

## **Crowdfunding Investor Guidelines**

Venture Capital 500, LLC (VC 500) does not accept an investment in a transaction involving the offer or sale of securities in reliance on Title III “Regulation Crowdfunding” until the Investor has opened an account with us.

### **1. Opening an Account**

#### **A. Fees**

There is no fee to register and open an account on our Portal and platform as long as you agree to abide by our User Agreement and corresponding Privacy Policy.

Any company or individual presenting an Offering, must pay a \$300 listing fee. In addition to the listing fee, there is a final performance fee if the Offering is successful in reaching its funding goal. The performance fee is established by agreement between the Issuer making the Offering and us. The performance fee must be disclosed to Investors in the materials presented in the Offering. The Site charges fees in connection with the posting of the offerings and sale of securities in reliance on Section 4(a)(6) of the Securities Act of 1933, as amended. The performance fee is paid by the Issuer and can be in cash and/or a combination of cash and the offered securities, generally not to exceed 5% of the total funds raised. As a registered funding portal, we will not have a financial interest in a company that is offering or selling securities on our platform under Regulation Crowdfunding. The securities of the Issuer paid to VC 500, if any, will be of the same class and have the same terms, conditions and rights as the securities being offered and sold by the Issuer on the portal.

#### **B. Conditions and Process**

To register and open an account on our Portal you must be 18 years or older and complete a short application. The application is designed to identify you and allow you to interact via our Chat Room with Issuers and other Investors. By creating this account, you represent that you are either: (a) an individual and wish to make investments on your own behalf; or (b) an individual authorized to place orders on behalf of a corporation or other entity.

You agree that you have all requisite authority to open an account and use the services contemplated by our User Agreement and Privacy Policy. Our Portal

and platform are not solicitations for or offerings of any security, investment product or service to any person, corporation, or other entity in any jurisdiction where a solicitation or offering would be illegal.

You represent that you, or the organization for which you are acting as an authorized person, have not been designated by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") as a Specially Designated National or Blocked Person. You have no reason to believe that you would be considered a Blocked Person by OFAC, and you do not reside in a restricted country. You also represent that you are not employed by or acting as an agent of any government, government-controlled entity or government corporation restricted under OFAC. You understand that if your application violates OFAC guidelines, your account may be declined or restricted from certain activity.

### **C. Communications**

Pursuant to SEC Regulation Crowdfunding, Rule 302 (a), users must carefully read and agree to the following provisions before continuing with the electronic account opening and registration process for VC 500. Under Securities and Exchange Commission ("SEC") regulations, all communications between the platform and Investors must be conducted through electronic means. Electronic communications include, but are not limited to, email, social media messages, instant messages or other electronic media formats.

#### **Consent to Electronic Delivery.**

By clicking the box marked "I consent" below, you hereby consent to us providing you all required Site Documents, as defined herein, electronically. This means you consent to our use of electronic communications (e.g. e-mail), electronic records, and electronic signatures rather than paper documents for all materials, notices, disclosures, account statements, communications, forms and agreements (VC 500 Documents) provided to you by VC 500 including but not limited to

1. Educational Materials
2. Terms of Use
3. Privacy Policy
4. Any and all notices and or disclosing any offer, purchase of securities through the portal

## 5. Any and all communications from the VC 500 to you

V C 500 provides through electronic means on our Portal and platform, certain materials listed under the “Education” tab, a User Agreement and Privacy Policy disclosure under the “About” tab and guidelines and forms for becoming an Issuer or Investor under the “Create Account” tab.

The electronic means referred to above, include specific links to the information as posted on our platform, or through an electronic message that provides notice of what the information is and that it is located on our platform or on the Issuer's website. Electronic messages include, but are not limited to, email, social media messages, instant messages or other electronic media formats. **By accepting our User Agreement and Privacy Policy, you give your express consent to this electronic communication requirement. You will also be required to sign an Investor Questionnaire indicating your consent to the electronic communication requirement.**

## 2. Securities Offered

The types of securities offered and sold on our platform, may include, among others, Common Stock, Preferred Stock, Corporate Bonds, and Debentures. Descriptions and definitions of these and other potential offerings are found in the “Education” tab on our Portal under the title “Crowdfunding, Terminology, and Securities Offered.” There is no assurance that the issuer will have funds available to satisfy payment obligations.

## 3. Risks

You should consider the following list of potential risks, (A through J), before making a crowdfunding investment:

### A. 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.*

### **B. 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.* 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 crowdfunded investment.

### **C. Cancellation restrictions.**

Once you make an investment commitment for a crowdfunding offering, you will be committed to make that investment (unless you cancel your commitment within a specified period of time). As detailed below for *Changing your mind*, the ability to cancel your commitment is limited.

### **D. Valuation and capitalization.**

Your crowdfunding investment may be the purchase of an equity stake in a startup company. *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 crowdfunding.

### **E. Limited disclosure.**

The Issuer must disclose information about the company, its business plan, the offering, and its anticipated use of proceeds, among other things. A start-up or 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 crowdfunding investment.*

#### **F. 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.

#### **G. 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 crowdfunding investments will be immune from fraud.*

#### **H. 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 crowdfunding may not have the benefit of such professional investors.”

#### **I. Dilution.**

In some situations, the additional sales of the security offered may result in a limitation of voting power because of dilution.

#### **J. Annual Filings with the SEC.**

Issuers who have successfully raised capital and issued securities are subject to annual filings with the SEC and shareholders. There is the possibility that those obligations may terminate in the future.

#### **4. Changing your Mind.**

An investor may cancel an investment commitment for any reason until 48 hours prior to the deadline identified in the issuer's offering materials. During the 48 hours prior to such deadline, an investment commitment may not be cancelled except as provided below.

A. In the event 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, if:

- 1) The offering remains open for a minimum of 21 days;
- 2) We provide notice to any potential Investors, and give or send notice to Investors that have made investments in the offering, of:
  - a) The new, anticipated deadline of the offering;
  - b) The right of investors to cancel investment commitments for any reason until 48 hours prior to the new offering deadline; and
  - c) Whether the issuer will continue to accept investments during the 48-hour period prior to the new offering deadline.
- 3) The new offering deadline is scheduled for and occurs at least five business days after the notice of the new completion date is provided; and
- 4) At the time of the new offering deadline, the issuer continues to meet or exceed the target offering amount.

B. If there is a material change to the terms of an offering or to the information provided by the issuer, we shall give or send to any investor who has made an investment:

- 1) Notice of the material change and that the investor's investment will be cancelled unless the investor reconfirms his or her investment within five business days of receipt of the notice.

2) If the investor fails to reconfirm his or her investment within those five business days, within five business days thereafter we must:

- a) Give or send the investor a notification disclosing that the investment was canceled, the reason for the cancellation and the refund amount that the investor is expected to receive; and
- b) Direct the refund of investor funds.

C. If material changes to the offering or to the information provided by the Issuer regarding the offering occur within five business days of the maximum number of days that an offering is to remain open, the offering must be extended to allow for a period of five business days for the investor to reconfirm his or her investment. If an issuer does not complete an offering, an intermediary must within five business days:

1. Give or send each investor a notification of the cancellation, disclosing the reason for the cancellation, and the refund amount that the investor is expected to receive;
2. Direct the refund of investor funds; and
3. Prevent investors from making investment commitments with respect to that offering on its platform.

## **5. Issuer Disclosure**

Issuers of securities under Title III are required to submit a SEC Form C. The SEC requires that issuers provide certain information to Investors through the funding Portal's platform and to the SEC directly via a filing of Form C on EDGAR, the SEC's data handling system. The issuer will be required to post an offering summary on the portal. The offering summaries posted on the portal will disclose important information pertaining to each Offering.

**Each Investor is Strongly Advised to consult Legal, Tax, Investment, Accounting and/or other professionals before investing, and to carefully review all the specific risk disclosures provided as part of any offering materials and to post any questions in the issuers comment section of their campaign page prior to making an investment.**

Form C will consist of XML-fillable fields in the front portion of the Form C and then “Exhibits” which will include the rest of the information required to be filed.

The following required disclosure items are also found in our Investor Questionnaire and on our “Education” tab on the Portal under “Issuer Disclosure Requirements.”

A. The name, legal status (i.e., form, state, and date of organization), physical address, and website address.

B. The names of the directors and officers (and any persons occupying a similar status or performing a similar function), the positions and offices held by those persons, how long they have served in those positions, and the business experience of those persons over the past three years.

C. The name of each person who is a beneficial owner of 20% or more of the issuer’s outstanding voting equity securities. These are the same shareholders covered by the “Bad Actor” disqualification provisions discussed below.

D. A description of the business of the issuer and anticipated plan of business.

E. The current number of employees of the issuer.

F. A discussion of the material risk factors that make an investment in the issuer speculative or risky.

G. The target offering amount and the deadline to reach the target amount, including a statement that if the sum of the investment commitments does not equal or exceed the target offering amount at the offering deadline, no securities will be sold in the offering, investment commitments will be cancelled and committed funds will be returned.

H. Statement with respect to whether the issuer will accept investments more than the target amount and the maximum it will accept. If the issuer accepts investments above the stated target, it must state the method it will use to allocate oversubscriptions.

I. A description of the purpose and intended use of the offering proceeds. The SEC elaborates that it expects issuers to provide a detailed description of the



intended use of proceeds with enough information to allow investors to understand how the offering proceeds will be used. If an issuer is uncertain how the proceeds will be used, it should identify the probable uses and the factors impacting the selection of each use. Similarly, if the issuer accepts proceeds above the target amount, it should indicate the purpose and intended use of those excess funds.

J. A description of the process to complete the transaction or to cancel an investment commitment.

K. The price of the securities or the method for determining the price. If the issuer has not set a price at start of the campaign, it must provide a final price prior to any sale of securities.

L. A description of the ownership and capital structure of the issuer. This requirement also includes:

- 1) Disclosure of the terms of the securities being offered as well as each other class of security of the issuer;
- 2) Any rights held by principal shareholders;
- 3) Name and ownership level of any 20% beneficial owner;

M. How the securities being offered are valued and how the securities may be valued in the future;

N. Risks to purchasers of the securities relating to minority ownership and the risks associated with corporate actions like the additional issuance of shares, issuer repurchases, and the sale of the issuer or issuer assets to related parties; and Description of the restrictions on the transfer of the securities.

O. The name, SEC file number and Central Registration Depository number of the intermediary conducting the offering.

P. A description of the intermediary's financial interests in the issuer's transaction, including the amount of compensation paid to the intermediary for conducting the offering and the amount of any referral or other fees associated with the offering.

Q. A description of the material terms of any indebtedness of the issuer. Material terms include the amount, interest rate, maturity date, and any other terms a purchaser would deem material.

R. A description of any exempt offering conducted within the past three years. The description should include the date of the offering, the offering exemption relied upon, the type of securities offered, the amount of securities sold, and the use of proceeds.

S. A description of any completed or proposed transaction involving the issuer or any entity under common control with the issuer for value exceeding five percent of the amount raised under Section 4(a)(6) within the past 12 months, including the current offering, when a control person, promoter, or family member had a direct or indirect material interest.

T. A description of the financial condition of the issuer, including discussion of liquidity, capital resources, and historical results of operations covering each period for which financial statements are provided.

U. The tax information and financial statements certified by the principal executive officer, reviewed financial statements, or audited financial statements of the issuer, depending on the level of the raise and raises within the previous 12 months, or whether this is the first offering of the issuer under Regulation CF.

V. A description of any events that would have triggered disqualification under the Bad Actor disqualification had they occurred after the effective date of the final rule.

W. Updates on progress towards meeting the target offering amount.

X. A statement regarding where on the issuer's website investors will be able to find the issuer's annual report, and the date by which the annual report will be available.

Y. A statement regarding whether the issuer or any of its predecessors failed to comply with the ongoing reporting requirements of Regulation CF. Any other material information necessary to make previous statements not misleading.

Z. Other than the information about the issuer that is required to be entered on the XML portion of the Form C (which covers things like name, address, size

of offering, etc.), the SEC does not specify the format or medium in which the mandatory disclosure must be presented, leaving flexibility for crowdfunding issuers to present some information in written offering documents, some in videos, and other information by graphic means.

## **6. Investor Limitations**

The aggregate amount of securities sold to all investors by an issuer in reliance on Regulation Crowdfunding during the 12-month period preceding the date of such offer or sale, included in such transaction shall not exceed \$1,070,000.

There is a limitation on the aggregate amount you can invest in any 12-month period based on the following:

A. The greater of \$2,200 or 5 percent of the lesser of your annual income or net worth if either the annual income or net worth is less than \$107,000; or

B. Ten (10) percent or the lesser of your annual income or net worth, not to exceed an investment amount of \$107,000, if both your annual income and net worth are equal to or more than \$107,000.

C. An Issuer offering and selling securities in reliance on section Regulation Crowdfunding may rely on the efforts of a Portal to ensure that the aggregate amount of securities purchased by an Investor will not cause the investor to exceed the limit set forth above, if:

1) the Issuer does not know that the Investor has exceeded the investor limits or would exceed the investor limits because of purchasing securities in the issuer's offering;

2) The transaction is conducted through an intermediary that complies with the requirements in Regulation Crowdfunding and the transaction is conducted exclusively through the intermediary's platform; and

3) An issuer shall not conduct an offering or concurrent offerings using more than one intermediary.

D. Your annual income and net worth may be calculated jointly with your spouse; however, when such a joint calculation is used, the aggregate investment

of you and your spouse may not exceed the limit that would apply to an individual investor at that same income or net worth level.

### **Calculation of Net Worth**

Calculating net worth involves adding up all your assets and subtracting all your liabilities. The resulting sum is your net worth.

***For purposes of crowdfunding, 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.

While your individual circumstances will vary, the following table sets forth examples of calculations under the net worth test to determine crowdfunding investment limits:

	Jane Doe	John Smith	James Lee
<b>Primary residence (not included except for related liabilities below):</b>			
Home value .....	\$300,000	\$300,000	\$300,000
Mortgage.....	200,000	200,000	330,000
Home equity line:			
more than 60 days old.....	-	20,000	-
less than 60 days old.....	-	10,000	-
<b>Included assets:</b>			
Bank accounts.....	\$ 20,000	\$ 20,000	\$ 20,000
401(k)/IRA accounts.....	100,000	100,000	100,000
Other investments .....	50,000	50,000	50,000
Car .....	20,000	20,000	20,000
<b>Total included assets.....</b>	<b>\$190,000</b>	<b>\$190,000</b>	<b>\$190,000</b>
<b>Included liabilities:</b>			
Student and car loans.....	\$100,000	\$100,000	\$100,000
Other liabilities .....	20,000	20,000	20,000
Portion of mortgage underwater.....	-	-	30,000
Home equity line (less than 60 days old).....	-	10,000	-
<b>Total included liabilities ....</b>	<b>\$120,000</b>	<b>\$130,000</b>	<b>\$150,000</b>
<b>Net worth .....</b>	<b>\$ 70,000</b>	<b>\$ 60,000</b>	<b>\$ 40,000</b>

## **7. Investor Requirements and Acknowledgments**

Before you can make an investment, we are required to obtain from you a signed Investor Questionnaire that acknowledges and represents that you have read and understand the various educational materials on our platforms and the Crowdfunding Investor Guidelines set out above and Electronic Delivery of Materials, notices and Confirmations. For each additional investment you wish to

make, another signed Investor Questionnaire is required. Each questionnaire requires current information from you that confirms your eligibility to make an investment on our portal and provides the classification of your income and net worth establishing the amount of money you are permitted to invest in a continuous 12-month period. You must also indicate the amount of other crowdfunding investments you have made within the past 12 months.

## **8. Making an investment**

Once you have complied with the requirements of Item 7, in order to invest in a particular offering listed on our portal you will select the “Invest” button located on the Issuer Deal Page. You must give us notice of the investment amount you wish to commit to a specific Offering. We will direct you to send the commitment or funds to a designated Escrow Agent and we will promptly give you Notice of the following:

- a) The dollar amount of the investment commitment or payment;
- b) The price of the securities,
- c) The name of the Issuer, and
- d) The date and time by which you may cancel the investment commitment or payment of funds.

The Questionnaire referred to above is located as a separate document in the “Education” tab on our Portal. Each time an investment is submitted through the portal you must complete and electronically sign the Questionnaire and return it to us.