



Investor Education

Until May 2016, investing in startups or emerging companies was largely limited to Accredited Investors or Institutions. However, Title III of the Jumpstart Our Business Startups (“JOBS”) Act, known as Regulation Crowdfunding has changed that. Now, every day people have the opportunity to become stakeholders in new ventures.

Investing in private equity is subject to many risks. It is recommended to invest only money you can afford to lose.

We request one and all, who are considering an investment through Regulation Crowdfunding to read our entire course material:

Course I
Introduction to Crowdfunding on Equifund CFP

Course II
Types of Offerings

Course III
Eligibility and Investment Cap

Course IV
Risks of Investment Crowdfunding

Course V
Investing Guidelines

Course VI
Regulations, Disclosures and Regulatory Bodies

Course I

Introduction to Crowdfunding on Equifund CFP

1: What is Crowdfunding on Equifund CFP and how does it work?

Crowdfunding on Equifund CFP is the regulated transaction that allows a group of individuals to invest in the securities or debt offering of a private company. Equifund CFP is a FINRA regulated** online crowdfunding portal registered with the SEC.

Once you've opened an account with Equifund CFP, please review the education material delivered to the email address associated with your account.

Now that you're familiar with the investment process, Issuer disclosure requirements, risks associated with early stage investing and restrictions on the transfer or sale of securities offered under 4(a)(6), it's time for you to begin your due diligence on the Issuer.

Equifund CFP provides each Issuer a unique offer page where a prospective investor can review all the Issuer's corporate and offering documents. The information on this page can be reviewed by Equifund CFP account holders and the general public.

Investors looking to interact with the Issuer must create an account with Equifund CFP before asking their questions in the "communication forum".

Once you feel you're ready to invest, simply click the "Invest Now" button located on the Issuer page and fill out the forms.

These forms will allow Equifund CFP to populate your information in the Issuers subscription agreement.

You will be asked to confirm the information you provided is accurate to the best of your knowledge and to E-sign the agreement.

Once completed, Equifund CFP will provide you with the payment details of the Qualified Third-Party Escrow account.

The escrow account is used to hold funds until the offering milestones are met as per the Issuer's Form C. The Form C is always available for review and download on the Issuer's offering page hosted on Equifund CFP.

An Investors may cancel an investment commitment until 48 hours prior to the deadline identified in the Issuer's offering materials.

Equifund CFP will notify investors when the target offering amount has been met.

Should an Issuer reach the target offering amount prior to the deadline identified in its offering materials, it may close the offering early if it provides notice about the new offering deadline at least five business days prior to such new offering deadline.

If an investor does not cancel an investment commitment before the 48-hour period prior to the offering deadline, the funds will be released to the Issuer upon closing of the offering and the investor will receive securities in exchange for his or her investment.

*** In an effort to protect investors and entrepreneurs while promoting transparency and compliance, we strongly recommend only investing through FINRA regulated portals or registered broker dealers.*

Course II

Types of Offerings

1: What are the different types of offerings companies make on Equifund CFP.

a. **Debt** – You can invest in a debt/loan based offering, where the issuer commits to paying you a predetermined interest rate along with the full return of the principal amount. These interest and principal payments, traditionally amortized, are dispersed according to a payment schedule found in the offering documents. The offering can be secured (backed by assets in case the company cannot repay) or unsecured (supported only by the issuer's creditworthiness – no collateral).

Investors are subject to several risk, including (i) the company is unable to make several or all loan payments resulting in the complete loss of your investment (default risk), (ii) a secondary market for you to trade your loan may never develop so you will have to hold the loan until its term ends (liquidity risk), (iii) a change in interest rates may affect the value of your loan (interest rate risks), (iv) you do not have any voting rights in the company and therefore cannot participate in major decisions affecting the company, and (vii) for secured loans, the value of the collateral may decrease or be insufficient to cover the loan amount in the event of default.

b. **Convertible Notes** – this investing instrument is a short-term debt security (see above) that converts into equity upon a specific event, typically when the company completes a financing round. Investors should pay careful attention to the terms of the conversion; such as valuation caps and discount rates or any other events that trigger the conversion.

Convertible Notes typically will convert upon the occurrence of a specific event such as the capital closing a new round of private financing or an initial public offering. The amount of equity that the note will convert into typically depends on

the valuation of the company at the next round of financing but may include a valuation cap. Investors should carefully review the note to understand the terms, structure and what if any limitations exist. There is no guarantee that the events which trigger conversion of the convertible note into equity will ever occur or will occur on favorable terms. The company may be unable to make any principal or interest payments. You may lose your entire investment.

c. **Common stock** – Investing in common stock gives you an ownership stake in the company, but not necessarily voting rights or a right to claim a dividend in the event of the company making a profit. Therefore, it is imperative to read the offering documents before making an investment.

Investors in common stock may lose some or all of their investment if the company is unsuccessful so you should not invest any amount that you cannot afford to lose. In the event of bankruptcy, debt and other financial obligations are paid before equity holders so there might not be enough assets to recover any part of your investment. The company may issue preferred securities or other securities with rights greater than the rights of common stock holders, including dividend rights, liquidation preferences, greater voting rights or representation on the board of directors. Minority shareholders will have very little ability to influence the direction of the company when it comes to voting. The valuation of the company may have been arbitrarily determined. Future rounds of financing may occur at a lower valuation (called a “down round”) which will result in the decrease value of your investment. If the company issues additional securities, which you should anticipate in new ventures, then your percentage ownership of the company will decrease (also called “dilution”).

Course II continued...

d. **Preferred stock** -Preferred stock is an equity security issued by the company that holds certain preferred rights attached to it. Preferred stock owners are given a higher stake claim over the common stock owners in regards to liquidity events, dividend distribution or debt repayments. They are traditionally accompanied by special voting rights etc.

e. **SAFE** – Simple Agreement for Future Equity (SAFE) – is a cash investment in a company with the right to receive equity in the company at a future date upon certain terms and conditions.

A SAFE is not common stock and does not represent a current equity stake in a company. Instead, the terms of a SAFE have to be met for you to receive your equity stake. A SAFE may only convert to equity if certain triggering events occur, and depending on its terms, a SAFE may not be triggered at all.

More about SAFE...A SAFE is an agreement between you, the investor, and the company in which the company generally promises to give you a future equity stake in the company IF certain trigger events occur. Despite its name, a SAFE may not be “simple” or “safe.” SAFE investors do not receive equity in the Company (so you are not a shareholder or have the statutory rights of shareholder) or debt. Instead, investors acquire a right to convert the SAFE into equity (often common stock or preferred stock) of the Company upon the occurrence of certain events described in the SAFE. If the conversion event never occurs, you generally will not be able to convert your SAFE into equity. Not all SAFEs are the same so it is very important to understand the different terms and decide whether the investment is right for you. Unlike convertible notes, the Company does not have an obligation to repay you for the outstanding amount of the SAFE (it is not a loan). Unlike acquiring equity securities (like common stock or preferred stock), you are not a shareholder and do not have the same rights of shareholders (such as voting rights or distribution rights in the event bankruptcy). Before you invest in a SAFE, it is important that you carefully read the offering materials made available on Equifund CFP to understand what events trigger the conversion to equity, conversion terms, any repurchase right the Company may have, your rights if the Company becomes bankrupt and any voting rights. SAFE investors face the risk that a triggering event never occurs or occurs on terms which are not favorable and no market develops for you to sell your SAFE.

What is important to keep in mind about SAFEs?

a. **SAFEs are not common stock.** Common stock (or similar equity securities) represents an ownership stake in a company and entitles you to certain rights under state corporate law and federal securities law. SAFEs do not represent a current equity stake in the company in which you are investing. Instead, the terms of the SAFE have to be met for you to receive any shares in the company. A SAFE is an agreement to provide you a future equity stake based on the amount you invested if—and only if—a triggering event occurs, such as an additional round of financing or the sale of the company. There is no guarantee these events will occur—and if they do not, you can lose some or all of the money you invested.

b. **SAFEs are not all created equal.** There is nothing standard or simple about a SAFE. For instance, different companies offering SAFEs use various terms to describe triggering events—and provisions concerning conversion and the conversion price might be subject to different treatment from issuer to issuer. It's important to read and understand the company's disclosure regarding the SAFE, as well as the terms set forth in the actual agreement.

c. **Understand what triggers the conversion of the SAFE.** The SEC notes that the SAFE conversion may be triggered by a number of different scenarios that may—or may not—occur in the future for the company. For example, while one SAFE may be triggered if the company is acquired by or merged with another company, another may have as its trigger an initial public offering of securities by the company.

d. **A SAFE conversion may not be triggered.** Despite the identified triggers for conversion of the SAFE, there may be scenarios where the triggers aren't activated and the SAFE is not converted, leaving you with nothing. For example, if a company in which you invested makes enough money that it never again needs to raise capital, and it's not acquired by another company, then the conversion of the SAFE may never be triggered.

Course II continued...

e. **Know the terms and your rights with a SAFE.** In addition to the trigger mechanism, there are a few other components of SAFEs that you should understand before you sign such an agreement with a crowdfunding issuer:

I. **Conversion terms.** These are the specific terms by which the amount you invested in the SAFE gets converted into equity. For instance, the terms might explain whether it's just your original investment that converts.

II. **Repurchase rights.** There may be provisions in the SAFE that allow the company to repurchase your future right to equity instead of it being converted to equity.

III. **Dissolution rights.** You need to know what happens to your SAFE and the money you invested if the company ends up dissolving.

IV. **Voting rights.** SAFEs do not represent current equity stakes in the company, and so do not provide you with voting rights similar to common stock. But there may be particular circumstances mentioned in the SAFE that allow you a voice on matters pertaining to your SAFE.

The SEC and FINRA have published notices to investors about investing in SAFE's so we recommend you review before investing,

SEC: "Investor Bulletin: Be Cautious of SAFEs in Crowdfunding" - https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_safes

FINRA: "Be Safe—5 Things You Need to Know About SAFE Securities and Crowdfunding" - <http://www.finra.org/investors/highlights/5-things-you-need-know-about-safe-securities-and-crowdfunding>

** Investors need to be aware that companies dictate the terms of their offering, including rights and obligations that are attached to the various different securities. You should carefully read the offering documents, including the "Form C", to understand the securities being offered.*

2: What are the other forms of Crowdfunding?

- **Reward-based** – Raising funds online for a project in exchange of predetermined rewards or goods. In this crowdfunding mechanism, you are not receiving an ownership interest in a company but rather a gift or reward for helping a new venture.
- **Donation based** – Raising funds online for a cause, where no return of any kind is expected or proposed.
- **Loan or Debt based** – Raising secured or unsecured funds through the internet for a company project or person in exchange of an interest payout along with the return of the principal amount.

Course III

Eligibility and Investment Limitations

1: Age requirement

Investors must be 18 years of age or older.

2: Who are Accredited Investors?

Please refer to the Rule 501 of Regulation D of SEC to understand the full definition of an Accredited Investor.

Broadly speaking, an accredited investor is:

- A person who can show an annual income of \$200,000, or \$300,000 of joint income, for the last two years with expectation of earning the same or higher income.
- The person has a total net worth more than \$1 million (excluding your primary residence), either individually or jointly with their spouse.

3: Who are Non-Accredited Investors?

Anyone who does not meet the requirements of an accredited investor as provided in the Regulation D of SEC is a Non-Accredited investor.

4: Investment limit

If either of your annual income or net worth is less than \$107,000, the investment threshold during any period of 12-month would be greater of either \$2200 or 5% of the annual income or net worth, whichever is less.

If both your annual income and net worth are equal to or above \$107,000, the investment threshold during any period of 12-month would be 10% of the annual income or net worth, whichever is lesser or up to a maximum of \$107,000.

Table below illustrates the Investment limit with examples:

ANNUAL INCOME	NET WORTH	CALCULATION	12-MONTH LIMIT
\$30,000	\$105,000	greater of \$2,200 or 5% of \$30,000 (\$1,500)	\$2,200
\$150,000	\$80,000	greater of \$2,200 or 5% of \$80,000 (\$4,000)	\$4,000
\$150,000	\$107,000	10% of \$107,000 (\$10,700)	\$10,700
\$200,000	\$900,000	10% of \$200,000 (\$20,000)	\$20,000
\$1.2 million	\$2 million	10% of \$1.2 million (\$120,000), subject to \$107,000 cap	\$107,000

Course III continued...

5: How to calculate Annual Income and Net Worth?

To calculate your net worth, investors should deduct the total of their liabilities from the total of their assets. The remaining sum will stand to be the net worth of that individual.

Please note, while calculating the net worth for the purposes of crowdfunding, the value of the investor's primary residence is not included as an asset. Likewise, any mortgage or loan on that residence will not add to the liability, but only up to the fair market value of the property. Any amount of loan that is above the fair market value of that property will be added under liability for the calculation of the net worth.

Investors can calculate their annual income or net worth jointly with their spouse's income or assets. However, combined investment limits will still be the same as that of a single investor with the total of the combined annual income or net worth level.

The table below provides a few examples of calculating net worth of an individual for finding out the permissible investment limit of that individual for the purpose of Crowdfunding

	JANE DOE	JOHN SMITH	JAMES LEE
<i>Primary residence</i> (Not included except for related liabilities below):			
Home value	\$300,000	\$300,000	\$300,000
Mortgage	\$200,000	\$200,000	\$200,000
Home equity line:		10% of \$100,000 (\$10,000)	\$10,000
More than 60 days old	—	\$20,000	—
Less than 60 days old	—	\$10,000	—
<i>Included assets</i>			
Bank accounts	\$20,000	\$20,000	\$20,000
401(k)/IRA accounts	\$100,000	\$100,000	\$100,000
Other investments	\$50,000	\$50,000	\$50,000

Course III continued...

	JANE DOE	JOHN SMITH	JAMES LEE
Car	\$20,000	\$20,000	\$20,000
Total included assets	\$190,000	\$190,000	\$190,000
<i>Included liabilities</i>			
Student and car loans	\$100,000	\$100,000	\$100,000
Other liabilities	\$20,000	\$20,000	\$20,000
Portion of mortgage underwater	—	—	\$30,000
Home equity line (Less than 60 days old)	—	\$10,000	—
Total included liabilities	\$120,000	\$130,000	\$150,000
Net Worth	\$70,000	\$60,000	\$40,000

6: Is it mandatory to invest through a regulated online intermediary (Crowdfunding Portal or Broker-Dealer)?

Investment in a Regulation Crowdfunding offering can only be done through a regulated funding portal or broker-dealer website or mobile app.

The broker-dealer or funding portal, that is the crowdfunding intermediary, must be registered with the SEC and be a member of the Financial Industry Regulatory Authority (FINRA). You can obtain information about a broker by visiting FINRA's BrokerCheck (<https://www.finra.org/about/funding-portals-we-regulate>) or calling FINRA's (<https://www.finra.org/>) toll-free BrokerCheck hotline at (800) 289-9999. You can obtain information about an active crowdfunding offerings by

visiting the SEC's website (<https://www.sec.gov/edgar/searchedgar/companysearch.html>).

It is mandatory for investors to register with the crowdfunding intermediary before completing an investment. Generally, Regulation Crowdfunding prohibit funding portals from:

- Offering investment advice or making recommendations;
- Soliciting purchases, sales or offers to buy securities offered or displayed on its platform;
- Compensating promoters and others for solicitations or based on the sale of securities; and
- Holding, possessing, or handling investor funds or securities.

Course IV

Risks of Investment Crowdfunding

1: High Risk Long Term Investment

When investing in a Crowdfunding offering, it is almost impossible to say how long it may take to see a return on your investment, if at all. Startup investing is a long term investment strategy carrying a lot of risk. The startups and small businesses that rely on the crowdfunding exemption are likely to experience a higher failure rate than a more seasoned companies seeking an investment. Investing in startups and other private companies is highly speculative and should only be done by investors who can bear the complete loss of their investment without any change in their lifestyle.

2: Absence of a Secondary Market

Crowdfunding investments are highly illiquid. This is a result of the limitations on transferring your shares and the lack of an established secondary market. There is currently no public exchange (like Nasdaq or the New York Stock Exchange) where shares bought through equity crowdfunding can be readily traded. To review the restrictions on the resale or the transfer of ownership rules from shares acquired through equity crowdfunding please review section (3) below;

3: Transfer or Sale of Equity Shares

There is a mandatory lock-up period of 12 months from the date of purchase during which investors can't sell the securities purchased through Regulation Crowdfunding (Title III of the JOBS Act) unless the shares are transferred:

- to the issuer of the securities;
- to an “accredited investor”;
- as part of a later offering registered with the Commission; or

- to a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with your death, divorce or other similar circumstance.

4: No Successful Exit?

Because there is no established secondary market, you may have to hold on to your investment until the company completes an IPO, merger or gets acquired to realize any sort of material gain. Such an event may never occur, and if it does not, your entire investment may be lost. Investors should consult a financial advisor and discuss whether investing in startups, new ventures or private companies is the right investment strategy for them.

5: High Company Valuation

Private company valuations are typically set by the company's management at their discretion. Often, the accuracy of that valuation has not been verified by an independent third-party expert. The scenario of an overvalued pre-money valuation of a private company is a common occurrence in Crowdfunding. As a result you may end up paying more for the shares than they are actually worth.

6: No Dividend Payouts or Profit Sharing

Unless otherwise stated in the offering documents, for your investment, you might not receive any monetary benefits in the form of a dividend payout or profit share during the lifespan of the investment.

Course IV continued...

7: Use of Proceeds are Subject to Company Discretion

Crowdfunded companies are obligated to provide details of how the raised proceeds will be used, but this typically provides company management with flexibility. The company may have discretion, as per the subscription agreement, to reallocate the funds without any actionable accountability.

8: Limited Disclosure and Lack of Historical Data

While companies looking to fundraise through Regulation Crowdfunding have some disclosure requirements including management, business plan, subscription details and use of proceeds, many early stage companies lack operating history and have limited disclosure requirements moving forward.

In contrast, a publicly listed company will have significant operating history and is required to file quarterly and annual reports while promptly disclosing certain material events.

**Please refer to #4 "Scope of Disclosure" under Course VI – Regulations and Regulatory Bodies to learn more about issuer disclosure requirements.*

9: Dilution

Some startup companies may experience multiple rounds of fundraising. Therefore, when a company issues additional shares to raise capital it causes dilution to your ownership in the company. Dilution means you have reduced (less) proportional ownership in the company.

10: Speculative Investment

Investing in an early stage startup or a seed stage company is very speculative in nature and more often than not, these businesses fail. Unlike an investment made in a mature business where you can readily find a track record of revenue and income, the success of a startup or early-stage venture usually depends on the development of a new product or service that may or may not find a market. You must be able to afford and be fully prepared to lose your investment.

11: Reduced Market Valuation for Future Rounds of Fundraising

In the event a company seeks further capital, there is a possibility that the value of the company is reduced from when you made an investment. That reduces the value of your shares in the original investment.

12: Lack of Professional Guidance

Angel Investors and Venture Capital firms offer more than just funding to startups. They bring expertise, knowledge, resources and contacts to the company. That aids these vulnerable startups in achieving success. A seed-stage company that chooses to Crowdfund will get the capital but may lack the professional guidance.

13: Theft of Intellectual Property

Early stage and startup companies lack resources and many times they do not give enough emphasis on patenting or copywriting their intellectual property. Not protecting intellectual property creates additional risks to your investment.

14: Risks Due to Rapidly Changing Technology

In a world where new technologies are getting launched ever more frequently, there is a wide prospect that the product of the startup you have invested in becomes obsolete before it can get to market.

Course IV continued...

15: Failure to Obtain Market Approval/ Consumer Appreciation

Some startup companies may raise funds with only prototypes that have not undergone customer or market scrutiny. The success of any company remains in its ability to deliver a product or service which is wanted by consumers.

16: Legal Disputes

The Company may from time-to-time be subject to a variety of legal and regulatory actions relating to the Company's current and past business operations, including, but not limited to disputes regarding:

- 1 Its products and services
- 2 Employee actions
- 3 Sales practices, disclosure, licensing, regulatory compliance and compensation arrangements
- 4 Taxing authorities regarding tax liabilities
- 5 Governmental or administrative investigations and proceedings in the context of the Company's regulated sectors of activity.

The Company cannot predict the outcome of these investigations, proceedings or lawsuits, and cannot guarantee that such investigations, proceedings or lawsuits would not materially adversely affect the Company.

17: Risks Based on Specific Share Class

The class of share you own based on your subscription agreement may be subject to dilution and may include no voting rights. Your investment may be the last to be honoured if the company fails to receivership or files bankruptcy.

18: Possibility of Fraud

Although Crowdfunding is a regulated process there still remains a possibility of fraud. Crowdfunding portals are required to do limited due diligence. However, there is no substitute for performing your own due diligence and review of the offering, the company and its management. As with other investments, there is no guarantee that crowdfunding offerings will be immune from fraud.

19: Changing Economics

External circumstances can be attributed to the success or failure of any company. Disturbances in external economic cycles or systems like the credit or equity market can create a hindrance in the operation of a startup. Crowdfunded companies are not immune to various global cues like unstable markets, terrorism, acts of war, natural calamities or such other unpredictable events.

20: Investment in Personnel

For most startups, human resources is one of the most neglected aspect of the business. Understand that your money could be spent to hire and manage personnel.

Course V

Investing Guidelines

1: Identify the purpose and scope of your Investment

Before you make an investment, consider your purpose for investing. What kind of returns you are expecting? What risks are you able to bear? Investing in private companies is very different from investing in companies that are traded on an exchange. You should discuss your options and the proposed investment with your financial, legal and tax advisor to make sure that investing in a crowdfunding offering is right for you. You must acknowledge that early stage investing is accompanied with considerable risk and therefore you might suffer a financial setback. Do not opt for equity crowdfunding if you are looking for quick returns or need liquidity in the near future.

2: Check your risk tolerance

Crowdfunding is traditionally a long term and a high risk investment. If you are an investor who can't afford to lose his/her entire investment, crowdfunding is not the right investment for you. Invest only that money which you can afford to lose which will not affect your lifestyle. Be mindful that monetization if your investment made through equity crowdfunding is highly unlikely and can take much longer than traditional investment products. You should perform significant due diligence before investing. Candidly, equity crowdfunding is not a "quick money" short-term investing strategy and you should never invest an amount of money that you cannot afford to lose.

3: Conduct due diligence

Equifund CFP does not endorse or recommend any company posted on the portal. The posting of an offering on Equifund CFP should not be interpreted as a solicitation, recommendation or investment advice of any kind. Investors should conduct their own due diligence. Researching a private company can be challenging. We suggest starting

with the SEC's EDGAR website (<https://www.sec.gov/page/info/edgar.shtml>) where you can read information about the company and review the offering materials. These materials are also available on Equifund CFP.

4: Acceptable payment methods

Investments on Equifund CFP can be paid through the following: ACH transfer, mailing a check or issuing a bank wire. Do not send funds directly to Equifund CFP or the issuer as they will not be accepted. All funds are to be sent and held by a third-party escrow agent pursuant to Regulation Crowdfunding.

5: Investment vehicles

Investing in a crowdfunding offering can be made through an assortment of investing vehicles including but not limited to; an Individual, Corporation, LLC, a Trust, a Self-Directed IRA or 401(k)

6: Diversify

Diversification is widely considered the most efficient risk management technique (don't put all your eggs in one basket). A portfolio well diversified is capable of reducing risk by allocating your investment amount among various financial instruments, industries and other categories. It aims to maximize return by investing in different areas that may perform differently over time. Equity Crowdfunding is no different. Investors should always have a diversified portfolio with each asset class proficiently diversified in it.

Crowdfunding is a very volatile investment. One strategy an investor may consider is investing in a number of uncorrelated assets to increase the prospect of you achieving the maximum return possible at a lower level of risk. Even with diversification, an investment in startups is highly speculative and could result in the complete loss of your investment. You should consult with your financial advisor to develop a portfolio that is designed with your financial goals in mind.

Course V continued...

7: Research on product and people

As part of your due diligence and evaluation of a proposed investment, you should evaluate the experience, knowledge and track-record of the company's management. Research the companies' products and services. Make sure there's a clear application or need in the market for these products and services.

8: Invest in industries you understand

There are advantages to investing in an industry for which you are familiar with. It provides you the advantage of having a better understanding of the product and marketplace.

9: Review the offering

It is essential to review and scrutinize the offering materials presented to you by the issuers to comprehend fully what you are receiving in return of what you are investing.

10: We encourage you to ask questions to issuers

Equifund CFP offers a communication tool where investors and issuers can connect and communicate. Each offering has a dedicated forum located on the offering home page. We encourage you to ask questions and raise any concerns to the company's management. You should also review the other questions and answers in the forum as the issues and concerns raised by your fellow Equifund CFP users may provide you with some useful insights that will help you make a better informed decision.

11: Know the tax implications

Please review with your tax consultant before making an investment so you understand any tax implications when investing through regulation crowdfunding.

12: Cancellation of investment (Escrow period)

Once you have invested in an offering your money is placed in escrow. Those funds remain in escrow until the final 48-hours before the end of the offering period as listed in the Form C. You may cancel your investment any time leading up to the 48-hour deadline. Once an offer reaches the last 48-hours, all the investments held in escrow are considered final and non-refundable.

13: Material changes in the offering

In the event an issuer makes a material change to the offering, you will be notified by Equifund CFP and each investor will need to reconfirm their investment within 5 business days. If an investor fails to reconfirm their investment after reviewing the material change in the offering, his or her investment will be canceled.

14: Scope of annual reporting from the issuers

A company that has raised capital in a regulation crowdfunding offering is required to provide an annual report on Form C-AR within the 120 days after the end of their fiscal year. The report is required to be filed on the SEC's EDGAR website and also on the issuer's official website. The annual report will contain information relevant for investors to review pertaining to their investment. An audit or a review of the financial statements may not be required. Issuers are required to do annual reporting until one of the following events occurs:

- 1 the issuer is required to file reports under Securities Exchange Act Sections 13(a) or 15(d);
- 2 the issuer has filed at least one annual report and has fewer than 300 holders of record;

Course V continued...

- 3 the issuer has filed at least three annual reports and has total assets that do not exceed \$10 million;
- 4 the issuer or another party purchases or repurchases all of the securities issued pursuant to Regulation Crowdfunding, including any payment in full of debt securities or any complete redemption of redeemable securities; or
- 5 the issuer liquidates or dissolves in accordance with state law.

In the event a company decides to terminate the requirement of annual reporting, it will have to file the Form C- TR to report that it will no longer provide annual reports pursuant to the requirements of Regulation Crowdfunding.

***EquifundCFP reserves the right to not follow up or circulate any annual updates or performance reports of any of the companies that have raised funds through the platform after the initial offering. Investors are expected to communicate directly with the company. Following completion of an offering conducted through EquifundCFP, there may or may not be any ongoing relationship between the issuer and EquifundCFP.*

15: Issuers contain the ultimate right to accept or reject your investment

It is the issuer who holds the final rights to accept or reject a certain investment. Your investment is not final until it is accepted by the issuer.

**Please review our Terms of Use to understand the roles and responsibilities of Equifund CFP in your investing decisions.*

Course VI

Regulations, Disclosures and Regulatory Bodies

1: What is Title III of JOBS ACT?

Title III of the JOBS Act added new Securities Act Section 4(a) (6) that provides a federal exemption under section 5 of Securities Act of 1933, as amended. The new section permits a private company raise up to \$1,070,000 in a 12-month period from both accredited and non-accredited investors. However, such exemptions are subject to specific requirements.

2: What is Regulation Crowdfunding?

Regulation Crowdfunding sets the rules that administer the offer and sale of securities under new Section 4(a)(6) of the Securities Act of 1933, as amended.

Regulation Crowdfunding also prescribes a framework for the regulation of registered funding portals and broker-dealers that issuers must use as intermediaries for the offer and sale of securities under Section 4(a)(6). Regulation Crowdfunding conditionally exempts securities sold pursuant to Section 4(a)(6) from the registration requirements of Section 12(g) of the Securities Exchange Act of 1934.

3: Define an Issuer

An Issuer in equity crowdfunding is a legal entity that proposes an offer to sell securities of its company through a registered funding portal or broker-dealer under Regulation Crowdfunding. Title III Crowdfunding is only available to issuers organized in the United States who are not subject to the reporting requirements under the Securities Exchange Act of 1934, as amended. Registered investment companies, private equity funds, hedge funds, blank check companies, special purpose acquisition companies, and certain “bad actors” are prohibited issuers under Title III. regulations.

4: Scope of Disclosure

Companies looking to raise funds under the Regulation Crowdfunding are required to file a Form C with the SEC. Once approved, the offering materials are available to investors on the funding portal.

Below is the information that a company looking to raise funds through crowdfunding must disclose:

- information about officers, directors, and owners of 20 percent or more of the issuer;
- a description of the issuer’s business and the use of proceeds from the offering;
- the price to the public of the securities or the method for determining the price,
- the target offering amount and the deadline to reach the target offering amount,
- whether the issuer will accept investments in excess of the target offering amount;
- certain related-party transactions; and
- a discussion of the issuer’s financial condition and financial statements.

5: What it means to be a registered crowdfunding intermediary?

A registered crowdfunding intermediary is a funding portal or a broker-dealer that is registered with SEC and recognized by FINRA. You can only invest in Regulation Crowdfunding offerings through a registered intermediary.

Course VI continued...

6: Funding Portal Compensation

Equifund CFP charges the following fees to issuers for the services it provides in connection with crowdfund offerings posted on the funding portal: 7% of the gross proceeds (total amount raised) of each offering payable in cash and 7% equity of the offering sold under section 4(a)(6). All fees are payable at closing by the company from proceeds of the offering.

7: Promoter Compensation

Issuers may choose to work with a promoter or promoters to market their offering posted on Equifund CFP. Because this activity is on a case by case basis, each Issuer has a “disclosure” section on their offering page where promoters and their compensation whether past or prospective will be published.

8: Role and significance of SEC

The SEC is a federal agency in the United States Government. Its primary roles are to protect investors; maintain fair, orderly and efficient markets through the enforcement and proposing securities rules and regulations. The SEC’s Crowdfunding Investor bulletin can be found here; <https://www.sec.gov/info/smallbus/secg/rccomplianceguide-051316.htm>

9: Role and significance of FINRA

FINRA is an independent, not-for-profit organization authorized to protect America’s investors by making sure the broker-dealer industry operates fairly and honestly. We encourage all Equifund CFP users to review FINRA’s investor resource center at <http://www.finra.org/investors>.



Pre-Dispute Arbitration Clause

When you make an investment through Equifund CFP, you are agreeing to a pre-dispute arbitration clause between yourself and Equifund CFP. The parties agree to pre-dispute arbitration as follows:

All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed. Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited. The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings. The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date. The panel of arbitrators may include a minority of arbitrators who were or are affiliated with the securities industry. The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court. The rules of the arbitration forum in which the claim is filed, and any amendments hereto, shall be incorporated into this agreement.

In the event of any claim, controversy or alleged dispute between you, as a user of the site who invests in an offering appearing on the Equifund CFP site, and Equifund CFP, its members or affiliates (Portal) (collectively the "Dispute"),

you hereby agree that this Pre-Dispute Arbitration Clause governs your claim, controversy or alleged dispute between yourself and the Portal. You agree to attempt in good faith to amicably resolve any Dispute at least thirty (30) days before instituting any legal proceeding. Each party agrees to submit any Dispute for resolution by final binding arbitration after serving written notice, which notice shall set forth in detail the controversy, question, claim or alleged breach along with your attempt to resolve such Dispute. Upon such notice and attempt to resolve, the party may then commence an arbitration proceeding pursuant to the rules of the Financial Industry Regulatory Authority (FINRA) to be held in New York, New York, before a panel of arbitrators to be selected in accordance to FINRA's selection process.

In any arbitration and subject to the ultimate discretion of the panel of arbitrators, except to the extent that these terms either limits or contradict FINRA rules, each side will:

A – Be limited to a maximum of one (1) day of argument (including rebuttal), and the parties agree in good faith to minimize discovery burdens (e.g. confine the scope to actual areas in dispute and limit the topics and number of pages on which information is requested to matters directly relevant).

B – The decision(s) of the panel of arbitrators shall be final and binding and may not be appealed to any court of competent jurisdiction, or otherwise, except upon claim of fraud or corruption as by law provided, provided, however, that implementation of such decision(s) shall in no way be delayed or otherwise impaired pending the outcome of any

Pre-Dispute Arbitration Clause continued...

such appeal. Judgment upon the award rendered in such arbitration may be entered by any court having jurisdiction thereof.

C – You agree that all Disputes will be limited between you, individually, and Portal.

D – To the full extent allowable by law, you agree that no arbitration proceeding or other dispute resolution proceeding shall be joined with any other party or decided on a class-action basis.

E – You agree that the following matters shall not, at the election of Portal, be subject to binding arbitration: (1) any Dispute related to, or arising from allegations of criminal activity; (2) any Disputes concerning Portal's intellectual property rights; and (3) any claim for injunctive relief.

F – You agree that all arbitration proceedings will take place in New York, New York, United States of America. Any Dispute not subject to arbitration shall be decided by a court of competent jurisdiction within New York, New York. Each party hereby waives any claim that such venue is improper or inconvenient, except to the extent that these terms either limit or contradict FINRA rules.

By agreeing to this Pre-Dispute arbitration agreement, you are subject to the following:

- All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by FINRA rules.
- Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.
- The panel of arbitrators may include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- The rules of the arbitration forum in which the claim is filed, and any amendments hereto, shall be incorporated into this arbitration agreement.
- If you or the Portal file a complaint in court against the other party that contains claims that are subject to arbitration pursuant to this Pre-Dispute arbitration agreement between yourself and the Portal, you and the Portal agree that this matter may be removed from the court to FINRA for arbitration of the claims that are subject to arbitration under this Pre-Dispute Arbitration agreement.
- No party to this agreement shall bring a putative or certified class action to arbitration, nor seek to enforce this Pre-Dispute Arbitration Agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the investor is excluded from the class by the court. Such forbearance to enforce the agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.

The parties understand and agree that this is a Pre-Dispute arbitration agreement that may limit your legal rights as set forth above. A copy of this agreement will be provided to you by email. The Portal shall provide you with information on how to contact FINRA Arbitration or obtain the rules of a FINRA arbitration upon your request.