

Investor Education Guide - Regulation Crowdfunding

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Pursuant to Rule 302(b) of Securities and Exchange Commission (“SEC”) Regulation Crowdfunding under the Securities Act of 1933 (Title III of the JOBS Act), as amended (the “Securities Act”), all potential investors who open an account on [KoreCapital DEMO LLC Capital.com](#) and/or commit to purchasing securities are required to receive and acknowledge certain educational information from [KoreCapital DEMO LLC Capital](#) related to the posting of securities offerings on [KoreCapital DEMO LLC Capital](#), including: (i) how securities on [KoreCapital DEMO LLC Capital](#) are offered and purchased; (ii) the types of securities offered and any resale restrictions on such securities; (iii) the risks of investing in such securities; (iv) investment limits for certain investors; (v) the disclosure generally required to be made available by issuers offering securities on [KoreCapital DEMO LLC Capital](#) (“Issuers”); and (vi) the relationship between [KoreCapital DEMO LLC Capital](#), posted Issuers and investors. Please review the important information below before you begin to register on [KoreCapital DEMO LLC Capital](#) and before you make any investment commitment.

Under recently adopted rules, companies can use crowdfunding to offer and sell securities to the investing public, and anyone can invest in a crowdfunding securities offering. Since May 16th, 2016, the general public has had the opportunity to participate in the early capital-raising activities of start-up and early-stage companies and businesses.

About [KoreCapital DEMO LLC Capital](#)

[KoreCapital DEMO LLC Capital](#) is a registered and a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”).

Please note - following the completion of an offering conducted through the intermediary, there may or may not be an ongoing relationship between the issuer and intermediary.

Investment Considerations and Risks

Prior to registering on [KoreCapital DEMO LLC Capital](#) and before making an investment commitment, you must consider the risks of investing in crowd-funded securities offerings and determine whether such an investment is appropriate for you. [KoreCapital DEMO LLC Capital](#) and its employees are prohibited from offering advice about any offering posted on [KoreCapital](#)

[DEMO LLC Capital](#) and from recommending any investment. **No SEC review is involved in Regulation Crowdfunding offerings.**

This means the decision to invest must be based solely on your own individualized consideration and analysis of the risks involved in a particular investment opportunity posted on the [KoreCapital DEMO LLC Capital](#).

Potential investors acknowledge and agree that they are solely responsible for determining their own suitability for an investment or strategy on [KoreCapital DEMO LLC Capital](#) and must accept the risks associated with such decisions, which include the risk of losing the entire amount of their principal. **Investors must be able to afford to lose their entire investment.**

[KoreCapital DEMO LLC Capital](#) has no special relationship with, or fiduciary duty to potential investors, and investors' use of the funding portal does not create such a relationship. Potential investors agree and acknowledge that they are responsible for conducting their own legal, accounting, and other due diligence reviews of the investment opportunities posted on [KoreCapital DEMO LLC Capital](#).

EACH INVESTOR IS STRONGLY ADVISED TO CONSULT LEGAL, TAX, INVESTMENT, ACCOUNTING AND/OR OTHER PROFESSIONALS BEFORE INVESTING, AND TO CAREFULLY REVIEW ALL THE SPECIFIC RISK DISCLOSURES PROVIDED AS PART OF ANY OFFERING MATERIALS, AND TO POST ANY QUESTIONS IN THE ISSUER'S COMMENT SECTION OF THEIR CAMPAIGN PAGE PRIOR TO MAKING AN INVESTMENT.

- **Investment in small, especially start-up and early stage, companies is speculative and involves a high degree of risk.** While targeted returns on the amount invested should reflect the perceived level of risk in the investment, such returns may never be realized and/or may not be adequate to compensate an Investor for risks taken. **Loss of an Investor's entire investment is very possible and can easily occur.** Even the timing of any payment of a return on an investment is highly speculative.
- Unlike listed companies that are valued publicly through market-driven stock prices, the [valuation](#) of startups can be difficult to determine and is often subjective. You may risk overpaying for the equity stake you receive.
- There may be additional classes of equity or derivatives with rights that are superior to the class of equity being sold through crowdfunding. Additionally, investments are **subject to dilution**, which is when early investors see a reduction in ownership percentage as new stock is issued.

- **A regulation crowdfunding investment may actually need to be held for an indefinite period of time.** Unlike investing in companies listed on a stock exchange where you can quickly and easily trade securities on a market, you may have to locate an interested buyer privately when you seek to resell your crowdfunded investment even after the one-year restriction expires as there is not an established market for these shares. There is no assurance these securities will ever be publicly tradable.
- An early-stage company **may be able to provide only limited information** about their business plan and operations because they do not have fully developed operations or a long history to provide more disclosure.
- Publicly listed companies generally are required to disclose information about their performance at least on a quarterly and annual basis and on a more frequent basis about material events that affect the issuer. In contrast, crowdfunding companies are only required to disclose their results of operations and financial statements annually. Therefore **you may have only limited continuing disclosure** about your crowdfunding investment.
- Investment opportunities posted on [KoreCapital DEMO LLC Capital](#), the adequacy of the disclosures, or the Fairness of the terms of any such investment opportunity have not been reviewed or approved by a state or federal agency.
- The Issuer in all likelihood will not have an internal control infrastructure and there **cannot be any assurance of no significant deficiencies or material weaknesses in the quality of the Issuer's financial and disclosure controls and procedures.** Indeed, if it were necessary to implement such financial and disclosure controls and procedures, the cost to the Issuer might even have a material adverse effect on the Issuer's operations.
- A portion of your investment may fund the compensation of the issuer's employees, including its founders and management. Due to inexperience, management may not be able to execute on its business plan. Additionally, unless the issuer has agreed to a specific use of the proceeds from the offering, the Issuer's management will usually have considerable discretion over how to use the capital raised. **You may not have any assurance the Issuer will use the proceeds appropriately.** You should pay close attention to what the issuer says about how offering proceeds are to be used.
- Because the Issuer's founders, directors and executive officers may be among its largest stockholders, they may be able to exert significant control or influence over the Issuer's business and affairs and **may even have actual or potential interests that diverge from those of other Investors.** This may worsen as time goes on if the holdings of the issuer's directors and executive officers increase upon vesting or other maturation of exercise rights under options or warrants they may hold, or in the future be granted. In addition to holding or controlling board seats and offices, these persons may well have

significant influence over and control of corporate actions requiring shareholder approval, separate from how the Issuer's other stockholders, including Investors, may vote in a given offering.

- **The issuing company may have serious risks specific to its industry or its business model.** Demand for a product or service may be seasonal or be impacted by the overall economy. Small businesses, in particular, often depend heavily upon a single customer, supplier, or upon one or a small number of employee(s). It may have difficulty competing against larger companies who can negotiate for better prices from suppliers, produce goods and services on a large scale more economically, or take advantage of bigger marketing budgets.
- 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.** Even with the SEC's thorough investigation of companies and their executive teams, there is a risk of fraudulent activity.
- 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 issuer'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.**
- Audited financial statements are not required for regulation crowdfunding offerings under \$618,000.00. The issuer is not required to provide you with annual audited financial statements or quarterly unaudited financial statements, except as explained above. **The Issuer may not even have its financial statements audited, or even reviewed by outside auditors.** Your decision to make an investment in the Issuer will be based upon the information the Issuer provides in its offering materials, which may not completely or even accurately represent the financial condition of the issuer.
- As explained above, **an Investor may not be able to obtain the information it wants regarding a particular Issuer on a timely basis, or at all.** It is possible that the investor may not be aware of material adverse changes that have occurred to the Issuer. An Investor may not be able to get accurate information about an Issuer's current value at any given time.
- Federal securities law requires securities sold in the United States to be registered with the U.S. Securities and Exchange Commission ("SEC"), unless the sale qualifies for an exemption. The securities offered on [KoreCapital DEMO LLC Capital](#) have not been

registered under the Securities Act, and are offered in reliance on the crowdfunding exemptive provisions of Section 4(a) (6) of the Securities Act [and/or Regulation S promulgated thereunder]. Securities sold on [KoreCapital DEMO LLC Capital](#) are restricted and not publicly traded, and are therefore illiquid. No assurance can be given that any investment opportunity will continue to qualify under one or more of such exemptive provisions of the Securities Act due to, among other things, the adequacy of disclosure and the manner of distribution, the existence of similar offerings in the past or in the future, or a change of any securities law or regulation that has retroactive effect.

The risks highlighted above are non-exhaustive. Investors must carefully review each issuer's offering materials for a more complete set of risk factors specific to the investment. You should only invest an amount of money you can afford to lose without impacting your lifestyle

Types of Securities Offered

The most common forms of securities an issuer can offer are equity or debt. The securities we offer include the following:

Common Stock: Conveys a portion of the ownership interest in the company to the holder of the security. Stockholders are usually entitled to receive dividends when and if declared, vote on corporate matters, and receive information about the company, including financial statements. This is the riskiest type of equity security since common stock is last in line to be paid if a company fails. You should read our discussion of the risks of early-stage investing [here](#), and pay special attention to the fact that your investment will only make money if the company's business succeeds. Common Stock is a long-term investment.

Preferred Stock: Stock that has priority over common stock as to dividend payments and/or the distribution of the assets of the company. Preferred stock can have the characteristics of either common stock or debt securities. While preferred stock gets paid ahead of common stock, it will still only be repaid on liquidation if there is money left over after the company's debts are paid. In certain circumstances (such as an initial public offering or a corporate takeover) the preferred stock might be convertible into common stock (the riskiest class of equity). You should review the terms of the preferred stock to know when that might happen.

Debt / Revenue Share: Securities in which the seller must repay the investor's original investment amount at maturity plus interest. Debt securities are essentially loans to the company and the major risk they bear is that the company does not repay them, in which case they are likely to become worthless.

Convertible Note: This form of investment is popular with technology startups because it allows investors to initially lend money to the company and later receive shares if new professional investors decide to invest. The sort of convertible note that is most often offered on KoreCapital DEMO LLC may limit the circumstances in which any part of the loan is repaid, and the note may only convert when specified events (such as a preferred stock offering of a specific amount) happens in the future. You will not know how much your investment is "worth" until that

time, which may never happen. You should treat this sort of convertible note as having the same risks as common stock.

Submission and Posting of Form C

Prior to launching a Title III equity crowdfunding campaign, the issuer is required to complete and submit a Form C to the SEC together with the required attachments. Companies that file a Form C are required to disclose certain information to the public which can be used to understand an investment and helps determine whether a particular investment is appropriate for a specific person.

This includes general information about the issuer, its officers and directors, a description of the business, the planned use for the money raised from the offering, often called the use of proceeds, the target offering amount, the deadline for the offering, related-party transactions, risks specific to the issuer or its business, and financial information about the issuer.

Annual Filing Obligation of Issuers

Each Issuer that successfully completes a Title III Regulation Crowdfunding securities offering is required to annually file with the SEC a Form C-AR and financial statements. This must be done no later than 120 days after the end of the Issuer's fiscal year covered by such filing. Each Issuer must also post its Form C-AR and financial statements to its own website, and that link must be provided along with the date by which such report will be available on the issuer's website.

The Form C-AR contains updated disclosure substantially similar to that provided in the Issuer's initial Form C, including information on the Issuer's size, location, principals and employees, business, plan of operations and the risks of investment in the Issuer's securities; however, offering-specific disclosure is not required to be disclosed in the Form C-AR.

Investors should be aware that an Issuer may no longer be required to continue its annual reporting obligations under any of the following circumstances:

- The issuer is required to file reports under Section 13(a) or Section 15(d) of the Exchange Act;
- The issuer has filed at least one annual report pursuant to Regulation Crowdfunding and has fewer than 300 holders of record and has total assets that do not exceed \$10,000,000;
- The issuer has filed at least three annual reports pursuant to Regulation Crowdfunding;
- The issuer or another party repurchases all of the securities issued in reliance on Section 4(a) (6) of the Securities Act, including any payment in full of debt securities or any complete redemption of redeemable securities; or The issuer liquidates or dissolves its business in accordance with state law.

In the event that an Issuer ceases to make annual filings, investors may no longer have current financial information about the Issuer available to them

Investment Limitations

Because of the risks involved with this type of investing, you are limited in how much you can invest during any 12-month period in these transactions. The limitation on how much you can invest depends on your net worth and annual income. If either your annual income or your net worth is less than \$124,000, then during any 12-month period, you can invest up to the greater of either \$2,500 or 5% of the lesser of your annual income or net worth.

If both your annual income and your net worth are equal to or more than \$124,000, then during any 12-month period, you can invest up to 10% of annual income or net worth, whichever is less, but not to exceed \$124,000 or all crowdfunding offerings in any 12 month period. The following table is an example provided in an [SEC Bulletin about Regulation Crowdfunding](#).

Annual Income	Net Worth	Calculation	12-month Limit
\$30,000	\$105,000	greater of \$2,200 or 5% of \$30,000 (\$1,500)	\$2,200
\$150,000	\$80,000	greater of \$2,200 or 5% of \$80,000 (\$4,000)	\$4,000
\$150,000	\$107,000	10% of \$107,000 (\$10,000)	\$10,700
\$200,000	\$900,000	10% of \$200,000 (\$20,000)	\$20,000

\$1.2 million	\$2 million	10% of \$1.2 million (\$120,000), subject to cap	\$107,000
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Required Disclosures

The required type of financial disclosure depends on how much an issuer has already raised, and how much they intend to raise next.

\$124,000 or less: If current offer plus previous raises amounts to \$124,000 or less, the issuer provides information from the its tax returns (but not the tax returns themselves) certified by the principal executive officer. If financial statements are available they must be provided, too, and again certified by the principal executive officer.

\$124,000.01 to \$618,000: If the current offering plus previous raises is between \$100,000 and \$618,000, financial statements are required and must be reviewed by a CPA. If audited financial statements are available, they must be provided.

\$618,000.01 to \$1.235 million: If current offer plus previous raises amounts to \$618,000.01 or more, the required financial statements must be audited by a CPA. However, if the issuer has not previously sold securities under Regulation Crowdfunding, the financial statements will only be required to be reviewed by a CPA.

Note: An audit provides a level of scrutiny by the accountant that is higher than a review.

The required information is filed with the SEC and posted at the start of the offering on [KoreCapital DEMO LLC Capital](#) and available to the public throughout the offering on the [KoreCapital DEMO LLC Capital](#) and SEC sites. It is available to the general public on both websites throughout the offering period – which must be a minimum of 21 days.

Calculating 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.

The SEC's Investor Bulletin Crowdfunding for Investors contains detailed and useful information about how to perform these calculations and examples [here](#).

Cancellations

As an investor, you will have up to 48 hours prior to a rolling close, or 48 hours prior to the offering deadline to change your mind and cancel your investment commitment for any reason.

Changing Your Mind

If you do not cancel an investment commitment 48 hours prior to the offering deadline or a rolling close, the funds will be released to the Issuer by the escrow agent. Following the close on funds, you will then receive securities in exchange for your investment.

If you do cancel an investment commitment before the 48 hour deadline, [KoreCapital DEMO LLC Capital](#) will direct the return of any funds that have been committed by you in the offering.

However, once the offering period is within 48 hours of ending, you will not be able to cancel for any reason, even if you make your commitment during this period.

Restrictions on Resale

The securities offered on [KoreCapital DEMO LLC Capital](#) are only suitable for potential investors

who are familiar with and willing to accept the high risks associated with high-risk and illiquid private investments. Securities sold through [KoreCapital DEMO LLC Capital](#) are restricted and not publicly traded and, therefore, cannot be sold unless registered with the SEC or an exemption from registration is available.

You are generally restricted from reselling your shares for a one year period after they were issued, unless the shares are transferred:

- to the company that issued the securities;
- to an accredited investor;
- to a family member (defined 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.);
- in connection with your death or divorce or similar circumstance;
- to a trust controlled by you or a trust created for the benefit of a family member;
- as part of an offering registered with SEC

Material Changes

If the issuer makes a material change to the offering terms or other information disclosed to you, including a change to the offering deadline, you will be given five business days to reconfirm your investment commitment. If you don't reconfirm, your investment will be canceled and the funds will be returned to you.

Frequently Asked Questions

Can I Buy A Title III Regulation Crowdfunding Securities Directly From A Company?

No. Companies may not offer crowdfunding investments to you directly. They must use a crowdfunding intermediary, such as a FINRA Broker-Dealer like [KoreCapital DEMO LLC Capital](#) or a funding portal. Each must be registered with the Securities Exchange Commission and a member of the Financial Industry Regulatory Authority (FINRA).

Do investors pay any fees?

Depending on the offering, an investor might pay a [2.5% fee to KoreCapital DEMO LLC Capital](#) for any investment they make on the platform. This is subject to change at any time and is disclosed in the offering document of the company.

How Does [KoreCapital DEMO LLC Capital](#) Make Money?

[KoreCapital DEMO LLC Capital](#) makes money by charging a commission on the amount of investments raised by the issuer. The [commission is 3%](#) of the capital raised, with equity. This is subject to change at any time and is disclosed in the offering document of the company.

What Ways Can I Invest?

On [KoreCapital DEMO LLC Capital](#) you can invest in four ways: Individually; as a self-directed IRA; as a Trust, or as an entity like a corporation or Limited Liability Company.

What Is My Proof of Ownership?

Electronic records will be held with the issuing company's transfer agent or cap table management service. Once your purchase of stock is complete, you will receive a confirmation email with details of your investment which will include a Countersigned Subscription Agreement. As the offering is "Book Entry" this will operate as your proof of purchase.

What If The Issuing Company Reaches Its Target Investment Goal Early?

[KoreCapital DEMO LLC Capital](#) will notify investors by email when the target offering amount has been met. If the issuing company hits its goal early, it can create a new target deadline at least 5 business days out. Investors will be notified of the new target deadline via email and will then have the opportunity to cancel up to 48 hours before the new deadline. Campaigns must be live for a minimum of 21 days regardless of their progress in meeting their funding target.

The Investment Process on [KoreCapital DEMO LLC Capital](#)

In order to invest, to commit to an investment or to communicate on our platform, you must open an account which entails providing certain personal and non-personal information to [KoreCapital DEMO LLC Capital](#) and its affiliates and/or service providers, including information related to your income and net worth, and other investments. This information is used to verify you as a potential investor who is qualified to invest in investment opportunities posted on [KoreCapital DEMO LLC Capital](#). For further information on investment limitations, please see “Investment Limitations” above and for information on handling your personal information, please see our [Privacy Policy](#).

To view the full [KoreCapital DEMO LLC Investing Process Document](#), [click here](#).

Additional Resources

[KoreCapital DEMO LLC](#) is required by the SEC to post educational materials on our site. While those educational materials are a great start to educating yourself and understanding the risks of making crowdfunding investments, it is really only the beginning of your journey. Be sure to investigate the issuing company and to participate in our online forum where you can interact with other investors, weigh in on the pros and cons of an opportunity, and ask the issuing company questions.

If you or someone you know wants information about raising capital for a company, feel free to continue exploring our [help section](#) or reach out to a [KoreCapital DEMO LLC](#) team member at contact@KoreCapital DEMO LLC.com.

To learn more about crowdfunding, see the adopting release and [complete text of Regulation Crowdfunding](#).

To read the May 10, 2017 SEC Investor Bulletin Crowdfunding for Investors, [Click Here](#).

For additional investor educational information, see the SEC’s website for individual investors by [clicking here](#).

To learn more about what happened during the first year of Regulation Crowdfunding, [Click Here](#).
