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## **PORTERS**

### **CROWDFUNDING OFFERING STATEMENT**

**March 2017**





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## CS Porters Partners, L.P.

This Offering Statement (this “**Disclosure**”) is furnished solely to prospective investors through the crowdfunding portal available at [www.nextseed.com](http://www.nextseed.com) and each subdomain thereof (the “**Portal**”) and operated by NextSeed US LLC, a Delaware limited liability company (“**NextSeed**”), for the sole purpose of evaluating investments in certain securities (“**Securities**”) offered by CS Porters Partners, L.P., a Texas limited partnership (“**Porters**” or the “**Issuer**”). The Securities will be issued pursuant to, and will be governed by, a note purchase agreement among the Issuer and the purchasers of the Securities (the “**NPA**”). The Issuer is seeking to raise a minimum of \$400,000 and maximum of \$500,000 through the offer and sale of Securities on the Portal (the “**Offering**”) in reliance on the exemption from registration pursuant to Section 4(a)(6) (the “**4(a)(6) Exemption**”) of the U.S. Securities Act of 1933 (the “**Securities Act**”) and the regulations promulgated with respect thereto (“**Regulation Crowdfunding**”).

A crowdfunding investment involves risk. An investor should not invest any funds in this Offering unless he or she can afford to lose his or her entire investment. In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Offering, including the merits and risks involved. The Securities have not been recommended or approved by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon the accuracy or adequacy of this document. The U.S. Securities and Exchange Commission (the “**SEC**”) does not pass upon the merits of any Securities offered or the terms of the Offering, nor does it pass upon the accuracy or completeness of any offering document or literature, including this Disclosure. These Securities are offered under the 4(a)(6) Exemption; however, the SEC has not made an independent determination that the Securities are exempt from registration. Prospective investors should not construe the contents of this Disclosure as legal, business, tax, accounting, regulatory, investment or other advice, and should consult their own advisors concerning the Securities.

The Securities may not be transferred by any investor during the one-year period beginning when the Securities are issued, unless the Securities are transferred: (i) to the Issuer; (ii) to an “accredited investor” as defined in Rule 501(a) of Regulation D; (iii) as part of an offering registered with the SEC; or (iv) to a member of the family of the investor or the equivalent, to a trust controlled by the investor, to a trust created for the benefit of a member of the family of the investor or the equivalent, or in connection with the death or divorce of the investor or other similar circumstance. In addition, there is no ready market for the sale of the Securities and it may be difficult or impossible for an investor to sell or otherwise dispose of the Securities. Furthermore, the investors are not permitted to assign the Securities without the Issuer’s prior written consent in accordance with the terms of the NPA.

No person other than the Issuer has been authorized to provide prospective investors with any information concerning the Issuer or the Offering or to make any representation not contained in this Disclosure. To invest in the Securities, each prospective investor will be required to (i) register for an investor account with the Portal, (ii) make representations regarding the investor’s investment eligibility and complete a questionnaire to demonstrate his or her understanding of the risks involved in investing in the Securities and (iii) execute the NPA. The Issuer reserves the right to modify any of the terms of the Offering and the Securities at any time before the Offering closes.

Certain information contained in this Disclosure constitute “forward-looking statements” that can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “intend,” “continue,” or “believe” or the negatives or variations thereof. Furthermore, any forecasts or other estimates in this Disclosure, including estimates of returns or performance, are “forward-looking statements” and are based upon certain assumptions that may change. Due to various risks and uncertainties, actual events or results or the actual performance of the Securities may differ materially from those contemplated in such forward-looking statements. Moreover, actual events are difficult to project and often depend upon factors that are beyond the control of the Issuer or the Portal. Neither the delivery of this Disclosure at any time nor any sale hereunder shall under any circumstances create an implication that the information contained herein is correct as of any time after the earlier of the relevant date specified herein or the date of this Disclosure.

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## TABLE OF CONTENTS

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I.	SUMMARY OF OFFERING .....	1
II.	DESCRIPTION OF BUSINESS CAPITALIZATION .....	4
III.	KEY PERSONS.....	5
IV.	USE OF PROCEEDS.....	7
V.	FINANCIAL STATEMENTS .....	8
VI.	RISK FACTORS.....	10
VII.	CERTAIN LEGAL MATTERS AND TAX CONSIDERATIONS .....	19

### APPENDIX A FINANCIAL STATEMENTS WITH REVIEW REPORT

## I. SUMMARY OF OFFERING

### SUMMARY OF TERMS

*The following is a summary of the terms of the Offering. This summary does not purport to be complete and is qualified in its entirety by reference to the remainder of this Disclosure and the Note Purchase Agreement (“NPA”).*

The Securities being offered for sale by the Issuer on the Portal are governed by the NPA. Each NPA is an agreement between an investor and the Issuer, under which the investor agrees to invest in the Issuer pursuant to the specified terms therein. By investing in the Securities, **investors do not receive any equity interests in the Issuer and do not have any voting or management rights with respect to the Issuer.** Payments to investors will commence after the grand opening of the restaurant, which is expected in July 2017.

Issuer	
<b>Offering Amount</b>	Minimum of \$400,000 and maximum of \$500,000
<b>Offering Period</b>	Until 11:59 PM of May 3, 2017
<b>Minimum Investment</b>	\$100
<b>Maximum Investment</b>	\$50,000
<b>Closing and Escrow Process</b>	48 hours before the end of the Offering Period, investors that have signed the NPA will contribute their committed investment amounts into the designated escrow account for the Offering (instructions are available on the Portal during the investment process). Once the Offering Amount has been raised and the Offering Period has ended, the committed investment amounts will be released from escrow upon the Issuer's satisfaction of the conditions set forth in the NPA, which includes providing NextSeed with sufficient evidence of all sources of capital for the project as described in this Disclosure, and the Offering will be deemed to have successfully closed (the “ <b>Closing</b> ”) and the NPA and the applicable Note will be posted to the respective investors’ page on the Portal. If the Offering Amount is not raised by the end of the Offering Period, all committed funds will be returned to the investors.
<b>Cancellation of Investment Commitment</b>	Investors may cancel an investment commitment until 48 hours prior to the end of the Offering Period identified in this Disclosure. NextSeed will notify investors if the target Offering Amount has been met. If an investor does not cancel an investment commitment before the 48-hour period prior to the end of the Offering Period, the funds will

be released to the Issuer upon the Closing and the investor will receive Securities in exchange for his or her investment.

If there are any material changes to the Offering, investors will be notified of such change and given instructions to reconfirm his or her investment commitment within 5 business days. If an investor does not reconfirm his or her investment commitment within such time period, the investor's investment commitment will be cancelled and the committed funds will be returned.

<b>Revenue Sharing Percentage</b>	5.0% of each month's gross revenue
<b>Investment Multiple</b>	1.4x  Investors will each receive in the aggregate 1.4x their original investments, as a result of being paid their proportionate shares of the Issuer's gross revenue on a monthly basis.
<b>Payment</b>	The Issuer will make monthly payments based on the relevant revenue sharing percentage
<b>Maturity</b>	If the investors have not been paid in full within 48 months after the Closing (commencing with the first full month after the Closing), the Issuer is required to promptly pay the entire outstanding balance to the investors.
<b>Assignment</b>	The Securities may not be transferred by any investor during the one-year period beginning when the Securities are issued, unless the Securities are transferred: (i) to the Issuer; (ii) to an "accredited investor"; (iii) as part of an offering registered with the SEC; or (iv) to a member of the family of the investor or the equivalent, to a trust controlled by the investor, to a trust created for the benefit of a member of the family of the investor or the equivalent, or in connection with the death or divorce of the investor or other similar circumstance. In addition, there is no ready market for the sale of the Securities and it may be difficult or impossible for an investor to sell or otherwise dispose of the Securities. Furthermore, the investors are not permitted to assign the Securities without the

<sup>1</sup> The term "accredited investor" means any person who comes within any of the categories set forth in Rule 501(a) of Regulation D, or who these reasonably believes comes within any of such categories, at the time of the sale of the securities to that person.

The term "member of the family of the purchaser or the equivalent" includes a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spouse equivalent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the purchaser, and includes adoptive relatives. The term "spouse equivalent" means a cohabitant occupying a relationship generally equivalent to that of a spouse.

	Issuer's prior written consent in accordance with the NPA.
<b>Escrow Agent / Paying Agent</b>	<b>GoldStar Trust Company, a trust only branch of Happy State Bank.</b>
<b>NextSeed Fee</b>	There are no fees to open an investment account on the Portal or to make an investment in Securities. For each payment made by the Issuer, NextSeed will deduct a service fee in an amount equal to 1.0% of such payment to cover transaction and administrative costs.
<b>Security Interest</b>	The Issuer will grant a security interest in all of its assets in favor of NextSeed for the benefit of the investors to secure the Issuer's obligations under the NPA and the Notes.
<b>Tax Considerations</b>	The Issuer intends to treat the Securities as contingent debt instruments for U.S. federal income tax purposes. Preparation and distribution of required tax documents to investors (e.g., Form 1099-INT) will be handled electronically at no additional cost on an annual basis.  See Section VII for more details.
<b>Modification of Terms</b>	Investors may not modify the terms of the investment set forth in the NPA.
<b>Governing Law</b>	Each NPA and Note will be governed by the laws of the State of Texas.

The Issuer certifies that all of the following statements are true for the Issuer:

- It is organized under, and subject to, the laws of a State or territory of the United States or the District of Columbia.
- It is not subject to the requirement to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934.
- It is not an investment company as defined in the Investment Company Act of 1940 or exempt from such definition under Section 3(b) or Section 3(c) thereof.
- It is not disqualified from relying on the Section 4(a)(6) Exemption under Rule 503(a) of Regulation Crowdfunding.
- It and its predecessors have not previously failed to comply with any ongoing reporting requirements of Rule 202 of Regulation Crowdfunding.
- It is not a development stage company that (a) has no specific business plan or (b) has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies.

## II. DESCRIPTION OF BUSINESS CAPITALIZATION

### OVERVIEW

The total budget to build out the restaurant is approximately \$2,280,000. \$540,000 is being funded by the landlord through tenant improvement (TI) dollars provided in the lease. \$400,000 ~ \$500,000 are being raised through this Offering. Midway internal team members and the Issuer's restaurant manager, Chill Restaurant Group, LLC, together will provide a minimum of 20% of the remaining capital. The Issuer is seeking to raise the rest through an equity fundraise.

### EXISTING SECURITIES

Class of Security	Securities (or Amount) Authorized	Voting Rights	Other Rights
Limited partnership interests	\$1,240,000	Limited voting rights are set forth in the governing agreement of the Issuer (" <b><i>Operating Agreement</i></b> ")	Set forth in the Operating Agreement

*Note: The limited partners of the Issuer will have limited partnership interests in the Issuer, distinct from the Securities offered to investors through the Offering. For the avoidance of doubt, investors participating in this Offering have priority in payment over the limited partners.*

### MATERIAL TERMS OF ANY INDEBTEDNESS:

None.

### III. KEY PERSONS

The Issuer is managed by its general partner, CS Porters, Inc., an affiliate of Midway. Day-to-day operations are managed by Chill Restaurant Group. The following persons are the directors and officers of the general partner.

#### DIRECTORS

##### **Bradley R. Freels**

Director and President, *January 2017 ~ Present*

Mr. Freels is the Chairman of Midway, a Houston-based real estate investment and development firm. Under his leadership, Midway has prospered and become one of the most active developer/investment owners in the greater Houston area. Midway has developed and acquired more than 44 million square feet of office, industrial, hospitality, multi-family, medical and retail properties throughout the US and Northern Mexico, and more than 4,500 acres of business and residential communities in more than a dozen cities.

Mr. Freels received both his BBA and MBA from Texas A&M University.

##### **Jonathan Brinsden**

Director and Executive Vice President, *January 2017 ~ Present*

Mr. Brinsden serves as Chief Executive Officer of Midway. As one of the three members of the Midway Executive Team, Mr. Brinsden guides the company's overall business strategy and operations.

He is also a member of the Urban Land Institute Global Board of Directors, Board of Trustees and the Governance Committee, and past Chair of ULI Houston. He is also a board member of NAIOP and an active member of the International Council of Shopping Centers. Additionally, Mr. Brinsden serves on the board of Central Houston and Buffalo Bayou Partnership. He is active in a number of civic leadership and charitable organizations and serves as Chairman of the Board of SEARCH. Mr. Brinsden is an Adjunct Professor at the University of Houston Bauer Graduate Real Estate Program and serves on the Executive Advisory Board.

Mr. Brinsden holds a Master of Science in Land and Real Estate Development, a Bachelor of Science in Construction Science and a Bachelor of Science in Environmental Design, all from Texas A&M University.

##### **Pam L. Jesse**

Director, Vice President and Secretary, *January 2017 ~ Present*

Ms. Jesse serves as Executive Vice President for Midway. As one of the three members of the Midway Executive Team, Ms. Jesse guides the company's financial operations, compliance, reporting and investor relations for all development and management projects, as well as operating companies.

Ms. Jesse received a Bachelor of Business Administration in Accounting from Texas A&M University. She is a member of the Dress for Success Corporate Guild Steering Committee, as well as the Houston Chapter of CREW.

## OFFICERS

### **Shon M. Link**

Vice President, *January 2017 ~ Present*

Mr. Link serves as Executive Vice President, Development and is responsible for leading Midway's development team. He is a member of the Midway Management Team, along with the Investment Committee.

While at Midway, Mr. Link has directed the development of a wide range of commercial projects, including CITYCENTRE, a 2M square foot mixed-use project on Houston's west side. He has more than 20 years of experience that spans multiple commercial asset classes, including mixed-use, office, retail, hospitality, multi-family and land development.

Mr. Link graduated with honors from Texas A&M University with a Master of Architecture and is a LEED® accredited professional. He is a member of AIA and the Urban Land Institute; in addition, he serves on ULI's Mixed-Use Product Council and on the Board of Directors for The Center.

### **Stephen J. Bryant**

Vice President, *January 2017 ~ Present*

Mr. Bryant serves as Executive Vice President of Midway. As one of the members of Midway's Leadership Team and Investment Committee, he assists in guiding the company's overall investment strategy and operations. Mr. Bryant oversees Midway's Investment & Capital Markets team, which serves to create & implement capital (debt/equity) strategies and raises for all of Midway's investments, provides long term investment management for the portfolio, and oversees investor/lender relations related to Midway's investment portfolio.

Mr. Bryant joined Midway in 2002, and has since helped implement Midway's goals of expanding commercial investment activities into multiple new segments, including hospitality, mixed-use, affordable housing, and numerous public/private partnerships.

Mr. Bryant graduated with honors from Tulane University, A.B. Freeman School of Business, with a Bachelor of Science in Management/Finance. He then graduated at the top of his class at Texas A&M University, Mays School of Business, earning a Master of Land Economics and Real Estate. Mr. Bryant also serves as an Adjunct Professor, in the MBA/Real Estate Program, at the University of Houston, Bauer College of Business and is an active member of his church and numerous local charitable organizations.

#### IV. USE OF PROCEEDS

	If Target Offering Amount Raised	If Maximum Offering Amount Raised
Total Proceeds	\$400,000	\$500,000
Less: Offering Expenses <sup>2</sup>	Up to \$28,000	\$35,000
Net Proceeds	\$372,000	\$465,000
Use of Net Proceeds	To finance the buildout of the restaurant	To finance the buildout of the restaurant

The total budget to build out the restaurant is approximately \$2,280,000. \$540,000 is being funded by the landlord through tenant improvement (TI) dollars provided in the lease. \$400,000 ~ \$500,000 are being raised through this Offering. Midway internal team members and the Issuer's restaurant manager, Chill Restaurant Group, LLC, together will provide a minimum of 20% of the remaining capital. The Issuer is seeking to raise the rest through an equity fundraise.

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<sup>2</sup> NextSeed charges 7% of the total offering amount as compensation for its services provided in connection with the Offering; provided that NextSeed will only charge 5% of the amount raised from investors that were introduced to the NextSeed website by the Issuer.

## V. FINANCIAL STATEMENTS

Because the Issuer was formed recently (January 2017), the Issuer's current financial statements only reflect the startup costs incurred thus far.

### CURRENT FINANCIAL STATEMENTS (UNAUDITED)<sup>3</sup>

**CS PORTERS PARTNERS, L.P.**  
**BALANCE SHEET**  
**(unaudited)**

January 12, 2017

<b>Assets:</b>	
Current assets	
Cash	\$ -
Current assets	-
	<hr/>
Total assets	\$ -
	<hr/>
<b>Liabilities and Partners' Deficit:</b>	
Accounts payable	\$ 1,800
Current liabilities	1,800
	<hr/>
Commitments and contingencies (Note 3)	-
	<hr/>
Partners' deficit	(1,800)
Total liabilities and partners' deficit	\$ -
	<hr/>

### PRO FORMA FINANCIAL STATEMENT

To illustrate its earning potential, the Issuer is providing a summary of its 4-year financial forecast on the following page. The forecast has been developed by the Issuer using reasonable best efforts based on local operating statistics of comparable companies in the restaurant sector, as well as the extensive working knowledge of the officers through operating other businesses around College Station area in Texas. The key revenue drivers and other operating assumptions have been benchmarked against local

<sup>3</sup> Please see the Appendix A of this document for the full review report by the Issuer's accountant.

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industry standards and reflect the ongoing growth prospect and cost of doing business in College Station, Texas.

	Year 1		Year 2		Year 3		Year 4	
	\$	%	\$	%	\$	%	\$	%
<b>Revenue</b>								
Food sales	2,100,000	60.0%	2,220,000	60.0%	2,280,000	60.0%	2,340,000	60.0%
Wines sales	665,000	19.0%	703,000	19.0%	722,000	19.0%	741,000	19.0%
Liquor sales	525,000	15.0%	555,000	15.0%	570,000	15.0%	585,000	15.0%
Beer sales	175,000	5.0%	185,000	5.0%	190,000	5.0%	195,000	5.0%
Misc sales	35,000	1.0%	37,000	1.0%	38,000	1.0%	39,000	1.0%
<b>Total Revenue</b>	<b>3,500,000</b>	<b>100.0%</b>	<b>3,700,000</b>	<b>100.0%</b>	<b>3,800,000</b>	<b>100.0%</b>	<b>3,900,000</b>	<b>100.0%</b>
<b>Cost of Food</b>								
Protein	451,500	12.9%	466,200	12.6%	467,400	12.3%	468,000	12.0%
Produce	142,370	4.1%	144,828	3.9%	142,913	3.8%	140,690	3.6%
Dairy	99,824	2.9%	101,485	2.7%	100,076	2.6%	98,448	2.5%
Grocery	41,454	1.2%	42,349	1.1%	41,979	1.1%	41,530	1.1%
Misc	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total Cost of Food</b>	<b>735,148</b>	<b>21.0%</b>	<b>754,862</b>	<b>20.4%</b>	<b>752,368</b>	<b>19.8%</b>	<b>748,668</b>	<b>19.2%</b>
<b>Cost of Beverage</b>								
Wine	235,157	6.7%	238,954	6.5%	235,511	6.2%	231,546	5.9%
Liquor	116,482	3.3%	119,015	3.2%	117,997	3.1%	116,756	3.0%
Beer	51,000	1.5%	52,699	1.4%	52,875	1.4%	52,985	1.4%
<b>Total Cost of Beverage</b>	<b>402,639</b>	<b>11.5%</b>	<b>410,668</b>	<b>11.1%</b>	<b>406,383</b>	<b>10.7%</b>	<b>401,287</b>	<b>10.3%</b>
<b>Total Cost of Sales</b>	<b>1,137,787</b>	<b>32.5%</b>	<b>1,165,530</b>	<b>31.5%</b>	<b>1,158,751</b>	<b>30.5%</b>	<b>1,149,955</b>	<b>30.3%</b>
<b>Gross Margin</b>	<b>2,362,213</b>	<b>67.5%</b>	<b>2,534,470</b>	<b>68.5%</b>	<b>2,641,249</b>	<b>69.5%</b>	<b>2,750,045</b>	<b>70.5%</b>
Control labor	612,000	17.5%	630,920	17.1%	650,436	17.1%	670,566	17.2%
Management labor	435,000	12.4%	439,950	11.9%	445,049	11.7%	450,300	11.5%
Supplies	104,750	3.0%	107,697	2.9%	110,754	2.9%	113,924	2.9%
Comps	105,000	3.0%	108,150	2.9%	111,395	2.9%	114,736	2.9%
Advertising	24,500	0.7%	24,500	0.7%	24,500	0.6%	24,500	0.6%
Other operating expenses	313,250	9.0%	313,250	8.5%	313,250	8.2%	313,250	8.0%
<b>Profit Before Occupancy</b>	<b>767,713</b>	<b>21.9%</b>	<b>910,003</b>	<b>24.6%</b>	<b>985,865</b>	<b>25.9%</b>	<b>1,062,769</b>	<b>27.3%</b>
Occupancy expenses	325,020	9.3%	327,211	8.8%	330,467	8.7%	337,791	8.7%
Management fee	140,000	4.0%	148,000	4.0%	152,000	4.0%	156,000	4.0%
Other expenses	99,500	2.8%	107,550	2.9%	110,405	2.9%	113,264	2.9%
<b>Disposable Cash</b>	<b>203,193</b>	<b>5.8%</b>	<b>327,242</b>	<b>8.8%</b>	<b>392,993</b>	<b>10.3%</b>	<b>455,714</b>	<b>11.7%</b>
NextSeed Revenue Shareng Loan Service (1)	175,000		185,000		190,000		150,000	

(1) Assumes a NextSeed offering of \$500,000. If the final offering size is less than \$500,000, the total payments are expected to be paid sooner.

## VI. RISK FACTORS

A crowdfunding investment involves risk. An investor should not invest any funds in this Offering unless he or she can afford to lose his or her entire investment. In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Offering, including the merits and risks involved. This list of potential risks is not intended to be inclusive.

These Securities have not been recommended or approved by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon the accuracy or adequacy of this document. The SEC does not pass upon the merits of any Securities offered or the terms of the Offering, nor does it pass upon the accuracy or completeness of any offering document or literature. These Securities are offered under an exemption from registration; however, the SEC has not made an independent determination that these securities are exempt from registration.

### ***Business Risks***

The Issuer's success depends on its brand perception, in part, upon the popularity of their establishment and the customer's experience. The Issuer intends to reinforce and extend positive brand perception, including by providing a training program for its employees to ensure a high quality of customer service. Any shortcomings in the Issuer's brand building initiatives or business incidents that diminish customer perceptions of the Issuer's brand could negatively impact revenues. If the Issuer overestimates the demand for its business or underestimates the popularity of its competition, the Issuer may not fully realize its anticipated revenue. The Issuer's business, financial condition and results of operations depends in part on the Issuer's ability to anticipate, identify and respond to changing consumer preferences. Any failure by the Issuer to anticipate and respond to changing customer preferences could make the Issuer's business less appealing and adversely affect business.

### ***Reputational Risks***

Adverse publicity concerning restaurant business and the business could damage the Issuer's brand and negatively affect the future success of the business. This can take different forms, such as word-of-mouth criticisms, web blogs, social media websites, and other Internet-based communications that allow individuals access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their subscribers and participants can post, often without filters or checks on accuracy of the content posted. There is significant opportunity for dissemination of information, including inaccurate information. Information about the Issuer's business may be posted on such platforms at any time, and may be adverse or inaccurate, either of which may harm the business and the Issuer's financial performance. The harm may be immediate without affording the Issuer an opportunity for redress or correction.

### ***Competition Risks***

The market for restaurants is competitive and the Issuer may need to compete with other established competitors. The Issuer competes with these other businesses on the basis of quality and price of

products and/or services offered, atmosphere, location and overall customer experience. The entrance of new competitors into the Issuer's markets could reduce revenue and operating margins. Some competitors may have greater financial and other resources, greater name recognition, more experience in the business and/or better presence in the planned markets. Any inability to compete successfully with competitors, shifts in consumer preferences away from restaurants or the Issuer's inability to develop new products or services that appeal to consumers may negatively affect revenues.

### ***Management Risks***

Any operational growth experienced by the Issuer will place additional demands on the Issuer's administrative, management and financial resources. If the Issuer's management does not effectively manage growth, the Issuer's operations and financial condition may be negatively impacted. The timing and extent of future growth depends, in part, on the Issuer's ability to manage its organizational structure and financial resources.

### ***Personnel Risks***

The success of the business is heavily dependent on the judgment and ability of the members of the Issuer's leadership. If they are unable to attend to the business for health or personal reasons for an extended period of time, the business may suffer. If members of the Issuer's leadership team or other key management personnel leave, the Issuer may have difficulty replacing them, and the business may suffer. There can be no assurance that the Issuer will be able to successfully attract and retain the leadership team and other key management personnel needed.

### ***Labor Supply Risks***

A primary component of the Issuer's operations is labor. The Issuer competes with other employers in the market for hourly workers and may be subject to higher labor costs as a result of such competition. The Issuer devotes significant resources to recruiting and training team members, as its success depends, in part, upon its ability to attract, motivate and retain qualified employees in the restaurant business. If the Issuer is unable to recruit and retain sufficiently qualified personnel, the business and its growth could be adversely affected. Any material increases in employee turnover rates or any employee dissatisfaction could have a material adverse effect on the Issuer's business and results of operations. The Issuer may sustain an increase in operating costs if it pays increased compensation or benefits to its employees. The Issuer must follow various federal and state labor laws, including but not limited to employee classifications as exempt or non-exempt, unemployment tax rates, workers' compensation rates, citizenship requirements and other wage and benefit requirements for employees classified as non-exempt. The Issuer may be adversely affected by legal or governmental proceedings brought by or on behalf of its employees or guests. Although the Issuer requires all workers to provide government-specified documentation evidencing employment eligibility, some employees may, without the Issuer's knowledge, be unauthorized workers. If any of the Issuer's workers are found to be unauthorized, the Issuer may experience adverse publicity that negatively impacts their ability to hire and keep qualified employees. Termination of a significant number of employees who were unauthorized employees may disrupt the Issuer's operations, cause temporary increases in labor costs as new employees are trained and result in additional negative publicity. The Issuer could also become subject to fines, penalties and

other costs related to claims that the Issuer did not fully comply with all record-keeping obligations of federal and state immigration compliance laws. These factors may have a material adverse effect on the Issuer's business, financial condition and results of operations.

### ***Market Conditions***

The Issuer's success depends to a significant degree on numerous factors affecting discretionary consumer spending, including general economic conditions, disposable consumer income and consumer confidence. The Issuer will cater to both business and social guests. Accordingly, cost-conscious consumers may reduce their level of discretionary spending during economic turmoil or periods of uncertainty. Any material decline in the amount of discretionary spending could have a material adverse effect on our revenue, results of operations, business and financial condition. The Issuer's sales are also dependent on foot traffic and sales in a specific location. If the foot traffic in the area declines, or the Issuer is forced to move its operations to a different location, revenues may be negatively impacted. The Issuer's success also depends on the popularity of our menu offerings and the overall dining experience provided to guests. Any shift in consumer preferences away from the Issuer's business concept could negatively affect financial performance.

### ***Supply and Delivery Cost Risks***

Supplies and prices of the various products used in the goods that the Issuer offers can be affected by a variety of factors, such as weather, seasonal fluctuations, demand, politics and economics in the producing regions. These factors may subject the Issuer to shortages or interruptions in product supplies, which could adversely affect revenue. The Issuer does not have control over the businesses of its vendors, suppliers and distributors, and its efforts to specify and monitor the standards under which they perform may not be successful. Higher diesel and gasoline prices may affect supply or transportation costs and may affect the Issuer's profitability. If the Issuer has long-term purchase commitments in excess of what the Issuer needs due to a decline in demand, this may also adversely affect profitability. Furthermore, certain supplies may be perishable, and the Issuer has limited control over whether those items will be delivered in an appropriate condition for use in its business. If any of the Issuer's vendors, suppliers or distributors are unable to fulfill their obligations to the Issuer's standards, or if a replacement provider cannot be found in the event of a supply or service disruption, the Issuer could encounter supply shortages and incur higher costs to secure adequate supplies, which could materially adversely affect the Issuer's business, financial condition and results of operation.

### ***Operational Risks***

The Issuer's business operations require processing and/or maintaining certain personal, business and financial information about customers, vendors and employees. The use of such information by the Issuer is regulated by federal and state laws, as well as certain third party agreements. If the Issuer's security and information systems are compromised or if employees fail to comply with the applicable laws and regulations, and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect the Issuer's reputation and result in litigation and settlement costs, damage awards or penalties and fines. As privacy and information security law and regulations change, the Issuer may incur additional costs to ensure compliance.

### ***Financing Risks***

The Issuer has not yet commenced operations and has not generated any revenue to date. In order to begin business operations, the Issuer will need to incur expenses related to the development of the planned service, expenses related to the acquisition of certain supplies, expenses related to the opening of the first planned location, and other start-up costs. Accordingly, if the Issuer does not obtain additional financing, including the financing sought in this offering, the business will likely fail.

### ***Real Estate Risks***

The Issuer is leasing its business location and is subject to any penalties that may result from a violation of the lease terms, such as early lease cancellation. The current location of the store may become unattractive as demographic patterns change. The Issuer may fail to negotiate renewals of the lease, either on commercially acceptable terms or at all, which could require the Issuer to close a store in a desirable location.

The Issuer is planning to open in the College Station area. There is no guarantee that this site will remain suitable, or that the business will be operated profitably. The Issuer depends on cash flow from operations to pay lease obligations and to fulfill other cash requirements. If the business does not generate sufficient cash flow and sufficient funds are not otherwise available to the Issuer from other sources, the Issuer may not be able to meet its lease obligations, grow the business, respond to competitive challenges or fund its other liquidity and capital needs, which would have a material adverse effect on the Issuer.

Negative effects on the Issuer's landlord due to any inaccessibility of credit and other unfavorable economic factors may, in turn, adversely affect the Issuer's business and results of operations. If the Issuer's landlord is unable to obtain financing or remain in good standing under their existing financing arrangements, they may be unable to provide construction contributions or satisfy other lease covenants with the Issuer. If the landlord files for bankruptcy protection, the landlord may be able to reject the Issuer's lease in the bankruptcy proceedings. While the Issuer may have the option to retain its rights under the lease, the Issuer may not be able to compel the landlord to perform any of its obligations and would be left with damages as the sole recourse. In addition, if the landlord is unable to obtain sufficient credit to continue to properly manage its retail site, the Issuer may experience a drop in the level of quality of such retail center. The Issuer may be adversely affected by the negative financial situations of developers and landlords.

### ***Development Risk***

The Issuer's dependence on development exposes the Issuer to timing, budgeting and other risks. New project development has a number of risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;
- receipt of required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- so-called acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;

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- defects in design or construction that may result in additional costs to remedy or require all or a portion of a property to be closed during the period required to rectify the situation;
- ability to raise capital; and
- governmental restrictions on the nature or size of a project or timing of completion.

The Issuer cannot assure you that any development project will in fact be developed, and, if developed, the time period or the budget of such development may be greater than initially contemplated and the actual number of units or rooms constructed may be less than initially contemplated.

### ***Industry Risks***

The Issuer will face significant competition from other restaurants, bars and lounges, which could adversely affect business and financial performance. The Issuer will compete with other independently owned restaurants, bars and lounges and chain restaurants, bars and lounges for guests, restaurant locations, experienced management and staff. The restaurant industry is characterized by the continual introduction of new concepts and is subject to rapidly changing consumer preferences, tastes and dining habits. The restaurant industry in the College Station area is highly competitive in terms of type and quality of food, quality of service, restaurant location, atmosphere and price.

### ***Food Safety Risks***

The Issuer considers food safety a top priority and dedicates substantial resources toward ensuring that customers enjoy high-quality, safe products. However, food tampering, employee hygiene and cleanliness failures or improper employee conduct at the Issuer's business could lead to product liability or other claims. Instances of food-borne illnesses, whether real or perceived, and whether at the Issuer's store or those of competitors, could harm customers and otherwise result in negative publicity about the Issuer or the products the Issuer serves, which could adversely affect revenue. If customers become ill from food-borne illnesses, the Issuer could be forced to temporarily close. In addition, the Issuer may have different or additional competitors for intended customers as a result of such changes and may not be able to compete successfully against those competitors. Food safety concerns may also adversely affect the price and availability of those affected ingredients and cause customers to shift their preferences. A decrease in customer traffic as a result of these health concerns or negative publicity, or as a result of a change in menu or customer experience or a temporary closure of the store, could materially and adversely impact the business's financial condition and results of operations.

### ***Required Nutritional Disclosure Risks***

Government regulation and consumer eating habits may impact the Issuer's business as a result in changes in attitudes regarding diet and health or new information regarding the health effects of consuming the Issuer's menu offerings. These changes have resulted in, and may continue to result in, the enactment of laws and regulations that impact the ingredients and nutritional content of the Issuer's menu offerings, or laws and regulations requiring the Issuer to disclose the nutritional content of its food offerings. Compliance with current and future laws and regulations regarding the ingredients and nutritional content of the Issuer's menu items may be costly and time-consuming. Additionally, government authorities may increase regulations regarding trans-fats and sodium, which may require the Issuer to limit or eliminate trans-fat and sodium in the menu offerings, switch to higher cost ingredients or may hinder the Issuer's ability to operate. The Issuer cannot make any assurances

regarding its ability to effectively respond to changes in consumer health perceptions or successfully implement the nutrient content disclosure requirements or menu-labeling laws, which could have an adverse effect on the Issuer's results of operations and financial position.

### ***Legal Risks***

Food service businesses can be adversely affected by litigation and complaints from customers or government authorities resulting from food quality, health claims, allergens, illness, injury or other health concerns or operating issues stemming from one or more retail locations. Negative publicity about these allegations may negatively affect the Issuer, regardless of whether the allegations are true, by discouraging customers from patronizing the Issuer. The Issuer may also be impacted by industry trends in litigation, including class-action allegations brought under various consumer protection laws, securities and derivative lawsuits claiming violations of state and federal securities law, and employee lawsuits, including wage and hour claims. Due to the inherent uncertainties of litigation and regulatory proceedings, the Issuer cannot accurately predict the outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on the Issuer's business, financial condition and results of operations. Further, regardless of outcome, these proceedings could result in substantial costs and may require resources of the Issuer be used to defend any claims.

### ***Alcohol Sale Risks***

The Issuer is subject to alcoholic beverage control regulations that govern various aspects of daily operations of the business, including the minimum age of guests and employees, hours of operation, advertising, wholesale purchasing and inventory control, handling and storage. Any failure by the Issuer to obtain and maintain, on a timely basis, liquor or other licenses, permits or approvals required to serve alcoholic beverages or food, as well as any associated negative publicity, could delay or prevent the opening of, or adversely impact the viability of, and could have an adverse effect on, the business and its operating and financial performance. Because of the many and various state and federal licensing and permitting requirements, there is a risk that one or more regulatory agencies could determine that the Issuer has not complied with applicable licensing or permitting regulations or have not maintained the approvals necessary to conduct business within its jurisdiction.

The Issuer is subject to state "dram shop" laws, which generally allow a person to sue the Issuer if that person was injured by an intoxicated person who was wrongfully served alcoholic beverages at the Issuer's. A judgment against the Issuer under a dram shop law could exceed the Issuer's liability insurance coverage policy limits and could result in substantial liability and materially adversely affect the Issuer's results of operations. The Issuer's inability to continue to obtain such insurance coverage at reasonable cost could also have a material adverse effect on operations. Regardless of the validity of the claims, the Issuer could be adversely affected by negative publicity resulting from such laws.

### ***Alcohol Investment Risks***

Alcohol beverage control regulations may limit an investor's ability to hold interests in the Issuer. For example, Texas laws and regulations generally do not allow a person from holding financial interests in both manufacturers and distributors of alcoholic beverages and retailers of alcoholic beverages, and Texas Alcohol Beverage Commission may require disclosure of investors' personal information to verify their eligibility to invest in the Issuer. In the event that Texas laws and regulations do not allow an investor to hold the Securities, the investor may be required to transfer its interests in the Securities to

the Issuer as described in the NPA. If a large number of investors are found to be ineligible to hold the Securities, it could materially adversely affect the Issuer's financial condition.

### ***Environmental Risks***

The Issuer is subject to national, state and local laws and regulations in the U.S. concerning waste disposal, pollution, protection of the environment, and the presence, discharge, storage, handling, release and disposal of, and exposure to, hazardous or toxic substances. These environmental laws provide for significant fines and penalties for noncompliance and liabilities for remediation, sometimes without regard to whether the owner or operator of the property knew of, or was responsible for, the release or presence of hazardous toxic substances. Third parties may also make claims against owners or operators of properties for personal injuries and property damage associated with releases of, or actual or alleged exposure to, such hazardous or toxic substances at, on or from the Issuer's business. Environmental conditions relating to releases of hazardous substances at the Issuer's site could materially adversely affect the business, financial condition and results of operations. Further, environmental laws, and the administration, interpretation and enforcement thereof, are subject to change and may become more stringent in the future, each of which could materially adversely affect the Issuer's business, financial condition and results of operations.

### ***Information Technology Risks***

The Issuer relies heavily on information systems, such as point-of-sale processing, for management of the Issuer's supply chain, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures. The Issuer's ability to efficiently and effectively manage its business depends significantly on the reliability and capacity of these systems. The Issuer's operations depend on its ability to protect its computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding the Issuer's systems or a breach in security of these systems could result in delays in guest service and reduce operational efficiency. Remediation of such problems could result in significant, unplanned capital investments.

### ***Accounting Risks***

Changes to existing accounting rules or regulations may impact the Issuer's future results of operations or cause the perception that the Issuer is more highly leveraged. Other new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. For example, accounting regulatory authorities have indicated that they may begin to require lessees to capitalize operating leases in their financial statements for the next few years. If adopted, such change would require the Issuer to record significant capital lease obligations on its balance sheet and make other changes to its financial statements. This and other future changes to accounting rules or regulations may impact the Issuer's future operating results.

### ***Intellectual Property Risks***

The Issuer's intellectual property is material to conducting business. The Issuer's success depends in part on furthering brand recognition using its trademarks, service marks, trade dress, trade secrets and other

proprietary intellectual property, including its name, logos and unique ambiance of its stores. The Issuer has taken efforts to protect its brand, but if its efforts are inadequate, or if any third party misappropriates or infringes on the Issuer's intellectual property, the value of the store brand or consumer products brand may be harmed, which could have a material adverse effect on the business. There are no material claims against us from prior users of intellectual property, but there can be no assurances that the Issuer will not encounter any material claims in the future. If this happens, it could harm the Issuer's image, brands or competitive position and cause the Issuer to incur significant penalties and costs.

### ***Regulatory Risks***

Products and services offered by the Issuer are subject to regulation. Regulatory action could substantially increase the Issuer's costs, damage reputation and materially affect operating results. The Issuer's increased costs in complying with these requirements or failure to obtain required licenses or permits in a timely fashion may materially affect operations.

Regulations regarding climate change, energy usage and emissions controls may impact the Issuer directly through higher cost of goods. The potential impacts of climate change and climate change regulations are highly uncertain at this time, and the Issuer cannot anticipate or predict the material adverse effects on the business as a result of climate change or climate change regulation. For instance, changes in the prevailing climates may result in a reduction in, or increased prices of available goods, which may adversely affect the Issuer's revenue and operating margins.

The Issuer is subject to various federal, state and local regulations, including regulations related to the preparation and sale of food, the sale of alcoholic beverages, zoning and building codes, land use and employee, health, sanitation and safety matters. The Issuer is also subject to the U.S. Fair Labor Standards Act, which governs such matters as working conditions, family leave mandates and other employment law matters. In recent years, there has been an increased legislative, regulatory and consumer focus on nutrition and advertising practices in the food industry. Compliance with additional regulations can become costly and affect the Issuer's operating results.

There is also a potential for increased regulation of certain food establishments in the United States, where compliance with a Hazard Analysis and Critical Control Points ("HACCP") approach would be required. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

### ***Tax Risks***

The Issuer is subject to federal, state and local taxes. In making tax estimates and paying taxes, significant judgment is often required. Although the Issuer believes its tax positions and estimates are reasonable, the Issuer could have additional tax liability, including interest and penalties, if a taxing authority disagrees with the positions taken by the Issuer. If material, payment of such additional amounts could have a material impact on the Issuer's results of operations and financial position.

### ***Risks from Work Stoppages, Terrorism or Natural Disasters***

The Issuer's operations may be subject to disruption for a variety of reasons, including work stoppages, terrorism, acts of war, pandemics, fire, earthquake, flooding, tornadoes or other natural disasters. These

disruptions can result in, among other things, lost sales due to the inability of customers, employees or suppliers to reach the store, property damage and lost sales if the Issuer is forced to close for an extended period of time.

#### ***Limited Source of Repayment***

The only source of financial return for investors before maturity is through payments as set forth in the NPA and the Notes and there is no guarantee of any investment return. The Securities are speculative investments inherently involving a degree of risk, meaning part or all of such investments may be lost. While the Issuer is providing a lien on its assets, there is no guarantee that it will have sufficient assets to make full payment to the investors, as the assets may decrease in value, lose their entire value over time or may fluctuate based on the performance of the underlying business. Neither the Issuer nor NextSeed guarantees payment or investor returns.

#### ***Risks Relating to Debt Financing***

The Issuer's debt service obligations may adversely affect its cash flow. As a result of any future debt obligations, the Issuer may be subject to: (i) the risk that cash flow from operations will be insufficient to meet required payments of principal and interest, (ii) restrictive covenants, including covenants relating to certain financial ratios, and (iii) interest rate risk. Although the Issuer anticipates that it will be able to repay or refinance any indebtedness when it matures, there can be no assurance that it will be able to do so or that the terms of such refinancing will be favorable. The Issuer's leverage may have important consequences including the following: (i) its ability to obtain additional financing for acquisitions, working capital, capital expenditures or other purposes, if necessary, may be impaired or such financing may not be available on terms favorable to the Issuer and (ii) a substantial decrease in operating cash flow or a substantial increase in its expenses could make it difficult for the Issuer to meet its debt service requirements and restrictive covenants and force the Issuer to sell assets and/or modify its operations.

## VII. CERTAIN LEGAL MATTERS AND TAX CONSIDERATIONS

### LEGAL PROCEEDINGS

The Issuer is not aware of any material legal proceeding in which the Issuer, any of its affiliates, or any of its property is currently a party or subject to legal proceedings.

### ELIGIBILITY UNDER RULE 503 OF REGULATION CROWDFUNDING

With respect to the Issuer, any predecessor of the Issuer, any affiliated issuer, any director, officer, general partner or managing member of the Issuer, any beneficial owner of 20 percent or more of the Issuer's outstanding voting equity securities, any promoter connected with the Issuer in any capacity at the time of the Offering, any person that has been or will be paid (directly or indirectly) remuneration for solicitation of investors in connection with the sale of Securities, or any general partner, director, officer or managing member of any such solicitor:

(1) None of any such person has been convicted, within 10 years (or five years, in the case of Issuers, their predecessors and affiliated issuers) before the filing of this Disclosure, of any felony or misdemeanor:

- (i) in connection with the purchase or sale of any security;
- (ii) involving the making of any false filing with the SEC; or
- (iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser, funding portal or paid solicitor of purchasers of securities.

(2) None of any such person has been subject to any order, judgment or decree of any court of competent jurisdiction, entered within five years before the filing of the information required by Section 4A(b) of the Securities Act that, at the time of filing of this Disclosure, restrains or enjoins such person from engaging or continuing to engage in any conduct or practice:

- (i) in connection with the purchase or sale of any security;
- (ii) involving the making of any false filing with the SEC; or
- (iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser, funding portal or paid solicitor of purchasers of securities.

(3) None of any such person has been subject to a final order of a state securities commission (or an agency or officer of a state performing like functions); a state authority that supervises or examines banks, savings associations or credit unions; a state insurance commission (or an agency or officer of a state performing like functions); an appropriate federal banking agency; the U.S. Commodity Futures Trading Commission; or the National Credit Union Administration that:

- (i) at the time of the filing of this Disclosure bars the person from:
  - (A) association with an entity regulated by such commission, authority, agency or officer;
  - (B) engaging in the business of securities, insurance or banking; or

© engaging in savings association or credit union activities; or

(ii) constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative or deceptive conduct and for which the order was entered within the 10-year period ending on the date of the filing of this Disclosure.

(4) None of any such person has been subject to an order of the SEC entered pursuant to Section 15(b) or 15B(c) of the Exchange Act or Section 203(e) or (f) of the Investment Advisers Act of 1940 that, at the time of the filing of this Disclosure:

(i) suspends or revokes such person's registration as a broker, dealer, municipal securities dealer, investment adviser or funding portal;

(ii) places limitations on the activities, functions or operations of such person; or

(iii) bars such person from being associated with any entity or from participating in the offering of any penny stock.

(5) None of any such person has been subject to any order of the SEC entered within five years before the filing of this Disclosure that, at the time of the filing of this Disclosure, orders the person to cease and desist from committing or causing a violation or future violation of:

(i) any scienter-based anti-fraud provision of the federal securities laws, including without limitation Section 17(a)(1) of the Securities Act, Section 10(b) of the Exchange Act, Section 15(c)(1) of the Exchange Act and Section 206(1) of the Investment Advisers Act of 1940 or any other rule or regulation thereunder; or

(ii) Section 5 of the Securities Act.

(6) None of any such person has been suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade.

(7) None of any such person filed (as a registrant or Issuer), and none of any such person was or was named as an underwriter in, any registration statement or Regulation A Disclosure filed with the SEC that, within five years before the filing of this Disclosure, was the subject of a refusal order, stop order, or order suspending the Regulation A exemption, and none of any such person, at the time of such filing, has been the subject of an investigation or proceeding to determine whether a stop order or suspension order should be issued.

(8) None of any such person has been subject to a United States Postal Service false representation order entered within five years before the filing of the information required by Section 4A(b) of the Securities Act, and none of any such person, at the time of filing of this Disclosure, has been subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations.

## AFFILIATED PARTY TRANSACTIONS

The Issuer plans on using a Midway affiliate for asset management services and pay such affiliate as compensation one percent of gross revenues of the Issuer on a monthly basis. Other than as disclosed herein, the Issuer or any entities controlled by or under common control with the issuer was not party to any transaction since the beginning of the Issuer's last fiscal year, or any currently proposed transaction, where the amount involved exceeds five percent of the aggregate amount of capital raised by the Issuer in reliance of 4(a)(6) Exemption during the preceding 12-month period, including the amount the issuer seeks to raise in the Offering, in which any of the following persons had or is to have a direct or indirect material interest:

- (1) any director or officer of the Issuer;
- (2) any person who is, as of the most recent practicable date, the beneficial owner of 20 percent or more of the Issuer's outstanding voting equity securities, calculated on the basis of voting power;
- (3) if the Issuer was incorporated or organized within the past three years, any promoter of the Issuer; or
- (4) any immediate family member of any of the foregoing persons.

## CERTAIN TAX CONSIDERATIONS

The Issuer intends to treat the Securities as contingent debt instruments for U.S. federal income tax purposes. The Issuer's good-faith determination that the Securities should be considered contingent debt instruments for U.S. federal income tax purposes is not intended to be, nor should be construed to be, legal or tax advice to any particular person. This consideration is not binding and therefore may be subject to review and challenge by the IRS. All prospective investors are urged to consult their own tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences related to the purchase, ownership and disposition of the Securities based on their particular circumstances. Preparation and distribution of required tax documents to investors (e.g., Form 1099-INT) will be handled electronically at no additional cost on an annual basis.

## OTHER MATTERS

### *NextSeed Assessment*

Every offering on the Portal undergoes a standardized risk assessment by NextSeed that is applied on all businesses listing on NextSeed. The risk assessment is intended to first determine if a prospective issuer fits the business categories offered on NextSeed, based on the objective criteria established by NextSeed. If a good fit is found, NextSeed helps the Issuer determine the terms to offer to their prospective investors. When assessing the feasibility of a prospective offering, NextSeed typically considers the following key factors:

- **Historical Financial Performance** comparison of key financial ratios to industry standards to evaluate the prospective issuer's strengths and weaknesses
- **Projected Impact of Proposed Terms** analysis of proposed terms' potential impact on the prospective issuer's overall financial condition

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- **Credit History Information** credit history of the prospective issuer, as well as personal credit histories of key personnel
- **Leadership Experience and Stability** the level of industry expertise and length of tenure of the prospective issuer's leadership
- **Industry Risk** overall success/failure rate in the relevant industry in which the prospective issuer operates, according to historical data

The final terms offered to prospective investors reflect NextSeed's and the Issuer's good-faith assessment, and are not a guarantee or guidance of performance of any kind. Investors should consider their own financial advisors for risk assessment and projected investment returns.

#### ***Payment Processing Operations***

Collection and repayment of funds to investors who have purchased the Securities depend on the continuous operation of NextSeed and its banking partner(s) that facilitate payments. If either NextSeed or its banking partner(s) were to stop or otherwise be unable to continue operations in the future, while NextSeed will make all commercially reasonable efforts to facilitate repayment of all outstanding Securities, it may not be possible to service the existing Securities until completion.

#### ***Legal and Regulatory Implications***

The legal and regulatory regime governing investment crowdfunding is a recent development and subject to inherent uncertainty as the applicable legal and regulatory environment continues to evolve. Accordingly, there may be changes to the legal and regulatory requirements that negatively affect the operations of NextSeed, including servicing the Securities. In addition, while the effective interest rates that may be charged to the Issuer are intended to be compliant with state usury law requirements, if in the event that any lawsuit brought by any issuer on NextSeed results in the Securities being found to violate state usury laws, such Securities may lose certain value.

#### ***Limited Security and Enforcement Options***

The Issuer will grant a security interest in all of its assets in favor of NextSeed for the benefit of the investors but the Securities are not insured by any third party or backed by any government authority in any way. NextSeed (and any designated third-party collection agency that may be appointed by NextSeed) may be limited in its ability to collect payments in the event the Issuer is unable or unwilling to comply with its payment obligations.

#### ***Requests for Additional Investor Information***

Each investor will be required to comply promptly with reasonable requests for information made by or on behalf of the Issuer or the Portal in order for the Issuer or the Portal to satisfy any request for information about such investor or its investment, including requests made by any national, federal, state, local or regulatory authority, agency, committee, court, exchange or self-regulatory organization.

#### ***Additional Issuer Information***

Prior to the Closing, each prospective investor will be able to ask questions and receive answers concerning the Offering via the Portal. All communication with the Issuer regarding the Offering is

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required to take place on the Portal. No other person other than the Issuer has been authorized to give information or to make any representations concerning the Issuer or the Offering outside of this Disclosure, and if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer.

This Disclosure is intended to present a general disclosure regarding the Issuer. Each prospective investor should thoroughly review the NPA, which specifies the terms of investment in the Securities.

### **ONGOING REPORTING**

The Issuer will file a report electronically with the SEC annually and post the report on its website, no later than: April 30 of the following year, 120 days after the end of each fiscal year covered by the report.

Once posted, the annual report may be found on the issuer's website at: [www.portersbutchery.com](http://www.portersbutchery.com)

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

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

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## APPENDIX A

## FINANCIAL STATEMENTS WITH REVIEW REPORT

**CS PORTERS PARTNERS, L.P.**

**FINANCIAL STATEMENTS  
(UNAUDITED)**

**As of  
January 12, 2017**

*Together with  
Independent Accountants' Review Report*

**dbb mckennon**  
Certified Public Accountants  
Registered Firm - Public Company Accounting Oversight Board

CS Porters Partners, L.P.  
Index to Financial Statements  
(unaudited)

	<b>Pages</b>
Independent Accountants' Review Report	1
Balance Sheet as of January 12, 2017	2
Notes to the Balance Sheet	3

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To Management  
CS Porters Partners, L.P.  
Houston, Texas

We have reviewed the accompanying balance sheet of CS Porters Partners, L.P. (the "Company"), as of January 12, 2017 ("Inception"), and the related notes to the balance sheet. A review includes primarily applying analytical procedures to management's balance sheet data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the balance sheet as a whole. Accordingly, we do not express such an opinion.

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

Management is responsible for the preparation and fair presentation of this balance sheet 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 the balance sheet that is free from material misstatement whether due to fraud or error.

**Accountant's Responsibility**

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

**Accountant's Conclusion**

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

**Going Concern**

As discussed in Note 1, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying balance sheet does not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Our conclusion is not modified with respect to that matter.



Newport Beach, California  
February 20, 2017

**CS PORTERS PARTNERS, L.P.**  
**BALANCE SHEET**  
**(unaudited)**

January 12, 2017

Assets:

Current assets

Cash	\$ -
Current assets	-
 Total assets	 \$ -

Liabilities and Partners' Deficit:

Accounts payable	\$ 1,800
Current liabilities	1,800

Commitments and contingencies (Note 3) -

Partners' deficit	 (1,800)
Total liabilities and partners' deficit	 \$ -

**CS PORTERS PARTNERS, L.P.**  
**NOTES TO THE BALANCE SHEET**  
**(unaudited)**

**NOTE 1 – ORGANIZATION AND BUSINESS**

CS Porters Partners, L.P. was formed on January 12, 2017 (“Inception”) in the State of Texas. The balance sheet of CS Porters Partners, L.P. (which may be referred to as “CSPP” the “Company,” “we,” “us,” or “our”) are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Company’s headquarters are located in Houston, Texas.

The Company is a new restaurant concept to be located in College Station, Texas called PORTERS (the “Restaurant”). PORTERS will be an approachable, upscale dining destination and craft butcher to be located in the heart of Midway’s Century Square. The Restaurant will feature Executive Chef Bill Greenwood’s masterfully prepared American cuisine with a southern accent that is complemented through the expert use of oak, pecan, and hickory woods. The Restaurant’s patrons will be able to choose from the robust wine list cultivated by an on-staff sommelier or hand-crafted cocktails to complement not only its contemporary fare, but also the modern, welcoming environment. The 6,000 SF to-be-developed eatery will also feature a walk-up butchery providing to-order, hand-cut steaks and chops for either in-Restaurant dining or takeaway. The Restaurant will be situated adjacent to The George Hotel and Century Square’s two-acre central plaza.

The Restaurant is in the process of entering into a ten-year lease with Century Square George Venture, LLC as the Landlord. However, as of the date of these financial statements, the lease terms have not yet been finalized.

*Going Concern and Management’s Plans*

We will rely heavily on debt and equity financing for concept buildout and working capital and have only recently formed the Company. These above matters raise substantial doubt about the Company’s ability to continue as a going concern. During the next twelve months, the Company intends to fund its operations with funding from our Regulation Crowdfunding campaign, tenant improvement allowances currently being negotiated into the lease, and equity financing (through a private offering). There are no assurances that management will be able to raise capital on terms acceptable to the Company. If we are unable to obtain sufficient amounts of additional capital, we may be required to reduce the scope of our planned development, which could harm our business, financial condition and operating results. The balance sheet does not include any adjustments that might result from these uncertainties. Despite the inherent risks of any new business, the decades of relevant industry experience coupled with an experienced management team provide our basis for belief that the Company can be a success for stakeholders.

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

*Basis of Presentation*

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“US GAAP”).

Immediately prior to formation of the Company, one of the Company’s partners provided capital for the formation of the business and legal documentation. Such amount is to be reimbursed by the Company upon raising money. Such pre-formation costs have been included in accounts payable and Partners’ deficit within the accompanying balance sheet.

*Use of Estimates*

The preparation of balance sheet in conformity with US GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amount of revenues and expenses during the reporting period. Actual results could materially differ from these estimates. It is reasonably possible that changes in estimates will occur in the near term.

**CS PORTERS PARTNERS, L.P.**  
**NOTES TO THE BALANCE SHEET**  
**(unaudited)**

*Fair Value of Financial Instruments*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of January 12, 2017. Fair values for these items were assumed to approximate carrying values because of their short term in nature or they are payable on demand.

*Risks and Uncertainties*

The Company has a limited history and has not generated revenue from intended operations. The Company's business and operations are sensitive to general business and economic conditions in the U.S. along with local, state, and federal governmental policy decisions. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include: recession, downturn or otherwise, local competition, changes in consumer taste, and changes in governmental policy. These adverse conditions could affect the Company's financial condition and the results of its operations.

*Cash and Cash Equivalents*

For purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

*Property and Equipment*

Property and equipment will be stated at cost and depreciated using the straight-line method over the estimated useful life. Leasehold improvements will be depreciated over shorter of the useful life or lease life. Maintenance and repairs will be charged to operations as incurred. Significant renewals and betterments will be capitalized. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation will be removed from the accounts and any resulting gain or loss will be reflected in operations.

*Revenue Recognition*

The Company will recognize revenues from the food and beverage sales when (a) pervasive evidence that an agreement exists, (b) the product or service has been delivered, (c) the prices are fixed and determinable and not subject to refund or adjustment, and (d) collection of the amounts due are reasonably assured. In general, revenue is recognized when food and beverage products are sold, net of discounts.

**CS PORTERS PARTNERS, L.P.**  
**NOTES TO THE BALANCE SHEET**  
**(unaudited)**

*Income Taxes*

The Company is taxed as a Limited Partnership. Under these provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the shareholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income. The Company will pay state income taxes at reduced rates. The Company has not yet filed a tax return and therefore is not yet subject to tax examination by the Internal Revenue Service or state regulatory agencies.

*Concentration of Credit Risk*

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

*Recent Accounting Pronouncements*

In February 2016, FASB issued ASU No. 2016-02, Leases, that requires organizations that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. ASU 2016-02 will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases and will include qualitative and quantitative requirements. The new standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those annual years, and early application is permitted. We are currently evaluating the effect that the updated standard will have on our financial statements and related disclosures.

**NOTE 3 – COMMITMENTS AND CONTINGENCIES**

The Company is not currently involved with, and does not know of any pending or threatening litigation against the Company or any of its partners.

**NOTE 4 – PARTNERS' DEFICIT**

As of the date of these financial statements, the limited partnership agreement has not yet been finalized. The agreement, when finalized, will require certain capital contributions from the initial partners. The expected allocation of profit and loss are described below.

Except as provided in the operating agreement, all items of income, gain, loss and/or deduction of the partnership for each allocation year shall be allocated among the partners in a manner so as to produce capital account balances for the partners at the end of each allocation year such that the capital account balance of each partner immediately after giving effect to such allocation equals the amount that would be distributed to such partner if the partnership were dissolved as defined by the agreement.

**NOTE 5 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events that occurred after January 12, 2017 through February 20, 2017, the issuance date of the balance sheet. There have been no other events or transactions during this time that would have a material effect on the balance sheet.

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## PORTERS

