FUNDERS USA

CAPITAL TO GROW

INVESTOR EDUCATION

FUNDERS USA, INC

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1. Getting Started

Important Update to Investors: The SEC temporary COVID 19-Relief program for Crowdfunding is in effect, which provides an option for companies issuing securities access to funds sooner. As an investor, it is important to understand how the changes impact both the commitment and cancellation period for investments. While you can access the SEC's statement here, we have also provided clearly marked information below in relevant sections.

Not all companies raising capital take advantage of the Relief-program. A company raising under the temporary rules must disclose it on the SEC filing.

1.1 Opening an investor Account

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. When you open an account, you agree to abide by our User Agreement and corresponding Privacy Policy. FUNDERS USA, INC does not accept an investment in transactions involving the offer or sale of securities sold under Regulation Crowdfunding exemption until the Investor has opened an account with FUNDERS USA.

1.2 Investor Fees

Opening an investor account is free of charge. Investors are responsible for paying any bank, credit card or escrow transaction fees incurred during transfer of funds.

1.3 Determining how much you can invest

There is a limitation on the aggregate amount a natural person (as opposed to an institutional investor) can invest in any 12-month period based on the following:

- The greater of $2,200 or 5 percent of the greater of your annual income or net worth if either the annual income or net worth is less than $107,000; or
- Ten percent or the greater of your annual income or your net worth, not to exceed an investment amount of $107,000, if both:
  - Your annual income is equal to or more than $107,000.; AND
  - Your net worth is $107,000 to $1,000,000.
- There is no limitation on the aggregate amount you can invest in any 12-month period if:
  - Your net worth, or joint net worth with your spouse, exceeds $1,000,000; OR
  - In the two most recent years:
    - Your annual income exceeded $200,000 and you have a reasonable expectation of reaching the same income level in the current year; OR

            - Your joint income with your spouse exceeded $300,000 and you have a reasonable expectation of reaching the same income level in the current year; OR
        - You hold a professional certification or designation or credential from an accredited educational institution the SEC has designated as qualifying an individual for accredited investor status.
- 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:
    - 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;
    - 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
    - An issuer shall not conduct an offering or concurrent offering using more than one intermediary.

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.

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

Before you can commit an investment, you must complete a set of questions "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 electronically 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.

Once you have completed the 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:

• The dollar amount of the investment commitment or payment;
• The price of the securities;
• The name of the Issuer; and
• The date and time by which you may cancel the investment commitment or payment of funds.

2. Securities offered on Funders USA

2.1 Common Shares

Common shares are the units of ownership in a corporation. Common stock represents shares of ownership in a corporation and the type of stock in which most people invest. When people talk about stocks, they are usually referring to common stock. In fact, the great majority of stock is issued is in this form. Common shares represent a claim on profits (dividends) and confer voting rights. Investors most often get one vote per share-owned to elect board members who oversee the major decisions made by management. Stockholders thus can exercise control over corporate policy and management issues compared to preferred shareholders. 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:

- 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
- 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.

Shareholders are subject to share price fluctuations and declines.

- Common stock tends to outperform bonds and preferred shares. It is also the type of stock that provides the biggest potential for long-term gains. If a company does well, the value of a common stock can go up. But keep in mind, if the company does poorly, the stock's value will also go down.
- Preferred shares can be converted to a fixed number of common shares, but common shares don't have this benefit.
- When it comes to a company's dividends, the company's board of directors will decide whether to pay out a dividend to common stockholders. If a company misses a dividend, the common stockholder gets bumped back for a preferred stockholder, meaning paying the latter is a higher priority for the company. The claim over a company's income and earnings is most important during times of insolvency. Common stockholders are last in line for the company's assets. This means that when the company must liquidate and pay all creditors and bondholders, common stockholders will not receive any money until after the preferred shareholders are paid out.

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

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

2.2 Preferred Shares

In general, 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:

- 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.
- Repayment of the price of the preferred shares and any unpaid dividend in the event of the sale or dissolution of the corporation.
- Other priority rights that may be established in the Articles of Incorporation or By-Laws of the corporation.

KEY TAKEAWAYS

- The main difference between preferred and common stock is that preferred stock gives no voting rights to shareholders while common stock does.
- Preferred shareholders have priority over a company's income, meaning they are paid dividends before common shareholders.
- Common stockholders are last in line when it comes to company assets, which means they will be paid out after creditors, bondholders, and preferred shareholders.
- 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.
- Shareholders are subject to share price fluctuations and declines.

2.3 Debt and Bonds

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.

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.
Interest payments are not guaranteed.

2.4 Revenue Shares

In a Revenue Sharing model, a business offers the investors a percentage of the business’s future gross revenues in exchange for a capital investment. In its simplest form, the business offers to give the investors y% of future gross revenues until such time as Investor has been paid “x” times the amount of capital invested.

So, for example, in exchange for $100,000 of capital, the business could agree to pay the investors 20% of future gross revenues until the business has paid the investors 3X the $100,000 capital investment, or $300,000.

However, there is no assurance that the Issuer will have any revenue to pay the revenue participation rights holders. Also, in the event of a liquidation the revenue participation rights holders can lose their entire investment.

2.5 SAFE

- A SAFE is an agreement between you, the investor, and the company in which the company generally promises to give you a future equity stake in the company if certain trigger events occur. Not all SAFEs are the same and the terms governing when you may get the future equity may vary across the SAFEs being offered in different crowdfunding offerings. The most important thing to realize about SAFEs is that you are not getting an equity stake in return. SAFEs are not common stock.
- SAFEs may only convert to equity if certain triggering events occur.
- Depending on its terms, a SAFE may not be triggered.
- Keep in mind other possible provisions of the SAFE.
- Conversion terms.
- Repurchase rights.
- Dissolution rights

- Voting rights.
- SAFEs were designed for a specific type of startup.
- There is nothing standard or simple about a SAFE. Various terms from the triggering events to the conversion price are subject to different treatment by different companies offering SAFEs.
- Despite its name, a SAFE may not be “simple” or

“safe.” SAFE holders may lose their entire investment.

Please click here **to read the SEC’s “****Investor Bulletin****: Be Cautious of SAFEs in Crowdfunding”**

3. Communications between Investors and Issuers

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.

FUNDERS USA 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.

4. Risks

You should consider the following list of potential risks, before making a crowdfunding investment:

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.*

4.1 Risks associated with small business

Competition – A small business is likely to be very vulnerable both larger companies as well as established local business

Limited product and services - Most small businesses only generate revenue from one or two products or services, making them susceptible to changes in market demand, such as technology changes or customer preferences

Lack of technology - Small business may not have access to or afford technology that a larger business would use to create economies of scale.

Cash flow shortfalls - Seasonality in revenue for small companies may pose issues in paying salaries to employees and may impact the company's ability to pay investors.

Lack of capital - Small companies may lack access to funds, or have been limited to the funds of the owner

Lack of accounting controls - Smaller companies may not have the accounting controls in place that prevent theft, omissions or embezzlement.

Lack of professional management - Small local companies are managed by their founders. Often the founder of the company is very strong in one area but lacks experience or skills in other areas.

4.2 Risks with companies raising capital

Issuer might need more capital

An issuer might need to raise more capital in the future to fund new product development, expand its operations, hire new team members pay overhead and general expenses.

Lack of Guaranty

The owners of the company may or may not offer a personal guaranty for the investment.

Interest rate might not adequately compensate you for risk. - Theoretically, the interest rate paid by a company should compensate the creditor for the level of risk the creditor is assuming. However, the chances are very high that when you lend money to a company on the Platform the interest rate might not compensate your adequately or the level of risk.

You may never receive dividends
The issuer may not plan to pay dividends to its shareholders in the future.

You should expect to hold the securities in perpetuity
The company may never be able to future equity financing or, if applicable, elect to convert the securities upon such future financing.

The company may not use the funds effectively
Management has broad discretion on the use of the funds from the offering. The company could spend the proceeds in ways that do not necessarily improve the results of its operations or enhance the value of your investment.

S**ubordination to Right of other lenders**
Typically, when you buy an equity security or a promissory note on our Platform, you may have a lower priority than certain third parties, like banks or leasing companies. In the event of bankruptcy, they would have the right to be paid first, while you would only be paid from excess.

Issuers typically will not have third party credit ratings
Credit rating agencies, notably Moody's and Standard &Poor's, assign credit ratings to debt issuers. These ratings are intended to help investors gauge the ability of the ability of the issuer to repay the loan. Companies on our platform will not be rated by either, leaving investors with no objective measure by which to judge the company's creditworthiness.

Payments and return are unpredictable
Because your payments are based on the revenue of the Issuer, and the revenue of the issuer can go up or down (or disappear altogether) unpredictably, it is impossible to predict how much you will receive and when. The payments are unpredictable, so is your ultimate return.

Subordination to rights of creditors
Typically, when you buy an equity security in a company, you will have a lower priority than certain third parties, like banks or leasing companies. In the event of bankruptcy, they would have the right to be paid first, while you would only be paid from excess.

The Securities may have special restrictions
The securities may modify or omit the rights that a share of common stock in a publicly traded company might contain.

The securities are subject to other agreements.
The securities may be subject to the terms of other agreements, such as the company's certificate of organization, shareholder agreement, or bylaws. These contain provisions that are detrimental to you and beneficial to others, and it may be possible to amend them without your consent.

Limited Disclosure of information

The Issuer must disclose information about the company, its business plan, the offering, and its anticipated se 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. The Issuer's obligations may terminate in the future, and you may not receive more information.

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.

Lack of ongoing information

Companies that issue securities using Title III are required to provide some information to investors for at least 12 months following. The company may fail to provide timely information, resulting in lack of transparency of company performance as well as legal issues. Under certain circumstances an issuer may cease to publish annual reports and, therefore, an investor may not continually have current financial information about the issuer.

5. During Investing

5.1 Early Close of Offering

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:

- The new, anticipated deadline of the offering;
- The right of investors to cancel investment commitments for any reason until 48 hours prior to the new offering deadline;

  and

- Whether the issuer will continue to accept 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.

For Issuers relying on the SEC COVID 19 Relief Program the following rule instead applies: the Issuer may close the offering on a date earlier than the deadline identified in its offering materials as soon as binding commitments are received reaching target amount if:

1) The issuer has complied with the disclosure requirements in temporary Rule 201(z);
2) The intermediary provides notice that the target offering amount has been met; and
   For any reason for 48 hours from the time of the investor's investment commitment (or such later period as the issuer may designate). After such 48-hour period, an investment commitment may not be cancelled unless there is a material change to the offering.

and

3) At the time of the closing of the offering, the issuer continues to meet or exceed the target offering amount.

5.2 Material changes to the term of an offering

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:

- 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. If the investor fails to reconfirm his or her investment within those five business days, within five business days thereafter we must:
- 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
- Direct the refund of investor funds.

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:

- 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;
- Direct the refund of investor funds; and
- Prevent investors from making investment commitments with respect to that offering on its platform.

5.2.1 Cancelling your investment

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.

For Issuers relying on the SEC COVID 19 Relief Program the following rule applies:

For any reason for 48 hours from the time of the investor's investment commitment (or such later period as the issuer may designate). After such 48-hour period, an investment commitment may not be cancelled unless there is a material change to the offering.

5.2.2 Inability to sell your investment

The law prohibits you from selling your securities for 12 months after you acquire them, (except in certain very limited circumstances). Securities purchased under Title III may not be transferred or sold during the first year of ownership unless they are transferred or sold:

- Back to the issuing company
- To an accredited investor, as defined by the SEC
- As part of an offering registered by the SEC
- To a member of your family, as defined by the SEC
- To a trust you control or to a trust created for the benefit of a member of your family
- As a result of your death or divorce
- For the purposes of Title III, the SEC defines a "family member" as a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother- in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships.

- Further, beyond the initial 12-month period of restriction, there may be no market for the securities.

5.2.3 Relationship between Issuer and Intermediary

Following completion of an offering conducted through the intermediary, there may or may not be any ongoing relationship between the issuer and intermediary.