

## **RISK FACTORS**

AN INVESTMENT IN QUARA DEVICES INC. (“QUARA” OR “THE COMPANY”) INVOLVES SIGNIFICANT RISK AND IS SUITABLE ONLY FOR PERSONS WHO ARE CAPABLE OF BEARING THE RISKS, INCLUDING THE RISK OF LOSS OF A SUBSTANTIAL PART OR ALL OF THEIR INVESTMENT. CAREFUL CONSIDERATION OF THE FOLLOWING RISK FACTORS, AS WELL AS OTHER INFORMATION IN THIS OFFERING IS ADVISABLE PRIOR TO INVESTING. PROSPECTIVE INVESTORS SHOULD READ ALL SECTIONS OF THIS OFFERING AND ARE STRONGLY URGED AND EXPECTED TO CONSULT THEIR OWN LEGAL AND FINANCIAL ADVISERS BEFORE INVESTING IN THE CONVERTIBLE NOTES AND SUBSEQUENT COMMON SHARES UPON CONVERSION. THE INFORMATION IN THIS OFFERING CONTAINS BOTH HISTORICAL AND FORWARD-LOOKING STATEMENTS. PLEASE BE ADVISED THAT THE COMPANY’S ACTUAL FINANCIAL CONDITION, OPERATING RESULTS AND BUSINESS PERFORMANCE MAY DIFFER MATERIALLY FROM THAT ESTIMATED BY THE COMPANY IN FORWARD-LOOKING STATEMENTS. THE COMPANY HAS ATTEMPTED TO IDENTIFY, IN CONTEXT, CERTAIN OF THE FACTORS THAT IT CURRENTLY BELIEVES COULD CAUSE ACTUAL FUTURE RESULTS TO DIFFER FROM THE COMPANY’S CURRENT EXPECTATIONS. THE DIFFERENCES MAY BE CAUSED BY A VARIETY OF FACTORS, INCLUDING BUT NOT LIMITED TO, ADVERSE ECONOMIC CONDITIONS, COMPETITORS (INCLUDING THE ENTRY OF NEW COMPETITORS), INADEQUATE CAPITAL, UNEXPECTED COSTS, LOWER REVENUES AND NET INCOME THAN ANTICIPATED, FLUCTUATION AND VOLATILITY OF THE COMPANY’S OPERATING RESULTS AND FINANCIAL CONDITION, INABILITY TO CARRY OUT MARKETING AND SALES PLANS, LOSS OF KEY EXECUTIVES OR OTHER PERSONNEL, AND OTHER RISKS THAT MAY OR MAY NOT BE REFERRED TO IN THESE RISK FACTORS.

### *Failure to Commercialize*

Quara may not be able to develop commercially viable sensor products on the timetable it anticipates, or at all. Certain sensor technology has historically proven to be difficult to scale to a commercial basis since it must meet expectations that the technology is equivalent or superior to traditional diagnostic schemes in terms of reliability and cost efficiency. The Company still needs to develop or refine the technology necessary to ensure that its sensors meet performance goals and cost targets. Additional laboratory and field testing have yet to be done, and these tests may encounter problems and delay. If the tests reveal technical defects or reveal that the Company’s products do not meet performance goals and cost targets, Quara’s commercialization schedule could be delayed as the Company attempts to devise solutions to the defects or problems, or alternatively the Company may not be able to find a solution at all.

### *Failure to Successfully Execute Business Plan*

Quara may not be able to successfully execute its business plan which in addition to requiring the Company to successfully develop the technology for commercially viable sensors, necessitates that Quara raise significant amounts of capital, foster relationships with key suppliers and attract certain customers. There is no guarantee that the Company will be able to achieve or sustain any of the foregoing, nor is there any assurance that the Company will meet

its milestones within the anticipated timeframe. The Company may exceed its budget, encounter obstacles in its research and development activities, or be hindered or delayed in implementing its commercialization plans, any of which could imperil the Company's ability to secure funding or customer contracts. Moreover, the Company's business plan makes assumptions about revenues or expenditures which may not be accurate or correct, and there is no assurance that the Company will be able to meet or realize revenue or expenditure targets.

#### *Failure to Raise Sufficient Capital*

Quara must raise significant amounts of capital to implement its business plan. Although the Company has been successful in attracting the necessary investment capital so far, there is no assurance that it will be able to do so in the future. As the Company may make potential acquisitions or expand its product line, the need to raise additional capital may be even more important, and if the Company is unable to raise the necessary money on acceptable terms, it may be unable to pursue or realize its objectives and be hindered in its growth.

#### *Limited Operating History*

Quara has a limited operating history, incorporated on February 05, 2019, with its activities focused so far on research and development. With no experience in producing sensors, the Company may be challenged in developing and implementing the technology necessary to produce a quorum sensing device reliably and efficiently on a high-volume, low-cost basis. Manufacturing a sophisticated high-tech product with exacting specifications requires expertise and experience which the Company may have difficulty in securing. Furthermore, the Company may not have enough resources to meet the demands of corporate growth.

#### *Competition*

The diagnostics market in which the Company participates is highly complex and competitive. The Company will compete with other companies that are developing or have developed genetic analyzers designed to exploit similar markets to those in which we intend to penetrate. Many of these other companies have substantially greater resources than the Company. There can be no assurance that developments by other companies will not adversely affect the competitiveness of the Company's technologies. The diagnostic industry is also characterized by extensive research efforts and rapid technological change. Competition can be expected to increase as technological advances are made and commercial applications for diagnostic technologies increase. Competitors of the Company may use different technologies or approaches to develop products similar to the products which the Company is seeking to develop or may develop new or enhanced products or processes that may be more effective and less expensive. There can be no assurance that any product developed by the Company will compete successfully or that research and new industry developments will not render the Company's products obsolete or uneconomical.

Moreover, national laboratories and universities around the world are also researching as well as developing similar sensors. Competition in all these forms may impede the Company's ability to produce and sell a commercially viable product or be disadvantaged in some manner which could adversely affect the Company's business in a material way.

### *Dependence on Third Party Suppliers and Contractors*

Although Quara has good working relationships with its third-party suppliers and contractors, there is no assurance any of these relationships will not deteriorate or terminate due to circumstances out of the Company's control or foresight. Quara will rely heavily on its manufacturing partners to co- develop and produce the necessary technology and components for its sensing devices. Some of these partners' expertise may be difficult or even impossible to substitute. Quara will take certain measures to mitigate this risk: the Company will not only enter into long-term agreements with key partners but will also provide them with equity incentives in order to foster an alignment of interests.

### *Adverse Regulatory or Policy Changes*

Quara's business is premised on its bacterial detection systems being able to meet regulations and policies in certain markets. If the regulatory framework in these markets becomes more restrictive to the point where Quara's products are unable to meet such standards, the Company will have difficulty in selling its products and potential customers may seek alternative technologies altogether.

### *Loss or Infringement of Intellectual Property*

Quara relies on patents pending to protect its intellectual property. There is no guarantee that the Company will be granted any patent and should it be granted a patent, they in general are subject to uncertainty with respect to their validity, scope and enforceability and thus there is no assurance that the Company's potential patents, or patents licensed from third parties, will not be invalidated, circumvented, challenged, or become unenforceable. There is also no assurance that pending patent applications will be issued with the desired breadth of claim coverage or at all. In cases where the Company must license intellectual property from third parties, there is no guarantee that the Company will be able to do so on acceptable terms.

Some of the Company's proprietary processes, technologies and know-how are not under patent protection. Although the Company will always seek patent protection where possible, in some cases it has to rely on the law of trade secrets to protect its intellectual property. Accordingly, there is a risk that such trade secrets may not stay secret. This risk also applies to confidentiality agreements and inventors' rights agreements with the Company's strategic partners and employees. There is no assurance that these agreements will not be breached, that the Company will have adequate remedies for any breach, or that such persons or institutions will not assert rights to intellectual property arising out of these relationships.

Finally, effective patent, trade secret, trademark and copyright protection may be unavailable, limited or not applied for in certain countries.

Quara may also be subject to allegations of infringement of other parties' intellectual property, or conversely, be forced to sue those who infringe Quara's intellectual property. Such litigation is usually costly, time-consuming, and would divert resources away from the Company. If Quara loses such lawsuits, it may be compelled to pay damages or to cease development, manufacture, use or sale of the infringing product.

### *Dependence on Key Personnel*

Quara relies on key personnel in management, research and development, operations, manufacturing and marketing. Such managers and employees are not easy to recruit and retain, especially in the life sciences industry which requires a high level of expertise. The Company will mitigate this risk by offering key personnel competitive compensation packages, including equity and other incentives. In the future, the Company may consider key personnel insurance.

Quara has not entered into employment agreements with the key executives. There is no guarantee that the executives will agree to terms and execute employment agreements that are favorable to the company. Should any of them discontinue working for Quara, there is no assurance that the company will continue. Further, there is no assurance that the company will be able to identify, hire and retain the right people for the various key positions.

#### *Key Personnel Risk*

Quara's key personnel are serial entrepreneurs. It is likely that some, if not all, of the key personnel, may exit the business within the next three years. In the event one or more of our key personnel exit the business the company may experience following:

- financial loss;
- a disruption to the organization's future projects;
- damage to the brand; and
- potentially supporting a competitor.

#### *Product Liability, Health and Safety Liability, Environmental Liability,*

Quara may be subject to product liability claims as product malfunction is always a possibility. Depending on the magnitude of the damage, any of these occurrences could lead to civil lawsuits for which insurance policies may not be adequate or available, and in certain cases, may even lead to criminal sanctions. The Company may be forced to pay significant damages, curtail operations or shut down. Such accidents also lead to negative publicity.

#### *Adverse Economic Conditions*

Global economic conditions affect Quara's business in many ways. Economic downturns generally lead to reduced spending, which in turn leads to difficulties in attracting customers or financing. Suppliers and contractors may not be able to keep operating as a going concern. Without the necessary capital, or revenues, the Company may not be able to execute its business plan.

#### *Liquidity*

There currently is no public market for our convertible notes or common stock, and our common stock will not be traded in the open market prior to this Offering. Although we intend to list the common stock on the NASDAQ Capital Market at some point after a future Regulation A financing, an adequate trading market for the common stock may not develop or be sustained after that offering. Any initial public offering price will be determined by negotiations between the underwriter and our board of directors and may not be representative of the market price at which our shares of common stock will trade after this offering. In particular, we cannot assure you that you will be able to resell your shares at or above any initial public offering price.

*We intend to undertake a future offering under Regulation A, and more information may be*

*available to investors in that offering.*

We currently intend to make an offering under Regulation A under the Securities Act, although there can be no assurance that we will make such an offering, or when we will make it, or whether that offering will be qualified by the SEC. The rules regulating Regulation A require that we provide more information than is generally provided pursuant to offerings under Rule 506 of Regulation D. If we do make an offering under Regulation A, additional and different information may be provided to investors pursuant to those regulations and as a result of the review of the filing that the SEC staff will undertake.

Moreover, the Regulation A offering will include audited financial information, which will be different than the information presented in this offering document and cover more recent periods.

We cannot guarantee that you would not make a different investment decision if you were presented with the information that will be available in the Regulation A offering statement.

Investors should note that undertaking an offering under Regulation A may not automatically result in the conversion of the convertible notes in this offering into the common stock of the Company.

*The Conversion Discount Rate has been arbitrarily set by Quara*

Quara is planning on setting its Regulation A price at \$5.80 to which the conversion price will be discounted to. Valuations for companies at Quara's stage are purely speculative. The company's valuation has not been validated by any independent third party and may fall precipitously. It is a question of whether you, the investor, are willing to pay this price for a percentage ownership of a start-up company. You should not invest if you disagree with this valuation.

*Potential Dilution*

At the time of this offering the note conversion price is substantially higher than the net tangible book value of each outstanding share of our common stock. Note holders converting to common stock may experience immediate and substantial dilution on a book value basis.

*Internal Control Risk*

Ensuring that we have adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. Our management has concluded that our internal controls over financial reporting are ineffective and has identified a material weakness in our internal controls due to the lack of segregation of duties. While management is working to remediate the material weakness, there is no assurance that such changes, when economically feasible and sustainable, will remediate the identified material weaknesses or that the controls will prevent or detect future material weaknesses. If we are not able to maintain effective internal control over financial reporting, our financial statements, including related disclosures, may be inaccurate, which could have a material adverse effect on our business. We may discover additional material weaknesses in our internal financial and accounting controls and procedures that need improvement from time to time.

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with United States generally accepted accounting principles. Management does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company will have been detected.