

**VC500**

# **Educational Materials**

**Provided by Venture Capital 500, LLC**

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# VC 500 USER AGREEMENT

Venture Capital 500, LLC, a Florida Limited Liability Company, that operates a crowdfunding Portal, “VentureCapital500.com” with a platform labeled “Title III.”

This User Agreement, explains the Terms of Use for the Portal and platform managed by Venture Capital 500, LLC (“VC 500”). When you use the platform and the services offered by VC 500, you are agreeing to these User Terms. You are also agreeing to comply with our attached Privacy Policy and any other stated rules on the platform.

The Title III platform allows you to make investments in companies referred to as “Issuers” proposing investment opportunities referred to as “Offerings.” The Issuers on the platform can include startups and small companies, all of whom may offer ownership of debt or equity positions in their companies.

In all cases, the VC 500 platform is available to facilitate the process of Issuers and Investors in achieving their mutual objectives.

You can sign in and browse all the offerings and educational materials on our platform without registering for an account. If you want to use all our features, interact with Issuers and Investors, make an investment, or an Offering, you must first register and open an account.

## **1. Opening an Account**

### **A. Fees**

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

Any company presenting an Offering, must pay a listing fee of \$300. This fee may include additional third-party banking and transfer agent fees. 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 and us and must be disclosed to Investors in the materials presented in the Offering. 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. There is no fee paid by the Investor.

### **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 with the Portal,

its platforms, Issuers and Investors. By creating this account, you represent that you are either: (a) an individual and wish to make investments or Offerings on your own behalf; or (b) an individual authorized to place orders or make offerings 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 this Agreement. Our platform is not a solicitation for or offering 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 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**

Under Securities and Exchange Commission ("SEC") regulations, all communications between our Portal 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.

**By accepting this User Agreement and Privacy Policy, you give your express consent to this electronic communication requirement.**

## **2. Required Information**

You agree that any information you provide during the registration process is current, accurate, truthful and complete, and you will regularly update this information to maintain its completeness and accuracy. You are responsible for maintaining the confidentiality of any account information, or password that you use to access any feature or protected areas on the platform. Further, you are fully responsible for all activities occurring under your account that result from your failure to use or maintain appropriate security measures. If you become aware of any suspicious or unauthorized conduct concerning your account, you agree to contact VC 500 immediately. We will not be liable for any loss or damage arising from your failure to promptly notify us of such conduct.

Under some circumstances, the Securities and Exchange Commission or another regulatory agency, may require us to obtain, verify and record information that identifies persons, entities or corporations seeking to open accounts with us, including through sharing such information with

third parties. The requirements are related to, among other things, suitability of investments and anti-money laundering. In that event, you agree to provide us with the required information or documentation. Your account may be rejected, restricted or closed if VC 500 cannot verify required information.

### **3. Use of Private Personal Information**

In connection with the Services we provide, VC 500 may come into possession of confidential, material, non-public information. We are prohibited from improperly disclosing or using this information for our own benefit or for the benefit of any other person. We maintain policies and procedures designed to prohibit the communication of this information; to persons who do not have a legitimate need to know the information; to meet our obligations to Issuers; and to remain in compliance with applicable law.

You understand and agree that, in certain circumstances, we may have information that, if disclosed, might affect your decision to buy a security, but that we will be prohibited from communicating to you for your benefit. For a complete description of how we use and protect your personal information, please see our Privacy Policy.

### **4. Rules and Regulations**

All transactions on the platform will be subject to VC 500's internal rules and policies and, where applicable, to the Financial Industry Regulatory Authority (FINRA) rules and regulations; the provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934; the rules and regulations of the Securities Exchange Commission (SEC), the Board of Governors of the Federal Reserve System, and any applicable self-regulatory organizations; and other federal and state laws and regulations. In no event will VC 500 be obliged to affect any transaction it believes would violate any federal or state law, rule or regulation, or the rules or regulations of any regulatory or self-regulatory body.

In connection with your use of the platform, or during your interactions with VC 500, you agree to abide by the following:

- a) Do not take any action that infringes or violates other people's rights, violates the law, or breaches any contract or legal duty you have toward anyone.
- b) Do not post information you know is false, misleading, or inaccurate.
- c) Do not do anything deceptive or fraudulent.
- d) Do not offer any investment terms that are illegal, violate any of VC 500's policies, rules, or guidelines, or violate any applicable law, statute, ordinance, or regulation.

- e) Do not do anything threatening, abusive, harassing, defamatory, libelous, tortious, obscene, profane, or invasive of another person's privacy.
- f) Do not distribute unsolicited or unauthorized advertising or promotional material, or any junk mail, spam, or chain letters.
- g) Do not distribute anything designed to interfere with the proper function of any software, hardware, or equipment on the platform.
- h) Do not use any personal information you have received from others using the platform for anything other than for participating in a VC 500 crowdfunding offering.
- i) Do not attempt to damage or get unauthorized access to any system, data, or password.
- j) Do not breach this User Agreement, Privacy Policy or any other agreement that you have entered with VC 500.
- k) Do not infringe on VC 500 or any third party's copyright, patent, trademark, trade secret or other intellectual property rights, or rights of publicity or privacy.
- l) Do not act in a manner that is defamatory, trade libelous, unlawfully threatening or unlawfully harassing.
- m) Do not post comments that are false, inaccurate, misleading, defamatory, or contain libelous content.
- n) Do not pay for your transactions with fraudulent funds or with what we reasonably believe to be potentially fraudulent funds.

## **5. Transaction Process**

VC 500 enters agreements with Issuers to list private placements of their securities on the VC 500 platform. When an Issuer posts an Offering on VC 500, they're inviting Investors to form a purchase contract with them. The terms and features of the securities available on the platform are at the discretion and control of the Issuer and will be stated in the Offering material for each security. VC 500 will make the offering material for each security available to Investors on a password-protected section of our platform. It is your responsibility to review and understand the information in the offering material before placing an order for securities.

Anyone who invests in an Offering is accepting the Issuer's offer, and forming the purchase contract. The contract is a direct legal agreement between Issuers and their Investors. VC 500 is not a party to this agreement.

## 6. Investment in an Offering

If you want to make an investment in one of the listed Offerings, you must have an account. As a registered funding Portal, we are authorized to accept your order to purchase these securities, to transmit these orders to the Issuers, and to facilitate the completion of the transaction according to its terms.

In each case, your purchase funds, is completed in accordance with its express written terms. We are not a party to any such purchase agreement or transaction. We do not receive any funds from the Investor or handle any securities of the Issuer.

At the successful completion of the transaction, and in exchange for all the services provided by VC 500, we receive a negotiated service fee solely from the Issuer. If the Issuer has not reached the Offering goal within its allocated time frame, the conditions of the agreement are not met and the transaction is cancelled. Any purchase funds will be returned and any commitments will be canceled.

You understand and agree that VC 500 will treat all investments for the purchase of securities through your VC 500 account as authorized by you and will execute orders in reliance on your promise that an actual purchase is intended. We accept investments only through our platform. Your access to our Portal and platform is available except during scheduled or unscheduled system repairs or upgrades.

Our Portal and platform have specific written transaction conditions, guidelines and requirements. For example, under the present Crowdfunding Title III provisions allowing a limited investment in an issuing company, you are permitted to cancel your investment and get your money back at any time up to 48 hours before the designated closing date. Once that 48-hour deadline has expired without your cancellation, the purchase will be completed. You will receive the securities and the Issuer will receive the purchase funds. VC 500 is not a party to the flow of funds to the Issuer.

## 7. Canceling or Disputing a Transaction

VC 500 reserves the right to deny an investment transaction or to place a limit on the dollar amount of a transaction for any reason, including, for example, if you fail suitability for a particular security or for activity that VC 500, in its sole discretion, believes to be suspicious on your account. If VC 500 limits an investment, you can request a review and an exception on a case-by-case basis.

By completing a VC 500 account application online, you give your valid consent to this User Agreement and all other documents governing your relationship with VC 500. The use of an electronic version of the account documents fully satisfies any requirement that the documents



be provided to you in writing, and the electronic version of this User Agreement is the true, complete and enforceable record, admissible in judicial or administrative proceedings to the same extent as if the documents and records were originally generated and maintained in printed form. You are solely responsible for reviewing and understanding all the terms and conditions of these documents, and you accept as reasonable and proper notice, for any laws, rules and regulations, notice by electronic means. You may access and retain a record of the documents you electronically sign through VC 500.

You agree that VC 500 will provide you with an electronic copy of all documents and communications related to your account, for example, transaction confirmations, account statements and tax-reporting documentation. When documents related to your VC 500 account are available, we will send a notice to the email address you have provided, and you will be able to view the documents at any time by visiting VC 500 and signing into your account.

## **8. Investment Advice**

VC 500 does not provide legal, tax, estate-planning or investment advice or advice regarding the suitability, profitability or appropriateness of any security. We are required by law to ascertain your suitability for an investment based on your personalized input, but you are responsible for determining whether any investment is appropriate or suitable for you based on your investment objectives and personal financial situation. You should consult an attorney or tax professional regarding your specific legal or tax situation.

## **9. Limitation of Liability**

VC 500 is not liable for any damages or losses related to your investment. We don't become involved in disputes between users, or between users and any third party relating to the use of our Services. We do not oversee the performance of Offerings, and we don't endorse any content that users submit to the platform. When you use our Services, you release VC 500 from claims, damages, and demands of every kind — known or unknown, suspected or unsuspected, disclosed or undisclosed — arising out of or in any way related to such disputes and the Services. All content you access through the Services is at your own risk. You are solely responsible for any resulting damage or loss to any party.

## **10. Other Websites**

VC 500 may contain links to other websites. (For instance, project pages, user profiles, and comments may link to other websites.) When you access third-party websites, you do so at your own risk. We do not control or endorse those sites. VC 500 partners with other companies for payment processing. When you invest in an Offering or create a Project, you are also agreeing to the processor's terms of service.

## 11. Your Intellectual Property

VC 500 does not own the content you submit to us (your “Content”). But we do need certain licenses from you to perform our Services. When you submit an Offering for review, or launch an Offering, you agree to these terms:

- a) You grant to us, and others acting on our behalf, the non-exclusive, royalty-free, sub-licensable, transferable right to use, exercise, commercialize, and exploit the copyright, publicity, trademark, and database rights with respect to your Content.
- b) You grant us the right to edit, modify, reformat, excerpt, delete, or translate any of your Content.
- c) Your Content will not contain third-party copyrighted material, or material that is subject to other third-party proprietary rights, unless you have permission from the rightful owner of the material, or you are otherwise legally entitled to post the material and to grant VC 500 all the license rights outlined in Section 11 (a), above.
- d) You will pay all royalties and other amounts owed to any person or entity based on your Content, or on VC 500’s hosting of that Content.
- e) If VC 500 or its users exploit or make use of your submission in the ways contemplated in this agreement, you promise that this will not infringe or violate the rights of any third party, including without limitation, any privacy rights, publicity rights, copyrights, contract rights, or any other intellectual property or proprietary rights.
- f) All information submitted to the platform, whether publicly posted or privately transmitted, is the sole responsibility of the person from whom that content originated.
- g) VC 500 will not be liable for any errors or omissions in any content.

## 12. Our Intellectual Property

Our page headers, logos, graphics and icons are protected to the extent allowed under applicable laws. You may not copy, imitate or use any of our intellectual property without our prior written consent. You may not post content that infringes on the rights of third parties, including but not limited to intellectual property rights such as copyright, trademark and right of publicity.

We reserve the right to remove content where we have grounds to suspect a violation of these terms, our policies or any party’s rights. If you believe that your rights have been violated, please notify us at [help@venturecapital500.com](mailto:help@venturecapital500.com) and identify the material that you claim is infringing.

VC 500's Services are legally protected in various ways, including copyrights, trademarks, service marks, patents, trade secrets, and other rights and laws. You agree to respect all copyright and other legal notices, information, and restrictions contained in any content accessed through our Portal and corresponding platform. You also agree not to change, translate, or otherwise create derivative works from any such content.

### **13. Canceling Your Account**

You can terminate your account at any time. All provisions of this agreement survive termination of an account, including our rights regarding any content you have already submitted to the Site.

### **14. Rights reserved to VC 500**

We reserve the right to make changes to our platform and Services without notice or liability. We also have the right to cancel, reject, interrupt, remove or suspend any Offering at any time for any reason. We are not liable for damages because of any of these actions.

### **15. Warranty Disclaimer**

You use our Portal and Services solely at your own risk. They are provided to you "as is" and "as available" and without warranty of any kind, express or implied.

VC 500 SPECIFICALLY DISCLAIMS ANY AND ALL WARRANTIES AND CONDITIONS OF MERCHANTABILITY, NON-INFRINGEMENT, AND FITNESS FOR A PARTICULAR PURPOSE, AND ANY WARRANTIES IMPLIED BY ANY COURSE OF DEALING, COURSE OF PERFORMANCE, OR USAGE OF TRADE. NO ADVICE OR INFORMATION (ORAL OR WRITTEN) OBTAINED BY YOU FROM VC 500 SHALL CREATE ANY WARRANTY.

### **16. Indemnification**

You agree to defend, indemnify and hold VC 500 and its officers, directors, agents and employees harmless from any claim or demand (including attorneys' fees) made or incurred by any third party due to or arising out of your breach of this User Agreement and/or your use of the platform and Services.

### **17. Limitation of Liability**

To the fullest extent permitted by law, in no event will VC 500, its directors, employees, partners, suppliers, or content providers be liable for any indirect, incidental, punitive, consequential, special, or exemplary damages of any kind, including but not limited to damages:

resulting from your access to, use of, or inability to access or use our Portal, platform, or Services; for any lost profits, data loss; or for any conduct or content of any third party on the Portal, or its platform.

## 18. Dispute Resolution

You are required to agree to the terms of the following dispute resolution process. The dispute resolution process is part of this User Agreement and is also located on the Investor Questionnaire. Each time an investor elects to make an investment through our Portal they shall be required to sign and re-submit the Investor Questionnaire electronically through the Portal. The dispute resolution provided on the Portal includes the following:

Any dispute, claim or controversy arising out of the use of our Portal between you and Venture Capital 500, LLC its members or affiliates (“the Dispute”), you hereby agree to attempt in good faith to amicably resolve the Dispute at least thirty (30) days before instituting any legal proceeding. Each party agrees to submit any Dispute for resolution by final binding arbitration after serving written notice, which notice shall set forth in detail the controversy, question, claim or alleged breach along with your attempt to resolve such Dispute. Upon such notice and attempt to resolve, the party may then commence an arbitration proceeding pursuant to the rules of the American Arbitration Association (“AAA”) under its Commercial Arbitration Rules. Any such arbitration may only be commenced within one year after the party requesting arbitration obtains knowledge of the cause of action forming the basis of the controversy or claim accrued.

All disputes shall be governed by and construed in accordance with the laws of the State of Florida without giving effect to any principles of conflicts of law, and without application of any international conventions. All hearings and proceedings shall be conducted in Duval County, Jacksonville, Florida.

You may not transfer or assign any rights or obligations that you have under this User Agreement without VC 500’ prior written consent. VC 500 reserves the right to transfer or assign this Agreement or any right or obligation under this Agreement at any time. You are responsible for all claims, fees, fines, penalties and other liability incurred by VC 500 or any third party caused by or arising out of your breach of this Agreement or your use of the Services. You agree to reimburse VC 500 or any third party for all such liabilities.

In any arbitration and subject to the ultimate discretion of the presiding arbitrator, each side will be limited to a maximum of one (1) day of argument (including rebuttal), and the parties agree in good faith to minimize discovery burdens (e.g. confine the scope to actual areas in dispute and limit the topics and number of pages on which information is requested to matters directly relevant). The decision(s) of the arbitrator shall be final and binding and may not be appealed to any court of competent jurisdiction, or otherwise, except upon a claim of fraud or corruption as by law provided. However, the implementation of such decision(s), shall in no way be delayed or otherwise impaired pending the outcome of any such appeal. Judgment upon the award

rendered in such arbitration may be entered by any court having jurisdiction. You agree that all Disputes will be limited between you, individually, and Venture Capital 500, LLC. To the full extent allowable by law, you agree that no arbitration proceeding or other dispute resolution proceeding shall be joined with any other party or decided on a class- action basis.

**"This agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement the parties agree as follows:**

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

## **19. Entire Agreement and Severability**

These Terms and the other material referenced in them are the entire agreement between you and VC 500. They supersede all other communications and proposals (whether oral, written, or electronic) between you and VC 500. If any provision of these Terms is found to be invalid under the law, that provision will be limited or eliminated so that all other Terms will remain in full force and effect. The failure of either you or VC 500 to exercise any right provided for in these Terms will not be deemed a waiver of any other rights.

These Terms are personal to you. You cannot assign them, transfer them, or sublicense them unless you get VC 500's prior written consent. VC 500 has the right to assign, transfer, or delegate any of its rights and obligations under these Terms without your consent. VC 500 will provide you notice via email, written notice, or by conspicuously posting the notice on our Portal.

# VC 500 PRIVACY POLICY

## 1. Collection of Information

The website [www.venturecapital500.com](http://www.venturecapital500.com) (“VC 500”) collects some personal information. This Privacy Policy tells you how VC 500 uses and works to protect your information. By using VC 500, you agree to the terms and conditions of the User Agreement, including this Privacy Policy, and you consent to our privacy practices. This includes the use and disclosure of any personal information you have shared with us and its transfer to and storage on our servers in the United States, as described below.

When you register for the VC 500 services and apply for an account, we may collect information about you, including:

- a) Information that you provide to us to set up a user account for you and identify you on the site, including user name, password, and secret questions and answers.
- b) Contact information, including first and last name, phone number, fax number, email address and mailing address.
- c) Payment information, including email address, bank account and routing number.
- d) Profile information, including your investment preferences and other information you may provide us that allows us to customize your VC 500 experience.
- e) Other information we are required by law to collect from you, or from consumer reporting agencies, to process securities-related transactions, to assess the suitability of various investments, and to comply with tax laws and anti-money laundering laws. This information includes Social Security Number or Employee Identification Number, date of birth, gender, country of citizenship, liquid assets, net worth, education, occupation, employment status, employer contact information, annual income, investment objectives and suitability profile.
- f) We may obtain information about you when you interact with VC 500, for example, your transaction history, information about your contacts with Customer Service, and your responses to promotions or special offers.
- g) We may collect some information automatically from your computer while you browse our website, such as where you go on the site and what you do there.
- h) We collect your Internet Protocol (IP) address, computer and connection information, browser type and version, operating system, Internet Service Provider (ISP), time stamps, banner ads you click, the URLs you come from and go to next, and a cookie number.

i) We may also obtain information about you through other sources such as credit agencies, affiliates and business partners.

## **2. Use of Information**

We use the information we collect to:

Operate the VC 500 websites.

Verify your identity and contact information.

Provide you with information and services you request.

Set up your account, issue an account number and a secure password, maintain a record of your trading activity, and contact you with account information.

## **3. Sharing and Disclosure of Information**

The cornerstone of this Privacy Policy is our commitment to keep your personal information confidential. VC 500 does not sell, license, lease or otherwise disclose your personal information to any third party for purposes of marketing by the third party or for any reason, except as described below.

To provide our products and services, we may disclose your information to the following parties:

### *A. Issuers*

We may share your information with our participating Issuers. They will use the information only as necessary to complete your transactions and to collect the information needed to register you as a shareholder or bond holder of the Issuer and issue the securities that you have purchased.

### *B. VC 500 Affiliates*

We may share information with present or future affiliates, including our subsidiaries, joint ventures or other companies under common control, where it may be used to provide joint services or for such purposes as internal statistics, strategic decision-making, customer reviews, identifying customer trends, customer verification, fraud prevention and security.

You may limit our affiliates from marketing their products or services to you based on personal information that we collect about you and share with them. This information may include your name, email address, mailing address, age, employment status, general account and demographic information and account history with us. To limit affiliate marketing offers, contact us by e-mail at [help@VentureCapital500.com](mailto:help@VentureCapital500.com), change your account preferences contact us at Customer Service.

Your choice to limit marketing offers from our affiliates will apply until you tell us to change your choice. You can opt back in at any time.

### *C. Service Providers*

We may share information with service providers under contract who help with our business operations and internal functions, for example, verifying our users, processing accounts, order fulfillment, client service, client satisfaction surveys or other data collection activities relevant to our business, maintaining the VC 500 websites, and providing related services, such as electronic funds transfers and wires. Our service providers are required to protect personal information in a manner similar to the way we protect personal information and to use it only for the services they provide to us.

### *D. Legal and Other Disclosures*

We may disclose information when permitted by law or under the good-faith belief that such disclosure is necessary under applicable law; to comply with legal process served on VC 500; to protect the property or interests of VC 500, its agents and employees; or to protect personal safety or the public.

### *E. VC 500 Assets*

As our business evolves, VC 500 may sell, transfer or otherwise share some or all of its assets in connection with a merger, reorganization or sale of assets, or in the event of bankruptcy. In such an event, personal information may be one of the assets transferred.

If we propose to share information in a manner not covered in this Privacy Policy, we will notify you of this change by posting an addendum on our sites, a notice in the "Announcements" or "What's New" section of the sites, and if appropriate, provide you an opportunity to opt out of such use.

## **4. Email Communications**

### *A. Choice/Opt-Out*

Because we do not share your personal information with non-affiliated third parties for marketing purposes, there is no need for you to opt out of such uses. At any time, however, you have the right and ability to opt out of receiving marketing communications from VC 500. In no event, while you are a registered VC 500 user, may you opt out of administrative emails (for example, electronic delivery of financial information, or emails about your transactions or our policy changes). Under SEC regulations, all communications between the Funding Portal and Investors must be conducted through electronic means.



### *B. Email Tools*

If you send emails to a recipient through our site, they will receive your email address and any personal message you include. We use the email addresses you provide to send your requested communication and for no other purpose. We may be required by law to retain these emails; they are not private communications. You may not use our email tools to send spam or content that violates the User Agreement.

### *C. Anti-Spam Policy*

VC 500 does not tolerate spam. We do not send emails to anyone without permission, and we do not sell or rent email addresses to any unauthorized third party. This does not mean that we can prevent spam from happening on the Internet. If you believe that you have received an unsolicited email from us, please contact Customer Service and we will investigate.

### *D. Cookies and Web Beacons*

VC 500, our service providers, and other members of our corporate family who provide us with joint services, will sometimes place anonymous cookies or web beacons on your computer when you visit the site. We use these cookies and web beacons to recognize returning users, provide relevant content, measure traffic and activity on the site, monitor and improve our services and protect against fraud. You can block cookies by changing the settings on your browser (consult your browser help menu to find out how), but doing so may prevent us from delivering certain services to you. Your browser must be set to accept cookies in order to access VC 500 as a registered user.

## **5. Accessing, Reviewing and Changing Your Personal Information**

We urge you to review your information regularly to ensure that it is correct and complete. As a registered user, you can review and change your personal information by accessing My Account. You may not be able to change some account information online. If you are unable to make your desired change in My Account, please contact Customer Service for assistance. Although we will require you to revalidate your personal information periodically, you should promptly update your personal information if it changes or becomes inaccurate.

You can request that we close your VC 500 account by e-mailing Customer Service at [help@VentureCapital500.com](mailto:help@VentureCapital500.com). After we close your account, we may retain some information to comply with law, prevent fraud, assist with investigations, resolve disputes, analyze or troubleshoot programs, enforce our User Agreement and take actions otherwise permitted by law. If your account or membership is terminated or suspended, we may retain some information to prevent re-registration.

## 6. Security

We view protection of your privacy as a very important principle. We store and process your information on computers located in the United States that are protected by physical as well as technological security devices. We have implemented physical, electronic and procedural safeguards that are designed to protect the security of your information in compliance with applicable U.S. federal and state regulations. These include advanced firewall and password protection for our databases, physical access controls to our buildings and files, and restricted access to your personal information to employees that need to know that information to operate, develop or improve our services.

We have invested in current security software, systems and procedures to offer you a safe and secure investing platform and protect your personal, financial and investment information. While no security system is absolutely impenetrable, we will continually monitor the effectiveness of our security system and refine and upgrade our security technology as new tools become available.

## 7. Links to Other Sites

The VC 500 site may contain links to other websites. We are not responsible for the privacy practices or the content of these sites. If you have concerns about how another website collects and uses information about you, make sure to read that site's own privacy policy.

## 8. General

We may change this policy from time to time, and we will post the amended terms on the VC 500 sites and notify you by email of major changes. Amended terms will take effect immediately for new users, and 30 days after they are posted for existing users. You should review this Privacy Policy periodically to remain informed of any changes. You agree to accept posting of a revised Privacy Policy electronically on this site as actual notice to you.

We are strongly committed to our relationship with you and want to be sure you understand the steps we have taken to protect your personal information.

## 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 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. *There is no fee paid by the Investor.*

#### 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

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.

VC 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 on Our Portal

### A. Common Shares:

*Common shares* are the units of ownership in a corporation. If there is only one class of shares issued, they may also be called *common stocks*, *common shares*, *capital shares*, *shares*, or *stocks*.

*There are two fundamental rights of holders of common shares:*

- 1) Holders of common shares are entitled to vote for the election of a Board of Directors and on other matters that may be presented to them; and
- 2) Holders of common shares are also entitled to the net assets of the corporation when distributions are made in the form of dividends or liquidating distributions.

**However, common shareholders are the last to be paid in the event of a liquidation of the company. There is no assurance that any assets will be available to pay common shareholders and in that event investors could lose all their investment.**

*There are also rights of holders of common shares in addition to the fundamental rights listed above, including:*

- 3) The right to inspect the books & records of the corporation.
- 4) The right to sue on behalf of the corporation to right a wrong committed against it.
- 5) The right of access to the financial information of the corporation.

### **B. Preferred Shares:**

Typically, *preferred shares* are classes of shares with some rights that are preferential to those assigned to common shares, but they may also be limited in some way. Usually, but not always, preferred shares are non-voting.

Holders of preferred shares are entitled to a “priority” in payment as against the holders of common stock including the following:

- 1) Priority payment of a specified distribution referred to as a dividend usually established as a specified dollar amount or as a percentage of the price of the preferred share.
- 2) Repayment of the price of the preferred shares and any unpaid dividend in the event of the sale or dissolution of the corporation.
- 3) Other priority rights that may be established in the Articles of Incorporation or By-Laws of the corporation.

**However, there is no assurance that the Issuer will have any assets to pay dividends, currently or accrued, to preferred shareholders. In the event of a liquidation, the preferred shareholders can lose their entire investment.**

### **C. Corporate Bond:**

A *corporate bond* is an interest-bearing debt instrument containing a corporation's promise to pay a fixed sum of money (yield) at some future time. Holders of corporate bonds generally have priority of payment over any other instrument of ownership or debt in the corporation.

**However, there is no assurance that the Issuer will have any assets to pay bond holders in the event of a liquidation and in that event, the bond holders can lose their entire investment.**

### **D. Corporate Debenture:**

A *corporate debenture* is very much the same as a corporate bond. Generally, a debenture is backed only by the general credit and financial reputation of the Issuer. The terms “bond” and “debenture” are often interchangeable but the difference between the two is that the bond holders have a priority of payment ahead holders of debentures.

**However, there is no assurance that the Issuer will have any assets to pay debenture holders in the event of a liquidation and in that event, the debenture holders can lose their entire investment.**

### 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). 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**

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. 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 our "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 Regulation Crowdfunding ("CF") 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:

### Example Calculations of Net Worth

	<u>Jane Doe</u>	<u>John Smith</u>	<u>James Lee</u>
<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. 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, above, 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. You must complete and electronically sign the Questionnaire and return it to us.

## **ISSUER DISCLOSURE REQUIREMENTS**

An Issuer offering or selling securities in reliance on Title III of the JOBS Act of 2012 must first open an account with us.

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

#### **a. Fees**

There is no fee to register and open an account on our Portal and its Platform if you agree to abide by our User Agreement and our corresponding Privacy Policy. Any company presenting an Offering must pay a listing fee of \$300 that may include additional third-party banking and transfer agent fees. In addition to the listing fee, there is a final performance fee if the Offering or Project is successful in reaching its funding goal. The performance fee is established by agreement between you and us. The agreed performance fee must be disclosed to Investors in the materials presented in your Offering. The performance fee is paid by you 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. There is no fee paid by the Investor.

#### **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 through our “Chat Room” with registered Investors. By creating this account, you represent that you are an individual authorized to make Offerings 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, Privacy Policy and these guidelines. Our Platform is not a solicitation 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 prohibited.

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. Limitation on Issuers**

The opportunity to make an offering is limited to Issuers that are not ineligible to use the Regulation Crowdfunding exemption because the Issuer:

- (1) Is not organized under, and subject to, the laws of a State or territory of the United States or the District of Columbia;
- (2) Is subject to the requirement to file reports pursuant to the Securities Exchange Act of 1934;
- (3) Is an investment company, as defined in the Investment Company Act of 1940.
- (4) Is not eligible to offer or sell securities because of a disqualification as specified in the Code of Federal Regulations, Title 17, Part 227.503(a);
- (5) Has sold securities in reliance on the Regulation Crowdfunding exemption and has not filed with the SEC and provided to investors, certain required reports during the immediately preceding two years; or
- (6) Has no specific business plan or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies.

## **2. Communications**

Under Securities and Exchange Commission (“SEC”) regulations, all communications between the Platforms 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. The Crowdfunding Portal must also provide on its platform, communication channels by which persons can communicate with one another and with representatives of the Issuer about Offerings made available on the platform. Our Crowdfunding Portal provides a communication channel (“Discussion Board”) on our platform for use subject to the following conditions:

- a) Our Portal does not participate in these communications other than to establish guidelines for communication and remove abusive or potentially fraudulent communications;
- b) Our Portal permits public access to view the comments made on the Discussion Board;
- c) Our Portal restricts posting of comments on the Discussion Board to those



persons who have opened an account with our Portal; and

d) Our Portal requires that any person posting a comment on the Discussion Board must clearly and prominently disclose with each posting whether he or she is a founder or an employee of an Issuer engaging in promotional activities on behalf of the Issuer, or is otherwise compensated, whether in the past or prospectively, to promote the Issuer's offering.

### **3. Initiating an Offering**

#### **a. Disclosure Requirements**

Once you decide to make an offering of securities on our portal, you must pay our listing fee and open an account file with the Securities and Exchange Commission (SEC). 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. 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.

Other than the cover page, Form C is not to be used as a blank form to be filled in, but only as a guide in the preparation of Form C. An Issuer may provide the required information in the optional Question and Answer ("Q&A") format in the Form C, including copies of screen shots of the relevant information as appropriate and necessary. Some information required in the Form C is mandatory, but the issuer may include other information in the Form C. The following list, from A to Z, represents the required disclosure items in Form C.

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.

### **b. Financial Statement Requirements**

The required financial information is set forth below for offerings that, together with all other amounts sold under Regulation Crowdfunding within the preceding 12-month period, have, in the aggregate, the following target offering amounts:

(1) For offerings of \$107,000 or less, you must disclose the amount of total income, taxable income and total tax, or the equivalent line items, as reported on the federal income tax returns filed by you for the most recently completed year (if any). The above federal income tax return items and financial statements shall be certified by the principal executive officer of the issuer to reflect accurately the information reported on the issuer's federal income tax returns, and financial statements of the issuer to be true and complete in all material respects. If financial statements of the issuer are available that have either been reviewed or audited by a public accountant that is independent of the issuer, the issuer must provide those financial statements instead and need not include the information reported on the federal income tax returns or the certifications of the principal executive officer;

(2) For offerings more than \$107,000, but not more than \$535,000 your financial statements must be reviewed by a public accountant that is independent of the issuer. If financial statements of the issuer are available that have been audited by a public accountant that is independent of the issuer, the issuer must provide those financial statements instead and need not include the reviewed financial statements; and

(3) More than \$535,000, financial statements of the issuer audited by a public accountant that is independent of the issuer; *provided, however*, that for issuers that have not previously sold securities in reliance on Regulation Crowdfunding, offerings that have a target offering amount of more than \$535,000, but not more than \$1,070,000, financial statements of the issuer reviewed by a public accountant that is independent of the issuer. If financial statements of the issuer are available that have been audited by a public accountant that is independent of the issuer, the issuer must provide those financial statements instead and need not include the reviewed financial statements.

### **c. Business Plan**

We also require that the Issuer provide a detailed business plan that includes, but is not limited to, the product or services to be sold; the target market for the products or services; the identity and short biography of the directors and officers of the Issuer; and an explanation of how the Issuer intends to use the funds raised.

#### **d. Limits on Advertising and Promoters**

An issuer may not advertise the terms of a Regulation Crowdfunding offering except in a notice that directs investors to the intermediary's platform and includes no more than the following information:

- (1) a statement that the issuer is conducting an offering pursuant to Regulation Crowdfunding ("CF") of the Securities Act, the name of the intermediary through which the offering is being conducted, and a link directing the potential investor to the intermediary's platform;
- (2) the terms of the offering, which means the amount of securities offered, the nature of the securities, the price of the securities, and the closing date of the offering period; and
- (3) factual information about the legal identity and business location of the issuer, limited to the name of the issuer of the security, the address, phone number, and website of the issuer, the e-mail address of a representative of the issuer, and a brief description of the business of the issuer.

Although advertising the terms of the offering from the intermediary's platform is limited to a brief notice, an issuer may communicate with investors and potential investors about the terms of the offering through communication channels provided on the intermediary's platform. An issuer must identify itself as the issuer and persons acting on behalf of the issuer must identify their affiliation with the issuer in all communications on the intermediary's platform.

An issuer may compensate others to promote its crowdfunding offerings through communication channels provided by an intermediary, but only if the issuer takes reasonable steps to ensure that the promoter clearly discloses the compensation with each communication.

## **4. Due Diligence**

Upon completing and filing the Form C information, we will conduct, at a minimum, a background and securities enforcement regulatory history check on each issuer whose securities are to be offered on our Portal and on each officer, director or beneficial owner of 20 percent or more of the issuer's outstanding voting equity securities, calculated based on voting power.

We will review the Form C information, the background and securities enforcement check, the business plan, and the financial information to determine the following:

- (1) Is there a reasonable basis for believing that the issuer or any of its officers, directors (or any person occupying a similar status or performing a similar function) or beneficial owners of 20 percent or more of the issuer's outstanding voting equity securities, calculated based on voting power, is subject to a disqualification under SEC

rules?

(2) Is there a reasonable basis for believing that the issuer has established means to keep accurate records of the holders of the securities it would offer and sell through our Portal? We may rely on your representations of recordkeeping, however, you will be deemed to have satisfied this requirement if you have engaged the services of a registered transfer agent.

(3) Is there a reasonable basis for believing that the issuer or the offering presents the potential for fraud or otherwise raises concerns about investor protection? In satisfying this requirement, we must deny access to our Portal if we reasonably believe that we are unable to adequately or effectively assess the risk of fraud of the issuer or its potential offering.

(4) In addition, if we become aware of information after we have granted access that causes us to reasonably believe that the issuer or the offering presents the potential for fraud or otherwise raises concerns about investor protection, we must promptly remove the offering from our platform, cancel the offering, and direct the return of any funds that have been committed by investors in the offering.

## 5. Posting an Offering

Once the Issuer is granted access and approval to make an Offering on our Portal, all information on the Form C, the business plan, the financial statements and other information:

- (1) Shall be made publicly available on our platform, in a manner that reasonably permits a person accessing the platform to save, download, or otherwise store the information;
- (2) Shall be made publicly available on our Portal for a minimum of 21 days before any securities are sold in the offering, and before we may accept investment commitments;
- (3) This and any additional information provided by the issuer, must remain publicly available on our Portal until the offer and sale of securities in reliance on section Regulation Crowdfunding is completed or cancelled.

***Our Portal does not offer investment or legal advice; nor make recommendations on Issuers or Offerings listed on our Portal. We may advise an Issuer about the structure or content of the Issuer's Offering, including assisting the Issuer in preparing the Offering documentation.***

## INVESTOR QUESTIONNAIRE

I, \_\_\_\_\_, the undersigned, understand that prior to any investment, the Venture Capital 500 (“VC 500”) portal is required to obtain from me, a potential investor, the following acknowledgements, representations, and understandings:

1. I acknowledge that I am over the age of 18 years and have the authority to make an investment on my own behalf or on behalf of a corporation or other entity.
2. I have all requisite authority to open an account and use the services contemplated by the VC 500 User Agreement and Privacy Policy.
3. I understand that under Securities and Exchange Commission (“SEC”) regulations, all communications between the VC 500 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. **I understand, acknowledge and expressly consent to the electronic communications requirement.**
4. I have reviewed the VC 500 educational materials, the User Agreement, Privacy Policy, and Investor Guidelines and understand that the entire amount of my investment may be lost; and I represent that I am in a financial condition to bear the loss of my entire investment.
5. I understand that there are inherent risks associated with investing in small businesses and private startups, including but not limited to the following:
  - A. With the sale of additional shares of common stock, existing shareholders may be subject to dilution of their ownership interest.
  - B. The securities sold under the Portal and platform are not publicly traded and are intended for investors who do not have a need for liquid investments.
  - C. There can be no assurance that the valuation of the securities is accurate or in agreement with market or industry valuations.
  - D. I may receive restricted stock that is subject to a holding period of one year. Even after the holding period there may be no active trading market available.
  - E. Small companies and private startups have not yet been tested in the public marketplace.
  - F. It may be difficult for me to resell securities acquired in reliance on the Title III exemption; and

G. Investing in the securities offered on a Title III platform requires high-risk tolerance, low liquidity concerns, and long term commitments. I am able to afford to lose my entire investment.

6. I acknowledge that there is a limitation on the amount I can invest in a continuous twelve-month period. The limitation is based on my annual income and net worth. I have read and understand the instructions, and examples for calculating the limitation. I am limited to investing the following amounts:

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

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

7. I acknowledge and understand that following completion of an offering conducted through the VC 500 portal, there may or may not be any ongoing relationship between the Issuer company and the Portal; and under certain circumstances the issuing company may cease to publish annual reports.

8. I acknowledge that I can, under certain circumstances, cancel my investment and get my money back up to 48 hours before the closing date of the offering. After the 48-hour deadline is reached, the sale of the securities will be completed. The issuing company will receive my money and I will receive the purchased securities.

9. I acknowledge that I must consider whether investing in a security offered and sold in reliance on the Title III exemption is appropriate for me.

10. The dispute resolution process of the Portal includes the following:

Any dispute, claim or controversy arising out of the use of the Portal between the Investor, Issuer, or Venture Capital 500, LLC, its members or affiliates (“the Dispute”), the parties agree to attempt in good faith to amicably resolve the Dispute at least thirty (30) days before instituting any legal proceeding. Each party agrees to submit any Dispute for resolution by final binding arbitration after serving written notice, which notice shall set forth in detail the controversy, question, claim or alleged breach along with the attempt to resolve such Dispute. Upon such notice and attempt to resolve, the party may then commence an arbitration proceeding pursuant to the rules of the American Arbitration Association (“AAA”) under its Commercial Arbitration Rules. Any such arbitration may only be commenced within one year after the party requesting arbitration obtains knowledge of the cause of action forming the basis of the controversy or claim accrued.



All disputes shall be governed by and construed in accordance with the laws of the State of Florida without giving effect to any principles of conflicts of law, and without application of any international conventions. All hearings and proceedings shall be conducted in Duval County, Jacksonville, Florida.

You may not transfer or assign any rights or obligations that you have under the User Agreement without VC 500's prior written consent. VC 500 reserves the right to transfer or assign this Agreement or any right or obligation under this Agreement at any time. You are responsible for all claims, fees, fines, penalties and other liability incurred by VC 500 or any third party caused by or arising out of your breach of the User Agreement or use of the Services. You agree to reimburse VC 500 or any third party for all such liabilities.

In any arbitration and subject to the ultimate discretion of the presiding arbitrator, each side will be limited to a maximum of one (1) day of argument (including rebuttal), and the parties agree in good faith to minimize discovery burdens (e.g. confine the scope to actual areas in dispute and limit the topics and number of pages on which information is requested to matters directly relevant).

The decision(s) of the arbitrator shall be final and binding and may not be appealed to any court of competent jurisdiction, or otherwise, except upon a claim of fraud or corruption as provided by law. However, the implementation of such decision(s), shall in no way be delayed or otherwise impaired pending the outcome of any such appeal. Judgment upon the award rendered in such arbitration may be entered by any court having jurisdiction.

You agree that all Disputes will be limited between you, individually, and Venture Capital 500, LLC. To the full extent allowable by law, you agree that no arbitration proceeding or other dispute resolution proceeding shall be joined with any other party or decided on a class-action basis.

**"This agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement the parties agree as follows:**

(A) All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.

(B) Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.

(C) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.

(D) The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.

(E) The panel of arbitrators may include a minority of arbitrators who were or are affiliated with the securities industry.

(F) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.”

11. I have read, understand, and agree to the terms of the following dispute resolution process. The dispute resolution process is part of the User Agreement and is also located on this Investor Questionnaire. Each time I elect to make an investment through the Portal I will be required to sign and re-submit the Investor Questionnaire electronically through the Portal.

12. I hereby represent that I have read and understand the representations, acknowledgments, conditions and consents explained above and included in the provided User Agreement, Privacy Policy, and Crowdfunding Investor Guidelines. I agree and acknowledge that I understand all the stated risks associated with investing in small businesses and private startups.

13. I hereby represent that my current income or net worth qualifies me to make investments under category A \_\_\_\_\_ or B \_\_\_\_\_ as set out in Item 6 above. **(Please indicate by marking an X on the appropriate line)**

14. I hereby represent that I have made a total of \$ \_\_\_\_\_ crowdfunding investments within the last 12 months. **(Please insert the total in the blank space above)**

**You may complete the Questionnaire on-line and electronically sign and return it to us.**

Date: \_\_\_\_\_ Signature \_\_\_\_\_

End