



CULTIVATE CAPITAL

**Cultivate Capital Group LLC  
EDUCATIONAL MATERIALS  
FOR REGULATION CROWDFUNDING INVESTORS**

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## **INTRODUCTION TO OUR BROKER DEALER AND REGULATION CROWDFUNDING OFFERINGS**

Cultivate Capital Group LLC (“Cultivate Capital”) is a FINRA licensed broker-dealer that is hosting Regulation Crowdfunding offerings on its website for certain businesses.

Regulation Crowdfunding is often referred to as “Regulation CF” or “Reg CF” and it also sometimes called “equity crowdfunding.” It is a new and evolving method for companies looking to raise capital using the internet. Companies employing equity crowdfunding are looking to raise up to \$5,000,000 of capital from a large group of investors. This is contrary to the older model where small companies would focus on a single financier or a small group of “angel investors” to provide “seed” or “start-up capital.”

The Securities and Exchange Commission (“SEC”) adopted rules to permit companies to offer and sell securities through crowdfunding in reliance on the exemption under Section 4(a)(6) of the Securities Act of 1933 (“Securities Act”) called Regulation Crowdfunding. These rules implement the requirements of Title III of the Jumpstart Our Business Startup (“JOBS”) Act, which added Sections 4(a)(6) and 4A to the Securities Act and Sections 3(h) and 12(g)(6) to the Securities Exchange Act of 1934 (“Exchange Act”). A broker dealer may act as a Title III crowdfunding intermediary that, in accordance with Section 304(b) of the JOBS Act and Exchange Act Section 3(a)(80), can engage in specially enumerated crowdfunding activities.

### **OUR BROKER DEALER AND THE REGULATION CROWDFUNDING PROCESS**

We are a broker-dealer that is registered with SEC and a member of FINRA. We are not an investment advisor. When we act as a crowdfunding intermediary, we are a virtual internet-based marketplace ) that connects companies that wish to raise capital through Regulation CF securities offerings with individuals who are seeking investment opportunities. As a broker-dealer and a crowdfunding intermediary, we cannot and will not:

- Offer investment advice or recommendations;
- Solicit purchases, sales or offers to buy the securities offered on our platform;
- Compensate employees, agents, investors, or entities seeking investment capital or other persons for such solicitation or based on the sale of securities displayed or referenced on our website; or
- Hold, manage, or handle in any manner investor funds or securities.

### **Issuer Relationships**

We create business relationships with companies that wish to raise capital (i.e., “issuers”) who pay us for access to our online intermediary funding website. Our relationships with an issuer may be related to a one-time securities offering or for multiple securities offerings over longer period of time. Following completion of an offering, there may or may not be any ongoing relationship between the issuer and Cultivate Capital.

We may receive compensation from issuers in the form of payment (e.g., monies or securities) as a percentage of funds raised on our website, a flat fee, or in other ways. Investors may refer to the issuer's respective offering documentation (e.g., Form C) that is found on our website and the SEC's EDGAR website (<https://www.sec.gov/edgar/searchedgar/companysearch.html>) for additional information.

## **Types of Securities Displayed and Associated Risks**

The securities offerings listed on our website are private securities offerings. These offerings are not publicly listed on an Exchange (e.g., New York Stock Exchange) and are not assigned a CUSIP. As a private offering, the securities listed on our platform are subject to risks, including the risk of loss of principal, and there may not be a secondary market to sell the securities.

The securities displayed on our website may include the following types of securities:

**Equities:** Equity securities (e.g., common stock) represent an ownership interest of a company by shareholders. Unlike holders of debt securities (e.g., bonds) who generally receive only interest and the repayment of the principal, holders of equity securities are able to profit from capital gains. Capital gains is an increase in the value of a capital asset, such as a stock, that gives it a higher worth than the purchase price.

The risks associated equity securities include, Risk of Loss, Market and Liquidity Risk, Performance Risk and Dilution Risks. Please see the subsequent section for explanations of these risks, respectively.

**Debt:** Debt securities (e.g., bonds) may be issued by corporations as a method of making large purchases that they could not afford under normal circumstances. An issuance of a debt security gives the borrowing corporation the ability to borrow money from investors in exchange for a promise to pay back the money at a later date, usually with interest.

The risks associated debt securities include, but are not limited to, Risk of Loss, Liquidity Risk, Interest Rate Risk, Inflation Risk, Credit Risk and Call Risk if there is a call feature on the security. Please see the subsequent section for explanations of these risks, respectively.

**Convertible Securities:** A convertible security is an investment that can be changed into another form under its terms. The most common convertible securities are convertible bonds or convertible preferred stock, which can be changed into equity or common stock.

The risks associated with convertible securities includes the associated risks of debt securities before the security is converted and equity securities after the security is converted. Please see the subsequent section for explanations of these risks, respectively.

**SAFE Notes:** A Simple Agreements for Future Equity or "SAFE" note is a convertible security

that, like an option or warrant, allows the investor to buy shares in a future priced round. Unlike convertible notes, they are not debt and therefore do not accrue interest and rarely if ever offer voting rights. SAFE notes are not an official debt instrument, which means there is a chance they will never convert to equity, nor is repayment required.

***There is nothing standard or simple about a SAFE. Various terms from the triggering events to the conversion price are subject to different treatment by different companies offering SAFEs.***

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. Not all SAFEs are the same and the very important terms governing when you may get the future equity may vary across the SAFEs being offered in different crowdfunding offerings.

Please keep in mind the following when reviewing the terms and conditions within a SAFE:

- The investor is not getting an equity stake in return.
- SAFEs are not common stock.
- SAFEs may only convert to equity if certain triggering events occur.
- Depending on its terms, a SAFE may not be triggered.

Investors should understand the possible provisions of the SAFE. In addition to the trigger mechanism, there are also other components of SAFEs that you should understand. Some things to better understand include the following:

- Conversion terms. These are the specific terms by which the amount you invested in the SAFE gets converted into equity. Is it just your original investment or does the SAFE provide for an amount that offers value over time similar to interest on a loan? How does the valuation of the company at the future financing play into how many shares you will get upon conversion of your SAFE?
- Repurchase rights. Is there a provision in the SAFE that allows the company to repurchase your future right to equity instead of it being converted to equity? Do you have any say into whether your right is repurchased and at what price?
- Dissolution rights. What happens to your SAFE and the money you invested if the company ends up dissolving?
- Voting rights. SAFEs do not represent current equity stakes in the company so do not have voting rights similar to common stock. But are there particular circumstances mentioned in the SAFE that allow you a voice on matters pertaining to your SAFE?

Please review the SEC Investor Bulletin regarding SAFEs here: [https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib\\_safes](https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_safes)

Investors should refer to the respective offering documentation (e.g., Form C, etc.) found on the respective offering page of any company using our website to raise capital, for terms, conditions, features and associated risks.

## GENERAL REGULATION CF OFFERING RISKS

The following is a non-exhaustive list of general risks that are associated with Regulation CF investments that may be displayed on our website. Investors should review each issuer's offering documentation (e.g., Form C) for additional risks specifically related to the respective offering(s) that are available for investment on the website.

- Risk of Loss: The risk that the investor may not receive part, or all, of the amount invested to purchase the security. Investors should only invest money in Regulation CF securities that they can afford to lose.
- Liquidity Risk: The risk of a lack of an active secondary market for securities purchased. Investors will not be able to sell Regulation CF securities for the one-year resale restriction period. Further, there may not be a ready market to sell Regulation CF securities after the restricted period is over.
- Market risk: The possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets in which the investor is involved.
- Performance Risk: It is not possible to predict the performance of a company based upon its past performance. Past performance is not indicative of future results and there can be no assurance that targeted results will be achieved. Loss of principal is possible, and even likely, on any given investment.
- Dilution Risk: The risk that the issuing company may issue additional equity securities in the future, which will result in the percentage of ownership that the investor previously held will be lower after the additional issuance of equity. Accordingly, there is a risk of having limited voting power as a result of dilution after subsequent equity with voting rights has been raised.
- Inflation Risk: The risk that the purchasing power of the investment asset does not keep pace with the purchasing power of another asset such as the currency used to initially purchase the investment asset.
- Interest rate risk: The risk that arises for bond owners from fluctuating interest rates. How much interest rate risk of a bond depends on how sensitive its price is to interest rate changes in the market. The bond's sensitivity depends on two things, the bond's time to maturity, and the coupon rate of the bond.
- Call Risk: Debt securities may contain a "call" provision, giving the issuer the right to retire (redeem) the debt before the scheduled maturity date. For the issuer, a benefit of a call feature is the ability to replace outstanding debt with lower-interest-cost new debt. For the investor, a "call" feature creates uncertainty as to whether the bond will remain outstanding until its maturity date. The risk to investors in callable bonds is losing a bond with a higher rate of interest when rates have declined and the issuer decides to call its bonds. If the bond is called, an investor may be faced with having to reinvest of the principal amount in securities with lower yields.
- Credit Risk / Default Risk: This is the risk associated with whether the Issuer of the security will continue to be able to pay its debt, including any stated interest rate to the investor.

Investors are also encouraged to consult with their qualified legal, financial and tax advisors prior to making any investment.

## **SEC Investor Bulletin - Updated Investor Bulletin: Crowdfunding for Investors, October 14, 2022**

The SEC issued an Investor Bulletin on February 16, 2016, which was updated on May 10, 2017, [and again on October 14, 2022](#) that provide general examples of some of the risks associated with Regulation CF investments. Please see the SEC's description below as well as the respective Investor Bulletins for additional information. These risks also apply to investments on our website.

The following are some risks to consider before making a Regulation Crowdfunding investment:

- **Speculative.** Investments in startups and early-stage ventures are speculative and these enterprises often fail. Unlike an investment in a mature business where there is a track record of revenue and income, the success of a startup or early-stage venture often relies on the development of a new product or service that may or may not find a market. **You should be able to afford and be prepared to lose your entire investment.**
- **Illiquidity.** **You will be limited in your ability to resell your investment for the first year and may need to hold your investment for an indefinite period of time.** Unlike investing in companies listed on a stock exchange where you can quickly and easily trade securities on a market, you may have to locate an interested buyer when you do seek to resell your investment.
- **Cancellation restrictions.** Once you make an investment commitment for a Regulation Crowdfunding offering, you will be committed to make that investment (unless you cancel your commitment within a specified period of time).
- **Valuation and capitalization.** Your Regulation Crowdfunding investment may purchase an equity stake in a startup. **Unlike listed companies that are valued publicly through market-driven stock prices, the valuation of private companies, especially startups, is difficult and you may risk overpaying for the equity stake you receive.** In addition, there may be additional classes of equity with rights that are superior to the class of equity being sold through a Regulation Crowdfunding offering.
- **Limited disclosure.** The company must disclose information about the company, its business plan, the offering, and its anticipated use of proceeds, among other things. An early-stage company may be able to provide only limited information about its business plan and operations because it does not have fully developed operations or a long history to provide more disclosure. The company is also only obligated to file information annually regarding its business, including financial statements. A publicly listed company, in contrast, is required to file annual and quarterly reports and promptly disclose certain events—continuing disclosure that you can use to evaluate the status of your investment. **In contrast, you may have only limited continuing disclosure about your Regulation Crowdfunding investment.**
- **Investment in personnel.** **An early-stage investment is also an investment in the**

**entrepreneur or management of the company.** Being able to execute on the business plan is often an important factor in whether the business is viable and successful. You should also be aware that a portion of your investment may fund the compensation of the company's employees, including its management. You should carefully review any disclosure regarding the company's use of proceeds.

- **Possibility of fraud.** In light of the relative ease with which early-stage companies can raise funds through crowdfunding, it may be the case that certain opportunities turn out to be money-losing fraudulent schemes. **As with other investments, there is no guarantee that Regulation Crowdfunding investments will be immune from fraud.**
- **Lack of professional guidance.** Many successful companies partially attribute their early success to the guidance of professional early-stage investors (e.g., angel investors and venture capital firms). These investors often negotiate for seats on the company's board of directors and play an important role through their resources, contacts and experience in assisting early-stage companies in executing on their business plans. An early-stage company primarily financed through Regulation Crowdfunding may not have the benefit of such professional investors.

Source: <https://www.sec.gov/oiea/investor-alerts-bulletins/ib-crowdfunding>

## ISSUANCE AND OFFERING PROCESSES

An issuer who wishes to raise capital under a Regulation CF crowdfunding campaign may sell up to \$5,000,000 million in any rolling 12-month period to individual investors.

### Eligible Issuers

The ability to engage in equity crowdfunding is not available to all issuers. By statute, the following issuers cannot rely on crowdfunding transactions under Section 4(a)(6):

- issuers not organized under the laws of a state or territory of the United States or the District of Columbia;
- issuers already subject to Securities Exchange Act of 1934, as amended (the "Exchange Act") reporting requirements;
- investment companies as defined in the Investment Company Act of 1940 (the "Investment Company Act") or companies that are excluded from the definition of "investment company" under Section 3(b) or 3(c) of the Investment Company Act; and
- any issuer that the United States Securities and Exchange Commission ("SEC"), by rule or regulation, determines appropriate.

The final SEC rule also excludes the following issuers:

- issuers disqualified from relying on Section 4(a)(6), or "bad actors;" and
- issuers that have sold securities in reliance on Section 4(a)(6) and have failed, to the extent required, to make required ongoing reports required by Regulation Crowdfunding during

the two-year period immediately preceding the filing of the required new offering statement; and

- any issuer that is a development stage company that has no specific business plan or purpose, or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies.

### **Issuer Background Reviews**

We will request, and may rely upon, representations from the issuer regarding their eligibility to conduct a Regulation CF offering on our website. We will conduct certain issuer due diligence that may include the collection and review of information and documentation related to the following:

- securities enforcement regulatory history related to the issuer, and
- securities enforcement regulatory history on each officer, director or beneficial owner of 20 percent or more of the issuer's outstanding voting equity securities.

During our due diligence process, we may also collect and review information related to the company's financial condition, business plan as well as other information and documentation that may be relevant in determining that the issuer is not disqualified under regulations from participating on our website. **The due diligence that our website conducts is not a substitute for an investor's own due diligence into the financial standing, investment merits or suitability of any offering on our website.**

### **Denying Issuer Funding Portal Access**

We will deny access to our website if we have a reasonable basis for believing that an issuer or any of its officers, directors or beneficial owners (as defined above) is subject to a disqualification under federal rules and regulations. We will also deny issuer's access to our website if we have reason to believe that an offering is fraudulent or otherwise raises concerns about investor protection as defined under regulations.

It is important that investors also conduct their own issuer due diligence for any given offering that they are considering, as due diligence is an important step in determining the appropriateness and merits of an investment.

### **Issuer Disqualification from Regulation CF Offerings**

A securities issuer may not participate in a Regulation CF offering if it or any of its predecessors, directors, officers, general partners or managers have been the subject of disqualification as defined under securities regulations. Regulations also state that the issuer will be subject to disqualification if any of its beneficial owners, solicitors or promoters are subject to disqualification. Regulation CF may not be used if the issuer or certain other people have been the subject of certain disqualifying events during the last 10 years.



Regulations provide for a list of certain events that disqualify an issuer from participation in Regulation CF offerings. These disqualifying events generally regard criminal or fraudulent activities, such as a conviction of a felony or misdemeanor in connection with the purchase or sale of any security, or the loss of license of a securities broker for misconduct. They also regard other criminal activity, such as robbery, theft and the like.

**As previously mentioned, it is important for investors to remember that we cannot make investment recommendations and we do not provide any guarantees related to the investment merits or the performance of any securities offering on our website. It is up to you, the investor, to decide if an investment in any offering is appropriate and suitable for you.**

### **Issuer Disclosures and Form C**

Issuers are required to disclose certain information through “Form C” which is filed on the SEC’s EDGAR website and will be viewable on our website. Form C includes, among other things, the following information that investors may consider when determining whether to invest in a Regulation CF offering.

- The issuer’s name, contact information and website
- The issuer’s directors and officers
- The issuer’s beneficial owners
- The issuer’s financial information and discussion of the financial condition
- Target offering amount
- Deadline for offering
- A description of the issuer’s business and business plan
- A description of how the proceeds of the offering will be used by the issuer
- The issuer’s ownership and capital structure
- A description of how rights exercised by the principals of the issuer could affect investors
- The compensation paid to the broker-dealer for the offering
- A description of previous securities offerings by the respective issuer
- Whether the issuer has previously failed to file the reports required by law
- Transactions with officers, directors, and other “insiders”
- Whether the issuer would be disqualified from offering securities under Regulation CF under the “bad actor” rules
- A discussion of the issuer’s financial condition
- How the issuer will handle over-subscriptions in the offering
- Where and when the issuer’s annual reports will be available
- The risk factors associated with the investment

As mentioned, the issuers offering securities that you invest in are required to disclose a only limited amount of information to you, but the issuer is required to provide certain financial information to you.

Regulations provide for a tiered financial disclosure requirement by the issuing company.

The financial disclosures required by issuers depends on the offerings it has engaged in during the prior 12-month period. The following is a breakdown of the current financial disclosure requirements:

**\$124,000 or less** – financial statements and specific line items from income tax returns, both of which are certified by the principal executive officer of the company.

**\$124,000.01 to \$618,000** – financial statements *reviewed* by an independent public accountant and the accountant’s review report.

**\$618,000.01 to \$1.235 million** – *if* first time using Reg CF, *then* financial statements *reviewed* by an independent public accountant and the accountant’s review report, *otherwise* financial statements *audited* by an independent public accountant and the accountant’s audit report.

**\$1.235 million to \$5 million** - financial statements *audited* by an independent public accountant and the accountant’s audit report.

Issuer disclosure requirements may terminate in the future after the offering is complete. Please see the section below that discusses issuer annual reporting and termination of annual reporting.

### **Offering Amount, Deadline and Early Completion**

The issuer will also disclose its “target offering amount” on Form C as well as the offering deadline that they have set to close its offering to investments. The target offering amount is the minimum amount of capital that the issuer is attempting to raise.

If the target offering amount is not reached the issuer will typically cancel the offering and the investors who made an investment commitment will receive notification of the cancellation and be returned their money.

If an issuer reaches the target offering amount prior to the deadline identified in its offering materials, the issuer may close the offering on a date earlier than the deadline identified in its offering materials provided, among other things, that the investor is provided notice of:

- The new, anticipated deadline of the offering;
- The right of investors to cancel investment commitments for any reason until 48 hours prior to the new offering deadline; and
- Whether the issuer will continue to accept investment commitments during the 48- hour period prior to the new offering deadline.

### **Issuer Cancellations and Reconfirmations**

If an issuer makes a material change to the terms of an offering or the information previously provided by the issuer changes, we provide a means by which the issuer will send an electronic message to any investor who has made an investment commitment. The electronic message will describe that the investor's investment commitment is cancelled unless the investor reconfirms their investment commitment within five (5) business days of receipt of the message.

If the investor does not reconfirm the investment commitment on the website, the investment commitment will be cancelled and the investor's funds will be returned to them. Investors will receive a notification of the canceled investment commitment.

If there are material changes to the terms of the offering or the issuer's disclosure information has changed within five (5) business days of the offering deadline (i.e., the closing date of the offering), the offering will be extended for (5) five additional business days so that the investor has the opportunity to reconfirm their investment commitment.

### **Restrictions on Resale**

Securities issued in accordance with Regulation CF via our website may not be transferred by any initial purchaser of such securities during the one-year period beginning when the securities were issued.

There are, however, the following exceptions that allow transfer during this period if they are transferred to one of the following:

- To the issuer of the securities;
- To an accredited investor;
- As part of an offering registered with the SEC; or
- To a member of the family of the purchaser.

For purposes of Regulation CF, the term "family member" means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships.

For purposes of Regulation CF, an "*accredited investor*," in the context of a natural person, includes anyone who:

- earned income that exceeded \$200,000 (or \$300,000 together with a spouse or spousal equivalent) in each of the prior two years, and reasonably expects the same for the current year, *OR*
- has a net worth over \$1 million, either alone or together with a spouse or spousal equivalent (excluding the value of the person's primary residence).

Investors should consult a qualified securities attorney regarding any questions on resales of Regulation CF securities. Investors should note that we do not currently facilitate secondary market transactions or transfers on our website.

### **Issuer Annual Reporting and Discontinuance of Annual Reporting**

Issuers are generally required to file annual reports via Form C-AR with the SEC and post them on its own website within 120 days after the end of the fiscal year. The annual report will generally include:

- Some of the same information that is disclosed on Form C (i.e., the original offering document);
- Current financial statements certified by the principal executive officer; and
- Certain current disclosures about the issuer's financial condition.

The issuer is permitted to discontinue filing annual reports at the date that one of the following occurs:

- The date the issuer filed, since its most recent sale of securities pursuant to this part, at least one annual report pursuant to this section and has fewer than 300 holders of record;
- The issuer has filed, since its most recent sale of securities pursuant to this part, the annual reports required pursuant to this section for at least the three most recent years and has total assets that do not exceed \$10,000,000;
- The date the issuer or someone else buys all of the securities issued under Regulation CF offerings;
- The date the issuer registers its securities and is required to file reports under the Securities Exchange Act of 1934; or
- The issuer liquidates or dissolves its business in accordance with state law.

The issuer must file Form C-TR with the SEC if it terminates annual reporting. As you can see, if the issuer discontinues annual reporting you will no longer have annually updated financial information or disclosure information about the issuer or your Regulation CF securities that you own.

## **INVESTOR PURCHASE PROCESS**

### **Investor Registration**

To invest in an offering on our website, investors must first register on our website. Our entire investment process occurs via our website and via the electronic delivery of information and

documentation. In other words, we will not provide Investors with physical paper account applications, statements or other physical materials. Further, we do not have registered representatives (e.g., brokers or investment advisors) for you to call with investment questions or questions related to the functionality of the website.

When you register on our website, we will ask you for certain identifying information and ask you to setup a user identification and password for the website. It is very important that you remember these registration credentials to access the website in the future. Please see our Privacy Policy for information regarding the safeguards we have for maintaining the confidentiality of your personal information.

Once you have registered you will be able to view and accept the terms and conditions of our “Investor Agreement” (Subscription Agreement), which you must read and understand prior to making an investment via our website. Once you electronically sign the Investor Agreement you will then be able to view and make investment via our website.

### **Investor Suitability Considerations**

As a broker-dealer, we are prohibited from assisting potential investors with determining if an investment is appropriate for them. Further, as a broker-dealer, we are prohibited from making recommendations or providing investment advice. Accordingly, potential investors must independently determine if the offering(s) on our website are appropriate for them considering their respective financial situation, need for liquidity, risk tolerance and investment profile.

For these reasons, potential investors should consider consulting with a qualified legal, financial and tax advisor prior to making any investment in any Regulation CF offering.

Investors should fully understand the following prior to making any investment on our website.

- Offering’s terms and conditions,
- Offering’s features and structures,
- Offering’s related fees, and
- Offering’s respective risks.

Potential investors may refer to the respective Issuer’s Form C and offering information for specific information related to the offering.

### **Investor Investment Limitations - § 227.100(a)(2)**

Individual investors have an aggregate limit that applies to all Title III investments made by the individual over a 12-month period in all Regulation CF offerings. Remember that this individual limit is aggregate to all Regulation CF offering across all websites that an individual may participate on in the rolling 12- month period from the date preceding each transaction.

Where the purchaser is not an accredited investor (as defined in Rule 501 of Regulation D), the aggregate amount of securities sold to such an investor across all issuers in reliance on section 4(a)(6) of the Securities Act (15 U.S.C. 77d(a)(6)) during the 12-month period preceding the date of such transaction, including the securities sold to such investor in such transaction, shall not exceed:

- The greater of \$2,500, or 5 percent of the greater of the investor's annual income or net worth, if either the investor's annual income or net worth is less than \$124,000; or
- Ten percent (10%) of the greater of the investor's annual income or net worth, not to exceed an amount sold of \$124,000, if both the investor's annual income and net worth are equal to or more than \$124,000;

These limits apply to everyone except “accredited investors.” An accredited investor may invest up to any maximum amount set in the offering documents.

To calculating your net worth you simply add your assets and subtract your liabilities. The result is your net worth. Please note that for purposes of determining eligibility in Reg CF offerings, the value of your primary residence is not included in your net worth calculation. In addition, any mortgage or other loan on your home does not count as a liability up to the fair market value of your home. If the loan is for more than the fair market value of your home (i.e., if your mortgage is underwater), then the loan amount that is over the fair market value counts as a liability under the net worth test.

Further, any increase in the loan amount in the 60 days prior to your purchase of the securities (even if the loan amount doesn't exceed the value of the residence) will count as a liability as well. The reason for this is to prevent net worth from being artificially inflated through converting home equity into cash or other assets.

### **Notice of Investment Commitment**

Once you decide to make an investment in an offering displayed on the website and make an investment commitment, we will send you an electronic message notifying you of the following:

- The dollar amount of your investment commitment;
- The price of the securities, if known;
- The name of the issuer; and
- The date and time by which you may cancel your investment commitment.

### **Investor Cancellations**

Pursuant to regulations, an investor may cancel an investment commitment for any reason until 48 hours prior to the deadline identified in the issuer's respective offering materials (i.e. via Form C). Investors may process such a cancellation via the website by logging into their investor profile.

If the issuer announces a “material” change (i.e., a material changes information that make affect your investment decision) in the offering after you make your investment commitment, then your commitment will *automatically* be cancelled. As previously described, you will receive notification of this change and asked to reconfirm your investment commitment.

## **Investment Payments**

Once you have selected an investment, you may pay for the investment using the features on the website, which may allow you to wire payment, ACH transfer, use a debit or credit card, or, in some cases, send a check by mail. Your funds will be held at a qualified third-party financial institution as detailed under Regulation Crowdfunding, such as an escrow agent. Remember that we are prohibited from holding or maintaining your funds.

## **Confirmations of Transactions**

We will at, or before, the completion of a transaction, notify investors of the following:

- The date of the transaction;
- The type of security that the investor is purchasing;
- The identity, price, and number of securities purchased by the investor, as well as the number of securities sold by the issuer in the transaction and the price(s) at which the securities were sold;
- If a debt security, the interest rate and the yield to maturity calculated from the price paid and the maturity date;
- If a callable security, the first date that the security can be called by the issuer; and
- The source, form and amount of any remuneration received or to be received by the intermediary in connection with the transaction, including any remuneration received or to be received by the intermediary from persons other than the issuer.

## **Promoters**

A promoter is a third-party hired by an issuer of Regulation CF securities who discusses (i.e., promotes) an issuer’s offerings via a chatroom or other communication channel. The person promoting the offering must identify themselves as a “promoter” when engaging in promotional activities. The promoter must disclose their compensation for engaging in promoting a Regulation CF offering. Investors may see “promoters” in the chatrooms on our website.

## **Communication Channels**

As mentioned, we facilitate an online “chatroom” or “communication channel” on our website where investors and issuers may communicate. Our chatroom is open to the public, but only investors that have registered on our website may participate in the chatrooms. As mentioned, “promoters” are identified in our chatrooms.