate of 32.3%. The total amount of the loan repayment was \$330,750 (loan of \$250,000 and interest amount of \$80,750), and was be fully paid off on May 16, 2016.

Loan from Continental Business Credit

On May 18, 2016, the company closed on a loan with MBMJ Capital LLC, doing business as Continental Business Credit. The loan agreement includes a revolving inventory line of credit and term loan. The revolving line of credit would allow the company to borrow up to 50% of the book value of all eligible inventory in its possession up to \$1,000,000. The balance of the loan will be paid down daily with proceeds from the sale of inventory.

The term loan has a maximum balance of \$300,000. On May 18, 2016, the company drew down \$235,435.03 of the maximum term loan amount. Proceeds of the loan were used to pay off the OnDeck Capital loan. The term loan includes a senior security interest in all assets of the company.

Non-Convertible Promissory Note

The company plans to offer a promissory note under Rule 506(b) of Regulation D to accredited investors for the purpose of raising up to \$500,000 to help the company satisfy its short term financing needs. These notes will not be eligible to convert into equity of the company.

Trend Information

From April 2014 to January 2015, the company has almost exclusively focused on producing jeans, shorts, and basic tops such as tee shirts, tanks, and polo shirts. As such, we believe our repeat customer rate, lifetime value, and average order value are understated and will grow over the next few years as we increase the categories of products we offer, which will include higher priced items such as leather goods, outerwear, shirting, and shoes. These new product introductions and categories will have a direct effect on three of the metrics (repeat purchase rate, lifetime value, and average order value) that are crucial to our success.

DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

Name	Position	Age	Term of Office
Executive Officers:			
Mark T. Lynn	Co-CEO	32	Indefinite, appointed September 2013
Corey Epstein	Co-CEO	31	Indefinite, appointed September 2013
Kevin Morris	CFO/COO	33	Indefinite, appointed December 2015
Directors:			
Mark T. Lynn	Co-CEO	32	Indefinite, appointed September 2013
Corey Epstein	Co-CEO	31	Indefinite, appointed September 2013
John Tomich	Director	44	Indefinite, appointed September 2013
Trevor Pettennude	Director	48	Indefinite, appointed October 2014
Significant Employees:			
Conrad Steenberg	CTO	44	Indefinite, appointed June 2015

Corey Epstein

Corey Epstein is currently our Co-CEO and Creative Director. He has served in that position for three years, from August 2012 to the present date. Prior to founding the company he was a Senior Consultant with Deloitte Consulting from August 2011 to October 2012, and led technology transformation initiatives at clients in the Pharmaceuticals, Chemical Distribution, and Video Games industries, primarily focused around Talent Strategy and Analytics, Global Training Programs, and Change Management programs. Prior to getting his MBA from UCLA in 2009-2011, Corey led a marketing and web consulting business, serving 100s of clients across all industries, implementing branding, design, development, and strategy projects. He also holds a BBA from Loyola Marymount University with a focus in Business Law where he was the program scholar.

Mark Lynn

Mark T. Lynn is currently our Co-Chief Executive Officer. He has served in that position for two years, from September 2013 to the present. Prior to joining us, from September 2011 he was Co-Founder of Club W Inc., a direct to consumer e-commerce company which was then the fastest growing winery in the world, backed by Bessemer Venture Partners. Prior to Club W, Mark co-founded a digital payments company that was sold in 2011. Mark holds a digital marketing certificate from Harvard Business School's Executive Education Program.

Kevin Morris

Kevin is currently the COO and CFO of DSTLD, and manages the company's finances, operations, and performance marketing. He was formerly (from June 2014 to November 2015) a consultant to the company and became an employee in December 2015. Kevin is originally from Huntington Beach, California and received his bachelors in Applied Mathematics and Computer Science from the University of California, Berkeley. Upon graduation, he worked at Deloitte Consulting where he specialized in technical integrations and strategy. After attending the UCLA Anderson Graduate School of Management where he received his MBA, he worked for American Airlines as the head of pricing strategy for ancillary products and for the airline's Asia-Pacific network. With a strong desire to work in the apparel industry, Kevin worked as the Vice-President of Sales for an Adidas licensee from February 2013 to June 2014, overseeing the global sales and marketing strategy for multiple Adidas sports categories.

John Tomich

John Tomich became a director in September 2013. John co-founded Onestop Internet in 2004 and served as the company's CEO until July 2015. Prior to Onestop, John was a Senior Associate at Shelter Capital Partners, a Los Angeles-based \$200 million venture capital fund, focused on early stage investments in technology and technology-enabled companies in the Southern California area, principally in the media, wireless/communication, enterprise software, and semiconductor industries. Prior to joining Shelter, John worked as Vice President, Client Services for iXL, a leading Internet services company which provided Internet strategy consulting and comprehensive Internet-based solutions to Fortune 500 companies and other corporate users of information technology. After a series of acquisitions, it is now part of the Razorfish agency, owned by Publicis Groupe.

Trevor Pettennude

Trevor Pettennude is a seasoned financial services executive. In 2013 Trevor became the CEO of 360 Mortgage Group, where he oversees a team of 70 people generating over \$1 billion of annual loan volume. Trevor is also the founder and principal of Banctek Solutions, a global merchant service company which was launched in 2009 and which processes over \$300 million of volume annually.

Conrad Steenberg

Conrad Steenberg joined DSTLD in April 2015 as the company's Chief Technology Officer. Prior to joining us, Conrad worked as a Senior Software Engineer with TriNet from February 2014 to March 2015. Before working for TriNet, Conrad spent six years as a Scientific Software Engineer with the California Institute of Technology, where he worked on back-end software and website design and implementation of <http://www.nupack.org> and <http://www.molecularinstruments.org>.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

For the fiscal year ended December 31, 2015 we compensated our three highest-paid directors and executive officers as follows:

Name	Capacities in which compensation was received	Cash compensation (\$)	Other compensation (\$)	Total compensation (\$)
Mark Lynn	Co-CEO	\$ 120,000	\$ 0*	\$ 120,000
Corey Epstein	Co-CEO	\$ 120,000	\$ 0*	\$ 120,000
Kevin Morris	CFO/COO	\$ 110,000	\$ 0*	\$ 110,000
Conrad Steenberg	CTO	\$ 110,000	\$ 0*	\$ 110,000

We do not compensate our directors for attendance at meetings. We reimburse our officers and directors for reasonable expenses incurred during the course of their performance.

In August 2015, we granted Conrad Steenberg options to acquire 500,000 shares of common stock of the company and Kevin Morris options to acquire 600,000 shares of common stock of the company. At the same time, Mark Lynn and Corey Epstein were each granted options to acquire 1,800,000 shares of common stock of the company.

* The "Other compensation" to the executive officers of the company includes the value of the options granted to each on August 7, 2015. These options were granted at an exercise price equal to the fair market value of the common stock of the company as determined by the Board of Directors on August 7, 2015. This value was informed by a 409A Valuation Report, valuing the Common Stock of the company as of October 11, 2014.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITYHOLDERS

Title of class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Amount and nature of beneficial ownership acquirable	Percent of class
Common Stock	Mark T. Lynn, 375 N. La Cienega Blvd., #216, West Hollywood, CA 90048	2,688,889 shares directly held	4,511,111 shares available from issued stock options that will have vested by September 2016	77.35%
Common Stock	Corey Epstein, 7111 Santa Monica Blvd., #619, West Hollywood, CA 90046	6,050,000 shares directly held	1,150,000 shares available from issued stock options that will have vested by September 2016	77.35%
Common Stock	Trevor Pettennude, 919 Vine St, Denver, CO 80206	0 shares directly held	870,000 shares available from issued stock options	9.34%
Common Stock	Kevin Morris, 935 South Stanley Avenue, Los Angeles, CA	0 shares directly held	442,500 shares available from issued stock options that will have vested by September 2016	4.75%
Common Stock	Conrad Steenberg, 601 California Ave. Apt 101, Santa Monica, CA 90403	0 shares directly held	258,333 shares available from issued stock options that will have vested by September 2016	2.77%
Series Seed Preferred Stock	Corey Epstein, 7111 Santa Monica Blvd., #619, West Hollywood, CA 90046	617,122 shares directly held		2.97%
Series Seed Preferred Stock	Trevor Pettennude, 919 Vine St, Denver, CO 80206	3,862,737 shares held through Zillion, LLC		18.65%

The final column (Percent of Class) includes a calculation of the amount the person owns now, plus the amount that person is entitled to acquire. That amount is then shown as a percentage of the outstanding amount of securities in that class if no other people exercised their rights to acquire those securities. The result is a calculation of the maximum amount that person could ever own based on their current and acquirable ownership, which is why the amounts in this column will not add up to 100%.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

Banctek Solutions

We use Banctek Solutions, a registered independent sales organization (ISO) of FirstData as our back-end payment processor. Trevor Pettennude is majority owner of Banctek Solutions. We started to use Banctek Solutions services prior to Mr. Pettennude's involvements with DSTLD.

Related Party Loans Receivable

The Company has loaned funds to Mark Lynn and Corey Epstein throughout the life of the business, which amounted to \$124,069 and \$78,082 as of December 31, 2015 and 2014. On June 6 and 7, 2016, respectively, the outstanding balances were consolidated into two Promissory Notes of \$70,000 with Mark Lynn and \$100,000 with Corey Epstein. The Notes mature on December 31, 2016, at which time the borrowers are obligated to repay all unpaid principal, together with the balance of any unpaid interest.

Employee Backpay

Mark Lynn and Corey Epstein have deferred their salary during portions of 2014 and 2015 due to cash flow needs of the Company. Such amounts payable as of December 31, 2015 and 2014 were \$315,585 and \$113,711.

Officer stock issuance and promissory note

On October 14, 2013, the company issued 2,688,889 shares of \$0.0001 par common stock at a price of \$0.09 per share to Mark Lynn under a restricted stock purchase agreement. The company determined the fair value per share at the issuance date was \$0.15 per share. The shares are subject to vesting provisions where 268,889 shares vested immediately upon issuance, and the remaining 2,420,000 shares vested pro rata over a period of 36 months (67,222 shares per month). 2,151,111 and 1,344,445 shares have vested as of December 31, 2015 and 2014, respectively.

The \$242,000 proceeds from this common stock issuance were received by the company in the form of a promissory note due from the officer to the Company. The note calls for interest at Wall Street Journal Prime Rate plus 1% (currently 4.25%), annual interest payments due on the note anniversary date, and a maturity date of the earlier of October 14, 2018, termination of the officer's service to the Company, or upon default of the promissory note. Related party interest income on this note receivable amounted to a cumulative total of \$12,483 through December 31, 2015 and remains outstanding in the full amount as of December 31, 2015. The promissory note is secured by the 2,688,889 shares of common stock (vested and unvested) issued in conjunction with the promissory note. The Company agreed to forgive this promissory note contingent upon the officer's continued service with the Company, with \$80,667 of principal being forgiven on each December 31, 2013, 2014, and 2015, thereby forgiving the entire principal balance. The Company further agreed that upon voluntary or involuntary termination of service, where the Company repurchases unvested shares issued in conjunction with this promissory note, the portion of the promissory note equal to the repurchase price of the unvested shares will be immediately due, and the remaining portion of outstanding principal and accrued interest will be forgiven in full. The Company recognized this transaction as capital contributions receivable (a contra equity account) as the proceeds have not yet been funded by the stockholder in accordance with the asset recognition criteria for capital contributions under FASB ASC 505-10-45-2, and charged the full loan amount to additional paid-in capital at the issuance date. The loan forgiveness provisions are subject to the continued service of the officer, and therefore each loan forgiveness date is charged from the capital contribution receivable to compensation cost at the forgiveness date in the amount of the forgiven loan. Therefore, \$80,667 was charged to compensation cost on each December 31, 2013, 2014, and 2015.

SECURITIES BEING OFFERED

General

The company is offering Series A Preferred Stock to investors in this offering.

The following description summarizes important terms of our capital stock. This summary does not purport to be complete and is qualified in its entirety by the provisions of our Amended and Restated Certificate of Incorporation and our Bylaws, copies of which have been filed as Exhibits to the Offering Statement of which this Offering Circular is a part. For a complete description of our capital stock, you should refer to our Amended and Restated Certificate of Incorporation, and our Bylaws, and applicable provisions of the Delaware General Corporation Law.

Immediately following the completion of this offering, our authorized capital stock will consist of 72,000,000 shares of Common Stock, \$0.0001 par value per share, and 38,800,000 shares of Preferred Stock, \$0.0001 par value per share. The shares of Preferred Stock are designated as Series Seed Preferred Stock and Series A Preferred Stock.

Series A Preferred Stock

General

The company has the authority to issue 14,481,413 shares of Preferred Stock designated as "Series A Preferred Stock".

Dividend Rights

The company will not declare, pay or set aside any dividends on shares of any other class or series of capital stock unless the holders of the Series A Preferred Stock first receive, simultaneously with the holders of the Series Seed Preferred Stock, or simultaneously receive along with all holders of outstanding shares of stock, a dividend on each outstanding share of Series A Preferred Stock in an amount at least equal to:

- In the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series A Preferred Stock would equal the product of:
 - o The dividends payable to each share of such class or series determined, if applicable, as if all share of such class or series had been converted into Common Stock and
 - o The number of shares of Common Stock issuable upon conversion of a share Series A Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or
- In the case of a dividend of any class or series that is not convertible into Common Stock, at a rate per share of Series A Preferred stock determined by:
 - o Dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock and
 - o Multiplying such fraction by an amount equal to the Series A Original Price (\$0.48 per share); provided that, if the company declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the company the dividend payable to the holders of Series Seed Preferred Stock will be calculated upon the dividend on the class or series of capital stock that would result in the highest Series Seed Preferred Stock dividend.

Voting Rights

The Series A Preferred Stock is non-voting except as required under law. Generally, this means that the holders of Series A Preferred Stock may vote if any proposed amendments to the powers, preferences or special rights of the Series A Preferred Stock would affect the holders of the Series A Preferred Stock adversely, but will not adversely affect the holders of other series of Preferred Stock. The holders of Series A Preferred Stock are subject to a drag-along provision as set forth in the Subscription Agreement, pursuant to which each holder of Series A Preferred Stock agrees that, in the event the Company's Board and the holders of a majority of the Company's voting stock vote in favor of a sale of the company, then such holder of Series A Preferred Stock will vote in favor of the transaction if such vote is solicited, refrain from exercising dissenters' rights with respect to such sale of the Company, and deliver any documentation or take other actions reasonably required, amongst other covenants.

Right to Receive Liquidation Distributions

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the company or Deemed Liquidation Event, holders of Series A Preferred Stock will be entitled to be paid out of the assets of the company available for distribution to its stockholders before any payment will be made to the holders of Common Stock.

Terms of Conversion

Each share of Series A Preferred Stock will be convertible, at the option of the holder, at any time and from time to time, and without the payment of additional consideration by the holder, into such number of fully paid and non-assessable shares of the Common Stock as determined by dividing the shares of Series A Original Issue Price by the Series A Conversion Price (\$0.48 per share).

Anti-Dilution Rights

Holders of Series A Preferred Stock have the benefit of anti-dilution protective provisions that will be applied to adjust the number of shares of Common Stock issuable upon conversion of the shares of the Series A Preferred Stock. If equity securities are subsequently issued by the company at a price per share less than the conversion price of the Series Seed Preferred Stock then in effect, the conversion price of the Series A Preferred Stock will be adjusted using a broad-based, weighted-average adjustment formula as set out in the Amended and Restated Certificate of Incorporation.

Series Seed Preferred Stock

General

The company has the authority to issue 20,714,518 shares of Preferred Stock designated as "Series Seed Preferred Stock".

Dividend Rights

The company will not declare, pay or set aside any dividends on shares of any other class or series of capital stock unless the holders of the Series Seed Preferred Stock first receive, simultaneously with the holders of Series A Preferred Stock, or simultaneously receive along with all holders of outstanding shares of stock, a dividend on each outstanding share of Series Seed Preferred Stock in an amount at least equal to:

- In the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series Seed Preferred Stock was would equal the product of:
 - The dividends payable to each share of such class or series determined, if applicable, as if all share of such class or series had been converted into Common Stock and
 - The number of shares of Common Stock issuable upon conversion of a share Series Seed Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or
- In the case of a dividend of any class or series that is not convertible into Common Stock, at a rate per share of Series Seed Preferred stock determined by:
 - Dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock and
 - Multiplying such fraction by an amount equal to the Series Seed Original Price (\$0.271976161108161 per share); provided that, if the company declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the company the dividend payable to the holders of Series Seed Preferred Stock will be calculated upon the dividend on the class or series of capital stock that would result in the highest Series Seed Preferred Stock dividend.

Voting Rights

On any matter presented to the stockholders of the company for their action or consideration each holder of Series Seed Preferred Stock will be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the Shares of Series Seed Preferred Stock are convertible as of the record date. Except as provided in other provisions the holders of Series Seed Preferred Stock will vote together with the holder of Common Stock as a single class.

The holders of shares of Series Seed Preferred Stock, exclusively and as a separate class, are entitled to elect one director of the company and the holder of shares of Common Stock not issued or issuable upon conversion of the Preferred Stock, exclusively and as a separate class, are entitled to elect two directors of the company.

At any time when at least 5,300,000 shares of Series Seed Preferred Stock are outstanding, the company will not do any of the following without the written consent or affirmative vote of the holders of at least majority of the then outstanding shares of the Series Seed Preferred Stock:

- Liquidate, dissolve or wind-up the business and affairs of the company, effect any merger or consolidation or any other Deemed Liquidation Event or any of the foregoing;

- Amend, alter or repeal any provisions of the Amended and Restated Certificate of Incorporation or Bylaws of the Corporation in a manner that materially and adversely affect the rights, preferences or privileges of the Series Seed Preferred Stock;
- Create or authorize the creation of, or issue or obligate itself to issue shares of, any additional class or series of capital stock unless the same ranks junior to the Series Seed Preferred Stock with respect to the distributions of assets on the liquidation, dissolution or winding up of the company, the payment of dividends and rights of redemption, or increase the authorized number of shares of Series Seed Preferred Stock or increase the authorized number of shares of any additional class or series of capital stock unless the same ranks junior to the Series Seed Preferred stock with the liquidation, dissolution or winding up of the company, the payment of dividends and rights of redemption;
- Reclassify, alter or amend any existing security of the company that is pari passu with the Series Seed Preferred stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the company, the payment of dividends and rights of redemption, if such reclassification, alteration or amendment would render such other security senior to the Series Seed Preferred Stock in respect of any such right, preference, or privilege or reclassify, alter or amend any existing security of the company that is junior to the Series Seed Preferred Stock in respect of the liquidation, dissolution or winding up of the company, the payment of dividends and rights of redemption, if such reclassification, alteration or amendment would render such other security senior or pari passu with the Series Seed Preferred Stock in respect of any such right, preference or privilege;
- Purchase or redeem or pay or declare any dividends or make any distribution on, any share of capital stock of the company other than (i) redemption of or dividends or distributions on the Series Seed Preferred Stock as expressly authorized in the [Amended and Restated Certificate of Incorporation], (ii) dividends or other distributions payable on the Common Stock solely in the form of additional shares of Common Stock, (iii) repurchases of stock from former employees, officers, directors, consultant or other persons who performed services for the company or any subsidiary in connection with the cessation of such employment or service at either the original purchase price or the then-current fair market value or (iv) as approved by the Board of Directors; or
- Create, or hold capital stock in, any subsidiary that is not wholly owned (either directly or through one or more other subsidiaries) by the company, or sell, transfer or otherwise dispose of any capital stock of any direct or indirect subsidiary of the company, or permit any direct or indirect subsidiary to sell, lease, transfer, exclusively license or otherwise dispose of all or substantially all of the assets of such subsidiary.

Right to Receive Liquidation Distributions

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the company or Deemed Liquidation Event, holders of Series Seed Preferred Stock will be entitled to be paid out of the assets of the company available for distribution to its stockholders before any payment will be made to the holders of Common Stock.

Terms of Conversion

Each share of Series Seed Preferred Stock will be convertible, at the option of the holder, at any time and from time to time, and without the payment of additional consideration by the holder, into such number of fully paid and non-assessable shares of the Common Stock as determined by dividing the shares of Series Seed Original Issue Price by the Series Seed Conversion Price (\$0.271976161108161 per share).

Anti-Dilution Rights

Holders of Series Seed Preferred Stock have the benefit of anti-dilution protective provisions that will be applied to adjust the number of shares of Common Stock issuable upon conversion of the shares of the Series Seed Preferred Stock. If equity securities are subsequently issued by the company at a price per share less than the conversion price of the Series Seed Preferred Stock then in effect, the conversion price of the Series Seed Preferred Stock will be adjusted using a broad-based, weighted-average adjustment formula as set out in the Amended and Restated Certificate of Incorporation.

Common Stock

General

The dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers, and preferences of the holders of the Preferred Stock.

Voting Rights

Holders of Common Stock are entitled to one vote for each share of Common Stock held at all meetings of the Stockholders and written actions in lieu of meetings, including the election of directors, but excluding matters that relate solely to the terms of a series of Preferred Stock.

Right to Receive Liquidation Distributions

In any event of any voluntary or involuntary liquidation, dissolution or winding up of the company or Deemed Liquidation Event, after the payment of all preferential amounts required to be paid to holders of Series Seed Preferred Stock and Series A Preferred Stock, the remaining assets of the company available for distribution to its stockholders will be distributed among the holders of Common Stock on a pro rata basis by the number of shares held by each holder.

Rights and Preferences

Holders of the company's Common Stock have no preemptive, conversion, or other rights, and there are no redemptive or sinking fund provisions applicable to the company's Common Stock.

PLAN OF DISTRIBUTION AND SELLING SECURITYHOLDERS

Plan of Distribution

The company is offering up to 12,500,000 shares of Series A Preferred Stock, as described in this Offering Circular. The company has engaged North Capital Private Securities Corporation as its sole and exclusive placement agent to assist in the placement of its securities. North Capital Private Securities Corporation is under no obligation to purchase any securities or arrange for the sale of any specific number or dollar amount of securities.

Commissions and Discounts

The following table shows the total discounts and commissions payable to the placement agents in connection with this offering:

	Per Share
Public offering price	\$0.48
Placement Agent commissions	\$0.036
Proceeds, before expenses, to us	\$0.444

Placement Agent Warrants

The company has agreed to issue to North Capital Private Securities Corporation, for nominal consideration, a warrant to purchase up to a total of five percent (5%) of the shares of Series A Preferred Stock. The shares of Series A Preferred Stock issuable upon exercise of this warrant will have identical rights, preferences, and privileges to those being offered by this Offering Circular. This warrant shall (i) be exercisable at one hundred percent (100%) of the per share offering price; (ii) be exercisable until the date that is five (5) years from the effective date of this offering; (iii) contain automatic cashless exercise provisions upon a liquidity event or expiration; (iv) contain customary weighted average anti-dilution price protection provisions and immediate cashless exercise provisions and shall not be callable by the Company; (v) contain customary reclassification, exchange, combinations or substitution provisions (including with respect to convertible indebtedness); and (vi) contain other customary terms and provisions. The exercise price and number of shares issuable upon exercise of the warrant may be adjusted in certain circumstances including in the event of a share dividend, or the company's recapitalization, reorganization, merger or consolidation.

This warrant has been deemed compensation by FINRA and is therefore subject to a 180-day lock-up pursuant to FINRA Rule 5110(g)(1). In accordance with FINRA Rule 5110(g)(1), neither this warrant nor any securities issuable upon exercise of this warrant may be sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of such securities by any person for a period of 180 days immediately following the effective date or commencement of sales of this offering, except to any placement agent and selected dealer participating in the offering and their bona fide officers or partners and except as otherwise provided for in FINRA Rule 5110(g)(2). In addition, this warrant grants its holders "piggy-back" registration rights for periods of seven years from the effective date of this offering.

Other Terms

The company is obligated to reimburse North Capital Private Securities Corporation for up to a maximum amount of \$25,000 in actual accountable out-of-pocket expenses.

In September 2015, we retained North Capital Private Securities Corporation to act as our placement agent in connection with a private placement of convertible notes. In connection with this placement, on January 28, 2016 we issued North Capital Private Securities Corporation and SI Securities, LLC, collectively, warrants to purchase up to 5% of the shares issuance upon conversion of the notes it placed. These warrants are exercisable at a price equal to the price paid by purchasers of the note.

Except as set forth above, the company is not under any contractual obligation to engage North Capital Private Securities Corporation to provide any services to the company after this offering, and has no present intent to do so. However, North Capital Private Securities Corporation may, among other things, introduce the company to potential target businesses or assist the company in raising additional capital, as needs may arise in the future. If North Capital Private Securities Corporation provides services to the company after this offering, the company may pay North Capital Private Securities Corporation fair and reasonable fees that would be determined at that time in an arm's length negotiation.

North Capital Private Securities Corporation intends to use an online platform provided by SeedInvest Technology, LLC, at the domain name www.seedinvest.com (the "Online Platform") to provide technology tools to facilitate the sales of securities in this offering.

Selling Securityholders

No securities are being sold for the account of securityholders; all net proceeds of this offering will go to the company.

Investors' Tender of Funds

After the Offering Statement has been qualified by the Commission, the company will accept tenders of funds to purchase the Series Seed Preferred. The company may close on investments on a "rolling" basis (so not all investors will receive their shares on the same date). Upon closing, funds tendered by investors will be made available to the company for its use.

Investors will be required to subscribe to the Offering via the Online Platform and agree to the terms of the Offering and subscription agreement (copies of which have been filed as an Exhibit to the Offering Statement of which this Offering Circular is part). The subscription agreement includes a representation by the investor to the effect that, if you are not an "accredited investor" as defined under securities law, you are investing an amount that does not exceed the greater of 10% of your annual income or 10% of your net worth (excluding your principal residence).

Denim.LA, Inc.

A Delaware Corporation

Financial Statements and Independent Auditor's Report

December 31, 2015 and 2014

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	45-46
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEARS THEN ENDED:	
Balance Sheets	47
Statements of Operations	48
Statements of Changes in Stockholders' Deficiency	49
Statements of Cash Flows	50
Notes to Financial Statements	51-64



To the Board of Directors of
Denim.LA, Inc.
Los Angeles, California

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Denim.LA, Inc., which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Artesian CPA, LLC

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denim.LA, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the financial statements, the Company has not generated profits since inception, has sustained net losses of \$1,652,863 and \$3,605,341 for the years ended December 31, 2015 and 2014, respectively, and has an accumulated deficit of \$6,689,477 and \$5,036,614 as of December 31, 2015 and 2014, respectively. The Company lacks liquidity to satisfy obligations as they come due and current liabilities exceed current assets by \$789,052 and \$335,441 as of December 31, 2015 and 2014, respectively. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the financial statements, the 2014 financial statements have been restated to correct misstatements in the classifications within the statement of operations. Our opinion is not modified with respect to this matter.

/s/ **Artesian CPA, LLC**

Denver, Colorado
May 26, 2016

Artesian CPA, LLC

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DENIM.LA, INC.
BALANCE SHEETS
As of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ -	\$ -
Other receivables	13,733	14,115
Related party loans receivable	124,069	78,082
Inventory	317,030	346,569
Prepaid expenses	4,785	4,762
Total Current Assets	<u>459,617</u>	<u>443,528</u>
Non-Current Assets:		
Property and equipment at cost, net	34,938	78,981
Software at cost, net	25,245	40,887
Deposits	22,764	23,714
Total Non-Current Assets	<u>82,947</u>	<u>143,582</u>
TOTAL ASSETS	<u>\$ 542,564</u>	<u>\$ 587,110</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 344,729	\$ 389,744
Cash - overdraw	275	1,416
Accrued expenses	58,329	36,799
Deferred revenue	8,976	16,040
Deferred rent	15,883	26,083
Other liabilities	121,503	39,782
Sales tax liability	92,439	92,543
Advance from related party	12,000	12,000
Employee backpay - related party	315,585	113,711
Accrued interest payable	2,844	-
Short-term loan payable	200,255	-
Promissory notes payable	25,000	-
Promissory notes payable - related parties	50,851	50,851
Total Current Liabilities	<u>1,248,669</u>	<u>778,969</u>
Long-Term Liabilities:		
Convertible notes payable	361,079	-
Total Liabilities	<u>1,609,748</u>	<u>778,969</u>
Stockholders' Equity (Deficiency):		
Series Seed convertible preferred stock, \$0.0001 par, 21,209,487 shares authorized, 20,714,518 and 19,078,350 shares issued and outstanding at December 31, 2015 and 2014, respectively. Convertible into one share of common stock. Liquidation preference of \$6,991,150 and \$6,438,943 as of December 31, 2015 and 2014, respectively.	2,071	1,907
Common Stock, \$0.0001 par, 49,000,000 shares authorized, 9,396,362 and 9,396,362 shares issued and outstanding 8,690,529 and 5,867,195 vested as of December 31, 2015 and 2014, all respectively.	940	940
Additional paid-in capital	5,621,436	4,924,729
Capital contribution receivable	(2,154)	(82,821)
Accumulated deficit	(6,689,477)	(5,036,614)
Total Stockholders' Equity (Deficiency)	<u>(1,067,184)</u>	<u>(191,859)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	<u>\$ 542,564</u>	<u>\$ 587,110</u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

DENIM.LA, INC.
STATEMENTS OF OPERATIONS
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Net revenues	\$ 1,720,432	\$ 1,737,979
Cost of net revenues:		
General costs of net revenues	1,073,194	1,181,710
Loss on inventory write-off	-	398,748
Total cost of net revenues	<u>1,073,194</u>	<u>1,580,458</u>
Gross Profit	<u>647,238</u>	<u>157,521</u>
Operating Expenses:		
Compensation & benefits	985,313	1,287,837
General & administrative	633,408	582,640
Sales & marketing	569,975	784,604
Professional fees	168,610	337,102
Loss on disposal of assets	-	135,623
Total Operating Expenses	<u>2,357,306</u>	<u>3,127,806</u>
Loss from operations	(1,710,068)	(2,970,285)
Other Income (Expense):		
Interest expense	(85,954)	(78,227)
Interest expense - convertible note discount	-	(610,108)
Interest income - related party	3,428	9,055
Non-operating income	139,731	44,224
Total Other Income (Expense)	<u>57,205</u>	<u>(635,056)</u>
Provision for Income Taxes	<u>-</u>	<u>-</u>
Net Loss	<u>\$ (1,652,863)</u>	<u>\$ (3,605,341)</u>
Weighted-average vested common shares outstanding		
-Basic and Diluted	7,161,227	4,337,891
Net loss per common share		
-Basic and Diluted	\$ (0.23)	\$ (0.83)

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

DENIM.LA, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIENCY
For the years ended December 31, 2015 and 2014

	Series Seed Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Capital Contribution Receivable	Accumulated Deficit	Total Stockholders' Equity (Deficiency)
	Number of Shares	Amount	Number of Shares	Amount				
Balance at January 1, 2014	-	\$ -	9,396,362	\$ 940	\$ 326,178	\$ (163,488)	\$ (1,431,273)	\$ (1,267,643)
Stock based compensation	-	-	-	-	138,541	-	-	138,541
Offering costs	-	-	-	-	(43,611)	-	-	(43,611)
Officer compensation - forgiven note payable	-	-	-	-	-	80,667	-	80,667
Issuance of preferred stock	3,384,053	338	-	-	920,045	-	-	920,383
Conversion of notes payable	15,694,297	1,569	-	-	2,973,468	-	-	2,975,037
Discount on conversion of convertible notes payable	-	-	-	-	610,108	-	-	610,108
Net loss	-	-	-	-	-	-	(3,605,341)	(3,605,341)
Balance at December 31, 2014	<u>19,078,350</u>	<u>\$ 1,907</u>	<u>9,396,362</u>	<u>\$ 940</u>	<u>\$ 4,924,729</u>	<u>\$ (82,821)</u>	<u>\$ (5,036,614)</u>	<u>\$ (191,859)</u>
Stock based compensation	-	\$ -	-	\$ -	251,871	\$ -	\$ -	251,871
Issuance of preferred stock	1,636,168	164	-	-	444,836	-	-	445,000
Officer compensation - forgiven note payable	-	-	-	-	-	80,667	-	80,667
Net loss	-	-	-	-	-	-	(1,652,863)	(1,652,863)
Balance at December 31, 2015	<u>20,714,518</u>	<u>\$ 2,071</u>	<u>9,396,362</u>	<u>\$ 940</u>	<u>\$ 5,621,436</u>	<u>\$ (2,154)</u>	<u>\$ (6,689,477)</u>	<u>\$ (1,067,184)</u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

DENIM.LA, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Net Loss	\$ (1,652,863)	\$ (3,605,341)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	61,006	64,331
Stock compensation expense	251,871	138,541
Stock compensation on forgiven promissory notes	80,667	80,667
Loss on disposal of property, equipment, and software	-	135,623
Loss on inventory write-off	-	398,748
Discount on convertible note conversion	-	610,108
Changes in operating assets and liabilities:		
(Increase)/Decrease in other receivable	382	(14,115)
(Increase)/Decrease in related party loans receivable	(45,987)	(27,560)
(Increase)/Decrease in inventory	29,539	(57,927)
Increase/(Decrease) in prepaid expenses	(23)	4,278
Increase/(Decrease) in deposits	950	223,960
Increase/(Decrease) in accounts payable	(45,016)	(72,253)
Increase/(Decrease) in cash overdraw	(1,141)	1,416
Increase/(Decrease) in accrued expenses	21,530	13,202
Increase/(Decrease) in deferred revenue	(7,064)	(5,816)
Increase/(Decrease) in deferred rent	(10,200)	26,083
Increase/(Decrease) in other liabilities	81,721	27,898
Increase/(Decrease) in sales tax liability	(104)	58,913
Increase/(Decrease) in employee backpay - related party	201,874	60,178
Increase/(Decrease) in accrued interest payable	2,844	77,902
Net Cash Used In Operating Activities	<u>(1,030,014)</u>	<u>(1,861,164)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,320)	(83,297)
Capitalized software development expenditures	-	(114,597)
Net Cash Used In Investing Activities	<u>(1,320)</u>	<u>(197,894)</u>
Cash Flows From Financing Activities		
Advance from related party	-	12,000
Proceeds from issuance of preferred stock	445,000	920,383
Offering costs	-	(43,611)
Net proceeds/(repayments) from short-term loan payable	200,255	-
Proceeds from promissory note payable	25,000	-
Issuance of convertible notes payable	361,079	1,100,000
Net Cash Provided By Financing Activities	<u>1,031,334</u>	<u>1,988,772</u>
Net Change In Cash	-	(70,286)
Cash at Beginning of Period	-	70,286
Cash at End of Period	<u>\$ -</u>	<u>\$ -</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 83,110	\$ 325
Supplemental Disclosure of Non-Cash Financing Activities		
Conversion of convertible notes payable	\$ -	\$ 2,975,037

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

NOTE 1: NATURE OF OPERATIONS

Denim.LA, Inc. (the "Company"), is a corporation organized September 17, 2012 under the laws of Delaware as a limited liability company under the name Denim.LA LLC. The Company converted to a Delaware corporation on January 30, 2013 and changed its name to Denim.LA, Inc. The Company does business under the name DSTLD and previously did business under the name 20Jeans until mid-2014. The Company sells premium denim and other products direct to consumers.

NOTE 2: GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has not generated profits since inception, has sustained net losses of \$1,652,863 and \$3,605,341 for the years ended December 31, 2015 and 2014, respectively, has an accumulated deficit of \$6,689,477 and \$5,036,614 as of December 31, 2015 and 2014, respectively. The Company lacks liquidity to satisfy obligations as they come due and current liabilities exceed current assets by \$789,052 and \$335,441 as of December 31, 2015 and 2014, respectively. The Company's ability to continue as a going concern for the next twelve months is dependent upon its ability to generate sufficient cash flows from operations to meet its obligations, which it has not been able to accomplish to date, and/or to obtain additional capital financing. No assurance can be given that the Company will be successful in these efforts.

NOTE 3: 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 (GAAP) and Article 8 of Regulation S-X of the rules and regulations of the Securities and Exchange Commission (SEC).

The Company has elected to adopt early application of Accounting Standards Update No. 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements; the Company does not present or disclose inception-to-date information and other remaining disclosure requirements of Topic 915.

The Company adopted the calendar year as its basis of reporting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

Cash equivalents and concentration of cash balance

The Company considers all highly liquid securities with an original maturity of less than three months to be cash equivalents. The Company's cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of December 31, 2015 and 2014, the Company had negative cash balances of \$275 and \$1,416, respectively.

Capital Contribution Receivable

The Company records stock issuances at the effective date. If the contribution is not funded upon issuance, the Company records a capital contribution receivable as an asset on a balance sheet. When contributed capital receivables were not received prior to the issuance of financial statements at a reporting date in satisfaction of the requirements under FASB ASC 505-10-45-2, the contributed capital is reclassified as a contra account to stockholders' equity (deficit) on the balance sheet.

Fair Value of Financial Instruments

Financial Accounting Standards Board ("FASB") guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The carrying amounts reported in the balance sheets approximate their fair value.

Inventory

Inventory is stated at the lower of cost or market and accounted for using the weighted average cost method. The inventory balances as of December 31, 2015 and 2014 consist of products purchased for resale and any materials the Company purchased to modify the products. The Company has outsourced the warehousing and fulfillment of its inventory to a third party. During 2014, \$398,748 of inventory was written off in conjunction with the rebranding and change of business strategy from 20 Jeans to DSTLD.

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

Capital Assets

Property, equipment, and software are recorded at cost. Depreciation/amortization is recorded for property, equipment, and software using the straight-line method over the estimated useful lives of assets. The Company reviews the recoverability of all long-lived assets, including the related useful lives, whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset might not be recoverable. The balances at December 31, 2015 and 2014 consist of software with 3 year lives and property and equipment with 3-10 year lives.

The Company accounts for software development costs in accordance with several accounting pronouncements, including FASB ASC 730, Research and Development, FASB ASC 350-40, Internal-Use Software, FASB 985-20, Costs of Computer Software to be Sold, Leased, or Marketed and FASB ASC 350-50, Website Development Costs. Costs incurred during the period of planning and design, prior to the period determining technological feasibility, for website developed for use internal and external, has been charged to operations in the period incurred. Costs incurred after determination of readiness for market have been expensed as incurred. The Company capitalized certain costs in the development of its website software for the period after technological feasibility was determined and prior to readiness for market.

Depreciation and amortization charges on property, equipment, and software are included in general and administrative expenses and amounted to \$61,006 and \$64,334 as of December 31, 2015 and 2014, respectively. A loss on disposal of assets of \$135,623 was recognized in 2014 related to the rebranding and change of business strategy from 20 Jeans to DSTLD where certain software and property were disposed without any sales proceeds. Capital assets as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 36,884	\$ 35,564
Furniture and fixtures	2,284	2,284
Leasehold improvements	<u>81,325</u>	<u>81,325</u>
	120,493	119,173
Accumulated Depreciation	<u>(85,555)</u>	<u>(40,192)</u>
Property and Equipment, net	<u>\$ 34,938</u>	<u>\$ 78,981</u>
Depreciation Expense	<u>\$ 45,364</u>	<u>\$ 32,930</u>
Software (website and related)	\$ 52,200	\$ 52,200
Accumulated Amortization	<u>(26,955)</u>	<u>(11,313)</u>
Software, net	<u>\$ 25,245</u>	<u>\$ 40,887</u>
Amortization Expense	<u>\$ 15,642</u>	<u>\$ 31,401</u>

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

Convertible Instruments

U.S. GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional as that term is described under applicable U.S. GAAP.

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption. The Company also records, when necessary, deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the preferred shares.

Revenue Recognition

The Company recognizes revenue when: (1) persuasive evidence exists of an arrangement with the customer reflecting the terms and conditions under which products or services will be provided; (2) delivery has occurred or services have been provided; (3) the fee is fixed or determinable; and (4) collection is reasonably assured. The Company typically collects revenue upon sale and recognizes the revenue when the item has shipped. Orders that have been placed and paid as of year-end but have not been shipped are recorded to deferred revenue. Sales tax is collected on sales in California and these taxes are recorded as a liability until remittance. The Company estimates returns based on its historic results and return policy in place at the sale date, and records an allowance against revenues for this estimate. Liabilities are recorded for promotional credits and store credit issued to customers.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, *Compensation - Stock Compensation*. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period, which is generally the option vesting period. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options.

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

Deferred Offering Costs

The Company complies with the requirements of FASB ASC 340-10-S99-1 with regards to offering costs. Prior to the completion of an offering, offering costs are capitalized. The deferred offering costs are charged to stockholders' equity upon the completion of an offering or to expense if the offering is not completed.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will not be realized. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements.

Net Earnings or Loss per Share

Net earnings or loss per share is computed by dividing net income or loss by the weighted-average number of common shares outstanding during the period, excluding shares subject to redemption or forfeiture. The Company presents basic and diluted net earnings or loss per share. Diluted net earnings or loss per share reflect the actual weighted average of common shares issued and outstanding during the period, adjusted for potentially dilutive securities outstanding. Potentially dilutive securities are excluded from the computation of the diluted net earnings or loss per share if their inclusion would be anti-dilutive, and consist of the following:

	<u>2015</u>	<u>2014</u>
Stock warrants	10,000	10,000
Series Seed Preferred Stock (convertible to common stock)	20,714,518	19,078,350
Convertible notes *	1,671,662	-
Stock options	10,484,319	4,629,319
Total potentially dilutive shares	<u>32,880,499</u>	<u>23,717,669</u>

*: Convertible notes potential shares calculated based on latest preferred stock issuance pricing of \$0.27, applied at the 20% discount per the note agreements. See Note 5 for more information.

As all potentially dilutive securities are anti-dilutive as of December 31, 2015 and 2014, diluted net loss per share is the same as basic net loss per share for each year.

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

Reclassifications to Previously Issued Financial Statements

The 2014 financial statements were previously issued in conjunction with a filing with the Securities and Exchange Commission under Form 1-A on March 23, 2016, along with an Independent Auditor's Report dated March 7, 2016. These financial statements have been reissued to correct the classification of the 2014 "Loss on inventory write-off" of \$398,748 from a component of "Other Income (Expense)" to a component of "Costs of Net Revenues" and to correct the classification of "Loss on disposal of assets" of \$135,623 from a component of "Other Income (Expense)" to a component of "Operating Expenses," both in the 2014 Statement of Operations. These reclassifications did not affect net loss or stockholders' equity, but did change the "Cost of net revenues," "Gross profit," and "Loss from operations" in the Statement of Operations.

NOTE 4: STOCKHOLDERS' DEFICIT

Common Stock

The Company authorized 49,000,000 shares of common stock at \$0.0001 par value as of each December 31, 2015 and 2014. As of each December 31, 2015 and 2014, 9,396,362 shares of common stock were issued and outstanding.

Certain stock issuances were conducted under terms of restricted stock purchase agreements and are subject to vesting terms ranging from immediate to four years contingent upon continuous service with the Company, which provide the Company the right to repurchase unvested shares at the original purchase price. As of December 31, 2015 and 2014, 8,690,529 and 5,867,195 of the issued and outstanding shares had vested. All 705,833 of the unvested shares as of December 31, 2015 vest during 2016.

The Company has reserved 12,742,395 shares of its common stock pursuant to the 2013 Stock Plan. 10,484,319 and 4,629,319 stock options are outstanding as of December 31, 2015 and 2014, respectively.

Convertible Preferred Stock

On October 3, 2014, the Company amended its Certificate of Incorporation to authorize 21,209,487 shares of \$0.0001 par preferred stock. As of December 31, 2015 and 2014, 20,714,518 and 19,078,350 shares of preferred stock were issued and outstanding.

The preferred stockholders have certain dividend preferences over common stockholders. The preferred stock are subject to an optional conversion right, where the preferred stock are convertible into fully paid and non-assessable shares of common stock at a 1:1 rate, with certain dilution protections. The preferred stockholders are entitled to a liquidation preference over common stockholders of the greater of: 1) the preferred stock purchase price (\$0.27) multiplied by a multiple of 1.00 or 1.25 depending upon certain conditions; 2) on an as converted to common stock at the liquidation date. Based on circumstances in place as of December 31, 2015 and 2014, the liquidation preference was subject to the 1.25 multiple and amounted to \$6,991,150 and \$6,438,943, respectively.

The Company issued its Series Seed Preferred Stock during 2014 and 2015, resulting in the issuance of 5,020,221 shares of preferred stock at an issuance price of \$0.27 per share. These issuances provided proceeds of \$445,000 and \$920,383 for the years ended December 31, 2015 and 2014, respectively. As discussed in Note 5, convertible notes payable were converted to preferred stock in 2014, resulting in the issuance of 15,694,297 shares of preferred stock, relieving principal and accrued interest of \$2,975,037 on the convertible notes payable.

NOTE 5: LONG-TERM DEBT

Loan Payable

In January 2015, the Company entered into a short-term loan agreement in the amount of \$150,000, bearing interest at 39%. The loan called for 378 daily payments of \$552. In August 2015, the loan was modified to increase the loan amount to \$250,000, reduce the interest rate to 32.3%, and change the daily payment to \$1,050 per day for a term of 315 daily payments. Interest expense of \$82,223 was recorded on this note during the year ended December 31, 2015.

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

Notes Payable

In January 2013, the Company issued two non-convertible notes payable to related parties in the aggregate principal amount of \$50,644. Interest on the notes is 0.21%. The notes are payable on demand, but remain outstanding in the amount of \$50,851 as of each December 31, 2015 and 2014.

In November 2015, the Company issued an unsecured promissory note for \$25,000, bearing interest at 2% per annum and maturing on December 31, 2015. The note was not paid on the due date and remained outstanding at year-end.

Convertible Notes Payable – 2013 and 2014 issuances

Between January 2013 and June 2014, the Company issued various convertible promissory notes, subject to automatic conversion upon a qualified equity financing in excess of \$1,000,000, as defined in the note agreements. The notes were issued with varying terms as outlined in the following schedule.

<u>Issuance Year</u>	<u>Number of Notes</u>	<u>Combined Principal Amount</u>	<u>Interest Rate</u>	<u>Conversion Terms</u>	<u>Term</u>	<u>Number of Shares Converted into during 2014</u>	<u>Maturity</u>
2013	1	\$ 50,000	F	A	18 months	1,222,364	2014
2013	6	522,703	G	B	36 months	4,043,178	2016
2013	6	470,000	G	C	36 months	2,253,883	2016
2013	12	725,000	G	D	36 months	3,433,511	2016
2014	10	600,000	G	D	36 months	2,884,615	2017
2014	4	500,000	G	E	36 months	1,856,746	2017
		\$ 2,867,703				15,694,297	

A: Convertible into greater of (a) conversion into preferred stock at no discount or (b) 5.25% of pre-money fully-diluted capitalization (including shares from this convertible note only).

B: Automatic conversion at a qualified equity financing (over \$1,000,000) with \$3 million valuation cap or 20% discount to the lowest price paid in the triggering equity financing round.

C: Automatic conversion at a qualified equity financing (over \$1,000,000) with \$6 million valuation cap or 20% discount to the lowest price paid in the triggering equity financing round.

D: Automatic conversion at a qualified equity financing (over \$1,000,000) with \$7.5 million valuation cap or 20% discount to the lowest price paid in the triggering equity financing round.

E: Convertible with \$9.0 million valuation cap, no discount.

F: 6% fixed interest rate.

G: Variable interest rate equal to the Wall Street Journal Prime (3.25% during life of each note).

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

The Company determined that these notes, with the exception of the notes denoted above with "E" and containing no discount provision, contained beneficial conversion features contingent upon a future event due to the discounted conversion provision. Following FASB ASC 470-20, the Company determined the intrinsic value of the conversion features on these notes totaled \$610,108 based on the issuance date fair value of the Company's stock and the 20% conversion discount. However, in accordance with FASB ASC 470-20, a contingent beneficial conversion feature in an instrument that becomes convertible only upon the occurrence of a future event outside the control of the holder is not recognized in earnings until the contingency is resolved. Therefore, these beneficial conversion features were not recorded as note discounts at the issuance dates of the notes, but rather, are recognized upon consummation of the qualified equity financing (conversion trigger).

In October 2014, all of these convertible notes were converted, inclusive of accrued and unpaid interest, based upon the conversion terms and the occurrence of a qualifying equity transaction, resulting in the issuance of 15,694,297 shares of preferred stock. After this conversion event, none of these convertible notes payable or related accrued interest payable remained outstanding. The discount from the intrinsic value of the convertible notes' beneficial conversion features totaling \$610,108 was recognized to interest expense and additional paid-in capital on the conversion date as the conversion was simultaneous with resolution of the contingent event triggering convertibility.

Convertible Notes Payable – 2015 issuances

Between July and December 2015, the Company issued fourteen convertible promissory notes of varying amounts, subject to automatic conversion upon a qualified equity financing in excess of \$1,500,000 and optional conversion upon a non-qualified equity financing, as defined in the note agreements. The notes' conversion rate includes a 20% discount to the lowest price in the qualified or non-qualified equity financing round, or at the quotient obtained by dividing the valuation cap of \$15,000,000 by the fully-diluted capital at the date of the conversion if the valuation at the qualified equity financing exceeds the valuation cap. The conversion provisions provide that the notes are convertible into the number of preferred stock obtained by dividing the outstanding principal by the undiscounted conversion price plus the number of common stock obtained by dividing the outstanding principal by the discounted conversion price minus the number of preferred stock converted shares. This provides that 80% of the converted shares will be preferred stock and 20% will be common stock. The total principal of these issuances amounted to \$361,079. Interest accrues on the notes at the Wall Street Journal Prime (3.25% - 3.50% during 2015) until maturity and amounted to \$2,844 as of December 31, 2015. Accrued interest is not convertible on these notes. The notes have a 36 month term and each expires in 2018, when all principal and accrued interest comes due.

Company determined that these notes contained a beneficial conversion feature contingent upon a future event due to the discounted conversion provisions. Following FASB ASC 470-20, the Company determined the intrinsic value of the conversion features on these convertible notes totaled \$90,270 based on the issuance date fair value of the Company's stock and the 20% conversion discount. However, in accordance with FASB ASC 470-20, a contingent beneficial conversion feature in an instrument that becomes convertible only upon the occurrence of a future event outside the control of the holder is not recognized in earnings until the contingency is resolved. Therefore, these beneficial conversion features were not recorded as note discounts at the issuance dates of the notes, but rather, will be recognized if and upon consummation of the qualified equity financing (conversion trigger), which has not occurred as of December 31, 2015.

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

As of December 31, 2015, none of the 2015 convertible notes payable had been converted and all remained outstanding in their full principal amount.

NOTE 6: INCOME TAXES

For the years ended December 31, 2015 and 2014, the Company did not record an income tax benefit because it has incurred taxable losses and has no history of generating taxable income and therefore the Company cannot presently anticipate the realization of a tax benefit on its net operating loss carryforward. Accordingly, the Company recorded a full valuation allowance against its deferred tax assets of \$1,808,171 and \$1,342,076 as of December 31, 2015 and 2014, respectively. Deferred tax assets and liabilities resulted from net operating losses, depreciation/amortization, and stock based compensation.

As of December 31, 2015 and 2014, the Company has net operating loss carryforwards of \$5,217,788 and \$3,903,742, which will begin to expire in 2033.

The Company has evaluated its income tax positions and has determined that it does not have any uncertain tax positions. The Company will recognize interest and penalties related to any uncertain tax positions through its income tax expense.

The Company may in the future become subject to federal, state and local income taxation though it has not been since its inception. The Company is not presently subject to any income tax audit in any taxing jurisdiction.

NOTE 7: SHARE-BASED PAYMENTS

Warrants

In February 2014, the Company issued 10,000 warrants to purchase shares of common stock under a board advisory agreement for advisory services provided to the Company. The shares available under this warrant vest prorata over two years on a monthly basis (1/24 vest per month). The stock purchase warrants expire at the earliest of: five years after their date of issuance (2019), any change in control, or an initial public offering. The exercise price for the common stock warrants is \$0.15 per share. The number of shares or exercise price will be adjusted in the event of any stock dividend, stock splits or recapitalization of the Company. The Company determined the fair value of these warrants under a Black-Scholes calculation was de minimus and therefore did not record an adjustment to additional paid-in capital for the value of the services received in exchange for these warrants. As of December 31, 2015 and 2014, 9,167 and 4,167 warrants had vested, respectively.

Stock Plan

The Company has adopted the 2013 Stock Plan, as amended and restated (the "Plan"), which provides for the grant of shares of stock options, stock appreciation rights, and stock awards (performance shares) to employees, non-employee directors, and non-employee consultants. Under the Plan, the number of shares available to be granted was 12,742,395 shares as of December 31, 2015 and 2014. The option exercise price generally may not be less than the underlying stock's fair market value at the date of the grant and generally have a term of ten years. The amounts granted each calendar year to an employee or non-employee is limited depending on the type of award. Stock options comprise all of the awards granted since the Plan's inception. Shares available for grant under the Plan amounted to 2,170,076 and 8,025,076 as of December 31, 2015 and 2014, respectively.

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

Vesting generally occurs over a period of immediately to four years. A summary of information related to stock options for the years ended December 31, 2015 and 2014 is as follows:

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding - beginning of year	4,629,319	\$ 0.15	-	
Granted	5,855,000	\$ 0.10	5,547,652	\$ 0.15
Exercised	-		-	
Forfeited	-		(918,333)	\$ 0.15
Outstanding - end of year	<u>10,484,319</u>	\$ 0.12	<u>4,629,319</u>	\$ 0.15
Exercisable at end of year	<u>6,309,775</u>	\$ 0.13	<u>2,374,725</u>	\$ 0.15
Weighted average grant date fair value of options granted during year	<u>\$ 0.060</u>		<u>\$ 0.052</u>	
Weighted average duration (years) to expiration of outstanding options at year-end	<u>9.47</u>		<u>9.11</u>	
Aggregate Intrinsic Value	<u>\$ -</u>		<u>\$ -</u>	

The Company measures employee stock-based awards at grant-date fair value and recognizes employee compensation expense on a straight-line basis over the vesting period of the award. Determining the appropriate fair value of stock-based awards requires the input of subjective assumptions, including the fair value of the Company's common stock, and for stock options, the expected life of the option, and expected stock price volatility. The Company used the Black-Scholes option pricing model to value its stock option awards. The assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. As a result, if factors change and management uses different assumptions, stock-based compensation expense could be materially different for future awards.

The expected life of stock options was estimated using the "simplified method," which is the midpoint between the vesting start date and the end of the contractual term, as the Company has limited historical information to develop reasonable expectations about future exercise patterns and employment duration for its stock options grants. The simplified method is based on the average of the vesting tranches and the contractual life of each grant. For stock price volatility, the Company uses comparable public companies as a basis for its expected volatility to calculate the fair value of options grants. The risk-free interest rate is based on U.S. Treasury notes with a term approximating the expected life of the option. The estimation of the number of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts are recognized as an adjustment in the period in which estimates are revised. The assumptions utilized for option grants during the years ended December 31, 2015 and 2014 are as follows:

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

	<u>2015</u>	<u>2014</u>
Risk Free Interest Rate	1.62%	1.66%
Expected Dividend Yield	0.00%	0.00%
Expected Volatility	73.00%	73.00%
Expected Life (years)	5.00	5.00
Fair Value per Stock Option	\$ 0.06	\$ 0.05

Stock-based compensation expense of \$251,871 and \$138,541 was recognized under FASB ASC 718 for the years ended December 31, 2015 and 2014, respectively. Total unrecognized compensation cost related to non-vested stock option awards amounted to \$249,365 and \$149,937 for the years December 31, 2015 and 2014, respectively.

NOTE 8: RELATED PARTY TRANSACTIONS

Related Party Loans Receivable

The Company has loaned funds to two officers of the Company throughout the life of the business, which amounted to \$124,069 and \$78,082 as of December 31, 2015 and 2014. These loans are payable on demand and do not bear interest.

Related Party Advance Payable

A family member of an officer advanced the Company \$12,000 during 2014. This amount remains unpaid and outstanding as of December 31, 2015 and 2014.

This individual also owns and controls a company that provides accounting services to the Company at a rate of \$2,500 per month commencing in 2015. \$7,500 was due under this arrangement as of December 31, 2015.

Promissory Notes Payable:

The Company issued promissory notes payable to two founders of the Company during 2013. These notes bear interest at 0.21%, are payable on demand, and have a combined principal balance due of \$50,851 as of each December 31, 2015 and 2014.

Employee Backpay:

Two officers of the Company have deferred their salary during portions of 2014 and 2015 due to cash flow needs of the Company. Such amounts payable as of December 31, 2015 and 2014 were \$315,585 and \$113,711.

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

Payment processor:

The Company's backend payment processor's majority shareholder is a director of the company.

Officer stock issuance and promissory note:

On October 14, 2013, the company issued 2,688,889 shares of \$0.0001 par common stock at a price of \$0.09 per share to an officer of the company under a restricted stock purchase agreement. The company determined the fair value per share at the issuance date was \$0.15 per share. The shares are subject to vesting provisions where 268,889 shares vested immediately upon issuance, and the remaining 2,420,000 shares vested prorata over a period of 36 months (67,222 shares per month). 2,151,111 and 1,344,445 shares have vested as of December 31, 2015 and 2014, respectively.

The \$242,000 proceeds from this common stock issuance were received by the company in the form of a promissory note due from the officer to the Company. The note calls for interest at Wall Street Journal Prime Rate plus 1% (currently 4.25%), annual interest payments due on the note anniversary date, and a maturity date of the earlier of October 14, 2018, termination of the officer's service to the Company, or upon default of the promissory note. Related party interest income on this note receivable amounted to a cumulative total of \$12,483 through December 31, 2015 and remains outstanding in the full amount as of December 31, 2015. The promissory note is secured by the 2,688,889 shares of common stock (vested and unvested) issued in conjunction with the promissory note. The Company agreed to forgive this promissory note contingent upon the officer's continued service with the Company, with \$80,667 of principal being forgiven on each December 31, 2013, 2014, and 2015, thereby forgiving the entire principal balance. The Company further agreed that upon voluntary or involuntary termination of service, where the Company repurchases unvested shares issued in conjunction with this promissory note, the portion of the promissory note equal to the repurchase price of the unvested shares will be immediately due, and the remaining portion of outstanding principal and accrued interest will be forgiven in full. The Company recognized this transaction as capital contributions receivable (a contra equity account) as the proceeds have not yet been funded by the stockholder in accordance with the asset recognition criteria for capital contributions under FASB ASC 505-10-45-2, and charged the full loan amount to additional paid-in capital at the issuance date. The loan forgiveness provisions are subject to the continued service of the officer, and therefore each loan forgiveness date is charged from the capital contribution receivable to compensation cost at the forgiveness date in the amount of the forgiven loan. Therefore, \$80,667 was charged to compensation cost on each December 31, 2013, 2014, and 2015.

The company also approved the issuance of \$70,000 of loans to this officer. This note has not been drawn upon through December 31, 2015.

NOTE 9: LEASE OBLIGATIONS

Effective December 2013, the Company entered into a lease agreement for warehouse space. The lease term commenced December 1, 2013 and expires after 39 months, on February 28, 2017. Monthly lease obligations under the agreement are base rent starting at \$8,617 per month plus operating costs estimated at \$2,439, but subject to actual expenses. The base rent is contractually escalated to \$8,876 per month beginning December 1, 2014 and to \$9,142 per month beginning December 1, 2015. A \$17,234 deposit was paid at the commencement of the lease. The lease agreement provides for a three month rent and operating expense credit for the months January through March of 2014, where a total of \$33,168 of rent was credited by the lessor to the Company for these months. In the event of a default on the lease terms, this credit is contractually payable back to the lessor in the full amount. The Company defaulted on the lease terms when its December 2014 lease payment was not paid within five business days of its due date. Therefore, the Company accrued the full rent credit of \$33,168 to accounts payable as of December 31, 2015 and 2014 to recognize the potential obligation to the lessor, though this amount has yet to be billed to the Company.

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

The Company ceased using the warehouse space in August 2014, and entered into a lease agreement with a sub-lessor at a rate of \$11,056 per month. The 30-month lease term commenced September 2014 and expires in February 2017. The income from the sublease is recorded to Other Income on the Statements of Operations.

The Company has entered into a lease agreement on office space effective March 1, 2014. The lease calls for monthly rent payments of \$5,000 commencing March 1, 2014 on a month-to-month basis.

The following are the minimum future lease obligations on the Company's lease agreements:

December 31,	Lease Obligations
2015	136,046
2016	138,972
2017	23,162
	<u>298,180</u>

NOTE 10: CONTINGENCIES

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations.

NOTE 11: RECENT ACCOUNTING PRONOUNCEMENTS

In June 2014, the FASB issued Accounting Standards Update (ASU) 2014-10 which eliminated the requirements for development stage entities to (1) present inception-to-date information in the statements of income, cash flows, and stockholders' equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. This ASU is effective for annual reporting periods beginning after December 15, 2014, and interim periods beginning after December 15, 2015. Early application is permitted for any annual reporting period or interim period for which the entity's financial statements have not yet been issued. Upon adoption, entities will no longer present or disclose any information required by Topic 915. The Company has early adopted the new standard effective immediately.

See accompanying Independent Auditor's Report

DENIM.LA, INC.
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2015 and 2014 and for the years then ended

In August 2014, the FASB issued ASU 2014-15 on "Presentation of Financial Statements Going Concern (Subtopic 205-40) – Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". Currently, there is no guidance in U.S. GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. The amendments in this update provide such guidance. In doing so, the amendments are intended to reduce diversity in the timing and content of footnote disclosures. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term *substantial doubt*, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this update are effective for public and nonpublic entities for annual periods ending after December 15, 2016. Early adoption is permitted. The Company has not elected to early adopt this pronouncement.

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

NOTE 12: SUBSEQUENT EVENTS

Business Loan

On May 18, 2016, the company closed on a loan with MBMJ Capital LLC dba Continental Business Credit, which includes the following funding mechanisms. The loans require a minimum monthly interest charge of \$2,500, are subject to a default rate of an additional 7% on the stated interest rates, and required a \$10,000 facility fee at closing.

Revolving Inventory Finance Facility: The Company may borrow up to 50% of the book value of all eligible inventory in its possession. The balance of the loan is to be paid down daily with proceeds from the sale of inventory. The loan is revolving, and therefore the company can continue to draw on the note up to 50% of eligible inventory as the loan is being paid down. The maximum credit limit for this loan is \$1,000,000. This loan bears interest at prime plus 11.75%, with a minimum rate of 15%. The loan has a one year term. The total drawn on the loan at issuance was \$125,000.

Term Loan: This term loan is provided to satisfy the Company's secured indebtedness to OnDeck Capital, the overdue balance of sales tax owed to the California State Board of Equalization, and provide Continental Business Credit a valid and senior security interest in all assets of the Company. The term loan has a maximum balance of \$300,000. The term loan bears interest at 24%, with a default rate of 31%. All principal on the term loan is due July 31, 2016 and interest is due and payable monthly. The term loan may be extended for up to 90 days at the lenders discretion for a principal amount not to exceed \$150,000, subject to an extension fee. The total drawn on the loan at issuance was \$235,436.

Convertible Note

During 2016, the Company has issued \$690,000 of convertible promissory notes under similar terms to the 2015 convertible note issuances discussed in Note 5. \$60,000 of such was not yet been funded to the Company as of the issuance of these financial statements.

Management's Evaluation

Management has evaluated subsequent events through May 26, 2016, the date the financial statements were available to be issued. Based on this evaluation, no material events were identified which require adjustment or disclosure in these financial statements.

See accompanying Independent Auditor's Report

INDEX TO EXHIBITS

Exhibit 1	Placement Agreement with North Capital Private Securities Corporation
Exhibit 2.1	Amended and Restated Certificate of Incorporation**
Exhibit 2.2	Bylaws**
Exhibit 3.1	Amended and Restated Investors' Rights Agreement**
Exhibit 3.2	Amended and Restated Right of First Refusal and Co-Sale Agreement**
Exhibit 3.3	Amended and Restated Voting Agreement**
Exhibit 4	Form of Subscription Agreement
Exhibit 6.1	Payment Processing Agreement with Banctek Solutions**
Exhibit 6.2	Employment Agreement with Mark Lynn**
Exhibit 6.3	Employment Agreement with Corey Epstein**
Exhibit 6.4	Updated Employment Agreement with Corey Epstein**
Exhibit 6.5	Employment Agreement with Kevin Morris**
Exhibit 6.6	Employment Agreement with Conrad Steenberg**
Exhibit 6.7	Promissory Note of Mark Lynn
Exhibit 6.8	Promissory Note of Corey Epstein
Exhibit 6.9	Lease Agreement with Beverly Blvd Associates, L.P.
Exhibit 6.10	Promissory Note of Mark Lynn
Exhibit 11	Consent of Artesian CPA**
Exhibit 12	Opinion as to validity of securities
Exhibit 13	Testing the waters materials

* To be filed by amendment to this Offering Circular

** Previously filed

SIGNATURES

Pursuant to the requirements of Regulation A, the issuer certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form 1-A and has duly caused this Offering Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on June 9, 2016.

Denim.LA, Inc.

By /s/ Mark T. Lynn

Mark T. Lynn, Chief Executive Officer of
Denim.LA, Inc.

This Offering Statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ Mark T. Lynn

Mark T. Lynn, Co-Chief Executive Officer, Director

Date: June 9, 2016

/s/ Corey Epstein

Corey Epstein, Co-Chief Executive Officer, Director

Date: June 9, 2016

/s/ Kevin Morris

Kevin Morris, Chief Operating Officer, Chief Financial Officer, Chief Accounting Officer

Date: June 9, 2016

/s/ Trevor Pettenude

Trevor Pettenude, Director

Date: June 9, 2016

/s/ John Tomich

John Tomich, Director

Date: June 9, 2016

NORTH CAPITAL PRIVATE SECURITIES CORPORATION

ISSUER AGREEMENT

THIS AGREEMENT is entered into as of 9/17/15 (the “Effective Date”) by and among Denim, LA, having a principal address at 8899 Beverly Boulevard, Suite 100B, West Hollywood, CA 90048 (the “Company”), North Capital Private Securities Corporation (“NCPS”) and SeedInvest Technology, LLC (“SeedInvest”) regarding its Offering of Securities pursuant to Regulation A under Section 3(b) of the Act (the “Offering”) on the terms and subject to the conditions contained herein. Capitalized terms used herein and not otherwise defined shall have the meaning set forth on Appendix I.

1. **Engagement.**

The Company hereby agrees to Test the Waters (as defined below) on the SeedInvest platform. If after commencing its Testing the Waters campaign the company proceeds with an Offering, then the Company hereby agrees to retain NCPS as its exclusive placement agent in connection with said Offering. NCPS agrees to use its reasonable best efforts, consistent with customary practice, to effect the Offering, subject to the terms herein. It is expressly understood that this engagement does not constitute any commitment, express or implied, on the part of NCPS to provide, and does not ensure the successful placement of, any portion of the Offering.

2. **Testing the Waters.**

Company understands that NCPS intends to use an online platform provided by SeedInvest at the domain name www.seedinvest.com (the “Online Platform”) to provide technology tools to facilitate the Testing the Waters campaign. Upon execution of this Agreement, Company shall upload a company summary to the Online Platform, in addition to an investor presentation, that truthfully, accurately, and completely describes the Company and its prospective offering (the “Online Profile”).

Upon approval of the Online Profile by NCPS, the Online Profile may be viewable on the Online Platform and NCPS or SeedInvest may send newsletters or other general electronic communications to registered users on the Online Platform who may make non-binding indications of interest during this time (“Testing the Waters”). In addition, upon launch of the Testing the Waters campaign, the Company agrees to email its complete list of users and direct them to the Online Profile on the Online Platform where said users can indicate interest. For the avoidance of doubt, no Offering shall be commenced and no investments or subscription offers will be accepted unless and until due diligence has been satisfactory completed and all government qualifications and approvals have been obtained.

3. **Approval and Due Diligence.**

Following the Testing the Waters campaign, the Company shall decide on whether to proceed with the Offering. To the extent the Company decides to proceed, it will proceed with preparing and filing its Form 1-A, completing NCPS due diligence and taking all other actions necessary to obtain appropriate qualifications and approvals for the Offering as described in Appendix II attached hereto. Upon obtaining such qualifications and approvals, NCPS and the Company may begin conducting the Offering pursuant to Section 4 below.

4. **The Offering.**

Upon completion of due diligence and acceptance by NCPS and receipt all appropriate government qualifications and approvals, NCPS will, on a reasonable “best efforts” basis through its registered personnel and through other registered broker-dealers with whom NCPS has a selling agreement, arrange for the Offering through the end of the Term of this Agreement (the “Offering Period”).

(i) In addition to leveraging its existing relationships, NCPS may publicly market the Offering using general solicitation through methods including but not limited to email marketing, online advertisements, and press releases.

(ii) Company agrees to email its complete list of users and direct them to the Online Profile on the Online Platform where said users can subscribe to the Offering and obtain necessary information.

(iii) Prior to the commencement of the Offering, the parties hereto shall execute the Escrow Agreement, if applicable.

(iv) Upon receipt of any Proposed Subscription, Company must accept such Proposed Subscription and issue the applicable securities to such Subscribing Investor unless (i) it delivers written notice of rejection to NCPS and SeedInvest during the Rejection Period or (ii) there is a Rejection for Cause as defined Appendix I.

(v) Without the prior written consent of NCPS, the Company shall not accept investments in the Offering by Prospects unless such investment occurs through the Online Platform and the applicable investment funds are routed through the Escrow Account established by NCPS for the Offering.

(vi) All information about Prospects, including Prospect lists, is confidential information and is the property of NCPS, provided however upon any such Prospect becoming an investor in the Company all information provided to the Company by such Prospect shall also be Company property upon the closing of the purchase and sale of the Company's securities to such Prospect in the Offering ("Closing").

5. **Compensation.**

Company will not be charged for Testing the Waters and will only pay compensation to the extent it decides to proceed with an actual Offering, which successfully raises capital.

(i) Upon proceeding with an Offering, Company shall pay to NCPS in cash, an amount equal to 7.5% of the principal amount invested by Prospects in the Offering from the proceeds of the Offering at each applicable closing (the "Cash Compensation"); and

(ii) Upon proceeding with an Offering, Company shall issue to NCPS (or its designee(s)) for nominal consideration), warrants (the "Warrants") to purchase such number of Securities (or shares issuable upon conversion of the Securities) equaling 5% of the number of Securities sold to Prospects in the Offering. The Warrants shall (i) have an exercise price equal to the price per share paid by the Prospects, (ii) shall be exercisable until the date that is five (5) years from the effective date of the offering, (iii) contain automatic cashless exercise provisions upon a liquidity event or expiration, (iv) contain customary weighted average anti-dilution price protection provisions and immediate cashless exercise provisions and shall not be callable by the Company, (v) contain customary Reclassification, Exchange, Combinations or Substitution provisions (including with respect to Convertible Notes), and (vi) contain other customary terms and provisions. The Cash Compensation and Warrants are collectively referred to herein as the "Compensation."

6. **Offering Expenses.**

Company will not incur any Offering Expenses for Testing the Waters and will only incur Offering Expenses to the extent it decides to proceed with an actual Offering.

(i) Upon proceeding with an Offering, the Company agrees to reimburse NCPS for up to \$25,000 in out-of-pocket escrow fees, marketing expenses, due diligence fees and legal fees, incurred by NCPS (the “Expenses”). The out-of-pocket expense allowance shall not include the fees and expenses associated with the CrowdCheck and Accounting services, which shall be paid directly by the Company to the applicable vendor.

(ii) The Company agrees that any reimbursements owed to NCPS may be deducted from the proceeds of the Offering at each applicable Closing.

7. Covenants, Representations and Warranties of the Company.

The Company represents and warrants to NCPS that:

(i) The Company will submit all Testing the Waters and Offering communications to NCPS for approval prior to publicizing or distributing such messages to ensure regulatory compliance.

(ii) The Company is registered, in good standing in each jurisdiction in which it conducts business, and has obtained all approvals and licenses required to conduct its business, including payment of all federal, state, and local taxes.

(iii) The Company is not presently conducting or contemplating any other offering of securities pursuant to Regulation A under Section 3(b) of the Act other than the Offering and will alert NCPS as soon as commercially reasonable to the extent the Company plans to conduct a separate offering simultaneously under Regulation D.

(iv) The Offering Documents and any marketing materials provided by the Company or posted to SeedInvest will not contain (a) any misstatement of a material fact or omission of any material fact necessary to make the statements therein not misleading or any (b) exaggerated, unwarranted, promissory or unsubstantiated claims (as set forth in applicable FINRA regulations and guidance).

(v) In its statements and meetings with prospective investors, the Company will not make any misstatement of a material fact and will not omit any material fact necessary to make the statements therein not misleading and shall treat all prospective investors fairly and with the utmost integrity.

(vi) The Company shall promptly notify NCPS if it discovers any material misstatement or inconsistency, or the omission of a material fact, in the Offering Materials or any promotional material developed by NCPS or the Company.

(vii) Neither the Company nor any of its officers, directors, employees or agents is or has been, in any domestic or foreign jurisdiction, (a) indicted for or convicted of any felony or any securities or investment related offense of any kind, (b) enjoined, barred, suspended, censured, sanctioned or otherwise restricted with respect to any securities or investment-related business or undertaking or (c) the subject or target of any securities or investment-related investigation by any regulatory authority. None of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the Offering, any beneficial owner of 20% or more of the Company’s outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an “Issuer Covered Person” and, together, “Issuer Covered Persons”) is subject to any of the “Bad Actor” disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a “Disqualification Event”), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event.

(viii) The Company will promptly supplement or amend the Offering Documents and correct its statements whenever it is necessary to do so in order to comply with applicable laws, rules and regulations, and to ensure truthfulness, accuracy, and fairness in the presentation of the Offering.

(ix) The Company will protect and maintain all confidential information provided by NCPS or SeedInvest to the Company.

(x) The Company represents that it has not taken, and it will not take any action, directly or indirectly, so as to cause the Offering to fail to be entitled to rely upon the exemption from registration afforded by Section 3(b) or Section 4(a)(2) of the Securities Act of 1933, as amended (the "Act"). In effecting the Offering, the Company agrees to comply in all material respects with applicable provisions of the Act and any regulations thereunder and any applicable laws, rules, regulations and requirements (including, without limitation, all U.S. state law and all national, provincial, city or other legal requirements of any applicable foreign jurisdiction). The Company agrees that any representations and warranties made by it to any investor in the Offering shall be deemed also to be made to NCPS and SeedInvest for their benefit.

(xi) To the extent the Company proceeds with an Offering after Testing the Waters, the Company shall, at its own expense, prepare and file a Form 1-A with the U.S. Securities and Exchange Commission and any applicable states and take all other actions necessary to qualify for the exemption provided by Regulation A under Section 3(b) of the Act, in connection with the Company Offering and to make any and all related state "blue-sky" filings and take all other actions necessary to perfect such federal and state exemptions, and to provide copies of such filings to NCPS. In addition, the Company shall pay for all applicable filing and other fees necessary to qualify this offering with the Financial Industry Regulatory Authority ("FINRA").

(xii) The Company shall (a) whether before, during or after the Offering, cooperate with all reasonable due diligence efforts by NCPS and satisfy all reasonable due diligence requests made by NCPS (including by its vendors) in a timely manner, (b) connect NCPS with prospective or committed investors in the Offering as reasonably requested, (c) provide complete, final and executed transaction documents to SeedInvest and NCPS for the Offering within 30 days of each closing of the Offering, (d) shall keep NCPS reasonably informed about the status and likelihood of closing investments from prospective investors in the Offering, (e) not direct Prospects to invest outside of the Online Platform for the purpose of avoiding payment of fees or otherwise, (f) if requested by NCPS, provide a legal opinion from the Company's legal counsel to the extent that the Offering (except with respect to any actions of NCPS) has been conducted in accordance with all applicable law and regulation, (g) not "scrape" the names of investors listed on the Online Platform or attempt to contact such investors outside of the Platform, or (h) not attempt to circumvent any limitations or procedures of the Online Platform.

(xiii) Following the Closing of the Offering, at least once per fiscal quarter, Company shall provide the following to SeedInvest and each Prospect who purchased securities in the Offering for so long as such Prospect owns securities of the Company (or any successor), a written (or email) report containing at least the following information: (i) quarterly revenue, (ii) quarterly change in cash and cash on hand, (iii), number of full-time employees, (iv) any material updates on the business (in a simple bullet format), (v) any material issues faced by the business (in a simple, bullet format), (vi) progress on KPI #1 (the most important key metric of the business (e.g. number of users, etc.), (vii) KPI #2, the next important key metric that you use to run your business (e.g. conversion rates, churn, etc.), (viii) fundraising updates (plans for timing of next round, current round status, etc.), and (ix) notable press & news.

8. **Representations and Warranties of NCPS.**

NCPS represents and warrants to the Company that:

(i) NCPS is a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA, prior to the commencement of any Offering, shall have obtained all other applicable federal and state licenses and registrations necessary to perform the services described herein and to receive compensation hereunder, and, in performing such services, will comply with all applicable federal and state laws.

(ii) Neither NCPS nor any of its officers, directors, employees or agents is or has been, in any domestic or foreign jurisdiction, (a) indicted for or convicted of any felony or any securities or investment related offense of any kind or (b) enjoined, barred, suspended, censured, sanctioned or otherwise restricted with respect to any securities or investment-related business or undertaking.

(iii) Neither NCPS nor any of its officers, directors, employees or agents is or has been, in any domestic or foreign jurisdiction, (a) indicted for or convicted of any felony or any securities or investment related offense of any kind, (b) enjoined, barred, suspended, censured, sanctioned or otherwise restricted with respect to any securities or investment-related business or undertaking or (c) the subject or target of any securities or investment-related investigation by any regulatory authority. None of NCPS, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of NCPS participating in the Offering, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with NCPS in any capacity at the time of sale (each, an "NCPS Covered Person" and, together, "NCPS Covered Persons") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). NCPS has exercised reasonable care to determine whether any NCPS Covered Person is subject to a Disqualification Event.

9. Compliance with this Agreement.

Each of the Company and NCPS, on request of the other, agrees to provide reasonable assurances (including written representations) of its compliance with the terms of this Agreement and, in order to verify such compliance, reasonable access to any documents in its possession referring or relating to any Prospect or Subscribing Investor (whether or not such person invests in any Offering of the Company).

10. Solicitations By or For Others.

The Company and NCPS acknowledge and agree that, during the Term of this Agreement, Company will not engage any person to perform services similar to those provided by NCPS or SeedInvest without the prior written consent of NCPS and SeedInvest, although NCPS may render solicitation services of the kind contemplated herein for persons other than the Company.

For the avoidance of doubt, during Term of this Agreement, Company may not seek funding through another placement agent, online platform or other intermediary.

11. Indemnification.

Company agrees that, except in the case of gross negligence, fraud or willful misconduct by NCPS and SeedInvest and each of its respective affiliates and their respective directors, officers and employees, it will indemnify and hold harmless NCPS and SeedInvest and each of its respective affiliates and their respective directors, officers, employees ("Indemnified Parties") for any loss, claim, damage, expense or liability incurred by the other (including reasonable attorneys' fees and other expenses in investigating, defending against or appearing as a third-party witness in connection with any action or proceeding) in any third-party claim arising out of a material breach (or alleged breach) by it of any provision of this Agreement, or as a result of any potential violation of any law or regulation. Company agrees that it shall indemnify and hold harmless the Indemnified Parties for any loss, claim, damage, expense or liability incurred by such Indemnified Party (including reasonable attorneys' fees and other expenses in investigating, defending against or appearing as a third-party witness in connection with any action or proceeding) in any third-party claim arising out of any investment or potential investment in the Offering by a person other than a Prospect.

12. **Remedies.**

Company hereby agrees that if it breaches any portion of this Agreement, (a) NCPS, SeedInvest and any applicable third-party beneficiary (each, a Damaged Party) would suffer irreparable harm; (b) it would be difficult to determine damages, and money damages alone would be an inadequate remedy for the injuries suffered by the applicable Damaged Party; and (c) if a Damaged Party seeks injunctive relief to enforce this Agreement, Company will waive and will not (i) assert any defense that the Damaged Party has an adequate remedy at law with respect to the breach, (ii) require that the Damaged Party submit proof of the economic value of any losses, or (iii) require the Damaged to post a bond or any other security. Accordingly, in addition to any other remedies and damages available, Company acknowledges and agrees that each Damaged Party may immediately seek enforcement of this Agreement by means of specific performance or injunction, without any requirement to post a bond or other security. Nothing contained in this Agreement shall limit the Damaged Party's right to any other remedies at law or in equity. In any litigation, arbitration, or other proceeding by which one party either seeks to enforce its rights under this Agreement (whether in contract, tort, or both) or seeks a declaration of any rights or obligations under this Agreement, the prevailing party shall be awarded its reasonable attorney fees, and costs and expenses incurred. All rights and remedies herein shall be in addition to all other rights and remedies available at law or in equity, including, without limitation, specific performance against the Company for the enforcement of this Agreement, and temporary and permanent injunctive relief.

13. **Limits of Liability.**

THE LIABILITY OF SEEDINVEST AND NCPS, RESPECTIVELY, WHETHER BASED ON AN ACTION OR CLAIM IN CONTRACT, EQUITY, NEGLIGENCE, TORT, OR OTHERWISE FOR ALL EVENTS, ACTS, OR OMISSIONS RELATED TO THIS AGREEMENT SHALL NOT EXCEED THE FEES PAID OR PAYABLE TO SEEDINVEST AND NCPS, RESPECTIVELY, UNDER THIS AGREEMENT, EXCEPT IN THE EVENT OF FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT ON THE PART OF SEEDINVEST OR NCPS, RESPECTIVELY.

14. **Term; Expiration; Termination; Renewal.**

(i) Term. The initial term of this Agreement (the "Initial Term") shall be for two hundred seventy (270) days beginning from the Effective Date and shall automatically renew for successive thirty (60) day periods (each, a "Renewal Term") unless notice of termination is delivered by either party at least 7 days prior to the end of the applicable term, unless this Agreement expires or terminates prior thereto pursuant to the terms herein (such cumulative time period, the "Term").

(ii) Termination. The Company may terminate this Agreement (a) upon a material breach of this Agreement by NCPS and failure to cure such material breach within 14 days of receipt of notice thereof, or (b) upon any bankruptcy, liquidation or insolvency proceedings of NCPS. NCPS may terminate this Agreement at any time upon and for any reason immediately upon delivery of written notice to the Company.

(iii) Effect of Termination. Following to the termination or expiration of this Agreement:

- a Sections 5, 6, 7, 8, 11, 12, 13, 14, 15, 16, 17 and 18 shall survive the expiration, termination or cancellation of this Agreement.
- b If the Offering has commenced, Company shall take all actions necessary to promptly accept, finalize and consummate any Proposed Subscriptions received prior to the Termination Date.
- c Company shall pay the Compensation to NCPS with respect to any Prospect who invests in securities of the Company within 180 days of the expiration of termination of this Agreement as if such securities were issued in the Offering.

d Upon termination, NCPS shall take all actions necessary to comply with FINRA Rule 5110(f)(2)(D).

15. Post-Closing Publicity.

Following conclusion of the Offering, Company shall use reasonable efforts to include a prominent positive reference to raising capital utilizing the Online Platform in all publications, press releases, interviews or other publicity regarding closing of the Offering. SeedInvest or NCPS may publicize the agreement to work together in the form of press releases, announcements and marketing materials for the purpose of further business developments efforts. Additionally, Company agrees that SeedInvest and NCPS shall, from and after any closing of a Company Offering, have the right to reference the Company Offering and their role in connection therewith in their marketing materials, on their websites, in the press, and in online and social media advertisements, in each case at their own expense.

16. Changes to Applicable Law.

To the extent that the existing law relating to this Agreement changes, and such change affects this Agreement, the parties shall reform the affected portion of this Agreement to comply with the change.

17. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the New York and the federal laws of the United States of America. NCPS, SeedInvest and Company hereby consent and submits to the jurisdiction and forum of the state and federal courts in New York in all questions and controversies arising out of this Agreement.

18. Attorneys' Fees and Costs.

Subject to Section 13, in any arbitration, litigation, or other proceeding, informal or formal, by which one party either seeks to enforce this Agreement or seeks a declaration of any rights or obligations under this Agreement, the non-prevailing party shall pay the prevailing party's costs and expenses, including but not limited to, reasonable attorneys' fees.

19. Compliance with Laws; Policies and Procedures.

All parties agree to comply with all applicable federal, state, and local laws, executive orders and regulations issued, where applicable. Company shall comply with NCPS's and SeedInvest's policies and procedures where the same are posted, conveyed, or otherwise made available to Company.

20. Cooperation.

Where agreement, approval, acceptance, consent or similar action by either party hereto is required by any provision of this Agreement, such action shall not be unreasonably delayed or withheld. Each party will cooperate with the other by, among other things, making available, as reasonably requested by the other, management decisions, information, approvals, and acceptances in order that each party may properly accomplish its obligations and responsibilities hereunder.

21. Force Majeure; Excused Performance.

Neither party shall be liable for delays or any failure to perform the Services or this Agreement due to causes beyond its reasonable control. Such delays include, but are not limited to, fire, explosion, flood or other natural catastrophe, governmental legislation, acts, orders, or regulation, strikes or labor difficulties, to the extent not occasioned by the fault or negligence of the delayed party. Any such excuse for delay shall last only as long as the event remains beyond the reasonable control of the delayed party. However, the delayed party shall use its best efforts to minimize the delays caused by any such event beyond its reasonable control.

22. **No Waiver.**

The failure of either party at any time to require performance by the other party of any provision of this Agreement shall in no way affect that party's right to enforce such provisions, nor shall the waiver by either party of any breach of any provision of this Agreement be taken or held to be a waiver of any further breach of the same provision.

23. **Notices.**

Any notice given pursuant to this Agreement shall be in writing and shall be given by email, personal service or by United States certified mail, return receipt requested, postage prepaid to the addresses appearing at the end of this Agreement, or as changed through written notice to the other party. Notice given by email shall be effective upon confirmed receipt, personal service shall be deemed effective on the date it is delivered to the addressee, and notice mailed shall be deemed effective on the third day following its placement in the mail addressed to the addressee.

24. **Assignment of Agreement.**

This Agreement and the obligations of Company, NCPS and SeedInvest hereunder are personal to Company, NCPS and SeedInvest and their respective representatives. Neither Company, NCPS nor SeedInvest nor any respective successor, receiver, or assignee of Company, NCPS or SeedInvest shall directly or indirectly assign this Agreement or the rights or duties created by this Agreement, whether such assignment is effected in connection with a sale of such party's assets or stock or through merger, an insolvency proceeding or otherwise, without the prior written consent of the other parties hereto. Notwithstanding the foregoing, either NCPS or Company may unilaterally assign this Agreement to SI Securities, LLC, who shall step into the shoes of NCPS at any time without any further consents required from any other party.

25. **Counterparts; Electronic Signature.**

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. The parties agree that an electronic signature may substitute for and have the same legal effect as the original signature.

26. **Entire Agreement.**

This Agreement and its attached exhibits constitute the entire agreement between the parties and supersede any and all previous representations, understandings, or agreements between Company, NCPS and SeedInvest as to the subject matter hereof. This Agreement may only be amended by an instrument in writing signed by the parties. This Agreement shall be construed without regard to the party that drafted it. Any ambiguity shall not be interpreted against either party and shall, instead, be resolved in accordance with other applicable rules concerning the interpretation of contracts.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Company:

By: /s/ Mark T. Lynn

Name: Mark T. Lynn
Title: President

North Capital Private Securities Corporation

By: /s/ James P. Dowd
James P. Dowd
Managing Director

SeedInvest Technology, LLC

By: SeedInvest, LLC, its sole Member

By: /s/ Ryan Feit
Ryan Feit, Manager

Appendix I

Definitions

“**Prospects**” means persons who (i) NCPS solicits on behalf of the Company for the Offering, (ii) who learn about the Offering based on the efforts of NCPS or (iii) who view the Offering on the Online Platform.

“**Proposed Subscription**” shall mean a (i) a definitive written expression of intent to participate in the Offering by a Prospect, or (ii) completion of investment documents for the Offering on the Online Platform by any person, each as determined in the sole reasonable discretion of NCPS. For the avoidance of doubt, an indication of interest received during Testing the Waters shall NOT be a Proposed Subscription.

“**Rejection for Cause**” shall mean a rejection of a Proposed Subscription for any of the following reasons: (i) the Offering fails and no closing is held, (ii) the Subscribing Investor withdraws such Proposed Subscription before it is accepted, (iii) the Company receives written consent from NCPS and SeedInvest to reject such Proposed Subscription, or (iv) the Subscribing Investor fails to complete all documentation or payment for the Proposed Subscription in a timely manner, each as determined in the sole reasonable discretion of NCPS.

“**Rejection Period**” shall mean three (3) days from a Proposed Subscription.

“**Securities**” shall mean the securities offered in the Offering.

“**Subscribing Investor**” shall mean any person who makes a Proposed Subscription.

“**Termination Date**” shall mean the effective date of the termination, expiration or cancellation of this Agreement pursuant to the terms herein.

Appendix II

Approval and Due Diligence

To the extent the Company decides to proceed with an Offering, it will proceed with the following steps in order to qualify and launch its Offering:

- (i) Form 1-A. The Company shall prepare and file with the U.S. Securities and Exchange Commission a Form 1-A and take all other actions necessary (including but not limited to potentially receiving approval from State Regulators and FINRA) to obtain appropriate qualifications and approvals for the Offering. The Company will need to incorporate any respective comments from regulators which are necessary to receive regulatory approval.
- (ii) Due Diligence. The Company shall provide to NCPS an investor presentation, forms of definitive subscription and governance documents, any documents and disclosures required by applicable law or regulation, and any other documents and information that would generally be provided to qualified prospective investors for the purpose of evaluating the Offering and consummating an investment in the Company. NCPS shall deliver any additional requests for information and may engage third parties to facilitate its due diligence process.
 - a. Satisfactory completion of NCPS's due diligence review will be determined in NCPS's sole discretion.
 - b. If the proposed Offering fails to obtain due diligence approval by NCPS's Investment Committee, or if any due diligence problems arise thereafter and are not cured (each in NCPS's sole discretion), then no securities will be sold by NCPS and no investments will be processed or facilitated by NCPS or the Online Platform and this agreement shall automatically terminate.
- (iii) Final Prospectus. Following regulatory approval, the Company will file a final prospectus prior to launching its Offering. Upon completion of due diligence by NCPS and acceptance of the Offering for placement, the Offering Period will commence and the Offering will be hosted on the Online Platform.

SUBSCRIPTION AGREEMENT

THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK. THIS INVESTMENT IS SUITABLE ONLY FOR PERSONS WHO CAN BEAR THE ECONOMIC RISK FOR AN INDEFINITE PERIOD OF TIME AND WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. FURTHERMORE, INVESTORS MUST UNDERSTAND THAT SUCH INVESTMENT IS ILLIQUID AND IS EXPECTED TO CONTINUE TO BE ILLIQUID FOR AN INDEFINITE PERIOD OF TIME. NO PUBLIC MARKET EXISTS FOR THE SECURITIES, AND NO PUBLIC MARKET IS EXPECTED TO DEVELOP FOLLOWING THIS OFFERING.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES OR BLUE SKY LAWS AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND STATE SECURITIES OR BLUE SKY LAWS. ALTHOUGH AN OFFERING STATEMENT HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "**SEC**"), THAT OFFERING STATEMENT DOES NOT INCLUDE THE SAME INFORMATION THAT WOULD BE INCLUDED IN A REGISTRATION STATEMENT UNDER THE ACT. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE MERITS OF THIS OFFERING OR THE ADEQUACY OR ACCURACY OF THE SUBSCRIPTION AGREEMENT OR ANY OTHER MATERIALS OR INFORMATION MADE AVAILABLE TO INVESTOR IN CONNECTION WITH THIS OFFERING, OVER THE WEB-BASED PLATFORM MAINTAINED BY SEEDINVEST TECHNOLOGY, LLC (THE "PLATFORM") OR THROUGH NORTH CAPITAL PRIVATE SECURITIES CORPORATION (THE "BROKER"). ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE SECURITIES CANNOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT. IN ADDITION, THE SECURITIES CANNOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

INVESTORS WHO ARE NOT "ACCREDITED INVESTORS" (AS THAT TERM IS DEFINED IN SECTION 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT) ARE SUBJECT TO LIMITATIONS ON THE AMOUNT THEY MAY INVEST, AS SET OUT IN SECTION 4(g). THE COMPANY IS RELYING ON THE REPRESENTATIONS AND WARRANTIES SET FORTH BY EACH INVESTOR IN THIS SUBSCRIPTION AGREEMENT AND THE OTHER INFORMATION PROVIDED BY INVESTOR IN CONNECTION WITH THIS OFFERING TO DETERMINE THE APPLICABILITY TO THIS OFFERING OF EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PROSPECTIVE INVESTORS MAY NOT TREAT THE CONTENTS OF THE SUBSCRIPTION AGREEMENT, THE OFFERING CIRCULAR OR ANY OF THE OTHER MATERIALS AVAILABLE ON THE PLATFORM OR PROVIDED BY THE COMPANY AND/OR BROKER (COLLECTIVELY, THE “ **OFFERING MATERIALS**”), OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE COMPANY OR ANY OF ITS OFFICERS, EMPLOYEES OR AGENTS (INCLUDING “TESTING THE WATERS” MATERIALS) AS INVESTMENT, LEGAL OR TAX ADVICE. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT THE INVESTOR’S OWN COUNSEL, ACCOUNTANTS AND OTHER PROFESSIONAL ADVISORS AS TO INVESTMENT, LEGAL, TAX AND OTHER RELATED MATTERS CONCERNING THE INVESTOR’S PROPOSED INVESTMENT.

THE OFFERING MATERIALS MAY CONTAIN FORWARD-LOOKING STATEMENTS AND INFORMATION RELATING TO, AMONG OTHER THINGS, THE COMPANY, ITS BUSINESS PLAN AND STRATEGY, AND ITS INDUSTRY. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON THE BELIEFS OF, ASSUMPTIONS MADE BY, AND INFORMATION CURRENTLY AVAILABLE TO THE COMPANY’S MANAGEMENT. WHEN USED IN THE OFFERING MATERIALS, THE WORDS “ESTIMATE,” “PROJECT,” “BELIEVE,” “ANTICIPATE,” “INTEND,” “EXPECT” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, WHICH CONSTITUTE FORWARD LOOKING STATEMENTS. THESE STATEMENTS REFLECT MANAGEMENT’S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE THE COMPANY’S ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN THE FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE ON WHICH THEY ARE MADE. THE COMPANY DOES NOT UNDERTAKE ANY OBLIGATION TO REVISE OR UPDATE THESE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER SUCH DATE OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

THE COMPANY MAY NOT BE OFFERING THE SECURITIES IN EVERY STATE. THE OFFERING MATERIALS DO NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR JURISDICTION IN WHICH THE SECURITIES ARE NOT BEING OFFERED.

THE INFORMATION PRESENTED IN THE OFFERING MATERIALS WAS PREPARED BY THE COMPANY SOLELY FOR THE USE BY PROSPECTIVE INVESTORS IN CONNECTION WITH THIS OFFERING. NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN ANY OFFERING MATERIALS, AND NOTHING CONTAINED IN THE OFFERING MATERIALS IS OR SHOULD BE RELIED UPON AS A PROMISE OR REPRESENTATION AS TO THE FUTURE PERFORMANCE OF THE COMPANY.

THE COMPANY RESERVES THE RIGHT IN ITS SOLE DISCRETION AND FOR ANY REASON WHATSOEVER TO MODIFY, AMEND AND/OR WITHDRAW ALL OR A PORTION OF THE OFFERING AND/OR ACCEPT OR REJECT IN WHOLE OR IN PART ANY PROSPECTIVE INVESTMENT IN THE SECURITIES OR TO ALLOT TO ANY PROSPECTIVE INVESTOR LESS THAN THE AMOUNT OF SECURITIES SUCH INVESTOR DESIRES TO PURCHASE. EXCEPT AS OTHERWISE INDICATED, THE OFFERING MATERIALS SPEAK AS OF THEIR DATE. NEITHER THE DELIVERY NOR THE PURCHASE OF THE SECURITIES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THAT DATE.

To: Denim.LA, Inc.
8899 Beverly Blvd., Suite 600
West Hollywood, CA 90069

Ladies and Gentlemen:

1. **Subscription.**

(a) The Investor hereby irrevocably subscribes for and agrees to purchase shares (the "**Shares**") of Series A Preferred Stock, par value \$0.0001 per share (the "**Series A Preferred Stock**"), of Denim.LA, Inc., a Delaware corporation (the "**Company**"), at a purchase price of \$0.48 per share of Series A Preferred Stock (the "**Per Security Price**"), rounded down to the nearest whole share based on Investor's subscription amount, upon the terms and conditions set forth herein. The purchase price of each Share is payable in the manner provided in Section 2(a) below. The Shares being subscribed for under this Subscription Agreement and the Common Stock issuable upon the conversion of such Shares are sometimes referred to herein as the "**Securities.**"

(b) Investor understands that the Shares are being offered pursuant to the Offering Circular dated May __, 2016 and its exhibits (the "**Offering Circular**") as filed with the Securities and Exchange Commission (the "**SEC**"). By subscribing to the Offering, Investor acknowledges that Investor has received and reviewed a copy of the Offering Circular Statement and any other information required by Investor to make an investment decision with respect to the Shares.

(c) This Subscription may be accepted or rejected in whole or in part, at any time prior to the Termination Date (as hereinafter defined), by the Company at its sole discretion. In addition, the Company, at its sole discretion, may allocate to Investor only a portion of the number of the Shares that Investor has subscribed to purchase hereunder. The Company will notify Investor whether this subscription is accepted (whether in whole or in part) or rejected. If Investor's subscription is rejected, Investor's payment (or portion thereof if partially rejected) will be returned to Investor without interest and all of Investor's obligations hereunder shall terminate.

(d) The aggregate number of shares of Series A Preferred that may be sold by the Company in this offering shall not exceed 12,500,000 shares (the "**Maximum Shares**"). The Company may accept subscriptions until May __, 2017, unless otherwise extended by the Company in its sole discretion in accordance with applicable SEC regulations for such additional period as may be required to sell the Maximum Shares (the "**Termination Date**"). The Company may elect at any time to close all or any portion of this offering on various dates at or prior to the Termination Date (each a "**Closing**").

(e) In the event of rejection of this subscription in its entirety, or in the event the sale of the Shares (or any portion thereof) to Investor is not consummated for any reason, this Subscription Agreement shall have no force or effect, except for Section 5 hereof, which shall remain in force and effect.

(f) The terms of this Subscription Agreement shall be binding upon Investor and its transferees, heirs, successors and assigns (collectively, "**Transferees**"); provided that for any such transfer to be deemed effective, the Transferee shall have executed and delivered to the Company in advance an instrument in form acceptable to the Company in its sole discretion, pursuant to which the proposed Transferee shall be acknowledge, agree, and be bound by the representations and warranties of Investor, terms of this Subscription Agreement, and the Company consents to the transfer in its sole discretion.

2. **Joinder to Investment Agreements.** By subscribing to the Offering and executing this Subscription Agreement, Investor (and, if Investor is purchasing the Shares subscribed for hereby in a fiduciary capacity, the person or persons for whom Investor is so purchasing) hereby joins as a party that is designated (a) as an "Investor" under each of (i) the Amended and Restated Investors' Rights Agreement to be dated as of the initial Closing, in substantially the form attached hereto as Exhibit A (the "**Investors' Rights Agreement**"), and (ii) the Amended and Restated Right of First Refusal Agreement and Co-Sale Agreement to be dated as of the initial Closing, in substantially the form attached hereto as Exhibit B (the "**First Refusal Agreement**"), and (b) as a "Rights Holder" under the Amended and Restated Voting Agreement to be dated as of the initial Closing, in substantially the form attached hereto as Exhibit C (the "**Voting Agreement**"), in each case as entered into by and among the Company, the investors in the Company's Series Seed Preferred Stock and Series A Preferred Stock, and certain other stockholders of the Company. The Investors' Rights Agreement, First Refusal Agreement and Voting Agreement collectively are referred to herein as the "**Investment Agreements**". Any notice required or permitted to be given to Investor under any of the Investment Agreements shall be given to Investor at the address provided with Investor's subscription. Investor confirms that Investor has reviewed the Investment Agreements and will be bound by the terms thereof as a party who is designated as an "Investor" under the Investors' Rights Agreement and the First Refusal Agreement, and as a "Rights Holder" under the Voting Agreement.

3. **Purchase Procedure.**

(a) **Payment.** The purchase price for the Shares shall be paid simultaneously with Investor's subscription. Investor shall deliver payment for the aggregate purchase price of the Securities by ACH electronic transfer or by wire transfer to an account designated by the Company.

(b) **Escrow Arrangements.** Payment for the Securities by Investor shall be received by The Bryn Mawr Trust Company of Delaware (the "**Escrow Agent**") from Investor by transfer of immediately available funds via wire or ACH prior to the applicable Closing in the amount of Investor's subscription using the instructions below. Upon such Closing, the Escrow Agent shall release such funds to the Company. Investor shall receive notice and evidence of the digital entry of the number of the Securities owned by Investor reflected in their investor account.

Bank Name
Address
ABA No.
Account Number
Account Name
FFC
TEL
Email

Bryn Mawr Trust Company
801 Lancaster Ave, Bryn Mawr PA 19010
031908485

(302) 798-1792
readdy@bmtc.com

4. **Representations and Warranties of the Company.** The Company represents and warrants to Investor that the following representations and warranties are true and complete in all material respects as of the date of each Closing:

(a) **Organization and Standing.** The Company is a corporation duly formed, validly existing and in good standing under the laws of the State of Delaware. The Company has all requisite power and authority to own and operate its properties and assets, to execute and deliver this Subscription Agreement, the Securities and any other agreements or instruments required hereunder. The Company is duly qualified and is authorized to do business and is in good standing as a foreign corporation in all jurisdictions in which the nature of its activities and of its properties (both owned and leased) makes such qualification necessary, except for those jurisdictions in which failure to do so would not have a material adverse effect on the Company or its business.

(b) **Issuance of the Securities.** The issuance, sale and delivery of the Shares in accordance with this Subscription Agreement have been duly authorized by all necessary corporate action on the part of the Company. The Shares, when issued, sold and delivered against payment therefor in accordance with the provisions of this Subscription Agreement, will be duly and validly issued, fully paid and non-assessable.

(c) **Authority for Agreement.** The acceptance by the Company of this Subscription Agreement and of Investor's joinder as a party to each of the Investment Agreements, and the consummation of the transactions contemplated hereby and thereby, are within the Company's powers and have been duly authorized by all necessary corporate action on the part of the Company. Upon the Company's acceptance of this Subscription Agreement, each of this Subscription Agreement and the Investment Agreements, shall constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies and (iii) with respect to provisions relating to indemnification and contribution, as limited by considerations of public policy and by federal or state securities laws.

(d) **No Filings.** Assuming the accuracy of Investor's representations and warranties set forth in Section 4 hereof, no order, license, consent, authorization or approval of, or exemption by, or action by or in respect of, or notice to, or filing or registration with, any governmental body, agency or official is required by or with respect to the Company in connection with the acceptance, delivery and performance by the Company of this Subscription Agreement except (i) for such filings as may be required under Regulation A or under any applicable state securities laws, (ii) for such other filings and approvals as have been made or obtained, or (iii) where the failure to obtain any such order, license, consent, authorization, approval or exemption or give any such notice or make any filing or registration would not have a material adverse effect on the ability of the Company to perform its obligations hereunder.

(e) Capitalization. The outstanding shares of Common Stock, Series Seed Preferred Stock, options, warrants and other securities of the Company immediately prior to the initial Closing is as set forth in “**Security Ownership**” in the Offering Circular. Except as set forth in the Offering Circular, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), or agreements of any kind (oral or written) for the purchase or acquisition from the Company of any of its securities.

(f) Financial Statements. Complete copies of the Company’s financial statements, consisting of the statement of financial position of the Company as of its fiscal year end on December 31, 2014 and December 31, 2015, and the related consolidated statements of income and cash flows for the respective periods then ended (collectively, the “**Financial Statements**”), have been made available to Investor and appear in the Offering Circular. The Financial Statements are based on the books and records of the Company and fairly present the financial condition of the Company as of the respective dates they were prepared and the results of the operations and cash flows of the Company for the respective periods indicated. Artesian CPA, LLC, which has audited the Financial Statements at December 31, 2014 and December 31, 2015, and for each fiscal year then ended, is an independent accounting firm within the rules and regulations adopted by the SEC.

(g) Proceeds. The Company shall use the proceeds from the issuance and sale of the shares of Series A Preferred sold in the offering as set forth in “Use of Proceeds” in the Offering Circular.

(h) Litigation. Except as disclosed in the Offering Circular, there is no pending action, suit, proceeding, arbitration, mediation, complaint, claim, charge or investigation before any court, arbitrator, mediator or governmental body, or to the Company’s knowledge, currently threatened in writing (a) against the Company or (b) to the Company’s knowledge, against any consultant, officer, manager, director or key employee of the Company arising out of his or her consulting, employment or board relationship with the Company or that could otherwise materially impact the Company.

5. Representations and Warranties of Investor. By subscribing to the Offering, Investor (and, if Investor is purchasing the Shares subscribed for hereby in a fiduciary capacity, the person or persons for whom Investor is so purchasing) represents and warrants, which representations and warranties are true and complete in all material respects as of the date of each Closing:

(a) Requisite Power and Authority. Investor has all necessary power and authority under all applicable provisions of law to subscribe to the Offering, to execute and deliver this Subscription Agreement, to join as a party to each of the Investment Agreements, and to carry out the provisions of such respective agreements. All action on Investor’s part required for the lawful subscription to the offering have been or will be effectively taken prior to the Closing. Upon subscribing to the Offering, this Subscription Agreement and each of the Investment Agreements will be valid and binding obligations of Investor, enforceable in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors’ rights and (ii) as limited by general principles of equity that restrict the availability of equitable remedies.

(b) Company Information. Investor has had an opportunity to discuss the Company's business, management and financial affairs with directors, officers and management of the Company and has had the opportunity to review the Company's operations and facilities. Investor has also had the opportunity to ask questions of and receive answers from the Company and its management regarding the terms and conditions of this investment. Investor acknowledges that except as set forth herein, no representations or warranties have been made to Investor, or to Investor's advisors or representative, by the Company or others with respect to the business or prospects of the Company or its financial condition.

(c) Investment Experience. Investor has sufficient experience in financial and business matters to be capable of utilizing such information to evaluate the merits and risks of Investor's investment in the Shares, and to make an informed decision relating thereto; or Investor has utilized the services of a purchaser representative and together they have sufficient experience in financial and business matters that they are capable of utilizing such information to evaluate the merits and risks of Investor's investment in the Shares, and to make an informed decision relating thereto.

(d) Investor Determination of Suitability. Investor has evaluated the risks of an investment in the Shares, including those described in the section of the Offering Circular captioned "Risk Factors", and has determined that the investment is suitable for Investor. Investor has adequate financial resources for an investment of this character, and at this time Investor could bear a complete loss of Investor's investment in the Company.

(e) No Registration. Investor understands that the Shares are not being registered under the Securities Act of 1933, as amended (the "**Securities Act**"), on the ground that the issuance thereof is exempt under Regulation A of Section 3(b) of the Securities Act, and that reliance on such exemption is predicated in part on the truth and accuracy of Investor's representations and warranties, and those of the other purchasers of the shares of Series A Preferred in the offering. Investor further understands that the Shares are not being registered under the securities laws of any states on the basis that the issuance thereof is exempt as an offer and sale not involving a registerable public offering in such state, since the Shares are "covered securities" under the National Securities Market Improvement Act of 1996. Investor covenants not to sell, transfer or otherwise dispose of any Shares unless such Shares have been registered under the Securities Act and under applicable state securities laws, or exemptions from such registration requirements are available.

(f) Illiquidity and Continued Economic Risk. Investor acknowledges and agrees that there is no ready public market for the Securities and that there is no guarantee that a market for their resale will ever exist. The Company has no obligation to list any of the Securities on any market or take any steps (including registration under the Securities Act or the Securities Exchange Act of 1934, as amended) with respect to facilitating trading or resale of the Securities. Investor must bear the economic risk of this investment indefinitely and Investor acknowledges that Investor is able to bear the economic risk of losing Investor's entire investment in the Shares.

(g) Accredited Investor Status or Investment Limits. Investor represents that either:

(i) Investor is an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act; or

(ii) The purchase price, together with any other amounts previously used to purchase Shares in this offering, does not exceed 10% of the greater of Investor’s annual income or net worth (or in the case where Investor is a non-natural person, their revenue or net assets for such Investor’s most recently completed fiscal year end).

Investor represents that to the extent it has any questions with respect to its status as an accredited investor, or the application of the investment limits, it has sought professional advice.

(h) Stockholder Information. Within five days after receipt of a request from the Company, Investor hereby agrees to provide such information with respect to its status as a stockholder (or potential stockholder) and to execute and deliver such documents as may reasonably be necessary to comply with any and all laws and regulations to which the Company is or may become subject, including, without limitation, the need to determine the accredited status of the Company’s stockholders. Investor further agrees that in the event it transfers any Securities, it will require the transferee of such Securities to agree to provide such information to the Company as a condition of such transfer.

(i) Valuation. Investor acknowledges that the price of the shares of Series A Preferred to be sold in this offering was set by the Company on the basis of the Company’s internal valuation and no warranties are made as to value. Investor further acknowledges that future offerings of securities of the Company⁶ may be made at lower valuations, with the result that Investor’s investment will bear a lower valuation.

(j) Domicile. Investor maintains Investor’s domicile (and is not a transient or temporary resident) at the address provided with Investors subscription.

(k) Foreign Investors. If Investor is not a United States person (as defined by Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended), Investor hereby represents that it has satisfied itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Shares or any use of this Subscription Agreement, including (i) the legal requirements within its jurisdiction for the purchase of the Shares, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Shares. Investor’s subscription and payment for and continued beneficial ownership of the Shares will not violate any applicable securities or other laws of Investor’s jurisdiction.

5 . Indemnity. The representations, warranties and covenants made by Investor herein shall survive the closing of this Subscription Agreement. Investor agrees to indemnify and hold harmless the Company and its respective officers, directors and affiliates, and each other person, if any, who controls the Company within the meaning of Section 15 of the Securities Act against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all reasonable attorneys’ fees, including attorneys’ fees on appeal) and expenses reasonably incurred in investigating, preparing or defending against any false representation or warranty or breach of failure by Investor to comply with any covenant or agreement made by Investor herein or in any other document furnished by Investor to any of the foregoing in connection with this transaction.

6. **Governing Law; Jurisdiction.** This Subscription Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

EACH OF INVESTOR AND THE COMPANY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED WITHIN THE STATE OF CALIFORNIA AND NO OTHER PLACE AND IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS RELATING TO THIS SUBSCRIPTION AGREEMENT MAY BE LITIGATED IN SUCH COURTS. EACH OF INVESTORS AND THE COMPANY ACCEPTS FOR ITSELF AND HIMSELF AND IN CONNECTION WITH ITS AND HIS RESPECTIVE PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS SUBSCRIPTION AGREEMENT. INVESTOR AND THE COMPANY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN THE MANNER AND IN THE ADDRESS SPECIFIED IN SECTION 7 AND PROVIDED WITH INVESTORS SUBSCRIPTION.

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS SUBSCRIPTION AGREEMENT OR THE ACTIONS OF EITHER PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT THEREOF, EACH OF THE PARTIES HERETO ALSO WAIVES ANY BOND OR SURETY OR SECURITY UPON SUCH BOND WHICH MIGHT, BUT FOR THIS WAIVER, BE REQUIRED OF SUCH PARTY. EACH OF THE PARTIES HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS SUBSCRIPTION AGREEMENT. IN THE EVENT OF LITIGATION, THIS SUBSCRIPTION AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

7. **Notices.** Notice, requests, demands and other communications relating to this Subscription Agreement and the transactions contemplated herein shall be in writing and shall be deemed to have been duly given if and when (a) delivered personally, on the date of such delivery; or (b) mailed by registered or certified mail, postage prepaid, return receipt requested, in the third day after the posting thereof; or (c) emailed on the date of such delivery to the address of the respective parties as follows:

If to the Company, to:

Denim.LA, Inc.
8899 Beverly Blvd., Suite 600
West Hollywood, CA 90069

If to Investor, at Investor's address supplied in connection with this subscription, or to such other address as may be specified by written notice from time to time by the party entitled to receive such notice. Any notices, requests, demands or other communications by email shall be confirmed by letter given in accordance with (a) or (b) above.

8. **Miscellaneous.**

(a) All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or persons or entity or entities may require.

(b) This Subscription Agreement is not transferable or assignable by Investor.

(c) The representations, warranties and agreements contained herein shall be deemed to be made by and be binding upon Investor and its heirs, executors, administrators and successors and shall inure to the benefit of the Company and its successors and assigns.

(d) None of the provisions of this Subscription Agreement may be waived, changed or terminated orally or otherwise, except as specifically set forth herein or except by a writing signed by the Company and Investor.

(e) In the event any part of this Subscription Agreement is found to be void or unenforceable, the remaining provisions are intended to be separable and binding with the same effect as if the void or unenforceable part were never the subject of agreement.

(f) The invalidity, illegality or unenforceability of one or more of the provisions of this Subscription Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Subscription Agreement in such jurisdiction or the validity, legality or enforceability of this Subscription Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

(g) This Subscription Agreement supersedes all prior discussions and agreements between the parties with respect to the subject matter hereof and contains the sole and entire agreement between the parties hereto with respect to the subject matter hereof.

(h) The terms and provisions of this Subscription Agreement are intended solely for the benefit of each party hereto and their respective successors and assigns, and it is not the intention of the parties to confer, and no provision hereof shall confer, third-party beneficiary rights upon any other person.

(i) The headings used in this Subscription Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

(j) If any recapitalization or other transaction affecting the stock of the Company is effected, then any new, substituted or additional securities or other property which is distributed with respect to the Securities shall be immediately subject to this Subscription Agreement, to the same extent that the Securities, immediately prior thereto, shall have been covered by this Subscription Agreement.

(k) No failure or delay by any party in exercising any right, power or privilege under this Subscription Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

PROMISSORY NOTE

[\$70,000.00]

June 6th, 2016
Santa Monica, California

FOR VALUE RECEIVED, Mark Lynn, an individual resident of the State of California (the "Borrower"), promises to pay to Denim.LA, Inc., a Delaware corporation or its registered assigns (the "Holder") the principal sum of Seventy Thousand dollars (\$70,000), or such lesser amount as shall then equal the outstanding principal amount hereof, together with interest from the date of this Note on the unpaid principal balance at a rate equal to the prime rate as quoted from time to time in *The Wall Street Journal* plus 1.0%. The interest rate shall be computed on the basis of the actual number of days elapsed and a year of 365 days. Interest shall be paid annually on the outstanding principal of this Note, on the annual anniversary of this Note each year. All unpaid principal, together with the balance of any unpaid interest and other amounts payable hereunder, shall be due and payable on demand at any time (i) after August 1, 2016 (the "Maturity Date"), (ii) after the three-month anniversary of the termination of all of Borrower's services to Holder as an employee, consultant and director, other than an Involuntary Termination (as defined in the Common Stock Purchase Agreement (as defined below)), or (iii) after the occurrence of an Event of Default (as defined below).

The following is a statement of the rights and obligations of the Holder and the Borrower and the conditions to which this Note is subject, and to which the Holder hereof, by the acceptance of this Note, agrees:

A. Payments. The Borrower may prepay this Note, in whole or in part at any time, without premium or penalty, without the consent of the Holder. Any such prepayment will be applied first to the payment of expenses due under this Note, second to interest accrued on this Note and third, if the amount of prepayment exceeds the amount of all such expenses and accrued interest, to the payment of principal of this Note. If any payment on this Note shall become due on a Saturday, Sunday, or a public holiday under the laws of the State of California, such payment shall be made on the next succeeding business day and such extension of time shall be included in computing interest in connection with such payment. All payments shall be in lawful money of the United States of America.

B. Events of Default. The occurrence of any of the following shall constitute an "Event of Default" under this Note:

1. Failure to Pay. The Borrower shall fail to pay (i) when due any principal payment on the due date hereunder or (ii) any interest or other payment required under the terms of this Note on the date due and such payment shall not have been made within five (5) days of the Borrower's receipt of the Holder's written notice to the Borrower of such failure to pay; or

2. Voluntary Bankruptcy or Insolvency Proceedings. The Borrower shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its or any of its creditors, (iii) be dissolved or liquidated in full or in part, (iv) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (v) take any action for the purpose of effecting any of the foregoing;

3. Involuntary Bankruptcy or Insolvency Proceedings. Proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Borrower or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Borrower or the debts thereof under any bankruptcy, insolvency or other similar law or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within thirty (30) days of commencement.

C. Rights of the Holder Upon Default. Upon the occurrence and during the continuance of any Event of Default, the Holder may declare all outstanding principal and accrued interest due hereunder to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Holder may exercise any other right, power or remedy granted to it or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

D. Involuntary Termination. In the event of an Involuntary Termination (as defined in the Common Stock Purchase Agreement), all obligations of the Borrower to the Holder under this Note, including without limitation all obligations to pay principal or interest hereunder, shall be immediately forgiven, and this Note shall be deemed terminated.

E. Security Interest. On or about September ____, 2013, Borrower purchased 2,688,889 shares of the Holder's Common Stock pursuant to the Common Stock Purchase Agreement (the "Shares"). Borrower's obligations under this Note are hereby secured by all of the Shares, whether vested or unvested, pursuant to that certain Pledge Agreement dated on or about September ____, 2013. This Note shall be full recourse as against the Borrower. For purposes of this Agreement, "Common Stock Purchase Agreement" shall mean that certain Common Stock Purchase Agreement between the Holder and the Borrower, dated on or about September ____, 2013.

F. Miscellaneous.

1. Successors and Assigns. Subject to the restrictions on transfer described in Sections F.2. and F.3. below, the rights and obligations of the Borrower and the Holder of this Note shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

2. Transfer of this Note. The Holder may transfer this Note and its rights and obligations hereunder to any party in its sole discretion. Prior to presentation of this Note for registration of transfer, the Borrower shall treat the registered holder hereof as the owner and holder of this Note for the purpose of receiving all payments of principal and interest hereon and for all other purposes whatsoever, whether or not this Note shall be overdue and the Borrower shall not be affected by notice to the contrary.

3. Assignment by the Borrower. Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, by operation of law or otherwise, in whole or in part, by the Borrower, without the prior written consent of the Holder.

4. Intentionally Omitted.

5. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be sent via facsimile, overnight courier service or mailed by certified or registered mail, postage prepaid, return receipt requested, addressed or sent (i) if to the Holder, then to the address listed below the Holder's signature on this Note, or at such other address or number as the Holder shall have furnished to the Borrower in writing, or (ii) if to the Borrower, to then to the address listed below the Borrower's signature on this Note, or at such other address or number as the Borrower shall have furnished to the Holder in writing.

6. Expenses; Waivers; Cumulative Remedies. If action is instituted to collect this Note, the Borrower promises to pay all costs and expenses, including, without limitation, reasonable attorneys' fees and costs, incurred in connection with such action. The Borrower hereby waives notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor and all other notices or demands relative to this instrument. No course of dealing or any delay or failure to exercise any right hereunder on the Holder's part shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. No single or partial waiver by the Holder of any provision of this Note or of any breach or default hereunder or of any right or remedy shall operate as a waiver of any other provision, breach, default right or remedy or of the same provision, breach, default, right or remedy on a future occasion. The Holder's rights and remedies are cumulative and are in addition to all rights and remedies which the Holder may have in law or in equity or by statute or otherwise.

7. Equitable Remedies. The Borrower stipulates that the Holder's remedies at law in any Event of Default or threatened Event of Default by the Borrower in the performance of or compliance with any of the terms of this Note are not and will not be adequate to compensate the Holder to the extent permitted by law and that such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

8. Governing Law. This Note and all actions arising out of or in connection with this Note shall be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of law provisions of the State of California or of any other state.

9. Amendment. Any provision of this Note may be amended, waived or modified only upon the written consent of the Borrower and the Holder. Any amendment or waiver affected in accordance with this Section F.9. shall be binding upon the Borrower, the Holder and each transferee of this Note.

10. Interest Savings Clause. If any interest payment due hereunder is determined to be in excess of the legal maximum rate, then that portion of each interest payment representing an amount in excess of the then legal maximum rate shall instead be deemed a payment of principal and shall be applied against the principal of the obligations evidenced by this Note.

[REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Borrower has caused this Promissory Note to be issued as of the date first written above.

By: /s/ Mark Lynn
Mark Lynn

Address:
375 N. La Cienega Blvd
West Hollywood, CA 90048

AGREED AND ACKNOWLEDGED BY HOLDER:

Denim.LA, Inc.,
a Delaware corporation

By: /s/ Corey Epstein
Corey Epstein
Chief Executive Officer

Address:
8899 Beverly Blvd
West Hollywood CA 90048

PROMISSORY NOTE

[\$100,000.00]

June 7th, 2016
West Hollywood, California

FOR VALUE RECEIVED, Corey Epstein, an individual resident of the State of California (the "Borrower"), promises to pay to Denim.LA, Inc., a Delaware corporation or its registered assigns (the "Holder") the principal sum of One Hundred Thousand dollars (\$100,000), or such lesser amount as shall then equal the outstanding principal amount hereof, together with interest from the date of this Note on the unpaid principal balance at a rate equal to the prime rate as quoted from time to time in *The Wall Street Journal* plus 1.0%. The interest rate shall be computed on the basis of the actual number of days elapsed and a year of 365 days. Interest shall be paid annually on the outstanding principal of this Note, on the annual anniversary of this Note each year. All unpaid principal, together with the balance of any unpaid interest and other amounts payable hereunder, shall be due and payable on demand at any time (i) after December 31, 2016 (the "Maturity Date"), (ii) after the three-month anniversary of the termination of all of Borrower's services to Holder as an employee, consultant and director, other than an Involuntary Termination (as defined in the Stock Restriction Agreement (as defined below)), or (iii) after the occurrence of an Event of Default (as defined below). For purposes of this Agreement, "Stock Restriction Agreement" shall mean that certain Stock Restriction Agreement between the Holder and the Borrower, dated on or about January 30, 2013, as amended from time to time.

The following is a statement of the rights and obligations of the Holder and the Borrower and the conditions to which this Note is subject, and to which the Holder hereof, by the acceptance of this Note, agrees:

A. Payments. The Borrower may prepay this Note, in whole or in part at any time, without premium or penalty, without the consent of the Holder. Any such prepayment will be applied first to the payment of expenses due under this Note, second to interest accrued on this Note and third, if the amount of prepayment exceeds the amount of all such expenses and accrued interest, to the payment of principal of this Note. If any payment on this Note shall become due on a Saturday, Sunday, or a public holiday under the laws of the State of California, such payment shall be made on the next succeeding business day and such extension of time shall be included in computing interest in connection with such payment. All payments shall be in lawful money of the United States of America.

B. Events of Default. The occurrence of any of the following shall constitute an "Event of Default" under this Note:

1. Failure to Pay. The Borrower shall fail to pay (i) when due any principal payment on the due date hereunder or (ii) any interest or other payment required under the terms of this Note on the date due and such payment shall not have been made within five (5) days of the Borrower's receipt of the Holder's written notice to the Borrower of such failure to pay; or

2. Voluntary Bankruptcy or Insolvency Proceedings. The Borrower shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its or any of its creditors, (iii) be dissolved or liquidated in full or in part, (iv) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (v) take any action for the purpose of effecting any of the foregoing;

3. Involuntary Bankruptcy or Insolvency Proceedings. Proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Borrower or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Borrower or the debts thereof under any bankruptcy, insolvency or other similar law or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within thirty (30) days of commencement.

C. Rights of the Holder Upon Default. Upon the occurrence and during the continuance of any Event of Default, the Holder may declare all outstanding principal and accrued interest due hereunder to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Holder may exercise any other right, power or remedy granted to it or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

D. Involuntary Termination. In the event of an Involuntary Termination (as defined in the Common Stock Purchase Agreement), all obligations of the Borrower to the Holder under this Note, including without limitation all obligations to pay principal or interest hereunder, shall be immediately forgiven, and this Note shall be deemed terminated.

E. Intentionally Omitted.

F. Miscellaneous.

1. Successors and Assigns. Subject to the restrictions on transfer described in Sections F.2. and F.3. below, the rights and obligations of the Borrower and the Holder of this Note shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

2. Transfer of this Note. The Holder may transfer this Note and its rights and obligations hereunder to any party in its sole discretion. Prior to presentation of this Note for registration of transfer, the Borrower shall treat the registered holder hereof as the owner and holder of this Note for the purpose of receiving all payments of principal and interest hereon and for all other purposes whatsoever, whether or not this Note shall be overdue and the Borrower shall not be affected by notice to the contrary.

3. Assignment by the Borrower. Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, by operation of law or otherwise, in whole or in part, by the Borrower, without the prior written consent of the Holder.

4. Intentionally Omitted.

5. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be sent via facsimile, overnight courier service or mailed by certified or registered mail, postage prepaid, return receipt requested, addressed or sent (i) if to the Holder, then to the address listed below the Holder's signature on this Note, or at such other address or number as the Holder shall have furnished to the Borrower in writing, or (ii) if to the Borrower, to then to the address listed below the Borrower's signature on this Note, or at such other address or number as the Borrower shall have furnished to the Holder in writing.

6. Expenses; Waivers; Cumulative Remedies. If action is instituted to collect this Note, the Borrower promises to pay all costs and expenses, including, without limitation, reasonable attorneys' fees and costs, incurred in connection with such action. The Borrower hereby waives notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor and all other notices or demands relative to this instrument. No course of dealing or any delay or failure to exercise any right hereunder on the Holder's part shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. No single or partial waiver by the Holder of any provision of this Note or of any breach or default hereunder or of any right or remedy shall operate as a waiver of any other provision, breach, default right or remedy or of the same provision, breach, default, right or remedy on a future occasion. The Holder's rights and remedies are cumulative and are in addition to all rights and remedies which the Holder may have in law or in equity or by statute or otherwise.

7. Equitable Remedies. The Borrower stipulates that the Holder's remedies at law in any Event of Default or threatened Event of Default by the Borrower in the performance of or compliance with any of the terms of this Note are not and will not be adequate to compensate the Holder to the extent permitted by law and that such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

8. Governing Law. This Note and all actions arising out of or in connection with this Note shall be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of law provisions of the State of California or of any other state.

9. Amendment. Any provision of this Note may be amended, waived or modified only upon the written consent of the Borrower and the Holder. Any amendment or waiver affected in accordance with this Section F.9. shall be binding upon the Borrower, the Holder and each transferee of this Note.

10. Interest Savings Clause. If any interest payment due hereunder is determined to be in excess of the legal maximum rate, then that portion of each interest payment representing an amount in excess of the then legal maximum rate shall instead be deemed a payment of principal and shall be applied against the principal of the obligations evidenced by this Note.

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IN WITNESS WHEREOF, the Borrower has caused this Promissory Note to be issued as of the date first written above.

By: /s/ Corey Epstein
Corey Epstein

Address:

AGREED AND ACKNOWLEDGED BY HOLDER:

Denim.LA, Inc.,
a Delaware corporation

By: /s/ Mark Lynn
Mark Lynn
President

Address:
8899 Beverly Blvd Suite 100B
West Hollywood, CA 90048



STANDARD MULTI-TENANT OFFICE LEASE - GROSS
AIR COMMERCIAL REAL ESTATE ASSOCIATION

1. Basic Provisions ("Basic Provisions").

1.1 Parties: This Lease ("Lease"), dated for reference purposes only March 4, 2014, is made by and between Beverly Blvd Associates, L.P. ("Lessor") and Denim.LA, Inc., a Delaware Corporation ("Lessee"), (collectively the "Parties", or individually a "Party").

1.2(a) Premises: That certain portion of the Project (as defined below), known as Suite Numbers(s) 200,600,615,617&619, Second and Sixth floor(s), consisting of approximately 6,596 rentable square feet and approximately 5,736 useable square feet("Premises"). The Premises are located at: 8899 Beverly Boulevard, in the City of West Hollywood, County of Los Angeles, State of California, with zip code 90048. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, the exterior walls, the area above the dropped ceilings, or the utility raceways of the building containing the Premises ("Building") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Project." The Project consists of approximately 80,838 rentable square feet. (See also Paragraph 2)

1.2(b) Parking: Twenty(20) unreserved and * reserved vehicle parking spaces at a monthly cost of \$ * per unreserved space and \$ * per reserved space. (See Paragraph 2.6) *Per separte agreement with parking licensee.

1.3 Term: Zero (0) years and month-to-month months ("Original Term") commencing March 1, 2014 ("Commencement Date") and ending month-to-month ("Expiration Date"). (See also Paragraph 3)

1.4 Early Possession: If the Premises are available Lessee may have non-exclusive possession of the Premises commencing N/A ("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)

1.5 Base Rent: \$5,000.00 per month ("Base Rent)", payable on the First day of each month commencing March 1, 2014. (See also Paragraph 4)

☐ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph _____

1.6 Lessee's Share of Operating Expense Increase: Eight and Sixteen Hundredths percent (8.16%) ("Lessee's Share"). In the event that that size of the Premises and/or the Project are modified during the term of this Lease, Lessor shall recalculate Lessee's Share to reflect such modification.

1.7 Base Rent and Other Monies Paid Upon Execution

- (a) Base Rent: \$5,000.00 for the period first month's rent.
(b) Security Deposit: \$N/A ("Security Deposit"). (See also Paragraph 5)
(c) Parking: \$ * for the period per separate agreement with parking licensee.
(d) Other: \$ N/A for _____.
(e) Total Due Upon Execution of this Lease: \$5,000.00.

1.8 Agreed Use: General office. (See also Paragraph 6)

1.9 Base Year; Insuring Party. The Base Year is 2014. Lessor is the "Insuring Party". (See also Paragraphs 4.2 and 8)

1.10 Real Estate Brokers: (See also Paragraph 15 and 25)

(a) Representation: The following real estate brokers (the "Brokers") and brokerage relationships exist in this transaction (check applicable boxes):

- ☐ N/A represents Lessor exclusively ("Lessor's Broker");
☐ _____ represents Lessee exclusively ("Lessee's Broker"); or
☐ _____ represents both Lessor and Lessee ("Dual Agency").

(b) Payment to Brokers: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers for the brokerage services rendered by the Brokers the fee agreed to in the attached separate written agreement or if no such agreement is attached, the sum of _____ or _____% of the total Base Rent payable for the Original Term, the sum of _____ or _____ of the total Base Rent payable during any period of time that the Lessee occupies the Premises subsequent to the Original Term, and/or the sum of _____ or _____% of the purchase price in the event that the Lessee or anyone affiliated with Lessee acquires from Lessor any rights to the Premises.

1.11 Guarantor. The obligations of the Lessee under this Lease shall be guaranteed by Mark Lynn ("Guarantor"). (See also Paragraph 37)

INITIALS

1.12 **Business Hours for the Building:** 8:00 a.m. to 6:00 p.m., Mondays through Fridays (except Building Holidays) and 8:00 a.m. to 1:00 p.m. on Saturdays (except Building Holidays). "**Building Holidays**" shall mean the dates of observation of New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and other times approved from time to time by Landlord.

1.13 **Lessor Supplied Services.** Notwithstanding the provisions of Paragraph 11.1, Lessor is NOT obligated to provide the following within the Premises:

- Janitorial services
- Electricity
- Other (specify): _____

1.14 **Attachments.** Attached hereto are the following, ~~all of which~~ constitute a part of this Lease:

- an Addendum consisting of Paragraphs 50 through 53;
- a plot plan depicting the Premises;
- a current set of the Rules and Regulations;
- a Work Letter;
- a janitorial schedule;
- other (specify): _____

2. Premises.

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. **Note: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver the Premises to Lessee in a clean condition on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), and all other items which the Lessor is obligated to construct pursuant to the Work Letter attached hereto, if any, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects, and that the Premises do not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law.

2.3 **Compliance.** Lessor warrants to the best of its knowledge that the improvements comprising the Premises and the Common Areas comply with the building codes that were in effect at the time that each such improvement, or portion thereof, was constructed, and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances ("**Applicable Requirements**") in effect on the Start Date. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 49), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning and other Applicable Requirements are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay Interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to nonvoluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises, (b) Lessee has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Lessee's intended use, (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor, (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date, Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** So long as Lessee is not in default, and subject to the Rules and Regulations attached hereto, and as established by Lessor from time to time, Lessee shall be entitled to rent and use the number of parking spaces specified in Paragraph 1.2(b) at the rental rate applicable from time to time for monthly parking as set

by Lessor and/or its licensee.

(a) If Lessee commits, permits or allows any of the prohibited activities described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(b) The monthly rent per parking space specified in Paragraph 1.2(b) is subject to change upon 30 days prior written notice to Lessee. The rent for the parking is payable one month in advance prior to the first day of each calendar month.

2.7 **Common Areas - Definition.** The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Premises that are provided and designated by the Lessor from time to time for the general nonexclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including, but not limited to, common entrances, lobbies, corridors, stairwells, public restrooms, elevators, parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

INITIALS

INITIALS

2 . 8 **Common Areas - Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the nonexclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2 . 9 **Common Areas - Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to adopt, modify, amend and enforce reasonable rules and regulations ("**Rules and Regulations**") for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. The Lessee agrees to abide by and conform to all such Rules and Regulations, and shall use its best efforts to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the noncompliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas - Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

- (a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of the lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;
- (b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;
- (c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;
- (d) To add additional buildings and improvements to the Common Areas;
- (e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and
- (f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 **Early Possession.** Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of the Operating Expense Increase) shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.

3 . 3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3 . 4 **Lessee Compliance.** Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("**Rent**").

4 . 2 **Operating Expense Increase.** Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share of the amount by which all Operating Expenses for each Comparison Year exceeds the amount of all Operating Expenses for the Base Year, such excess being hereinafter referred to as the "**Operating Expense Increase**", in accordance with the following provisions:

- (a) "**Base Year**" is as specified in Paragraph 1.9.
- (b) "**Comparison Year**" is defined as each calendar year during the term of this Lease subsequent to the Base Year; provided, however, Lessee shall have no obligation to pay a share of the Operating Expense Increase applicable to the first 12 months of the Lease Term (other than such as are mandated by a governmental authority, as to which government mandated expenses Lessee shall pay Lessee's Share, notwithstanding they occur during the first twelve (12) months). Lessee's Share of the Operating Expense Increase for the first and last Comparison Years of the Lease Term shall be prorated according to that portion of such Comparison Year as to which Lessee is responsible for a share of such increase.
- (c) The following costs relating to the ownership and operation of the Project, calculated as if the Project was at least 95% occupied, are defined as "**Operating Expenses**":
 - (i) Costs relating to the operation, repair, and maintenance in neat, clean, safe, good order and condition, but not the replacement (see subparagraph (g)), of the following:

- (aa) The Common Areas, including their surfaces, coverings, decorative items, carpets, drapes and window coverings, and including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, stairways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, building exteriors and roofs, fences and gates;

(bb) All heating, air conditioning, plumbing, electrical systems, life safety equipment, communication systems and other equipment used in common by, or for the benefit of, tenants or occupants of the Project, including elevators and escalators, tenant directories, fire detection systems including sprinkler system maintenance and repair.

(cc) All other areas and improvements that are within the exterior boundaries of the Project but outside of the Premises and/or any other space occupied by a tenant.

(ii) The cost of trash disposal, janitorial and security services, pest control services, and the costs of any environmental inspections;

(iii) The cost of any other service to be provided by Lessor that is elsewhere in this Lease stated to be an "Operating Expense";

(iv) The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 and any deductible portion of an insured loss concerning the Building or the Common Areas;

(v) The amount of the Real Property Taxes payable by Lessor pursuant to paragraph 10;

(vi) The cost of water, sewer, gas, electricity, and other publicly mandated services not separately metered;

(vii) Labor, salaries, and applicable fringe benefits and costs, materials, supplies and tools, used in maintaining and/or cleaning the Project and accounting and management fees attributable to the operation of the Project;

(viii) The cost of any capital improvement to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such capital improvement over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month;

(ix) The cost to replace equipment or improvements that have a useful life for accounting purposes of 5 years or less.

(x) Reserves set aside for maintenance, repair and/or replacement of Common Area improvements and equipment.

(d) Any item of Operating Expense that is specifically attributable to the Premises, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Premises, Building, or other building. However, any such item that is not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project.

PAGE 3 OF 14

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(e) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(c) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(f) Lessee's Share of Operating Expense Increase is payable monthly on the same day as the Base Rent is due hereunder. The amount of such payments shall be based on Lessor's estimate of the Operating Expense Expenses. Within 60 days after written request (but not more than once each year) Lessor shall deliver to Lessee a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses for the preceding year. If Lessee's payments during such Year exceed Lessee's Share, Lessee shall credit the amount of such over-payment against Lessee's future payments. If Lessee's payments during such Year were less than Lessee's Share, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of said statement. Lessor and Lessee shall forthwith adjust between them by cash payment any balance determined to exist with respect to that portion of the last Comparison Year for which Lessee is responsible as to Operating Expense Increases, notwithstanding that the Lease term may have terminated before the end of such Comparison Year.

(g) Operating Expenses shall not include the costs of replacement for equipment or capital components such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences that have a useful life for accounting purposes of 5 years or more.

(h) Operating Expenses shall not include any expenses paid by any tenant directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other tenant, or by insurance proceeds.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States on or before the day on which it is due, without offset or deduction (except as specifically permitted in this Lease). All monetary amounts shall be rounded to the nearest whole dollar. In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of \$25 in addition to any Late Charge and Lessor, at its option, may require all future Rent be paid by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Common Area Operating Expenses, and any remaining amount to any other outstanding charges or costs.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements of the Building, will not adversely affect the mechanical, electrical, HVAC, and other systems of the Building, and/or will not affect the exterior appearance of the Building. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term "**Hazardous Substance**" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, byproducts or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "**Reportable Use**" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use such as ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

INITIALS

INITIALS

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessee's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or \$100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises.

6.4 **Inspection; Compliance.** Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, after reasonable notice, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1e) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (MSDS) to Lessor within 10 days of the receipt of written request therefor.

7. Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations

7.1 **Lessee's Obligations.** Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises, to the extent such cost is attributable to abuse or misuse. In addition, Lessee rather than the Lessor shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any similar improvements within the Premises. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder."

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, fire alarm and/or smoke detection systems, fire hydrants, and the Common Areas. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 Utility Installations; Trade Fixtures; Alterations.

(a) **Definitions.** The term "Utility Installations" refers to all floor and window coverings, air lines, vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, and plumbing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof, ceilings, floors or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed \$2000. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with asbuilt plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Liens; Bonds.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

INITIALS

INITIALS

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. **Insurance; Indemnity.**

8.1 **Insurance Premiums.** The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 are included as Operating Expenses (see paragraph 4.2 (c)(iv)). Said costs shall include increases in the premiums resulting from additional coverage related to requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. Said costs shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the Project was not insured for the entirety of the Base Year, then the base premium shall be the lowest annual premium reasonably obtainable for the required insurance as of the Start Date, assuming the most nominal use possible of the Building and/or Project. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of \$2,000,000 procured under Paragraph 8.2(b).

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an annual aggregate of not less than \$2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement and coverage shall also be extended to include damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance - Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Building and/or Project. The amount of such insurance shall be equal to the full insurable replacement cost of the Building and/or Project, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$5,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("**Rental Value insurance**"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) **Worker's Compensation Insurance.** Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements.

(c) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(d) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything

which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 10 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor and its Agents from Liability.** Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

INITIALS

INITIALS

8.9 **Failure to Provide Insurance.** Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. **Damage or Destruction.**

9.1 **Definitions.**

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance, in, on, or under the Premises which requires restoration.

9.2 **Partial Damage - Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage - Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives

such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9 . 7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

10. **Real Property Taxes.**

10.1 **Definitions.** As used herein, the term "**Real Property Taxes**" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. "**Real Property Taxes**" shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project, (ii) a change in the improvements thereon, and/or (iii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 **Payment of Taxes.** Except as otherwise provided in Paragraph 10.3, Lessor shall pay the Real Property Taxes applicable to the Project, and said payments shall be included in the calculation of Operating Expenses in accordance with the provisions of Paragraph 4.2.

INITIALS

INITIALS

10.3 **Additional Improvements.** Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. Utilities and Services.

11.1 **Services Provided by Lessor.** Lessor shall provide heating, ventilation, air conditioning, reasonable amounts of electricity for normal lighting and office machines, water for reasonable and normal drinking and lavatory use in connection with an office, and replacement light bulbs and/or fluorescent tubes and ballasts for standard overhead fixtures. Lessor shall also provide janitorial services to the Premises and Common Areas 5 times per week, excluding Building Holidays, or pursuant to the attached janitorial schedule, if any. Lessor shall not, however, be required to provide janitorial services to kitchens or storage areas included within the Premises.

11.2 **Services Exclusive to Lessee.** Lessee shall pay for all water, gas, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If a service is deleted by Paragraph 1.13 and such service is not separately metered to the Premises, Lessee shall pay at Lessor's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all charges for such jointly metered service.

11.3 **Hours of Service.** Said services and utilities shall be provided during times set forth in Paragraph 1.12. Utilities and services required at other times shall be subject to advance request and reimbursement by Lessee to Lessor of the cost thereof.

11.4 **Excess Usage by Lessee.** Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power, or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security and trash services, over standard office usage for the Project. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee. Lessor may, in its sole discretion, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

11.5 **Interruptions.** There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. Assignment and Subletting.

12.1 Lessor's Consent Required.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buyout or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "Net Worth of Lessee" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, ie. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

INITIALS

INITIALS

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41, (viii) material data safety sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or

termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "**Inducement Provisions**", shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or \$100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

INITIALS

INITIALS

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for nonscheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to nonscheduled payments. The interest (“**Interest**”) charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor’s obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee’s expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month’s Base Rent or the Security Deposit, reserving Lessee’s right to seek reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively “**Condemnation**”), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the rentable floor area of the Premises, or more than 25% of Lessee’s Reserved Parking Spaces, if any, are taken by Condemnation, Lessee may, at Lessee’s option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee’s relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.**

15.1 **Additional Commission.** If a separate brokerage fee agreement is attached then in addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule attached to such brokerage fee agreement.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor’s interest in this Lease shall be deemed to have assumed Lessor’s obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee’s Broker when due, Lessee’s Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee’s Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor’s Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder’s fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys’ fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as “**Responding Party**”) shall within 10 days after written notice from the other Party (the “**Requesting Party**”) execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current “**Estoppel Certificate**” form published by the AIRCommercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party’s performance, and (iii) if Lessor is the Requesting Party, not more than one month’s rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party’s Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee’s financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term “**Lessor**” as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee’s interest in the prior lease. In the event of a transfer of Lessor’s title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word “**days**” as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or

shareholders, and Lessee shall look to the Project, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

INITIALS

INITIALS

23.2 Date of Notice. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. Waivers.

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. No Right To Holdover. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. Subordination; Attornment; Non-Disturbance.

30.1 Subordination. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "**Security Device**"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "**Lender**") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Devis to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "**Non-Disturbance Agreement**") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

INITIALS

INITIALS

3.1. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach (\$200 is a reasonable minimum per occurrence for such services and consultation).

3.2. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect on Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Lessor may not place any sign on the exterior of the Building that covers any of the windows of the Premises. Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an Option, as defined below, then the following provisions shall apply.

39.1 **Definition.** "**Option**" shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties. In the event, however, that Lessor should elect to provide security services, then the cost thereof shall be an Operating Expense.

41. **Reservations.**

(a) Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to

cause the recordation of parcel maps and restrictions, (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessor may also: change the name, address or title of the Building or Project upon at least 90 days prior written notice; provide and install, at Lessee's expense, Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate; grant to any lessee the exclusive right to conduct any business as long as such exclusive right does not conflict with any rights expressly given herein; and to place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the Building or the Project or on signs in the Common Areas. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights. The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

(b) Lessor also reserves the right to move Lessee to other space of comparable size in the Building or Project. Lessor must provide at least 45 days prior written notice of such move, and the new space must contain improvements of comparable quality to those contained within the Premises. Lessor shall pay the reasonable out of pocket costs that Lessee incurs with regard to such relocation, including the expenses of moving and necessary stationary revision costs. In no event, however, shall Lessor be required to pay an amount in excess of two months Base Rent. Lessee may not be relocated more than once during the term of this Lease.

(c) Lessee shall not: (i) use a representation (photographic or otherwise) of the Building or Project or their name(s) in connection with Lessee's business; or (ii) suffer or permit anyone, except in emergency, to go upon the roof of the Building.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" within 6 months shall be deemed to have waived its right to protest such payment.

43. **Authority; Multiple Parties; Execution**

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

INITIALS

INITIALS

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable nonmonetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.**

48. **Arbitration of Disputes.** An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is is not attached to this Lease.

49. **Americans with Disabilities Act.** Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. **SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAXCONSEQUENCES OF THIS LEASE.**
2. **RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID**

INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING AND SIZE OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: _____

Executed at: _____

On: _____

On: _____

By LESSOR:
Beverly Blvd Associates, L.P.

By LESSEE:
Denim.LA, Inc., a Delaware Corporation

By: _____
Name Printed: John Irwin
Title: _____

By: _____
Name Printed: Mark Lynn
Title: President

By: _____
Name Printed: _____
Title: _____
Address: 8899 Beverly Boulevard
West Hollywood, CA 90048

By: _____
Name Printed: _____
Title: _____
Address: 8899 Beverly Boulevard, Suite 600
West Hollywood, CA 90048

Telephone: (310) 285-7079
Facsimile: (310) 274-9853
Email: _____
Email: _____
Federal ID No. 90-0863499

Telephone: (720) 937-9286
Facsimile: ()
Email: _____
Email: _____
Federal ID No. 46-1942864

LESSOR'S BROKER:
N/A

LESSEE'S BROKER:
N/A

Attn: _____
Address: _____

Attn: _____
Address: _____

Telephone: (____) _____
Facsimile: (____) _____
Email: _____

Broker/Agent DRE License #: _____

Telephone: (____) _____
Facsimile: (____) _____
Email: _____

Broker/Agent DRE License #: _____

INITIALS

INITIALS

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 800 W 6th Street, Suite 800, Los Angeles, CA 90017. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

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PAGE 14 OF 14

INITIALS

INITIALS

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FORM OFG-9-3/10E

PROMISSORY NOTE

\$242,000.01

October 14, 2013
Santa Monica, California

FOR VALUE RECEIVED, Mark Lynn, an individual resident of the State of California (the "Borrower"), promises to pay to Denim.LA, Inc., a Delaware corporation or its registered assigns (the "Holder") the principal sum of Two Hundred Forty-Two Thousand dollars and one cent (\$242,000.01), or such lesser amount as shall then equal the outstanding principal amount hereof, together with interest from the date of this Note on the unpaid principal balance at a rate equal to the prime rate as quoted from time to time in *The Wall Street Journal* plus 1.0%. The interest rate shall be computed on the basis of the actual number of days elapsed and a year of 365 days. Interest shall be paid annually on the outstanding principal of this Note, on the annual anniversary of this Note each year. All unpaid principal, together with the balance of any unpaid interest and other amounts payable hereunder, shall be due and payable on demand at any time (i) after August 1, 2018 (the "Maturity Date"), (ii) upon the termination of all of Borrower's services to Holder (whether voluntary or involuntary) as an employee, consultant and director, in which the Company exercises its Unvested Share Repurchase Option (as defined in the Common Stock Purchase Agreement (as defined below)), or (iii) after the occurrence of an Event of Default (as defined below).

The following is a statement of the rights and obligations of the Holder and the Borrower and the conditions to which this Note is subject, and to which the Holder hereof, by the acceptance of this Note, agrees:

A. Payments. The Borrower may prepay this Note, in whole or in part at any time, without premium or penalty, without the consent of the Holder. Any such prepayment will be applied first to the payment of expenses due under this Note, second to interest accrued on this Note and third, if the amount of prepayment exceeds the amount of all such expenses and accrued interest, to the payment of principal of this Note. If any payment on this Note shall become due on a Saturday, Sunday, or a public holiday under the laws of the State of California, such payment shall be made on the next succeeding business day and such extension of time shall be included in computing interest in connection with such payment. All payments shall be in lawful money of the United States of America.

B. Events of Default. The occurrence of any of the following shall constitute an "Event of Default" under this Note:

1. Failure to Pay. The Borrower shall fail to pay (i) when due any principal payment on the due date hereunder or (ii) any interest or other payment required under the terms of this Note on the date due and such payment shall not have been made within five (5) days of the Borrower's receipt of the Holder's written notice to the Borrower of such failure to pay; or

2. Voluntary Bankruptcy or Insolvency Proceedings. The Borrower shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its or any of its creditors, (iii) be dissolved or liquidated in full or in part, (iv) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (v) take any action for the purpose of effecting any of the foregoing;

3. Involuntary Bankruptcy or Insolvency Proceedings. Proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Borrower or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Borrower or the debts thereof under any bankruptcy, insolvency or other similar law or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within thirty (30) days of commencement.

C. Rights of the Holder Upon Default. Upon the occurrence and during the continuance of any Event of Default, the Holder may declare all outstanding principal and accrued interest due hereunder to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Holder may exercise any other right, power or remedy granted to it or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

D. Intentionally Omitted.

E. Security Interest. On or about October 14, 2013, Borrower purchased 2,688,889 shares of the Holder's Common Stock pursuant to the Common Stock Purchase Agreement (the "Shares"). Borrower's obligations under this Note are hereby secured by all of the Shares, whether vested or unvested, pursuant to that certain Pledge Agreement dated on or about October 14, 2013. This Note shall be full recourse as against the Borrower. For purposes of this Agreement, "Common Stock Purchase Agreement" shall mean that certain Common Stock Purchase Agreement between the Holder and the Borrower, dated on or about October 14, 2013.

F. Miscellaneous.

1. Successors and Assigns. Subject to the restrictions on transfer described in Sections F.2. and F.3. below, the rights and obligations of the Borrower and the Holder of this Note shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

2. Transfer of this Note. The Holder may transfer this Note and its rights and obligations hereunder to any party in its sole discretion. Prior to presentation of this Note for registration of transfer, the Borrower shall treat the registered holder hereof as the owner and holder of this Note for the purpose of receiving all payments of principal and interest hereon and for all other purposes whatsoever, whether or not this Note shall be overdue and the Borrower shall not be affected by notice to the contrary.

3. Assignment by the Borrower. Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, by operation of law or otherwise, in whole or in part, by the Borrower, without the prior written consent of the Holder.

4. Intentionally Omitted.

5. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be sent via facsimile, overnight courier service or mailed by certified or registered mail, postage prepaid, return receipt requested, addressed or sent (i) if to the Holder, then to the address listed below the Holder's signature on this Note, or at such other address or number as the Holder shall have furnished to the Borrower in writing, or (ii) if to the Borrower, to then to the address listed below the Borrower's signature on this Note, or at such other address or number as the Borrower shall have furnished to the Holder in writing.

6. Expenses; Waivers; Cumulative Remedies. If action is instituted to collect this Note, the Borrower promises to pay all costs and expenses, including, without limitation, reasonable attorneys' fees and costs, incurred in connection with such action. The Borrower hereby waives notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor and all other notices or demands relative to this instrument. No course of dealing or any delay or failure to exercise any right hereunder on the Holder's part shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. No single or partial waiver by the Holder of any provision of this Note or of any breach or default hereunder or of any right or remedy shall operate as a waiver of any other provision, breach, default right or remedy or of the same provision, breach, default, right or remedy on a future occasion. The Holder's rights and remedies are cumulative and are in addition to all rights and remedies which the Holder may have in law or in equity or by statute or otherwise.

7. Equitable Remedies. The Borrower stipulates that the Holder's remedies at law in any Event of Default or threatened Event of Default by the Borrower in the performance of or compliance with any of the terms of this Note are not and will not be adequate to compensate the Holder to the extent permitted by law and that such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

8. Governing Law. This Note and all actions arising out of or in connection with this Note shall be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of law provisions of the State of California or of any other state.

9 . Amendment. Any provision of this Note may be amended, waived or modified only upon the written consent of the Borrower and the Holder. Any amendment or waiver affected in accordance with this Section F.9. shall be binding upon the Borrower, the Holder and each transferee of this Note.

10. Interest Savings Clause. If any interest payment due hereunder is determined to be in excess of the legal maximum rate, then that portion of each interest payment representing an amount in excess of the then legal maximum rate shall instead be deemed a payment of principal and shall be applied against the principal of the obligations evidenced by this Note.

[REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Borrower has caused this Promissory Note to be issued as of the date first written above.

By: /s/ Mark Lynn
Mark Lynn

Address:
13700 Marina Pointe Drive
Marina Del Rey, CA 90292

AGREED AND ACKNOWLEDGED BY HOLDER:

Denim.LA, Inc.,
a Delaware corporation

By: /s/ Corey Epstein
Corey Epstein
Chief Executive Officer

Address:
155 W. Washington Blvd.
Suite 840
Los Angeles, CA 90015



Denim.LA, Inc.
8899 Beverly Blvd., Suite 600
West Hollywood, CA 90069

To the Board of Directors:

We are acting as counsel to Denim.LA, Inc. (the "Company") with respect to the preparation and filing of an offering statement on Form 1-A. The offering statement covers the contemplated sale of up to \$6 million of shares of the Company's Series A Preferred Stock.

In connection with the opinion contained herein, we have examined the offering statement, the certificates of incorporation and bylaws, the minutes of meetings of the Company's board of directors, as well as all other documents necessary to render an opinion. In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such copies.

Based upon the foregoing, we are of the opinion that the Series A Preferred Stock being sold pursuant to the offering statement will be duly authorized and will be, when issued in the manner described in the offering statement, legally and validly issued, fully paid and non-assessable. No opinion is being rendered hereby with respect to the truth and accuracy, or completeness of the offering statement or any portion thereof.

We further consent to the use of this opinion as an exhibit to the offering statement.

Yours truly,

KHLK, LLP
/s/KHLK LLP
By Andrew Stephenson, Partner

<https://www.seedinvest.com/dstld/series.a> (last accessed 6/7/2016)

Indicate Interest in DSTLD

 [seedinvest.com/dstld/series.a](https://www.seedinvest.com/dstld/series.a)

DSTLD is "testing the waters" to gauge market demand from potential investors for an Offering under Tier II of Regulation A. No money or other consideration is being solicited, and if sent in response, it will not be accepted. No sales of securities will be made or commitment to purchase accepted until qualification of the offering statement by the Securities and Exchange Commission (the "Commission") and approval of any other required government or regulatory agency. An indication of interest made by a prospective investor is non-binding and involves no obligation or commitment of any kind. No offer to buy securities can be accepted and no part of the purchase price can be received without an Offering Statement that has been qualified by the Commission. A Preliminary Offering Circular that forms a part of the Offering Statement has been filed with the Commission, a copy of which may be obtained below.

Dis-till – Extract the essential meaning or most important aspects of.

Highlights

- Lifetime Revenue: \$3,000,000+
- Investment Funds Raised to Date: \$5,000,000
- Investors include CrunchFund, Arena Ventures, CAA Ventures, Baroda Ventures, Wavemaker Partners and Amplify LA.
- Over \$3 million in sales to 21,700 customers since inception.
- \$5 million of investment funds raised to date.
- Average Order Value (Lifetime): ~\$100
- Premium Denim Selling Price: \$65+
- Indicated Interest: \$17,108,000
- Security Type: Preferred Equity

Overview

Launched in 2014, DSTLD (pronounced "distilled") is an LA-based, online apparel company. At DSTLD, we're focused on designing modern staples, like the perfect jeans, tops, outerwear, and accessories, in a fundamental color palette – black, white, and denim. All of our products are manufactured in the most sought after factories and whenever possible, we employ sustainable materials, natural dyes, and eco-friendly practices. By cutting out Department Stores and Boutiques, we provide premium denim and luxury essentials at 60-80% off retail prices via a streamlined e-commerce experience.

What the Press is Saying

“The Best Figure Flattering Denim” - *VOGUE*

“A pair of premium, quite perfectly cut jeans.” - *GQ*

“Meet the denim company that will change your life (and wardrobe) for good.” -*AOL*

Customer Feedback*

“Just wanted to say that I've already bought two pairs of jeans from you guys—they are perhaps the best fitting, best looking, and most durable jeans I have ever bought... and the price absolutely can't be beat. Two thumbs up!” - *Ryan*

“I just wanted to email to say that I am truly satisfied with the jeans. I have had them for a little less than a year and they are still in perfect condition. They are probably the best jeans I have ever bought and for such an affordable price too! I have absolutely no complaints with the jeans.” - *Thu*

“I purchased the Men's Slim Jeans in Dark White Oak Denim in October and I haven't stopped wearing it since. (seriously .. I wear it every day). The fit is perfect.” - *Vivek*

“Your denim is amazing. My new wardrobe staple. Thank you x a million.” - *Corinne*

*Disclaimer: The above individuals were not compensated in exchange for their testimonials. In addition, their testimonials should not be construed as and/or considered investment advice.

E-CommerceApparelLifestyle BrandLifestyle ProductsFashionConsumer Los Angeles

Website: <http://www.dstld.com/>

Product & Service

Gallery

Home Page.

Media Mentions

Team Story

Do stylish, high-quality garments require a luxury price tag? At DSTLD, our answer is a resounding no.

We have always valued a top-quality product and customer experience over the name on the label of our clothes. But as educated consumers living in Los Angeles, the denim capital of the world, we found it impossible to find well-made jeans and go-to essentials without the premium price tag. With backgrounds that span from photography, design, and creative direction, to operations, e-commerce and consulting, we knew we could build a brand that set us apart from traditional premium labels. A brand that was different, better, and had an edge. A brand for the modern consumer.

Our distinct vision and progressive platform has made it easy to find a multi-talented crew of like-minded individuals. Modest yet agile, the DSTLD team comes from some of the top household name brands and companies in the world, all who left corporate culture to endure the even more demanding startup world. At DSTLD's inception, we focused on denim. Los Angeles being the epicenter of premium jeans, combined with the nearly mandatory denim uniform worn by today's creative class, made it a clear choice. A year in, our focus expanded to include luxury essentials like made in LA cotton tees, French Terry sweatshirts, and Italian-made leather accessories.

DSTLD isn't even two years old, yet we are proud to be backed by leaders in the investment community, such as Plus Capital, Creative Artists Agency (CAA), Wavemaker Partners, Baroda Ventures, Amplify.LA and CrunchFund. DSTLD is based in Los Angeles, California and helmed by Corey Epstein, Co-CEO, Co-Founder, and Creative Director, and Mark Lynn, Co-CEO and Co-Founder.

Founders



Mark T. Lynn

Co-CEO & Co-Founder

Mark T. Lynn is an Irish born, LA based entrepreneur with a keen interest in design and technology. He is the Co-Founder and Co-CEO of DSTLD where his example-driven leadership shapes the atmosphere. In his 15 years as an entrepreneur he has been involved in and sold several successful companies across a wide variety of verticals, including boutique hotels, design-driven real estate development, and wine and spirits. Prior to co-founding DSTLD with Epstein, Lynn co-founded Club W (www.clubw.com), a subscription based e-winery that has become one of the largest and fastest growing wineries in America.

Lynn enjoys modern art, classical, and house music (in equal measure), traveling, wine, and a good pint of Guinness.



Corey Epstein

Co-CEO, Co-Founder & Creative Director

Corey Epstein is the Co-Founder, Co-CEO, and Creative Director of DSTLD, leading his team in the day to day operations of the company as well as guiding the broader creative vision for the brand. There's no typical day for Corey – you might find him at table intently tweaking code or on the floor, camera in hand, snapping the perfect photo. He established a talent for executing a concept and creating a mood early on. Prior to founding DSTLD, Corey led his own marketing and web consulting firm where he advised hundreds of clients across all industries on branding, design, development, and strategy. Later, he served as a Senior Consultant at Deloitte, specializing in Retail Strategy and Analytics. He holds a BBA from Loyola Marymount University with a focus in Business Law and earned his MBA from UCLA Anderson School of Management.

He always finds a way to combine what he loves most – music, art, and photography – with work. In his free time, Corey enjoys hiking, playing guitar, and honing his skills behind the lens.

Key Team Members



Kevin Morris

COO / CFO



Julie Michelson-Caceres

Director of Product Development & Production



Conrad Steenberg

CTO



Hannah Lavery

PR & Marketing Director



Laura Gramlich

Customer Experience Manager



Isadora Hu

Operations Manager

Notable Advisors & Investors



Plus Capital

Investor, early-stage venture fund



Wavemaker

Investor, early-stage, cross-border VC firm



Dennis Phelps

Investor, angel investor & VC at Institutional Venture Partners



Tenonet Ventures

Investor, LA-based early-stage VC firm



Tom Mcinerny

Investor, angel investor



Amplify La

Investor, accelerator investing in seed and early-stage startups



Caa Ventures

Investor, early-stage VC arm of CAA (Creative Artists Agency)



Baroda Ventures

Investor, LA-based VC firm



Arena Ventures

Investor, LA and SF-based seed and growth stage VC firm



Clark Landry

Investor, angel investor, entrepreneur, co-founder and former executive chairman of SHIFT



CrunchFund

Investor, SF-based seed and early-stage VC



Patrick Falle

Investor, founding investor



Andrew Lanoha

Investor, VC at Lanoha Ventures



John Tomich

Advisor, Chairman & Co-Founder at Onestop Internet



Samuel Shaffer

Advisor, marketing strategist



Steve Shaw

Advisor, Founder of Treats! Magazine & photographer

Prior Rounds

Seed

- Round size
 - US \$4,100,000
 - Close date
 - Oct 30, 2014
 - Security Type
 - Preferred Equity
-

Bridge

- Security Type
Convertible Note
- Valuation Cap
US \$15,000,000

Risks and Disclosures

Start-up investing is risky. Investing in startups is very risky, highly speculative, and should not be made by anyone who cannot afford to lose their entire investment. Unlike an investment in a mature business where there is a track record of revenue and income, the success of a startup or early-stage venture often relies on the development of a new product or service that may or may not find a market. Before investing, you should carefully consider the specific risks and disclosures related to both this offering type and the company which can be found in this company profile and the documents in the data room below.

Your shares are not easily transferable. You should not plan on being able to readily transfer and/or resell your security. Currently there is no market or liquidity for these shares and the company does not have any plans to list these shares on an exchange or other secondary market. At some point the company may choose to do so, but until then you should plan to hold your investment for a significant period of time before a “liquidation event” occurs. A “liquidation event” is when the company either lists their shares on an exchange, is acquired, or goes bankrupt.

The Company may not pay dividends for the foreseeable future. Unless otherwise specified in the offering documents and subject to state law, you are not entitled to receive any dividends on your interest in the Company. Accordingly, any potential investor who anticipates the need for current dividends or income from an investment should not purchase any of the securities offered on the Site.

Valuation and capitalization. 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. In addition, there may be additional classes of equity with rights that are superior to the class of equity being sold.

You may only receive limited disclosure. While the company must disclose certain information, since the company is at an early-stage they may only be able to provide limited information about its business plan and operations because it does not have fully developed operations or a long history. The company may also only be obligated to file information periodically regarding its business, including financial statements. A publicly listed company, in contrast, is required to file annual and quarterly reports and promptly disclose certain events — through continuing disclosure that you can use to evaluate the status of your investment.

Investment in personnel. An early-stage investment is also an investment in the entrepreneur or management of the company. Being able to execute on the business plan is often an important factor in whether the business is viable and successful. You should be aware that a portion of your investment may fund the compensation of the company’s employees, including its management. You should carefully review any disclosure regarding the company’s use of proceeds.

<https://www.seedinvest.com/dstld/series.a> (last accessed 6/7/2016)

Possibility of fraud. In light of the relative ease with which early-stage companies can raise funds, it may be the case that certain opportunities turn out to be money-losing fraudulent schemes. As with other investments, there is no guarantee that investments will be immune from fraud.

Lack of professional guidance. Many successful companies partially attribute their early success to the guidance of professional early-stage investors (e.g., angel investors and venture capital firms). These investors often negotiate for seats on the company's board of directors and play an important role through their resources, contacts and experience in assisting early-stage companies in executing on their business plans. An early-stage company may not have the benefit of such professional investors.

DSTLD's Preliminary Offering Circular

The offering circular is the formal legal document filed with the SEC for a Regulation A offering and provides facts that an investor needs to make an informed investment decision. The offering circular includes an overview of company and company's business, historical financials and capitalization, and key risk factors.

Download DSTLD's Preliminary Offering Circular [here](#).

%nbsp;

Shares



A CHANCE TO INVEST IN DSTLD

PUBLISHED MAY 2, 2016

DSTLD

LOS ANGELES



A few months back, DSTLD explored the possibility of allowing our customers to invest. The response from our customers and the public was phenomenal – our “testing the waters” (TTW) campaign received over \$12,150,000 of indicated interest from more than 2,100 people. **As the first fashion company to explore this fundraising alternative, we also received a powerful response from the press.**



Because of the enthusiastic response, DSTLD has decided to file with the SEC to allow customers to buy shares. We will be opening up our live equity crowdfunding campaign to everyone in a few short months and would like to invite you to learn more.

[LEARN MORE](#)

To get yourself more familiar with the brand, here are some company highlights, as well as an invitation for you to visit our [SeedInvest page](#) so you can view DSTLD’s company deck or indicate interest to invest. Indicating interest is non-binding.

Please share this news with anyone you know who might be interested in learning more about DSTLD or investing.

[CLICK HERE TO VISIT OUR SEEDINVEST PAGE](#) 

Thank you again for your support, we look forward to what lies ahead!

Corey + Mark
Co-founders

[BY THE NUMBERS](#)



NEW PRODUCT DEVELOPMENT

With a recent addition to our senior design team (she hails from Nasty Gal and Kill City), we've been hard at work planning the expansion of our collection. Expect to see new developments by mid-spring in our Men's and Women's denim collections, plus outerwear: a leather Moto Jacket and silk Bomber for women, and a leather Bomber for men.



LEATHER BOMBER



LIGHTWEIGHT DENIM



SILK BOMBER

We're also extremely excited to be moving the production of our denim lines to Los Angeles, where all of our knits and tees are already manufactured, in the near future.

IN THE PRESS



"A PAIR OF PREMIUM, QUITE PERFECTLY CUT JEANS"



"THE BEST FIGURE FLATTERING DENIM"



"MEET THE DENIM COMPANY THAT WILL CHANGE YOUR LIFE (AND WARDROBE) FOR GOOD"

SEEN ON



SELENA GOMEZ



KENDALL JENNER



CARA DELEIVINGNE



LEA MICHELE



ALESSANDRA AMBROSIO



REESE WITHERSPOON

FROM OUR CUSTOMERS

"Just wanted to say that I've already bought two pairs of jeans from you guys– they are perhaps the best fitting, best looking, and most durable jeans I have ever bought... and the price absolutely can't be beat. Two thumbs up!" – **RYAN**

"I purchased the "Low Rise Skinny Jeans in Dusk" in February of last year. I just wanted to email to say that I am truly satisfied with the jeans. I have had them for a little less than a year and they are still in perfect condition. They are probably the best jeans I have ever bought and for such an affordable price too! I have absolutely no complaints with the jeans." – **THOU**

"I love your jeans so much...The material is so much thicker and feels stiff and strong compared to other jeans I've worn that feel limp, thin and liable to rip. A month later I bought your black over-dye skinny jeans. They are the most comfortable and soft jeans I've encountered. An absolutely fabulous job on the jeans, one can see and feel the quality that has gone into them. Thank you for providing such quality products for reasonable prices." – **GARRETT**

"Great quality jeans. I never thought I'd find a pair that I love as much as my AG jeans, but these have surpassed my expectations. The Skinny Black Powerstretch pair is my favorite – great stretch without it loosening up and giving a baggy butt look. After several washes the black has not faded at all. Customer service is superb." – **CHRISTINA**

FOLLOW US ON INSTAGRAM



Denim.LA, Inc. (“DSTLD”) is “testing the waters” to gauge market demand from potential investors for an Offering under Tier II of Regulation A. No money or other consideration is being solicited, and if sent in response, it will not be accepted. No sales of securities will be made or commitment to purchase accepted until qualification of the offering statement by the Securities and Exchange Commission (the “Commission”) and approval of any other required government or regulatory agency. An indication of interest made by a prospective investor is non-binding and involves no obligation or commitment of any kind. No offer to buy securities can be accepted and no part of the purchase price can be received without an Offering Statement that has been qualified by the Commission. A Preliminary Offering Circular that forms a part of the Offering Statement has been filed with the Commission, a copy of which may be obtained from <https://www.seedinvest.com/dstld/series.a>.

The individuals above were not compensated in exchange for their testimonials. In addition, their testimonials should not be construed as and/or considered investment advice.

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Put Your Money Where Your Style Is – DSTLD | Blog

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PUT YOUR MONEY WHERE YOUR STYLE IS

PUBLISHED MAY 13, 2016

A lot of people have asked why we've turned to equity crowdfunding over traditional venture capital funds to grow [DSTLD](#). Simply put, you've been such a huge part of our growth and success to date, and we want you to continue to be part of it.

We consider our [equity crowdfunding campaign](#) another necessary step in cutting out the middleman and in creating the most value for our customers. New funding will allow us to invest in more of the products you know and love, as well as develop the items you've been asking for. It also allows us to keep our autonomy and work toward the needs of *you* rather than the interests of venture capitalists.

Check out [our short video](#) from co-founders Corey Epstein and Mark Lynn for an inside look into our business and campaign.

A Chance to Invest in DSTLD



<http://www.dstld.com/blog/put-your-money-where-your-style-is/>

1/4



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Gmail - Become an Owner in DSTLD.



Hannah Laverty <hmlaverty@gmail.com>

Become an Owner in DSTLD.

1 message

DSTLD <hello@dstld.la>
Reply-To: DSTLD <hello@dstld.la>
To: hmlaverty@gmail.com

Wed, Apr 13, 2016 at 11:14 AM

Share in DSTLD's success so far.

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D S T L D
L O S A N G E L E S



A few months back, you indicated that you were interested in investing in DSTLD. Today we're writing to you with an exciting announcement.

We received a powerful response from our community after we launched our "testing the waters" (TTW) campaign this fall. More than 2,100 people indicated over \$12,150,000 in investment interest in DSTLD. **As the first fashion company to explore this fundraising alternative, we also received a powerful response from press.**



Because of your enthusiastic response, we've decided to file with the SEC to allow customers to buy shares of DSTLD. We will be opening up our live equity crowdfunding campaign to our community in a few short months and we would like to invite you to learn more.

LEARN MORE

As we prepare for our round to open in a few short months, we'd like to highlight a few recent business updates, as well as invite you to visit our [SeedInvest page](#) so you can view our updated company deck or indicate additional interest to invest. As a reminder, indicating interest is non-binding.

We also welcome you to share our news with anyone you know who might be interested in learning more about DSTLD or investing.

VISIT OUR SEEDINVEST PAGE

Thank you again for your support, we look forward to what lies ahead!

Corey + Mark
Co-founders

BY THE NUMBERS



NEW PRODUCT DEVELOPMENT

With a recent addition to our senior design team (she hails from Nasty Gal and Kill City), we've been hard at work planning the expansion of our collection. Expect to see new developments by mid-spring in our Men's and Women's denim collections, plus outerwear: a leather Moto Jacket and silk Bomber for women, and a leather Bomber for men.



LEATHER BOMBER



LIGHTWEIGHT DENIM



SILK BOMBER

We're also extremely excited to be moving the production of our denim lines to Los Angeles, where all of our knits and tees are already manufactured, in the near future.

IN THE PRESS



"A PAIR OF
PREMIUM, QUITE
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"THE BEST
FIGURE
FLATTERING
DENIM"



"MEET THE DENIM
COMPANY THAT WILL
CHANGE YOUR LIFE
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FOR GOOD"

SEEN ON



SELENA GOMEZ



KENDALL JENNER



CARA DELEVINGNE



LEA MICHELE



ALESSANDRA AMBROSIO



REESE WITHERSPOON

FROM OUR CUSTOMERS

"Just wanted to say that I've already bought two pairs of jeans from you guys--they are perhaps the best fitting, best looking, and most durable jeans I have ever bought... and the price absolutely can't be beat. Two thumbs up!" - RYAN

"I purchased the "Low Rise Skinny Jeans in Dusk" in February of last year. I just

wanted to email to say that I am truly satisfied with the jeans. I have had them for a little less than a year and they are still in perfect condition. They are probably the best jeans I have ever bought and for such an affordable price too! I have absolutely no complaints with the jeans." - **THOU**

"I love your jeans so much...The material is so much thicker and feels stiff and strong compared to other jeans I've worn that feel limp, thin and liable to rip. A month later I bought your black over-dye skinny jeans. They are the most comfortable and soft jeans I've encountered. An absolutely fabulous job on the jeans, one can see and feel the quality that has gone into them. Thank you for providing such quality products for reasonable prices." - **GARRETT**

"Great quality jeans. I never thought I'd find a pair that I love as much as my AG jeans, but these have surpassed my expectations. The Skinny Black Powerstretch pair is my favorite -- great stretch without it loosening up and giving a baggy butt look. After several washes the black has not faded at all. Customer service is superb." - **CHRISTINA**

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5/17/2016

DSTLD Mail - Put Your Money Where Your Style Is



Hannah Lavery <hannah@dstld.la>

Put Your Money Where Your Style Is

1 message

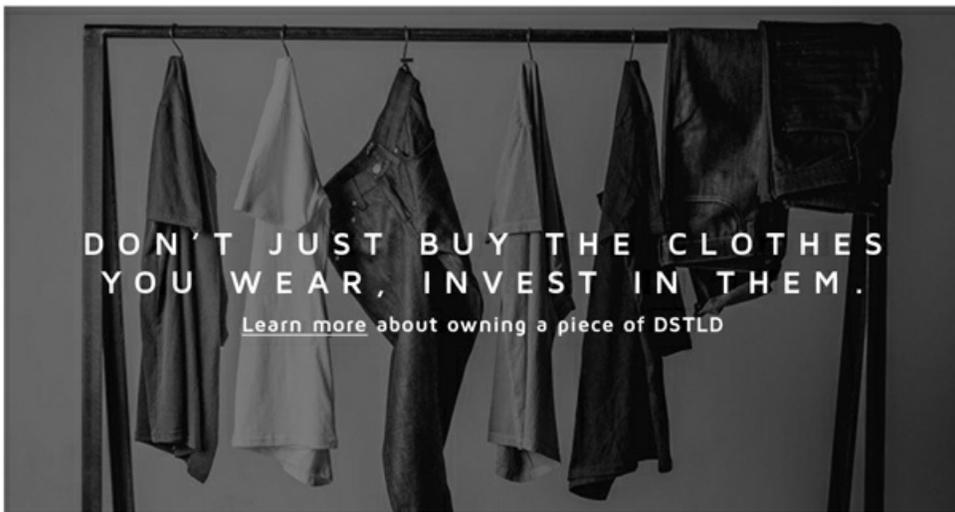
DSTLD <hello@dstld.la>
Reply-To: DSTLD <hello@dstld.la>
To: media@dstld.la

Tue, May 17, 2016 at 2:45 PM

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As we get ready for the launch of our live round in a few short weeks, this is the last chance for you to indicate interest to invest in DSTLD. As a reminder, indicating interest in non-binding.

Check out our short video from co-founders Corey Epstein and Mark Lynn for an

inside look into DSTLD and our campaign.



WATCH VIDEO

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5/27/2016

DSTLD Mail - Here's Early Access to Reserve Your Shares



Hannah Lavery <hannah@dstld.la>

Here's Early Access to Reserve Your Shares

1 message

DSTLD <hello@dstld.la>
Reply-To: DSTLD <hello@dstld.la>
To: hannah@dstld.la

Fri, May 27, 2016 at 9:05 AM

Go ahead. Capitalize on us.

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DSTLD LUXE ESSENTIALS.
NO RETAIL MARKUP.



Interest in our Series A round has been remarkable. We've seen an outpouring of support from customers, influencers, and notable investors alike. So far we've received over \$16M of indications of interest, but we are planning to accept only a fraction of that in our live round. Given the demand from our community so far, we'd like to give you priority access to reserve shares in our

fundraising round, before we open up reservations to the general public.

Reserving your spot now grants you preferred entry to our investment round, and enables you to invest with one click of a button when our campaign goes live in a few short weeks.

You can access the reservations page with your unique, private link:

[Reserve Shares in DSTLD](#)

WATCH OUR VIDEO



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4/20/2016

DSTLD Mail - DSTLD is Disrupting the \$200BN Fast Fashion Industry. Learn How You Can Invest.



Hannah Lavery <hannah@dstld.la>

DSTLD is Disrupting the \$200BN Fast Fashion Industry. Learn How You Can Invest.

1 message

DSTLD <hello@dstld.la>
Reply-To: DSTLD <hello@dstld.la>
To: media@dstld.la

Wed, Apr 13, 2016 at 11:16 AM

Share in DSTLD's success so far.

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D S T L D
L O S A N G E L E S



A few months back, we wrote to you regarding the possibility of investing in DSTLD. Your response was exciting - our "testing the waters" (TTW) campaign received over \$12,150,000 of indicated interest from more than 2,100 people. **As the first fashion company to explore this fundraising alternative, we also received a powerful response from press.**



Because of your enthusiastic response, we've decided to file with the SEC to allow customers to buy shares of DSTLD. We will be opening up our live equity crowdfunding campaign to our community in a few short months and we would like to invite you to learn more.

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VISIT OUR SEEDINVEST PAGE

Thank you again for your support, we look forward to what lies ahead!

Corey + Mark
Co-founders

BY THE NUMBERS



NEW PRODUCT DEVELOPMENT

With a recent addition to our senior design team (she hails from Nasty Gal and Kill City), we've been hard at work planning the expansion of our collection. Expect to see new developments by mid-spring in our Men's and Women's denim collections, plus outerwear: a leather Moto Jacket and silk Bomber for women, and a leather Bomber for men.



LEATHER BOMBER



LIGHTWEIGHT DENIM



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We're also extremely excited to be moving the production of our denim lines to Los Angeles, where all of our knits and tees are already manufactured, in the near future.

IN THE PRESS



**"A PAIR OF
PREMIUM, QUITE
PERFECTLY CUT
JEANS"**



**"THE BEST
FIGURE
FLATTERING
DENIM"**



**"MEET THE DENIM
COMPANY THAT WILL
CHANGE YOUR LIFE
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REESE WITHERSPOON

FROM OUR CUSTOMERS

"Just wanted to say that I've already bought two pairs of jeans from you guys--they are perhaps the best fitting, best looking, and most durable jeans I have ever bought... and the price absolutely can't be beat. Two thumbs up!" - RYAN

"I purchased the "Low Rise Skinny Jeans in Dusk" in February of last year. I just

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"I love your jeans so much...The material is so much thicker and feels stiff and strong compared to other jeans I've worn that feel limp, thin and liable to rip. A month later I bought your black over-dye skinny jeans. They are the most comfortable and soft jeans I've encountered. An absolutely fabulous job on the jeans, one can see and feel the quality that has gone into them. Thank you for providing such quality products for reasonable prices." - **GARRETT**

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6/3/2016

DSTLD Mail - [Test] Thank you for your reservation - a note from Corey and Mark

DSTLD

Hannah Lavery <hannah@dstld.la>

[Test] Thank you for your reservation - a note from Corey and Mark

DSTLD <hello@dstld.la>
Reply-To: us6-9235edf104-4e0bfb4e34@inbound.mailchimp.com
To: "<< Test First Name >>" <team@dstld.la>

Fri, Jun 3, 2016 at 10:44 AM

Thank you for reserving shares in DSTLD.

[View this email in your browser](#)**DSTLD** LUXE ESSENTIALS.
NO RETAIL MARKUP.

Hi << Test First Name >>,

Thank you for your recent reservation in DSTLD. As a potential investor, our goal is to provide a collaborative and personalized DSTLD experience, so we're requesting your feedback.

We're working on building a **DSTLD Investor Portal** - accessible only to those who contribute to our Regulation A+ campaign.

We've already got a few ideas in the works:

- Collecting your feedback on upcoming collections
- Exclusive investor special merchandise
- Access to an interactive company dashboard
- Shareholders' social calendar

We want to hear from you: what exclusive content and/or experiences can we provide that could further enhance your experience?

Please respond via our short, one question survey.

TAKE SURVEY

Your input is important to us as we grow this company together. We're looking forward to your ideas!

Corey + Mark
Co-founders

WATCH OUR VIDEO



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You are receiving this email because you indicated interest to invest in the DSTLD Regulation A+ Equity Crowdfunding Campaign

Our mailing address is:
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6/3/2016

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West Hollywood, CA 90048

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6/7/2016

DSTLD Mail - [Test] Secure Your Priority Access to Invest in DSTLD



Hannah Laverty <hannah@dstld.la>

[Test] Secure Your Priority Access to Invest in DSTLD

1 message

DSTLD Investor Relations <invest@dstld.la>
Reply-To: us6-9235edf104-4e4e86fb31@inbound.mailchimp.com
To: "<< Test First Name >>" <hannah@dstld.la>

Tue, Jun 7, 2016 at 8:24 AM

Our Private Reservations Round is Limited.

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Hi << Test First Name >>,

Thank you for your interest to reserve shares in DSTLD! We're thrilled with your support and the response we've gotten from customers so far.

We noticed that you have not completed the reservations process - we're happy to

<https://mail.google.com/mail/u/0/?ui=2&ik=6feac44a4a&view=pt&search=inbox&th=1552b77007f62264&siml=1552b77007f62264>

1/4

answer any questions you may have on a more personal level. Please email invest@dstld.la if you're looking for additional information.

Otherwise, to complete your reservation you have two quick steps remaining.

1. [Confirm your SeedInvest Investor Account](#)
2. Fill out your banking information.

You can access your reservations page using your [unique, private link](#). Our campaign is hosted on SeedInvest, a safe and secure platform to facilitate your transaction.

COMPLETE YOUR RESERVATION

While we've received nearly \$17M in indications of interest, we will be targeting a raise less than that in our live round. Reserving your spot now provides you with priority access to purchase shares when our campaign goes live in a few short weeks.

Thank you again - your support so far has gotten us to where we are today, and hope that your continued support will make us partners in DSTLD's success.

Corey + Mark
Co-founders

WATCH OUR VIDEO



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Denim.LA, Inc. Testing The Waters Materials – Social Media Posts

April 15, 2016

**DSTLD Premium Denim**

Published by Hannah Lavery [?] · April 13 at 11:34am ·

After receiving over \$12 Million in investment interest (and counting!) from more than 2,100 people, we're officially moving forward with our Regulation A+ offering. Learn more about our campaign and how you can become an investor in #DSTLD.

<https://www.seedinvest.com/dstld/series.a>

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This presentation may contain forward-looking statements and information relating to, among other things, the company, its business plan and strategy, and its industry. These statements reflect management's current views with respect to future events based information currently available and are subject to risks and uncertainties that could cause the company's actual results to differ materially. Investors are cautioned not to place undue reliance on these forward-looking statements as they are meant for illustrative purposes and they do not represent guarantees of future results, levels of activity, performance, or achievements, all of which cannot be made. Moreover, no person nor any other person or entity assumes responsibility for the accuracy and completeness of forward-looking statements, and is under no duty to update any such statements to conform them to actual results.

April 20, 2016

Denim.LA, Inc. Testing The Waters Materials – Social Media Posts

D DSTLD Premium Denim
Published by Hannah Lavery [?] · Just now · 🌐

Fast fashion sucks. Invest in quality. Invest in DSTLD.
Learn more about the \$14.6M+ we've garnered in indicated interest.

Disclaimer:
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April 20, 2016



April 20, 2016

Denim.LA, Inc. Testing The Waters Materials – Social Media Posts

D DSTLD Premium Denim
Published by Hannah Lavery [?] · April 18 at 2:34pm · 🌐

Love your DSTLD jeans? Want to be part of our growth? We're exploring a new way of raising capital...learn more.

<https://www.seedinvest.com/dstld/series.a>

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April 20, 2016

D DSTLD @dstld · 19h
We want to bring you more of the styles you already love, plus design the ones you've been... ift.tt/1WSDqz.



👤 1 ❤️ 3 📊 ...

April 20, 2016

Denim.LA, Inc. Testing The Waters Materials – Social Media Posts



April 21, 2016

D DSTLD Premium Denim
Published by Hannah Lavery [?] · Just now · 🌐

Onestop Internet CEO Michael Wang calls #DSTLD an "investment-worthy e-commerce startup" in his article for TheStreet.
Learn more about how you can become an investor.
<https://www.seedinvest.com/dstld/series.a>

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3 investment-worthy e-commerce startups that offer branding power
In a saturated market, branding is critical to success. Here are three ways

April 21, 2016

Denim.LA, Inc. Testing The Waters Materials – Social Media Posts

twitter BOT 12:53 PM
<https://twitter.com/dstld/status/723238260277927936>
DSTLD @dstld
Onestop Internet CEO Michael Wang calls #DSTLD an "Investment-worthy e-commerce startup" in his article for TheStr...
<http://ift.tt/15yzagq>
Today at 12:53 PM

April 26, 2016



DSTLD Premium Denim

Published by Hannah Laverty [?] · 2 hrs · 🌐

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Learn more here --> <https://www.seedinvest.com/dstld/series.a>

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May 2, 2016

Denim.LA, Inc. Testing The Waters Materials – Social Media Posts

D DSTLD Premium Denim
Published by Hannah Lavery (?) · 13 mins · 🗨

Learn more about our equity crowdfunding campaign over on our blog!

<http://www.dstldjeans.com/blog/chance-invest-dstld/>

... See More



A Chance to Invest in DSTLD - DSTLD | Blog

| Blog for DSTLD Premium Denim — Jeans under \$100. Styles include Mens and Womens Skinny Jeans, Slim Jeans, Straight Jeans, Black Jeans.

DSTLDJEANS.COM

May 13, 2016

D DSTLD Premium Denim
Published by Hannah Lavery (?) · Just now · 🗨

We've reached over \$16M in interest to partake in our equity crowdfunding campaign. Learn more about our innovative new funding approach that will help us make more badass items like this Men's Leather Bomber (avail. for pre-order now).

Learn more --> <https://www.seedinvest.com/dstld/series.a>

Pre-order the Men's Leather Bomber --> <http://bit.ly/1X5pwll>

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Denim.LA, Inc. Testing The Waters Materials – Social Media Posts

May 13, 2016

 **twitter** BOT 10:16 AM
<https://twitter.com/dstld/status/731171315424595969>

DSTLD @dstld
We've reached over \$16M in interest to partake in our equity crowdfunding campaign. Learn ... <http://ft.tt/1VVSDqz>.
https://pbs.twimg.com/media/CiWkb_PWgAQcrKa.jpg (31KB) ▾
Today at 10:16 AM



May 13, 2016

 **Hannah Laverty** shared DSTLD Premium Denim's photo. 31 mins · 🌐 ▾

BOOM. \$16M+ in interest. So proud of my #DSTLD team. Learn more about how you can get in on the ground floor of our RAD AF company.
<https://www.seedinvest.com/dstld/series.a>
(Isadora Hu, Corey Epstein, Mark Lynn, Conrad Steenberg, Kevin Morris, Laura Anne Gramlich)



DSTLD Premium Denim
Published by Hannah Laverty 1 hr · 🌐

We've reached over \$16M in interest to partake in our equity crowdfunding campaign. Learn more about our innovative new funding approach that will help us make more badass items like this Men's Leather Bomber (avail. for pre-order now).
Learn more --> <https://www.seedinvest.com/dstld/series.a>
Pre-order the Men's Leather Bomber --> <http://bit.ly/1X5pwll>

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Denim.LA, Inc. Testing The Waters Materials – Social Media Posts

May 19, 2016

D DSTLD Premium Denim
Published by Hannah Lavery [?] · Yesterday at 10:13am ·

There's only a few days left to indicate interest in investing in #DSTLD before our live campaign launches. (Indicating interest is non-binding.)

Take a minute to watch a video from our co-founders [Corey Epstein](#) and [Mark Lynn](#). Our team believes that if we're successful thanks to your support, then you should have a part of that success.

<http://bit.ly/1TkFdm5>

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May 19, 2016

<https://twitter.com/dstld/status/732984102350098432>

D DSTLD @dstld
There's only a few days left to indicate interest in investing in #DSTLD before our live campaign launches. (Indic... <http://bit.ly/1TkFdm5>
Yesterday at 10:20 AM

May 19, 2016

Denim.LA, Inc. Testing The Waters Materials – Social Media Posts

 **Isadora Hu** shared DSTLD Premium Denim's post.
May 16 at 8:18pm · 🌐

 **DSTLD Premium Denim**
May 16 at 7:05pm · 🌐

Meet co-founders **Corey Epstein** and **Mark Lynn** in a behind-the-scenes video about a new fundraising opportunity we're exploring.

<http://bit.ly/1TkFdm5>

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A Chance to Invest in DSTLD
Digitally focused luxury apparel brand DSTLD (DSTLD.com) is disrupting the \$200BN fast fashion industry with fairly priced, direct-to-consumer premium essent...

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May 19, 2016

 **Isadora Hu**
April 7 · 🌐

interested in investing in #DSTLD?
learn more >>



DSTLD
Disrupting the \$200BN fast fashion market with fairly priced, direct-to-consumer premium essentials.

SEEDINVEST.COM

👍 Like 💬 Comment ➦ Share

May 26, 2016

Denim.LA, Inc. Testing The Waters Materials – Social Media Posts



DSTLD Premium Denim

Published by Hannah Lavery (?) · Just now · 🌐

We're looking for smart DSTLD fans like you to help us continue our mission:

Do sh*t differently.

Join over 4,100 people interested in learning about DSTLD's equity fundraising round (we're almost at \$17M in indicated interest).

<https://www.seedinvest.com/dstld/series.a>

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May 26, 2016



twitter BOT 10:01 AM

<https://twitter.com/dstld/status/735878637476564996>



DSTLD @dstld

We're looking for smart DSTLD fans like you to help us continue our mission:

Do sh*t differently.

Join over 4,1... <http://ift.tt/1VVSDqz>



Twitter | Today at 10:01 AM

June 3, 2016

Denim.LA, Inc. Testing The Waters Materials – Social Media Posts

D DSTLD Premium Denim
Published by Hannah Lavery · 1 min · 🗨

Go ahead. Capitalize on us.
We're expanding, evolving, and hereby inviting you to seize and piece of the action.
Visit dstld.com/invest or email invest@dstld.la for more information.

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DSTLD
Disrupting the \$200BN fast fashion market with fairly priced, direct-to-consumer premium essentials.
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June 3, 2016

 **twitter** BOT 10:41 AM ☆
<https://twitter.com/dstld/status/738787629316116480>

D DSTLD @dstld
Go ahead. Capitalize on us.
We're expanding, evolving, and hereby inviting you to seize and piece of the action.
... <http://dstld.com/invest>

 Twitter | Today at 10:41 AM