



KINGSCROWD

Independent Due Diligence

on

Illusio Imaging

ILLUSIO

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I. Ratings Report Card




KC ANALYSIS
ILLUSIO
ILLUSIO INDEPENDENT RATING REPORT

KC RATING	VALUATION	ROUND TYPE	INDUSTRY	PLATFORM	RAISE AMT.
 4.65 out of 5	\$15M	SEED	MEDICAL DEVICE	equifundcfp.com	\$1.07M

MARKET SIZE - 0.90 of 1

According to global market insights, the breast augmentation market was \$2.2Bn in 2018 and is forecasted to reach \$4.6Bn in 2025.

75% of the breast augmentation market is elective while the other 25% is post mastectomy. Breast augmentation is expected to rise 11% annually. Historically breast augmentation, which is an elective surgery, rarely covered by insurance ebbs and flows slightly with the economy. The last time rates of [breast augmentation declined in the past twenty years was during the 2007/2008 financial crisis.](#)

Breast augmentation is typically a post pregnancy procedure. Patients are typically in their mid-thirties. [Over 90% of patients](#) report improvement in self-esteem, the most popular reason for breast augmentation.

Breast augmentation has been the leading elective surgery for many years. It will continue to lead elective surgeries for the foreseeable future. The average breast augmentation costs [about \\$10k, and women can return to work within 1 to 2 weeks.](#) As women continue to increase earning and political power, this popular, emotional procedure will continue to gain popularity.

While the market for breast augmentation is lucrative, it is important to note there is no compelling data to conclude visualization during consult is solving a problem. There is anecdotal research reporting women would like imaging, but nothing to conclude the imaging would influence the decision to have the surgery, reduce consult time or increase satisfaction with the surgery.

EXECUTIVES - 0.75 of 1
Ethan Winner, Co-Founder & CEO

Winner has extensive experience in the public relations industry working for some of the largest companies in a variety of industries. This has enabled Winner to witness successful strategies and how companies can make poor strategic choices.

Winner gained expertise in recognizing market trends for his clients. This will serve him well in leading a company.

Winner does not have CEO or startup experience. Winner is a mature professional who has demonstrated enough experience to understand his strengths and weaknesses. In conversations with Winner, we have been impressed by Illusio's dramatic shift in strategy which abandoned slow growth already in progress to regroup and secure a large, lucrative partnership.

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EXECUTIVES (CONT.)

Dipak Panigrahi, COO

Panigrahi is a licensed, ophthalmologist. His licensing in Maryland and the District of Columbia are in active. His license in Virginia is valid through 2/29/20.

Panigrahi appears to be drawn to the business side of medicine. He began dabbling in business in 2007 shortly after completing his residency. After a few years at Merck and Alcon, Panigrahi leaped into startups. Serving in leadership roles. During most of his business experiences he continued to practice medicine.

Panigrahi's various experience as the chief medical officer may be the reason Illusio is moving towards breast reconstruction as the next product offering.

TERMS - 1 of 1

Through private angel investment, Illusio has raised \$1.6M to create and launch its core product. The technology works and is in use with board certified plastic surgeons. Critical Illusio's valuation is the three year contract with Johnson and Johnson's breast augmentation product Mentor.

Mentor's 100+ sales representatives sell into approximately 85% of plastic surgeons who perform breast augmentation. Mentor reps will use Illusio as a unique offering for Mentor customers. Loyalty to Mentor products is lucrative.

Illusio's \$15M valuation is solely predicated on sales through the Mentor relationship. It does not account for the data collection authorized through the Mentor relation nor product extensions Illusio claims can be easily implemented.

BUSINESS MODEL - 1 of 1

Illusio has a near bullet proof business model. Illusio signed a three-year contract with Mentor implants, the leading implant manufacturer with approximately 50% market share. The Mentor contract places the Illusio technology as the centerpiece of Mentor's website.

Mentor plans to drive women to its website to have them take an image of themselves and utilize a scaled down version of Illusio to view how they would look post breast augmentation. Illusio is betting the over 100,000 women who will visit the Mentor website and utilize the Illusio technology annually will then go to their surgeon's office and demand Illusio technology as part of their consultation.

Mentor's sales representatives visit the majority of surgeons who perform breast augmentation in the US. Each sale will result in a 25% commission to Mentor.

Mentor has been using an inferior imaging product on its website. Additionally, Illusio has full ownership of the data it will collect once it is live on Mentor's website. Illusio plans to utilize the data to develop robust artificial intelligence learning to further perfect the product. Illusio's ownership of this rich set of data may develop into a lucrative revenue source.

Illusio reports the next offering will be liposuction, abdominoplasty, and facial features. These are the next most popular forms of plastic surgery. Additionally, Illusio is pursuing breast reconstruction. Breast reconstruction occurs after a woman has a mastectomy, commonly due to breast cancer. Inserting the breast implants is the final step in the reconstruction. Serving women undergoing breast reconstruction would require FDA approval as breast reconstruction typically is covered by health insurance. Illusio already has an agreement with University of Southern California to begin the essential steps to receive FDA approval for breast reconstruction.

We gave Illusio 1 of 1 on business model because of the Mentor relationship and the ability to quickly jump into additional markets.

PRODUCT DIFFERENTIATION - 1 of 1

Illusio is uniquely positioned in the marketplace. Unlike the other cosmetic imaging products, Illusio is software based. Illusio costs surgeon's \$500 a month and can be installed on virtually any device.

Competitors in the market require purchase of expensive equipment. This equipment is reportedly complicated to use, and surgeons quickly abandon usage due to lost time in consultation.

Part of Illusio's strategy in partnering with Mentor is focusing on delivering a robust product with outstanding support. Unlike competitors, Illusio's focus will be on perfecting the surgeon's onboarding and uptime with the product. This focus will likely result in fine tuning and meeting surgeon's needs. Mentor's competitors must divide their focus on marketing and sales, which Mentor has cleverly outsourced to a Goliath in the medical sales market.


KC ANALYSIS
ILLUSIO
FINANCIALS
BALANCE SHEET

	Most Recent	Prior Fiscal Year	% Change
Assets	\$163,388	\$54,005	202.5%
Cash & Cash Equivalents	\$163,388	\$54,005	202.5%
Accounts Receivable	\$0	\$0	N/A
Short-Term Debt	\$0	\$0	N/A
Long-Term Debt	\$0	\$0	N/A

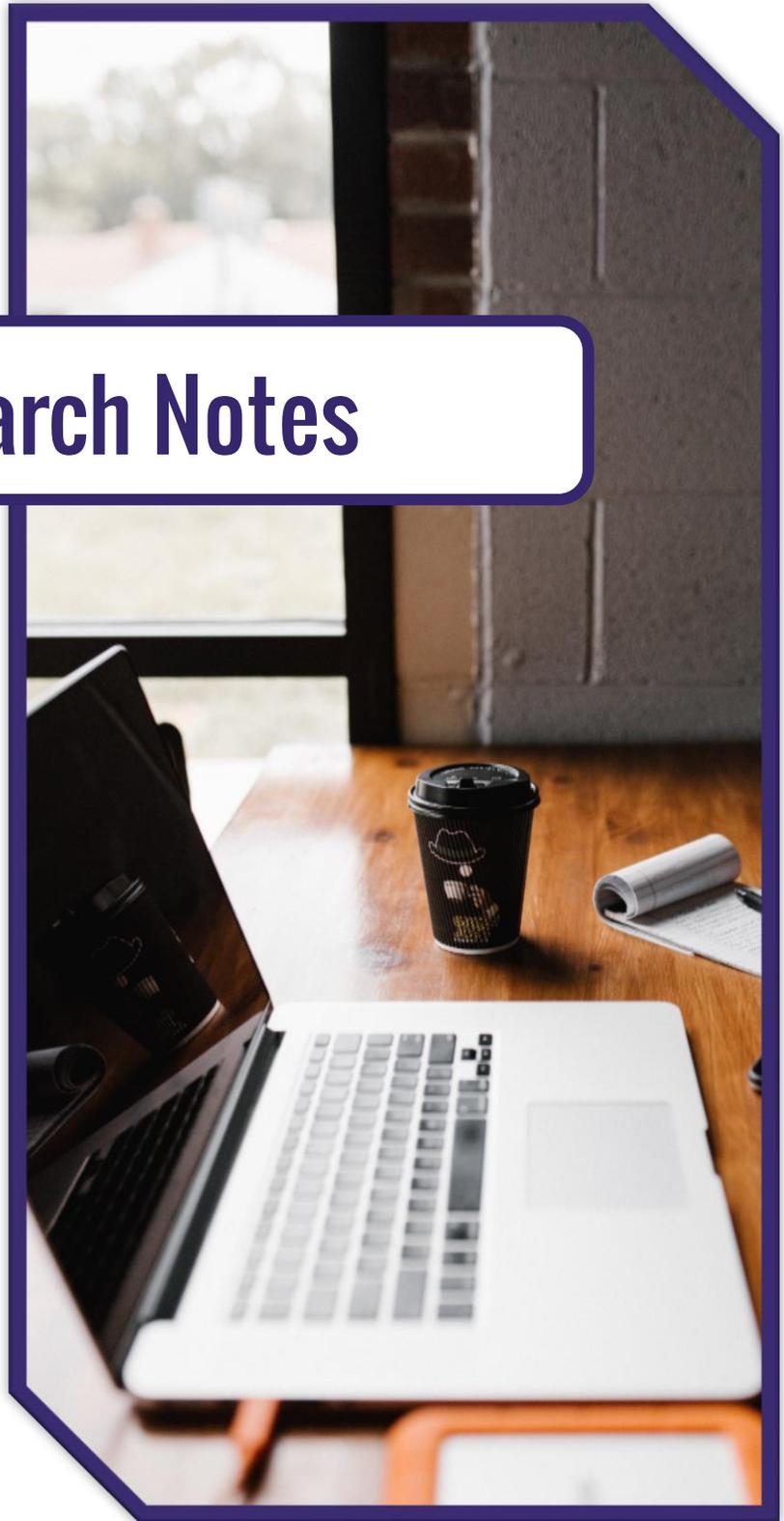
INCOME STATEMENT

	Most Recent	Prior Fiscal Year	% Change
Revenue	\$3,400	\$2,947	15.4%
Cost of Goods Sold	\$129,297	\$182,850	-29.3%
SG&A	-	-	N/A
Net Income	(\$573,057)	(\$179,903)	218.5%

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II. Research Notes



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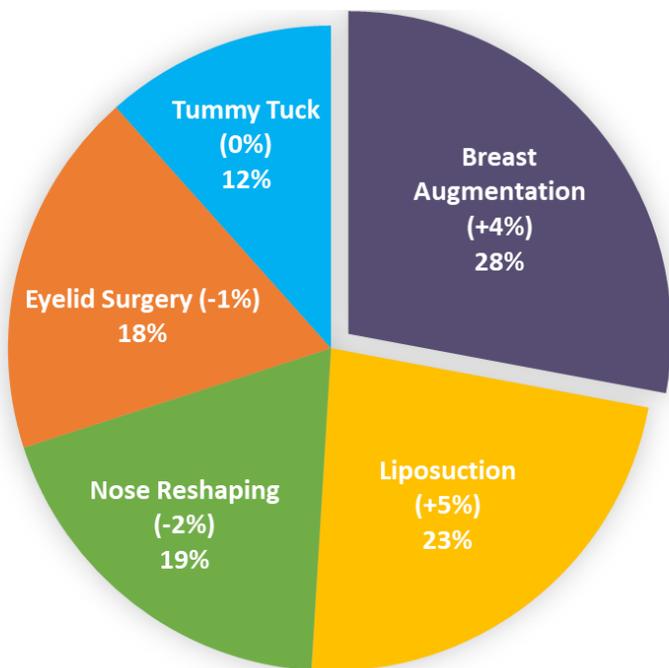
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1. Market Size: 0.9 out of 1

- Market size: \$2.2Bn - 2018, \$4.6Bn - 2025
- Market growth rate: 10.6% CAGR between 2018 and 2025 in breast augmentation market

The global market for breast implants was [\\$2.2Bn in 2018](#) and is expected to rise approximately 11% annually to reach \$4.6Bn in 2025. In 2018, [415,392 breast implant](#) procedures were performed in the US. Of these, 76% were non-medically related, while 24% were the last step in breast reconstruction after a mastectomy. Breast augmentation is up 4% from 2017.

2018 Cosmetic Surgical Procedures (YOY Change %)



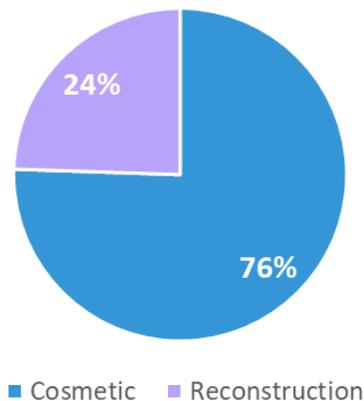
Market Size
The global market for breast implants was **\$2.2 Billion in 2018**.

Growth Rate
Expected to grow 10.6% annually, reaching **\$4.6 Billion in 2025**.

Breast Augmentation - Market Segmentation

The breast implant market is divided into two distinct groups of customers. First, there are those who undergo breast implants for cosmetic reasons. These are cash pay customers who are paying out of pocket for the procedure. The second group is for breast reconstruction. They are typically women who have had a mastectomy and the breast implant is the final step of the breast reconstruction. Breast reconstruction patients typically

Breast Implant Market Segments



are covered by health insurance as reconstruction is part of breast cancer care. Breast cancer is forecasted to increase by [50% by 2030](#). Thus, it is reasonable to expect more reconstructive cases.

There is a range of reported costs for breast implants due to geographic location as well as facility (hospital, office, surgical center.) The average cost of a breast implant in 2018 was a little over \$5,000.

Demographically, the target customer is clear. [The US dominates the global market share for breast implants](#). These customers are women between [40 – 54 years old \(49%\) and Caucasian \(70%\)](#).

2. Founder Experience: 0.75 of 1

Co-Founder & CEO: Ethan Winner

- Industry experience: 4 years
- Startup founding experience: 0 years

COO: Dipak Panigrahi

- Industry experience: 0 years
- Startup founding experience: 2 years

The company is led by CEO/Co-Founder Ethan Winner and COO Dipak Panigrahi. Kyle Song, the other Co-Founder, is the Medical Officer.

Co-Founder and CEO: Ethan Winner

Prior to founding Illusio, Winner spent over twenty years in communications. He specialized in reputation and brand management for professional services and consumer-oriented companies. Winner utilized market trends and public opinion analysis as well as project research and development to create business development, crisis and campaign management and communication strategies for clients.

Winner's experiences have been as a public relations vendor to corporations, as opposed to an employee of the companies he was assisting. Winner's external role as a communication advisor likely enabled him to form shrewd assessments of various industries and companies. Despite Illusio being Winner's first startup, he realized the flaws in the company's initial sales strategy. His experience in communications likely enabled Illusio to identify the right channel partner. Winner's skills positioned Illusio to land the Johnson and Johnson contract and position Illusio at the center of the Mentor marketing campaign. This is the first company Winner has led as CEO and his first startup.

Winner holds an MBA from Pepperdine University and a BA from San Diego State University in Advertising.

COO: Dipak Panigrahi

Dipak Panigrahi has been a licensed ophthalmologist for almost fifteen years. He has inactive licenses in Maryland and the District of Columbia. He holds an active license in Virginia, valid until 2/29/2020. For the past 10+ years, he has been involved in various organizations' development of devices and compounds for ophthalmology, in addition to practicing ophthalmology in private practice.

Panigrahi's experiences in developing and managing the FDA approval of devices and compounds is likely influencing Illusio's strategy to pursue breast reconstruction for the next phase of development. This experience will be useful when Illusio pursues usage of the product for breast reconstruction in the second phase.

Panigrahi holds a BA from Johns Hopkins University and a Doctor of Medicine from Drexel University.

3. Terms: 1 of 1

- Current valuation: \$15M
- Security Instrument: Common Stock

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The founding members/executive team (Ethan Winner, Kyle Song, Jeffrey Stone, Dapik Panigrahi), collectively own 62% of the shares at a \$5M valuation. 79% of the outstanding shares were non-purchased, granted to individuals instrumental to launching Illusio. The remaining 21% of shares were purchased in small angle rounds from individuals or family trusts.

Illusio's contract with Mentor implants is unique for such an early stage company. Mentor will supply the distribution channel for Illusio. While there are not compelling evidence plastic surgeons are willing to pay \$500 a month for Illusio, Mentor appears to be interested in using Illusio as a unique benefit to incent surgeons to use Mentor products.

According to Winner, breast augmentation is one of the more complicated versions of Illusio as it uses twelve image points and must account for movement of the breasts. Winner reports Illusio can easily be repurposed for cash pay services such as liposuction or cosmetic dentistry which only requires four image points and no movement of the body part.

Illusio's \$15M valuation is the mean of an upper and lower-bound valuation using different assumptions. It is based on the Mentor relationship and assumes Mentor's sales team will be influencing surgeons to implement Illusio in their practice. The lower-bound, a \$10M valuation, assumes Mentor's sales team will slowly influence the plastic surgeons they sell into to use Illusio, while the upper-bound of a \$20M valuation assumes a higher adoption rate. While the Mentor contract is attractive, Illusio is an early stage company so the valuation uses the DCF method with a conservative 20% discount rate.

Not factored into the valuation is the data Illusio will collect. Illusio has plans to utilize artificial intelligence to improve their product. Data and especially medical data are increasingly valuable. Some of the largest companies rely heavily on the data they collect, Illusio will own potentially lucrative data not factored into their valuation.

There have been no exits of equivalent businesses. At a \$15M valuation, with a robust product, Illusio will be an attractive target for acquisition. If Mentor's sales force successfully gets surgeons to implement the product, Illusio's data may eclipse the product.

At a \$15M valuation, with a robust product, Illusio will be an attractive target for acquisition.

Mentor or the parent company Johnson and Johnson are likely to review Illusio for acquisition. Suiters for acquisition may also be on the provider side via the national chains of private pay cosmetic medical services (liposuction, dental, etc.).

4. Business Model: 1 of 1

Illusio was founded about four years ago when the founder, Ethan Winner's wife, underwent a "Mommy Makeover" after having two children. Winner's cousin, Kyle Song, a plastic surgeon and co-founder of Illusio, performed the surgery. Winner and his wife wanted to visualize the results of the surgery and were shocked in this high-tech age of augmented reality that there were not widely available options to meet this need.

With Song as the anchor plastic surgeon, enthusiastically utilizing the product, Illusio set out to evangelize Illusio. After about two years, Illusio had successfully recruited ten plastic surgeons to the Illusio platform.

The team recognized the fragmented nature of the plastic surgeons' market which makes selling to each surgeon expensive and time consuming. About a year ago Illusio regrouped and explored alternative options. Illusio decided since they already had ten surgeons happily using Illusio, they had their proof of concept. Surgeons are typically slow to embrace new, non-medical technologies as the cost/benefit historically has been low. Illusio theorized that while the surgeons were often slow to adopt something new, the patients would be quick to adapt and demand Illusio's technology.

Recognizing the fragmented nature of the plastic surgeon's market, Illusio pivoted to targeting the end-users – the women – and having them drive awareness and the brand.

Illusio pivoted to targeting the end-users, women, and have them drive awareness and the brand. Illusio signed a three-year exclusive deal with Johnson & Johnson's subsidiary breast implant manufacturer, Mentor. At this point, Mentor will be Illusio's only customer. Usually, relying on one customer is a risky strategy. According to Winner, 50% of breast implants

are Mentor, and representatives for Mentor visit 80% of plastic surgeons in the US. With a three-year exclusive contract, the Illusio team is focusing on delivering an outstanding product and believes the business it will receive through Mentor will be more than enough volume to sustain growth.

At the end of August 2019, Illusio's technology will be prominently displayed on Mentor's website for consumers to visualize how they will look with breast implants. The expectation is that consumers will view Illusio on the Mentor site and then ask their surgeon about it. Mentor's sales representatives who visit 80% of surgeons will be promoting Illusio. Revenue from sales of Illusio to surgeons facilitated through Mentor sales representatives will be a 25% Mentor and 75% Illusio revenue split. According to Illusio executives, the company increased the price of the product to accommodate the revenue share to Mentor. Illusio has already been a centerpiece of Mentor's display at recent conference.

5. Product Differentiation: 1 of 1

Illusio uniquely provides a low cost, easy to use technology solution to meet the needs of the consumer to visualize the results of plastic surgery. Illusio is a web-based service so it can be loaded on any device. It is easy to use and requires no contract.

There are few direct competitors in this space. The leading two - Crisalix and Vectra - require costly purchases of hardware, a contract and are reportedly difficult to use. Neither of these competitors has a contract with a breast implant manufacturer.

	Contract	Monthly	Equipment	Ease of Use	Breast Implant Manufacturer Agreement
	No	\$500	No	Easy	Yes
	Yes	\$614	Yes	Difficult	No
	Yes	\$1,500 yearly after support and upgrades	Yes	Moderate - 2 hrs	No
	Yes	Yes	Yes	Moderate	No

The Mentor partnership will vastly improve the quality of the Illusio product. Illusio will capture valuable data via usage of the product which will provide valuable insights into Illusio’s artificial intelligence systems. This will enable Illusio to quickly fine tune the predictive ability of its software to accurate portray results.

Mentor’s experienced medical sales team will educate the surgeons they already sell to about the benefits of Illusio. Mentor’s sales representatives will drive surgeons to purchase Illusio from the Illusio site. The surgeon can then download the software and receive training through Illusio’s virtual training strategies. Furthermore, Illusio’s sales strategy is to drive the consumer to demand the product from surgeons.

III. Management Discussions

Discussion Dates

Interview #1 – June 21, 2019

Interview #2 – July 18, 2019



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Management Discussion Transcript #1

Interviewee: Ethan Winner, Co-Founder & CEO and Dipak Panigrahi, COO

Interviewer: Meredith Taylor

Complete Date: June 21st, 2019

Meridith: **How did you guys start the company? What is the origin story?**

Illusio: The company is about four years old. It all started because my cousin is a plastic surgeon. After my wife had our second kid, she wanted a Mommy Makeover. We had trouble visualizing the results to truly understand what the doctors were proposing. I had been working in augmented reality and we thought it would be a good idea if we could find just the right developers to build something so that a woman could see in the virtual mirror as she moved and have the total experience. Then the doctor could adjust on the breast model, refresh and the patient could see what it would look like.

So that was the idea, we found the right developer and went through an early beta. We started to inch into the marketplace. We had to go through many iterations on an actual patient with each doctor, it just helped us further the product.

To make a long story short, all that development resulted in about six to ten doctors using the product during the two years we went through this process product. We were able to advance the product. Mainly because we are setting a high bar in terms of what this product needed to be.

We really needed to define the right distribution model to get this market. We tried full time employees. We tried third party. I think that some of those would have worked out, but it would have taken longer and required a much larger pool of investment.

Probably a year ago, we decided that rather than focusing on working so hard to get doctors interested in something new, when we know that, maybe not 100% of the doctors will embrace this technology, but absolutely 100% of the women embrace the technology. So, we decided to create a limited version of the product. In other words, we pivoted, and realized that you can attract women and have them drive the awareness and the brand. The doctors will follow. Once again, we were lucky to have great timing on our pivot, Mentor, a Johnson and Johnson company, had decided to completely revamp their digital profile. At the center of that profile, is an old archaic digital digitizer that they have on their website. Incredibly inferior to our technology, but still very successful in the area of

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extracting women and having them use that product. About 115,000 women a year would upload a photo and use their digitizer. They heard about us, and realized, Illusio was a faster path to their goal. Johnson & Johnson rigorously reviewed our technology because it had to be perfect for them to build their entire digital platform around this. So that's what had happened. Now we're in a three-year exclusive deal with the Johnson and Johnson brand.

Meridith: When does it (Mentor contract) start? It starts at the end of next month, right?

Illusio: Well it's going to probably start at the end of August.

Meridith: Okay and what does that deal include?

Illusio: The J&J agreement is global. J&J is a global company so there is opportunity outside the US. J&J is building their promotion for Mentor around the Illusio Visualizer and augmented reality. It is an enormous contract. We are very excited about making sure we serve the Mentor customers correctly. It is a unique deal and will provide more than enough business.

Meridith: Is the J&J contract just for the US or globally?

Illusio: I don't want to say that we're going to be in every country where J&J sells. There is setup and training with distributors, but we will see how the US part of the market works in the first phase. If that makes sense.

Meridith: Can you tell me more about the specifics of your contract with J&J?

Illusio: In the US, J&J has a direct sales force. Outside the US, 20% of market they have their own direct sales team. 80% of the market they work through third party distributors. The wonderful thing so far about working with Mentor/J&J is that they're very reasonable and helpful. When they post their new website with the direct implant by Mentor.com, the centerpiece of that will be the Mentor visualizer powered by Illusio. Women will create an account, and it will log the patient journey, showing the patient what happened from that website all the way to the process of finding a surgeon and the results of their procedure.

Meridith: That's great. The patient can visualize the results.

Illusio: And so, what's cool is the patient looks at the augmented reality image to see what they will look like after the surgery. At home the patient can start to see what they will look like with breast augmentation. The software the doctor uses will give them a more thorough image. During the consult, the doctor can adjust the software to improve the image to achieve the ideal the patient has in their head.

Meridith: Are you concerned that you only have one customer?

Illusio: We have a three-year exclusive deal with them, I don't think it's that scary if we have a customer like that. If they were a smaller company, I would agree with you,

but it is J&J, we are very excited. I think it's a good thing that we don't have many customers, we have one very big and good customer. They are in very high demand. And to be honest, if the relationship was weak and there wasn't interaction, maybe it would be a concern. But in all honesty, the experience that we're having with them so far surpasses what we have in writing. I mean they are truly building their new digital profile around us. We are the centerpiece of their trade shows; they now have us right in the center of their booth.

Meridith: **Got it. Just trying to help people to understand why you do not think one customer is not a risk.**

Illusio: Right. The reason we embrace J&J is because the plastic surgery market is fragmented and selling directly to each practice is expensive and time consuming. It is tough, it's tough. When you take the burden of selling directly to customers and the cost is 25%, it's a win all day long.

Meridith: **You have a three-year contract with J & J. Right now, it is trending in the right direction. Are you allowed to work with anyone else during the three years?**

Illusio: We can, but the only limitation is in our ability to properly serve more than Mentor customers. We will focus on serving the Mentor customers well and that should keep us very busy. Mentor is anxious to get us onboard. We have had a few phone calls with the distribution team. Just like that, we have a nationwide sales team. It is going to be daunting to keep up the volume from Mentor.

Meridith: **Can a surgeon use more than one breast implant manufacturer? Or do manufacturers force them to stick with one?**

Illusio: What happens generally is physicians can order any implant plant product that they want. What generally happens is a manufacturer will have incentives to encourage surgeons to reach certain volumes of implants. Most surgeons favor one brand.

Mentor has just over 50% margin share in the U.S., but that doesn't mean we're going to be just seen by 50% of surgeons. Mentor representatives sell into over 85% of surgeons in the US.

Meridith: **While those are different reasons for getting implants, why are you distinguishing those two groups? Why is there a difference?**

Illusio: That's a great question. Speaking from the medical perspective, breast reconstruction happens after cancer. It is a devastating period in the patient's life. It is emotional to think through all the steps which must occur before they are whole again. First the patient must have a mastectomy, where the breasts will be removed. After the patient is finished with breast cancer treatment, radiation and chemotherapy, reconstruction can begin. It can take up to a year. Once they

reconstruction portion begins, it is about two months before the implants can be put in due to the steps.

What ends up happening is that, and studies have been done on this, but women get this news and are told they are getting a mastectomy. Eventually they'll be okay and be able to get the implants. For 18 months they are going to have a scar on their chest, and not have breast implants. It's profoundly depressing for patients. Some patients decline reconstruction surgery because they do not want to do any more procedures than necessary.

Our goal will be, rather than just a before and after, our goal is to build out the capabilities of these platforms to show changes as the result of phases including scar healing, anatomic skin changes, all of that. The goal is to have a very clear and easy evolution of the process and understand that at the end of 12-18 months, they know exactly what's going on and what they're going to look like for 12-18 months. It will make it easier because they understand at the end of the period how they will look and can see virtual images of themselves once they are whole. That's something a lot of surgeons are not able to do today. Surgeons are not able to create a full image of what a woman will look like once she is whole. One of the reasons why we focus on reconstruction as our second product offering is to alleviate some of the stress of breast cancer.

Meridith: **So, is anyone else doing anything near it?**

Illusio: We have two competitors on the breast implant side.

Meridith: **So, when you have the market penetration, that's the market penetration of the entire breast implant market of which Mentor has 50%. Is that correct?**

Illusio: Yes, the number of certified plastic surgeons, that's basically the percentage of the market. But the growth rate, is not based on that. The growth rate is based on the number of Mentor sales reps. I think they have it at each rep signing one new account each month.

We're already servicing about 100 accounts, each sales rep servicing 100 accounts, and converting two of those accounts over to Illusio each month. And we cap when we have 25% penetration of the overall market.

Meridith: **What is the sales pitch to the surgeon?**

Illusio: Reducing conversion time, increasing patient satisfaction, increasing patient referral, and more than anything it's going to satisfy a demand driven by the patients. Because now we have patients who are going to go into those doctors' offices asking for Illusio and patients are asking for it.

Meridith: **In looking at your projections, it appears by year 4 you are predicting you will get at least 33% and as high as 56% of the entire breast implant market?**

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Illusio: No, no, no, again, that 50%, they sell 50% of the implants, but they sell you over 85% of the surgeons. So, they're market of surgeons is over 85%.

Meridith: **Okay. So, the "Market Penetration" number in your presentation is about how many surgeons are being offered the product as opposed to how many will purchase and implement it?**

Illusio: Correct. They're selling to over 6,000 plastic surgeons.

Meridith: **Let's talk more about your strategy pivot. Back in 2016, there was multiple public mentions about Illusio, and then not a lot until recently. Can you help me understand what was going on?**

Illusio: You're right we got a lot of press in 2016. In different countries, I was on a TV show in Spain. I had to go to a presentation in South Korea. We got press but that was not doing much to improve sales. What end up happening is that we decided the product needed to be better. Selling to the highly fractured plastic surgeons market required significant resources. We decided that what we really needed was a channel partner. We really pulled back from the market and pursued a partner.

Once Mentor launches Illusio on its website and begins promoting Illusio in August there will be a lot more Illusio in the press. Mentor is planning a splashy launch event with magazines and their key social media influencers. Mentor wants us present with them.

Meridith: **That's great.**

Illusio: That is going to be a huge introduction of Illusio.

Meridith: **It was a gutsy strategy to stop what was working and go big. It's worked out. What made you so confident it would work?**

Illusio: I can't tell you what made it work for us. For two years we've been having discussions with potential partners. Our hope was always that one will rise above the rest, and the best one did. It was a very easy decision for us to make

Not only are they the biggest and the best, but honestly the spirit of the cooperation and the relationship with the Johnson and Johnson company is amazing. Everything just works beautifully. Even just discussing the legal details of the partnership, I mean they were incredibly reasonable, much more than we anticipated.

Meridith: **That's surprising because they have so much market power. They must really like the product. In that two years, while you were negotiating, you spent time improving the product?**

Illusio: Yep. Not perfect but we focused on making the product better.

Meridith: **So other than Raymond Lane, do you have an advisory board or advisors?**

- Illusio:** We do have advisors from different areas. From medical practitioner, implant companies, and financial professionals, but we haven't fully formalized anything. Now part of our new deal with Mentor is that they have a committee to guide the partnership. We had a board initially but now we are going to revamp things with the new strategic direction.
- Meridith:** **You are going to create a formal board?**
- Illusio:** We'll probably invite some people from Mentor. We are going to have both an advisory board and a board of directors.
- Meridith:** **Okay, and speaking of your executive team, what has happened with Jeffrey Stone? He was one of the founders. Now he's kind of not around as far as I can tell. What happened?**
- Illusio:** Stone was one of the founding partners. He was heavily involved in creating the product. About two months into Illusio he accepted a CEO position in Austin, Texas. He is still involved in Illusio.
- Meridith:** **Okay, that makes sense. He got the offer when you were really early stages and decided that was better for him. As far as official employees, you have two? Who are the official employees because it seems like there's not many people running this company?**
- Illusio:** No, there are three employees and the rest are contractors. We didn't do all the coding ourselves; we have one founding partner, Preston Platt, who is brilliant at augmented reality technology, but he's not an employee. He's been sort of acting as our COO, he oversees all that stuff. He stands in on the core development, he's a major stockholder.
- Meridith:** **I noticed Preston Platt identified himself as a co-founder on his Instagram page. That was the only place I saw him identified as a co-founder.**
- Illusio:** Yeah, he's a smaller partner. The three main partners are Ethan Winner, Dipak Panigrahi and Kyle Song. Preston has been an outstanding part of Illusio. He's right in the middle of development. I mean he's just wonderful, he's never asked to be on payroll, that's why you don't see him because he's happy with his role.
- Meridith:** **What are you going to do with the money raised in the offering? And why do you need it if you've got this contract with J&J?**
- Illusio:** Well, the J&J doesn't promise us revenue. Our projections are strong sales will not occur until year two, so we need cash to get us there. We need to develop robust training and support staff once J&J's sales team makes the sales. We must build out a virtual training facility to ensure our customers can quickly get Illusio up and running in their practice. The J&J contract gives us the luxury of focusing on support

which is important. Plastic surgeons want a product which improves patient time, not takes more time.

Management Discussion Transcript #2

Interviewee: Ethan Winner, Co-Founder & CEO

Interviewer: Meridith Taylor

Complete Date: July 18th, 2019

Meridith: Hi, how are you?

Ethan: Great! Let's jump into it.

Meridith: I read through your contract with Mentor and have some questions about the data

Ethan: The machine learning system is a big part of it. It can be able to scan a patient and pick the right Mentor product. The computer tells you this is what you're going to look like. The woman's looking at a virtual mirror of herself. She pushes a button on the Mentor Implant site and suddenly boom. She sees what she will look like. It's all based on artificial intelligence. It's based on historical data that's been crunched over by the machine. It is a unique AI system

Meridith: Tell me more about the data Mentor is handing over to you as part of the contract.

Ethan: They already have the data anonymized, number one. Women who have uploaded a photo and gone through the patient journey on the existing website. There's a second set of data which are before and after pictures of patients who have gone through breast augmentation with Mentor. That's the largest inventory of pictures.

Meridith: They have before and after pictures. And did they have anything else such as medical records

Ethan: Yes, but they are not giving that to us.

Meridith: You do not have the right to the patient's data, you just have the before and after pictures?

Ethan: Right. That is not part of the contract for their existing data. Moving forward we are going to capture data. It is going to be where all the value is to us because the entire patient journey is the valuable data. Even if they had more data, their images are not three dimensional like ours.

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Meridith: **Got it. Do you have any information about timeline? Such as when the patient took the picture and how long it took to get the surgery?**

Ethan: Well, I don't know. I could find out. If it's past data, I wouldn't use that. I don't want to talk my valuation down, but I want it to be honest. I don't know how much they have. I don't know how much they would share with us. The spirit of the contract was more on the data collected, moving forward together as a partnership that we have equal rights to it.

Meridith: **Do you guys have plans for the data you will collect. Right now, you are focusing on the product.**

Ethan: Once we hit a minimum of five hundred, three D before and after records, then we can start to put together the artificial intelligence engine. We needed the raw data and they'll supply the raw data using our technology and our three D systems. We do not have to build a lot of code. This is open source code; we don't have to develop technology.

Meridith: **Speaking of the doctors, they do not tend to want to spend money on new things unless they are convinced it works and is easy to use. I know you are going to use Mentor's sales force to sell into their practices, but how are you convinced doctors will be willing to part with \$500 per month?**

Ethan: We've done market research on it. We are meeting with Mentor's sales executives tomorrow to strategize. Getting a surgeon invested in their implant is a lucrative accomplishment. Once a doctor likes using one type of implant, they usually stay with it.

Mentor is looking at Illusio as a unique incentive to use their implant. They are talking about paying us the 75% commission to give it to their top doctors for free for a few months. Illusio is easy to use, so the assumption is they will quickly incorporate it into their practice.

We are now having weekly meetings with Mentor's sales team. We are working on training materials, etc... in anticipation of our August 30th launch. One of the biggest sales tools is a video we are creating.

The video is going to have three different purposes. One, two or three different edits of the same video, you know, slight variations. One is going to be used to train salespeople. The second is going to be used to be a pop up on the actual Mentor website during the patient journey. This way a woman knows not only is there this

visualizer on the Mentor side, but, but I should in turn go see a doctor to have the full virtual mirror thing done. The third version is going to be a looped version of it that can be played by client or customer. Surgeon can be play in the waiting room so that one woman come in for other stuff like Botox or fillers or Liposuction or hairy removal or something. They can get introduced to this whole patient journey process for breast augmentation while sitting in the waiting room.

Meridith: **Got it. What about a video for training a surgeon?**

Ethan: Yeah. We already have a series of 12 different tutorial videos for the surgeon. Those are already produced and in the can. We need to make some variations based on the redefined user interface, but those are done. They're language agnostic, so we can easily change the audio portion to different languages.

Meridith: **The surgeon videos are publicly available on your website?**

Ethan: Yes. Right from the top you can see surgeons, you got to training videos and you scroll down, you can see them.

Meridith: **What do you hope to get out of the Mentor relationship?**

Ethan: The Mentor relationship gives us two things. One, it gives us access to 80% of plastic surgeons. The bigger of the play is to build brand awareness amongst the patients amongst women. Mentor is launching a push marketing strategy like drug companies to get women to go in and ask their doctor for Mentor and we will just come along for the ride. Mentor won't even have to push Illusio on Surgeons because women will come into their office and want to see themselves on the visualizer.

Let's say we go into cosmetic dentistry. Obviously, that's a completely different situation, but it's entirely analogous. If we could find the right kind of partner in that sector, which I'm sure we will be able to, that sector is probably more profitable than this one just because cosmetic dentistry its men and women, wide age range, and global in nature. The same situation works there where you could find a partner that has distribution access, brand awareness. Right?

Meridith: **Right. hat totally makes sense. Are there any kind of thoughts are about how Illusio reduces consult time for the surgeon or speeds up the patient decision time? I would think saving time would be very compelling to surgeons.**

Ethan: Absolutely. It does reduce, it not only reduces what the doctor must do on his or her part because simply showing it's faster than speaking, right? It is. But the

more importantly it, it speeds up the decision-making process from the woman's perspective. So, when she sees it, she's, it's easier for her to grasp, understand, and commit to you.

Meridith: **And I assume you're going to be able to collect this information once you get up and running with Mentor because I would think that is incredibly valuable.**

Ethan: That's another really good question. The short answer is yes, absolutely. We'll collect it. We're going to collect all kinds of information on, on timing and conversions. The difficulty is on the data capture on the provider's side. We need to find a way to somehow motivate doctors to provide this information for us. That is a challenge in all medical software.

We are working with Mentor to ensure we make it as simple as possible. You want this information? We want this information. How can we can make it easy to get?

And maybe that our latest thinking is leave the doctor out of it and just go to the patient. How was your concert experience? Did you book surgery?

Dipak worked for Alcon and Merck. They could not get doctors to respond, but when they went to the patients, they got 75% to 880% response rate. That's four or five times the response rate vs when they go to the physician.

Meridith: **Makes sense.**

Ethan: Between the first time we talked and now, our team decided we are open to expanding, not just to the mastectomy market but other plastic surgery markets.

Meridith: **I assume technologically that wouldn't be that complicated. Or is that kind of a big adjustment of your technology?**

Ethan: No, it's easier than what we've already done to the platform. And the back end is already built. It's just the animation or capture side. We're using a 3D scanner for everything so the capture a super easy.

All we must do is build a new Raptor Belt, which is basically a 3-D version of whatever we scan. It is simple to distort or manipulate. It distorts true proportions. Breasts are the most complicated. We must have twelve different views. Breasts require manipulatable sliders for all twelve. For a head up or nose or eyelid, you're going to have five max. Probably three or four. Starting with breasts is the most complicated technologically.

Meridith: **Makes sense because there is a lot of movement in breasts, whereas there is no movement in noses or teeth.**

Ethan: Exactly. And not only movement but, variable movement. Not just forward and backwards, but all kinds of distorted views such as cleavage, bathing suit, etc....The degrees of SAG are completely different. Those things are hard to develop from an animation perspective.

Meridith: **Interesting. I had not considered the movement of breasts as opposed to most other parts of the body. You started with the most complicated image.**

Ethan: Yes. Cosmetic dentistry would not be complicated. It would probably be quite easy. Teeth do not move. The software is off the shelf, it is open code in terms of tracking software. It is the same type of open source software Snap Chat uses for facial recognition. From a cosmetic dentist's perspective, the patient looks into a virtual mirror and talking, seeing your mouth move.

Meridith: **Cosmetic dentistry has national chains unlike plastic surgeons so that sounds like an attractive market.**

Ethan: There is not a lot of national chains in any sort of private pay.

Meridith: **The issue with adding another imaging service is not the technology, it is finding a non-fragmented market?**

Ethan: That's exactly what I'm saying. Technologically, it's not that big of a deal. We could do it. We've been approached, by many cosmetic dentists telling us we need to expand. It would be enormously beneficial.

If we can get hooked up with similar partners to J&J new would be very interested. And in this sector. I've even had people tell me they could find me all the funding I need to develop. They just desperately want to be part of it. I just don't have the bandwidth right now. I am focusing on servicing the J&J contract properly.

But, in the next three years or two years or even next year, we could easily scale profitably? I think the answer is yes. But none of those numbers are reflected in the projections.

Meridith: **Yeah. So, these projections are purely just your Mentor contact.**

- Ethan: Just a Mentor contract and just basic breast augmentation. It doesn't even include breast reduction. It's just basic breast augmentation implants and that that's the single number we used. So, when I say a conservative valuation, it's very conservative.
- Meridith: So just a question about the cosmetic dentistry industry, could you do also to even do like teeth whitening? I would think that's simple, right?**
- Ethan: Absolutely. No question about it.
- Meridith: Because that's a big profit center for dental practices. From what I understand dentists use teeth whitening to give a big bump to their profits, because it's expensive and it's just the quick procedure for the patient.**
- Ethan: Yes. Dentists love it because, it is cash based. Because it is cash based, that means it does not need FDA approval.
- Meridith: I'm so glad you're saying that, because when we last talked, I was concerned about your expansion plans to mastectomy. It's exciting to help with mastectomy and I like the altruistic part of it, but from the business perspective, it's a longer route, right?**
- Ethan: It's going to take time to get FDA approval, make it altruistic during that time. And then the minute you have the FDA approval, you must become reimbursable. Take it, take the impact of the goodwill associated with an altruistic model because it's hard to charge for it anyway until it's that good. I don't know if you can charge for it used for reconstruction if it's not FDA. We may not even be able to.
- Meridith: Investors don't like to hear too much about altruistic stuff. I know there are some outlier investors interested in altruistic investments, but I think there are even far between.**
- Ethan: For the current valuation, we are only focusing on elective breast augmentation. In the next few years we can tackle other markets outside of breasts, like cosmetic dentistry, which I think we can do. I think that will be a faster term than mastectomy. Absolutely.
I do not know if we mentioned dentistry when we first talked. Cosmetic dentistry is a cash market. Those procedures are big cash cows for the dentists.
- Meridith: I have a question about liability. Are any the surgeons concerned about liability as far as saying like this is what it will look like?**

Ethan: So, the answer is a twofold one. The question comes up all the time? My answer is that what we can't change the skill set of the surgeon? But wouldn't you always rather know exactly what your patients' expectations are from a visual perspective rather than not knowing? Without the visualizer, you, the doctor, have no idea what the patient's expecting truly.

The second part is 1 out of every 20 breast augmentations is redone. Mentor believes that the vast majority of that is simply wrong size. Patient is healed. The doctor thinks they did a great job. Right? The patients do not agree, it's not what I was expecting. Doctor says, you said you wanted this or that. No matter how well you describe something verbally, your patient might be imagining something different. Some doctors are not good communicators anyway.

My cousin Kyle started using it and in 2018 he only had to redo one breast augmentation. Kyle firmly believes it is because he and the patient had the same image of the outcome of the surgery.

Meridith: Interesting. Surgeons will be thrilled to reduce the number of redo's. So, is a surgeon the only one who can use it or can a nurse, use it to kind of prep the patient?

Ethan. Absolutely. That's a good point. No. Very good question. Anybody can. I mean, it's super easy, super easy to use. You create a new patient profile by just filling a name, first name, last name and an email to use the software.

You just have the patient put the strap on her chest or take it. You know, we take a scan of the patient now. That takes two minutes. And then, she's on the screen. Virtual boobs are in place. All you do is push buttons on screen to change characteristics like cleavage, and you move this slider bar on the display with your finger or with a mouse and start moving things around. I mean, you can save the images by getting a little icon of the camera saves. And if you want to have a doctor, look at what you saved. Super easy. So, who will be doing it? That's up to the surgeon. Some surgeons are going to want their patient coordinators to do this and some surgeons are going to want to be hands on. But it's easy.

Meridith: Great, because it seems like it could be a huge time saver for a surgeon to have a nurse work with the patient to find the right image.

Ethan: That's part of the patient's journey. We're going to give them four sliders that the patient can use herself at home. There's cleavage round. Sag and volume, so all they do is either upload a photo of themselves or use one of one of our own generic photos, if that they don't want to do that, they take one of the sample breast models and they just superimpose it on themselves or on this other person and

they can play around with those sliders. And then they can put a bikini on and they can post on social media and then request to go see a doctor and take it in with them to say, here's what I did on The Mentor, Web site that I want to have the whole augmented reality virtual mirror thing done.

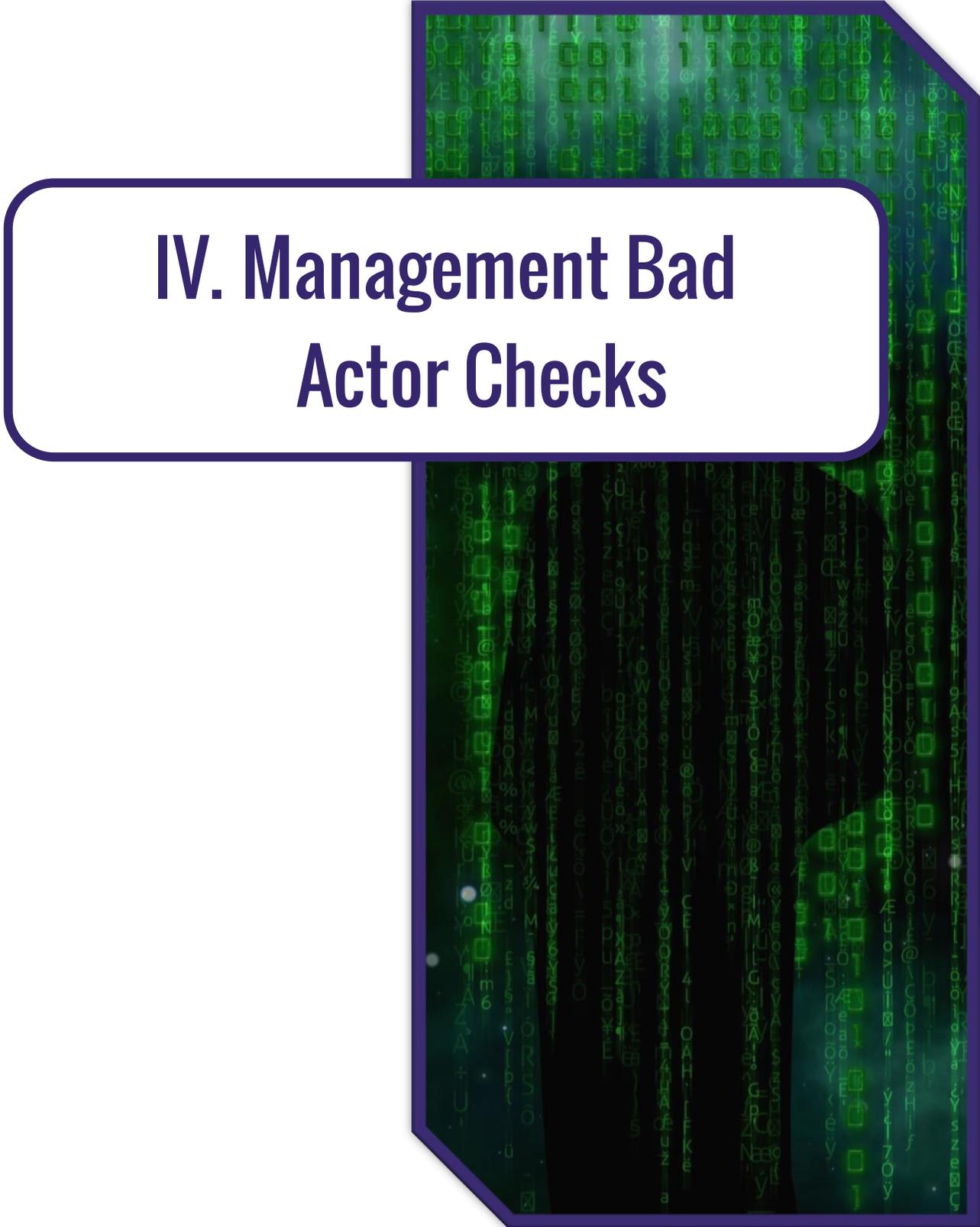
Meridith: **Sounds good. In the office, it'll be a better quality than they could do online, right?**

Ethan: Yes. They don't have that 3D experience online. It's just to be a superimposing an image on top of another image and then moving it around, so you cannot move around and have the image follow you. It will not be a virtual mirror. It's just fixed on the screen and a two-dimensional photo. They must go into the doctor's office to get the three-dimensional virtual mirror.

Meridith: **Ok. That makes sense.**

Ethan: But that might that might be enough to get the patient to make an appointment with a surgeon. That's what we've done. We have the technology to put a virtual mirror up on the website. That's not hard at all, but the two D image is enough of a tease without giving it away so that doctors don't pay anything for it. If you give the patient too much, she doesn't want any more, and we sort of just shot ourselves in the foot.

Meridith: **Yeah. Now that only makes sense. OK.**



IV. Management Bad Actor Checks

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1. Name of covered person: Ethan S. Winner
2. Date: June 21, 2019

This Bad Actor Report summarizes the results obtained from a search of court, regulatory, and agency records that cover each of the enumerated events that would trigger disqualification from offering securities under the claimed exemption from registration, or require disclosure.

<p>Summary: Our investigation revealed that Ethan S. Winner is likely: Not disqualified</p>	
<p>Criminal Convictions: Felony or misdemeanor conviction in connection with the purchase or sale of a security, involving the making of any false filing with the SEC, or arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser, or paid solicitor of purchasers of securities.</p> <p>Details: No information indicating a criminal conviction was found.</p>	
<p>Civil Orders, Judgments, and Decrees: Order, judgment or decree of any court of competent jurisdiction that restrains or enjoins a the covered person from engaging or continuing to engage in any conduct or practice in connection with the purchase or sale of a security, involving the making of any false filing with the SEC, or arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser, or paid solicitor of purchasers of securities.</p> <p>Details: No information indicating a civil order, judgment, or decree was found.</p>	
<p>Regulatory Authority Orders: Final order of a state securities commission, state banking regulator, state insurance commission, federal banking regulator, the U.S. Commodity Futures Trading Commission, or the National Credit Union Administration that bars the covered person from association with any entity regulated by such commission, authority, agency, or officer; engaging in the business of securities, insurance or banking; engaging in savings association or credit union activities; or that constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative or deceptive conduct.</p> <p>Details: No information indicating a regulatory order was found.</p>	
<p>SEC Regulated Person Orders: Order of the SEC entered pursuant to Section 15(b) or 15B(c) of the Securities Exchange Act, or Section 203(e) or (f) of the Investment Advisers Act of 1940 that suspends or revokes the covered person's registration as a broker, dealer, municipal securities dealer or investment adviser; places limitations on the activities, functions or operations of the covered person; or bars the covered person from being associated with any entity or participating in the offering of any penny stock.</p> <p>Details: No information indicating a regulated person order was found.</p>	



<p>SEC Cease-and-Desist Orders: Order of the SEC that orders the covered person to cease and desist from committing or causing a violation of or future violation of any scienter-based anti-fraud provision of the federal securities laws; or Section 5 of the Securities Act.</p> <p>Details: No information indicating a SEC cease-and-desist order was found.</p>	
<p>Self-Regulatory Organization Orders: Suspension or expulsion from membership in, or suspension or bar 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 principals of trade.</p> <p>Details: No information indicating a self-regulatory organization order was found.</p>	
<p>SEC Stop Orders: Participation in any registration statement or Regulation A offering statements filed with the SEC that was the subject of a refusal order, stop order, or order suspending the Regulation A exemption.</p> <p>Details: No information indicating a SEC stop order was found.</p>	
<p>USPO Orders: United States Postal Service false representation order, or any 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.</p> <p>Details: No information indicating a USPO order was found.</p>	
<p>Other Information: Results for searches covering a Social Security Number trace, nationwide arrests, federal and county criminal records, sex offender registry, other civil litigation, bankruptcy records, and international watch lists. This information does not impact the ability to undertake any particular securities offering.</p> <p>Details: No derogatory other information was found.</p>	

Important information: Bad Actor Report by CrowdCheck is provided as a tool to help securities issuers and intermediaries establish that they have conducted "reasonable care" to discover whether any covered persons involved in the offering trigger any of the "Bad Actor" disqualifications that prevent the issuer from conducting certain securities offerings or require disclosure. While the search conducted by CrowdCheck is robust, CrowdCheck does not guarantee that the search will identify all disqualifying events. A more complete search would only be possible with expensive in-person investigation, and would be affected by the locations in which the subject person had lived. Additionally, false positives may occur due to similarity in names of individuals that will require further efforts on the part of the issuer and intermediary. CrowdCheck only checks persons that are identified to it as "covered persons" and is not responsible for establishing whether any given individual is a "covered person." The results of the Bad Actor Report do not constitute legal advice or investment advice of any kind. By using the Bad Actor Report by CrowdCheck, you agree to hold CrowdCheck harmless from any and all claims, responsibility, or liability that may result from the information provided by Bad Actor Report.



1. Name of covered person: Dipak H. Panigrahi
2. Date: June 21, 2019

This Bad Actor Report summarizes the results obtained from a search of court, regulatory, and agency records that cover each of the enumerated events that would trigger disqualification from offering securities under the claimed exemption from registration, or require disclosure.

<p>Summary: Our investigation revealed that Dipak H. Panigrahi is likely: Not disqualified</p>	
<p>Criminal Convictions: Felony or misdemeanor conviction in connection with the purchase or sale of a security, involving the making of any false filing with the SEC, or arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser, or paid solicitor of purchasers of securities.</p> <p>Details: No information indicating a criminal conviction was found.</p>	
<p>Civil Orders, Judgments, and Decrees: Order, judgment or decree of any court of competent jurisdiction that restrains or enjoins a the covered person from engaging or continuing to engage in any conduct or practice in connection with the purchase or sale of a security, involving the making of any false filing with the SEC, or arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser, or paid solicitor of purchasers of securities.</p> <p>Details: No information indicating a civil order, judgment, or decree was found.</p>	
<p>Regulatory Authority Orders: Final order of a state securities commission, state banking regulator, state insurance commission, federal banking regulator, the U.S. Commodity Futures Trading Commission, or the National Credit Union Administration that bars the covered person from association with any entity regulated by such commission, authority, agency, or officer; engaging in the business of securities, insurance or banking; engaging in savings association or credit union activities; or that constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative or deceptive conduct.</p> <p>Details: No information indicating a regulatory order was found.</p>	
<p>SEC Regulated Person Orders: Order of the SEC entered pursuant to Section 15(b) or 15B(c) of the Securities Exchange Act, or Section 203(e) or (f) of the Investment Advisers Act of 1940 that suspends or revokes the covered person's registration as a broker, dealer, municipal securities dealer or investment adviser; places limitations on the activities, functions or operations of the covered person; or bars the covered person from being associated with any entity or participating in the offering of any penny stock.</p> <p>Details: No information indicating a regulated person order was found.</p>	



<p>SEC Cease-and-Desist Orders: Order of the SEC that orders the covered person to cease and desist from committing or causing a violation of or future violation of any scienter-based anti-fraud provision of the federal securities laws; or Section 5 of the Securities Act.</p> <p>Details: No information indicating a SEC cease-and-desist order was found.</p>	
<p>Self-Regulatory Organization Orders: Suspension or expulsion from membership in, or suspension or bar 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 principals of trade.</p> <p>Details: No information indicating a self-regulatory organization order was found.</p>	
<p>SEC Stop Orders: Participation in any registration statement or Regulation A offering statements filed with the SEC that was the subject of a refusal order, stop order, or order suspending the Regulation A exemption.</p> <p>Details: No information indicating a SEC stop order was found.</p>	
<p>USPO Orders: United States Postal Service false representation order, or any 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.</p> <p>Details: No information indicating a USPO order was found.</p>	
<p>Other Information: Results for searches covering a Social Security Number trace, nationwide arrests, federal and county criminal records, sex offender registry, other civil litigation, bankruptcy records, and international watch lists. This information does not impact the ability to undertake any particular securities offering.</p> <p>Details: No derogatory other information was found.</p>	

Important information: Bad Actor Report by CrowdCheck is provided as a tool to help securities issuers and intermediaries establish that they have conducted "reasonable care" to discover whether any covered persons involved in the offering trigger any of the "Bad Actor" disqualifications that prevent the issuer from conducting certain securities offerings or require disclosure. While the search conducted by CrowdCheck is robust, CrowdCheck does not guarantee that the search will identify all disqualifying events. A more complete search would only be possible with expensive in-person investigation, and would be affected by the locations in which the subject person had lived. Additionally, false positives may occur due to similarity in names of individuals that will require further efforts on the part of the issuer and intermediary. CrowdCheck only checks persons that are identified to it as "covered persons" and is not responsible for establishing whether any given individual is a "covered person." The results of the Bad Actor Report do not constitute legal advice or investment advice of any kind. By using the Bad Actor Report by CrowdCheck, you agree to hold CrowdCheck harmless from any and all claims, responsibility, or liability that may result from the information provided by Bad Actor Report.



1. Name of covered person: Kyle R. Song
2. Date: June 21, 2019

This Bad Actor Report summarizes the results obtained from a search of court, regulatory, and agency records that cover each of the enumerated events that would trigger disqualification from offering securities under the claimed exemption from registration, or require disclosure.

<p>Summary: Our investigation revealed that Kyle R. Song is likely: Not disqualified</p>	
<p>Criminal Convictions: Felony or misdemeanor conviction in connection with the purchase or sale of a security, involving the making of any false filing with the SEC, or arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser, or paid solicitor of purchasers of securities.</p> <p>Details: No information indicating a criminal conviction was found.</p>	
<p>Civil Orders, Judgments, and Decrees: Order, judgment or decree of any court of competent jurisdiction that restrains or enjoins a the covered person from engaging or continuing to engage in any conduct or practice in connection with the purchase or sale of a security, involving the making of any false filing with the SEC, or arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser, or paid solicitor of purchasers of securities.</p> <p>Details: No information indicating a civil order, judgment, or decree was found.</p>	
<p>Regulatory Authority Orders: Final order of a state securities commission, state banking regulator, state insurance commission, federal banking regulator, the U.S. Commodity Futures Trading Commission, or the National Credit Union Administration that bars the covered person from association with any entity regulated by such commission, authority, agency, or officer; engaging in the business of securities, insurance or banking; engaging in savings association or credit union activities; or that constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative or deceptive conduct.</p> <p>Details: No information indicating a regulatory order was found.</p>	
<p>SEC Regulated Person Orders: Order of the SEC entered pursuant to Section 15(b) or 15B(c) of the Securities Exchange Act, or Section 203(e) or (f) of the Investment Advisers Act of 1940 that suspends or revokes the covered person's registration as a broker, dealer, municipal securities dealer or investment adviser; places limitations on the activities, functions or operations of the covered person; or bars the covered person from being associated with any entity or participating in the offering of any penny stock.</p> <p>Details: No information indicating a regulated person order was found.</p>	



<p>SEC Cease-and-Desist Orders: Order of the SEC that orders the covered person to cease and desist from committing or causing a violation of or future violation of any scienter-based anti-fraud provision of the federal securities laws; or Section 5 of the Securities Act.</p> <p>Details: No information indicating a SEC cease-and-desist order was found.</p>	
<p>Self-Regulatory Organization Orders: Suspension or expulsion from membership in, or suspension or bar 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 principals of trade.</p> <p>Details: No information indicating a self-regulatory organization order was found.</p>	
<p>SEC Stop Orders: Participation in any registration statement or Regulation A offering statements filed with the SEC that was the subject of a refusal order, stop order, or order suspending the Regulation A exemption.</p> <p>Details: No information indicating a SEC stop order was found.</p>	
<p>USPO Orders: United States Postal Service false representation order, or any 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.</p> <p>Details: No information indicating a USPO order was found.</p>	
<p>Other Information: Results for searches covering a Social Security Number trace, nationwide arrests, federal and county criminal records, sex offender registry, other civil litigation, bankruptcy records, and international watch lists. This information does not impact the ability to undertake any particular securities offering.</p> <p>Details: No derogatory other information was found.</p>	

Important information: Bad Actor Report by CrowdCheck is provided as a tool to help securities issuers and intermediaries establish that they have conducted "reasonable care" to discover whether any covered persons involved in the offering trigger any of the "Bad Actor" disqualifications that prevent the issuer from conducting certain securities offerings or require disclosure. While the search conducted by CrowdCheck is robust, CrowdCheck does not guarantee that the search will identify all disqualifying events. A more complete search would only be possible with expensive in-person investigation, and would be affected by the locations in which the subject person had lived. Additionally, false positives may occur due to similarity in names of individuals that will require further efforts on the part of the issuer and intermediary. CrowdCheck only checks persons that are identified to it as "covered persons" and is not responsible for establishing whether any given individual is a "covered person." The results of the Bad Actor Report do not constitute legal advice or investment advice of any kind. By using the Bad Actor Report by CrowdCheck, you agree to hold CrowdCheck harmless from any and all claims, responsibility, or liability that may result from the information provided by Bad Actor Report.