



## **Colorado's Small Crowdfunding Offering Exemption – Perhaps Now It Will Be The Game-Changer We Hoped<sup>1</sup>**

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Previous Colorado Bar Association, Business Law Section newsletter articles have discussed equity crowdfunding in Colorado and SEC Regulation C-F.<sup>2</sup> The Colorado Lawyer has included an article, “*Crowdfunding In Colorado Is Now Available*,”<sup>3</sup> and an article entitled “*Crowdfunding in Colorado – State Rules versus the Federal Rules*” is available online.<sup>4</sup> Other

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<sup>1</sup> Originally published in the Colorado Bar Association Business Law Section newsletter (November 2019). An updated version is available at Lidstone, Herrick K. and Welter, Andrea, at <https://ssrn.com/abstract=3479184>.

<sup>2</sup> These are available at [www.cobar.org](http://www.cobar.org), and include the following newsletter articles by Herrick Lidstone:

- “*Is Crowdfunding in Colorado Effective Yet? Maybe*” (August 2014),
- “*Crowdfunding In Colorado Is About To Be Legal*” (April 2015),
- “*Crowdfunding In Colorado Is Now Available: Let the Offerings Roll!*” (August 2015),
- “*Securities Exemptions – Amended and Reinterpreted Amendments to Rule 504 and Intrastate Offerings*” (November 2016),
- *Crowdfunding in Colorado Is Not Working A Solution Proposed* (March 2017).
- “*The Colorado Division of Securities Issues New Rules – Effective July 31, 2018; The Crowdfunding Small Offering Exemption and Other Changes*” (September 2018)

<sup>3</sup> Lidstone, *Crowdfunding In Colorado Is Now Available*, 44 The Colo. L. (CBA) No. 11 at 49 (Nov. 2015).

<sup>4</sup> At <https://ssrn.com/abstract=2689415>.

authors have suggested that “*Equity crowdfunding is dead*,”<sup>5</sup> and “*Crowdfunding, Help Wanted*.”<sup>6</sup> At least one has asked, “*What’s Wrong With Crowdfunding?*”<sup>7</sup>

The General Assembly adopted the Colorado Crowdfunding Act (the “CCFA”) in 2015 stating in its legislative declaration (C.R.S. § 11-51-308.5(2)(a)) that “Start-up companies play a critical role in creating new jobs and revenues; and [l]ack of access to capital is an obstacle to starting and expanding small business, inhibits job growth, and has negatively affected the state’s economy.”<sup>8</sup>

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<sup>5</sup> Caldbeck, Ryan, *Equity crowdfunding is dead*, TechCrunch.com (May 16, 2016), avail. at <https://techcrunch.com/2016/05/16/equity-crowdfunding-is-dead/> (last reviewed March 15, 2016).

<sup>6</sup> Ryan, Vincent, from the Editor, CFO Magazine ([www.cfo.com](http://www.cfo.com)) January-February 2017 at p. 6.

<sup>7</sup> Ryan, Vincent, from the Editor, CFO Magazine ([www.cfo.com](http://www.cfo.com)) January-February 2017 at p. 38, avail. at <http://www2.cfo.com/capital-markets/2017/02/whats-wrong-crowdfunding/> (last reviewed March 15, 2017).

<sup>8</sup> The entire legislative declaration found at C.R.S. § 11-51-308.5(2) is as follows:

(2) *Legislative Declaration.* The general assembly hereby:

(a) Finds that:

(I) Start-up companies play a critical role in creating new jobs and revenues; and

(II) Lack of access to capital is an obstacle to starting and expanding small business, inhibits job growth, and has negatively affected the state’s economy;

(b) Determines that:

(I) The costs and complexities of state securities registration can outweigh the benefits to Colorado businesses seeking to raise capital by small securities offerings;

(II) The use of crowdfunding, or raising money on-line through small contributions from a large number of investors, is presently restricted by our state securities laws; and

(III) Crowdfunding allows small companies to access the capital they need to start or expand businesses; and

(c) Declares that:

(I) In compliance with exemptions from federal law, the exemption provided by this section applies only if:

(A) The investor is a Colorado resident or is an entity formed pursuant to Colorado laws;

(B) The issuer of the securities is an entity formed pursuant to Colorado laws and doing business in Colorado; and

(C) The issuer intends to use and uses at least eighty percent of the proceeds of the sale of securities in Colorado; and

(II) Creating a Colorado crowdfunding option, with limitations to protect investors, will enable Colorado businesses to obtain capital, democratize venture capital formation, and facilitate

In the September 2018 Business Law Newsletter,<sup>9</sup> Herrick Lidstone discussed the new rules that the Securities Commissioner adopted in an effort to fulfill the legislative purpose for the CCFA – to make capital raising simpler for small companies. That article described what was then new Rule 51-3.27, entitled *Crowdfunding – Small Offering Exemption*, which contemplated crowdfunding offerings up to \$500,000 and no minimum offering requirement with a minimum amount of regulatory scrutiny. The rule specifically provided for an offering without an online intermediary (otherwise required under the CCFA), but failed expressly to negate the escrow requirement.

### *Why Should There Be An Escrow Requirement?*

As Herrick Lidstone stated in the September 2018 Business Law Section newsletter, the Small Offering Exemption rule as adopted raised a concern whether the escrow requirements included in the CCFA applied to crowdfunding under the Small Offering Exemption. The escrow requirement is established in the CCFA and the requirements for the escrow agreement in Rule 51-3.24.F. Clearly it makes little sense for the escrow obligation to apply to the Small Offering Exemption when the offering does not include a minimum. As then Securities Commissioner Gerald Rome told the Denver Business Journal, “The banks were asking for pretty significant fees to do that so we relaxed the rule on escrow . . . so small businesses don’t have to use a bank as the escrow agent.”<sup>10</sup>

Unfortunately, as predicted in the September 2018 newsletter, the rule relaxing the escrow requirement was not sufficiently clear and his interpretation did not survive Commissioner Rome’s November 2018 retirement. In a July 2019 filing made under the Small Offering Exemption, the staff asked that the offeror establish an escrow for a small offering under Rule 51-3.27 even though the offeror was not seeking a minimum amount, the offering materials included a risk factor disclosing that, with no minimum offering: “If the Company is unable to meet the maximum

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investment by Colorado residents in Colorado start-ups, thereby promoting the formation and growth of local companies and the accompanying job creation.

See a February 2017 report from the conservative Heritage Foundation by David Burton entitled *Improving Entrepreneurs’ Access To Capital: Vital For Economic Growth* which reached many of the same conclusions. This paper is available at <http://report.heritage.org/bg3182>.

<sup>9</sup> Also available at Lidstone, Herrick K., *The Colorado Division of Securities Issues New Rules - The Crowdfunding Small Offering Exemption and Other Changes* (September 4, 2018), <https://ssrn.com/abstract=3244120>.

<sup>10</sup> Monica Vendituoli, *Colorado’s crowdfunding exemption changes could be ‘game change’ for small businesses*, Denver Business Journal, September 28, 2018, available by subscription at <https://www.bizjournals.com/denver/news/2018/09/28/colorados-crowdfunding-exemptionchanges>.  
Html.

offering amount, the Company may not be able to complete the purchase of the Property or the Townhomes Project and there is no requirement that offering proceeds be returned to Investors. The investment objectives of the Company involve a variety of risks and a wide range of assumptions. Investors should not invest in the Units if they do not fully comprehend the nature of these risks and assumptions.”

### ***Waiver of the Escrow Requirement***

The issuer made a request to the Division of Securities for a waiver of the escrow requirement for its small offering filing, and the Division granted that waiver.<sup>11</sup> The Division imposed a condition on the waiver grant, that “[t]he Company will hold all funds in a segregated account at a depository institution authorized to do business in Colorado.”<sup>12</sup> Based on that waiver, we made a written recommendation to the Division of Securities that it consider incorporating the escrow waiver into Rule 51-3.27 at a rulemaking hearing on January 30, 2020.<sup>13</sup> The Securities Commissioner approved the rule amendments following the hearing and the new rules (including the amendment to the Small Offering Exemption rule) are expected to become effective March 30, 2020. As approved and when the amendment is effective, Rule 53-3.27 will read as follows (with amendment in underlined italics):

Upon approval of the Commissioner, an issuer who files a Form CF-1, a consent to service of process, and a Form CF-2 as required by Rules 51-3.20, 51-3.21 and 51-3.22, pays the required fees, maintains issuer records required by Rule 51-3.23, meets the additional issuer requirements set forth in Rule 51-3.24 and is not disqualified as contemplated in Rule 51-3.30, and the issuer is not seeking to raise not more than \$500,000 in any twelve-month period, the issuer may proceed with the offering under these Rules without imposing a minimum offering and without using an online intermediary. *If the offering is proceeding without imposing a minimum offering, the offering may proceed without requiring that the proceeds be placed in escrow provided that the funds are maintained in a segregated account until spent on a proposed use of proceeds.*

With the rule amendment, the Small Offering Exemption under the Colorado crowdfunding rules may finally prove to be the boon to small businesses raising \$500,000 or less that the legislature hoped when it adopted the CCFA in 2015 and that Commissioner Rome predicted in his comments to the Denver Business Journal in September 2018.

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<sup>11</sup> Available at [https://drive.google.com/file/d/1rM\\_NWxfRWGyDuIqfoiUlrrkyg3wnsQZu/view](https://drive.google.com/file/d/1rM_NWxfRWGyDuIqfoiUlrrkyg3wnsQZu/view) (last viewed November 14, 2019).

<sup>12</sup> The term “depository institution” is defined in C.R.S. § 11-51-201(5).

<sup>13</sup> Notice of Proposed Rulemaking, Colorado Division of Securities, available at [https://drive.google.com/file/d/1CFp0I\\_bbIN0xp2Q8Nv53HnUIpG5JqJY/view](https://drive.google.com/file/d/1CFp0I_bbIN0xp2Q8Nv53HnUIpG5JqJY/view) (last viewed, February 11, 2020).

### *The Small Offering Exemption Is Not A Panacea For Small Businesses*

It remains important to note, however, that the Small Offering Exemption is not a panacea for small businesses. Under that exemption and the Division's rules and forms, small businesses can raise funding, but there remain a number of considerations:

*First*, and perhaps the most important, strict compliance with the Colorado rules does not necessarily constitute compliance with the federal securities laws. Each offering must continue to find an exemption from the registration requirements under federal law. Issuers will typically use Securities Act Rules 504, 147, or 147A.<sup>14</sup>

*Second*, as in any securities offering, an exemption only exempts the offering from the registration requirements of the Colorado Securities Act<sup>15</sup>; it does not exempt the issuer from disclosure requirements which must meet Colorado's anti-fraud rules.<sup>16</sup> Accurate and complete disclosure of material information is necessary in connection with any offering of securities.

*Third*, as stated in a prior article,<sup>17</sup> “[t]he good thing about crowdfunding . . . is that an issuer can raise capital from a number of people, from tens to hundreds to perhaps a greater number. The bad thing about crowdfunding is that an issuer can raise capital from a number of people, from tens to hundreds to perhaps a greater number.”

Investors have a belief that they should be kept informed about the progress of the business – and the rules of the CCFA require that be done. The Colorado Small Offering Exemption continues to require that the issuer meet the reporting requirements in the CCFA. The CCFA requires that the issuer “maintain all records with respect to any offering conducted pursuant to the [CCFA] as the securities commissioner may by rule require.”<sup>18</sup> The CCFA also requires that the issuer provide a quarterly report “free of charge” to all investors.<sup>19</sup>

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<sup>14</sup> These are discussed in Lidstone, Herrick K., “*Securities Exemptions - Amended and Reinterpreted*” (November 22, 2016), available at <https://ssrn.com/abstract=2874004>.

<sup>15</sup> C.R.S. § 11-51-301.

<sup>16</sup> C.R.S. § 11-51-501.

<sup>17</sup> Lidstone, Herrick K., “The Colorado Division of Securities Issues New Rules - the Crowdfunding Small Offering Exemption and Other Changes” (September 4, 2018), <https://ssrn.com/abstract=3244120>.

<sup>18</sup> C.R.S. § 11-51-308.5(3)(a)(IV)(E).

<sup>19</sup> C.R.S. § 11-51-308.5(3)(a)(XIII). The Commissioner has expanded and explained these requirements in Rule 51-3.23 (Crowdfunding – Issuer Records) and Rule 51-3.24.I (Additional Issuer Requirements) by requiring that the report be provided within 45 days after the end of each quarter.

Raising the funds through a Small Offering Exemption without an online intermediary or an escrow may be the easy part. Continuing to meet the statutory and regulatory requirements following the completion of the offering will likely prove to be more difficult and should be carefully considered before a small business attempts raising capital through the crowdfunding Small Offering Exemption.

Typically, a business lacks the time, money or knowledge to conduct a capital-raising campaign or manage an owners-base that involves a large number of people – especially where a \$100,000 offering with a minimum investment of \$100 could result in 1,000 investors. Will the issuer, with its staff oriented toward business operations, be able to manage the investors, meet the regulatory requirements for delivering reports, and otherwise respond to investor issues? An online intermediary or other service-provider can be hired to provide these services to the small business, but at an additional cost. Karl Dakin ([www.InvestLocalColorado.com](http://www.InvestLocalColorado.com), an online intermediary) has stated that the removal of the intermediary may only work for those businesses with a good management team that can build and manage a crowd of investors or which is willing to incur the added expense of hiring an experienced professional to help the issuer manage the crowd of investors following the completion of the campaign – and perhaps during the Small Offering Exemption campaign.

### ***Conclusion.***

With a waiver of the escrow requirement under the Small Offering Exemption added to the rules under the Colorado Crowdfunding Act, small offerings should be easier to accomplish. Meeting the disclosure and the post-offering requirements will, however, remain extremely important.

***Attachments:***

1. Form CF-1: Notification of Intention to Issue Securities Pursuant to Section 11-51-308.5. [https://drive.google.com/file/d/0BymCt\\_FLs-RGbHdtYjN3TmUzYUE/view](https://drive.google.com/file/d/0BymCt_FLs-RGbHdtYjN3TmUzYUE/view)
2. Form CF-2: Disclosure Document. [https://drive.google.com/file/d/0BymCt\\_FLs-RGQ2d3Mmdus0NMUW8/view](https://drive.google.com/file/d/0BymCt_FLs-RGQ2d3Mmdus0NMUW8/view).
3. Additional Regulatory Requirements for a Small Offering Exemption Under the Colorado Crowdfunding Act
4. Consideration for Risk Factors to be included in the CF-2 disclosure document

**Form CF-1: Notification of Intention to Issue Securities Pursuant to Section 11-51-308.5.**

[https://drive.google.com/file/d/0BymCt\\_FLs-RGbHdtYjN3TmUzYUE/view](https://drive.google.com/file/d/0BymCt_FLs-RGbHdtYjN3TmUzYUE/view)

1. Name and address of issuer and principal office in this state:
2. Name, address, and telephone number of correspondent to whom notices and communications regarding this notice may be sent:
3. Notification is provided for the following described securities in the amounts indicated:

Description of Securities

Offering Price or Proposed Offering Price

Min # of Shares or Units

Max # of Shares or Units Amount \$

Totals \$

4. Name, address, and telephone number of the financial institution where funds will be deposited into an escrow account:

5. Amount of filing fee which is enclosed: \$ \_\_\_\_\_

6. Submitted with this notice are the following documents:

Form U-2  
Form CF-2  
Escrow Agreement

THE ISSUER REPRESENTS THAT NEITHER THE ISSUER NOR ANY PERSON AFFILIATED WITH THE ISSUER OR OFFERING IS SUBJECT TO DISQUALIFICATION ESTABLISHED BY THE COMMISSIONER UNDER RULE 51- 3.30 OR CONTAINED IN THE SECURITIES AND EXCHANGE COMMISSION'S RULE 506(d) (17 CFR 230.506(d)).

\_\_\_\_\_  
Date Name of Issuer

By \_\_\_\_\_  
(Name and Title)

\_\_\_\_\_  
(Signature)



**Form CF-2: Disclosure Document.** [https://drive.google.com/file/d/0BymCt\\_FLs-RGQ2d3Mmdus0NMUW8/view](https://drive.google.com/file/d/0BymCt_FLs-RGQ2d3Mmdus0NMUW8/view).

(Exact name of Company as set forth in Articles of Incorporation or Charter)

**Date of the Disclosure Document and the most recent amendment:**\_\_\_\_\_

All information must be accurate and complete in all material respects as of the date of this Form CF-2 and of the date of any sale of securities pursuant to this Form CF-2. Note that under Rule 51-3.22(D), this Form CF-2 and any documents incorporated into this Form CF-2 must be amended within five business days of any material change, addition, or update.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH, APPROVED BY, OR RECOMMENDED BY ANY FEDERAL OR STATE AGENCY. IN MAKING AN INVESTMENT DECISION, PURCHASERS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR DIVISION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED BY SUBSECTION (e) OF SECURITIES AND EXCHANGE COMMISSION RULE 147, 17 CFR 230.147(e), AS PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933," AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

## THE OFFERING

1. Type of securities offered:  
Minimum number offered:  
Maximum number offered:  
Price per security: \$  
Total proceeds: If minimum sold: \$  
If maximum sold: \$  
Deadline to reach the minimum offering amount:  
If equity securities (including securities convertible into equity securities) are to be offered:  
Amount of authorized securities:  
Amount of issued and outstanding securities:
2. Is a licensed broker-dealer or sales representative involved in this offering? YES( ) NO( )

If yes, identify the broker-dealer or sales representative:

Name:

Address:

City, State, Zip Code:

Telephone Number:

Website:

Name:

Address:

City, State, Zip Code:

Telephone Number:

Website:

Is an on-line intermediary involved in this offering? YES( ) NO( )

If yes, identify the on-line intermediary:

Name:

Address:

City, State, Zip Code:

Telephone Number:

Website:

Is there other compensation to selling agent(s) or finders who are not licensed broker-dealers or sales representatives being paid as a result of this offering? YES( ) NO( )

If yes, list the type and amount of commission:

If yes, identify such selling agents or finders:

Name:

Address:

City, State, Zip Code:

Telephone Number:

Website:

Name:

Address:

City, State, Zip Code:

Telephone Number:

Website:

#### THE COMPANY

3. Exact name of issuer:  
State and date of incorporation or organization:  
Street address of principal office:  
Company telephone number:  
Person(s) to contact with respect to offering:  
Telephone number (if different from above):

#### RISK FACTORS

4. List the factors which the issuer considers to be the most substantial risks to an investor in this offering in view of all facts and circumstances or which otherwise make the offering one of high risk or speculative:

(Type responses here)

BUSINESS AND PROPERTIES

5. With respect to the business of the issuer and its properties:

- (A) Describe the general character of the business, including details about what the company does and proposes to do, what products or goods are or will be produced or services that are or will be rendered:

(Type response here)

- (B) Describe how these products or services are to be produced or rendered and how and when the company intends to carry out its activities:

(Type response here)

- (C) Describe the industry in which the company is selling or expects to sell its products or services and, where applicable, any recognized trends within that industry:

(Type response here)

- (D) Describe the marketing strategies the company is employing or will employ in penetrating its market or in developing a new market:

(Type response here)

- (E) If the company's business, products, or properties are subject to material regulation (including environmental regulation) by federal, state, or local agencies, indicate the nature and extent of regulation and its effects or potential effects upon the company:

(Type response here)

- (F) Summarize the most important events in the development of the company during the past five years, or for whatever lesser period the company has been in existence. Discuss any pending major transactions, such as anticipated mergers, acquisitions, spin-offs or recapitalizations:

(Type response here)

- (G) If the company was not profitable during the last fiscal year, list below in chronological order the events in management's opinion which must or should occur or the milestones which the company must or should reach in order for the company to become profitable,

and indicate the expected manner of occurrence or the expected method by which the company will achieve the milestones:

(Type response here)

- (H) State the probable consequences to the company of delays in achieving each of the events or milestones within the above time schedule, and particularly the effect of any delays upon the company's cash flow and ability to satisfy its operating obligations in view of the company's then anticipated level of operating costs:

(Type response here)

- (I) Describe generally the principal assets or properties (such as real estate, plant and equipment, patents, etc.) that the company owns, indicating also what properties it leases and a summary of the terms under those leases, including the amount of payments, expiration dates, and the terms of any renewal options. Indicate what assets or properties the company intends to acquire in the immediate future, the cost of such acquisitions, and the sources of financing it expects to use in obtaining these properties, whether by purchase, lease or otherwise:

(Type response here)

### USE OF PROCEEDS

6. The table below sets forth the uses of the proceeds and the percentages of the funds raised in this offering:

Note: This table should discuss the use of proceeds covering a period of at least six and up to 12 months of operations.

	IF MINIMUM AMOUNT SOLD		IF MAXIMUM AMOUNT SOLD	
	\$	%	\$	%
Total Proceeds		100%		100%
Less: Offering Expenses				
Commissions and Finders Fees				
Legal & Accounting				
Copying & Advertising				
Other (Specify)				
Total Expenses				
Net Proceeds from Offering				
Uses of Net Proceeds				

Total Use of Net Proceeds		100%		100%

7. (A) If material amounts of funds from sources other than this offering are to be used in conjunction with the proceeds from this offerings, state the amounts and sources of such other funds, and whether funds are firm or contingent:

(Type response here)

If contingent, explain:

(Type response here)

- (B) If any material part of the proceeds is to be used to repay existing indebtedness, describe the terms of such indebtedness, including interest rates and whether the creditor is an officer, director, employee, or principal stockholder of the issuer or their associate. If the indebtedness to be discharged was incurred within the current or previous fiscal year, describe the use of the proceeds of such indebtedness:

(Type response here)

- (C) If any material amount of the proceeds is to be used to acquire assets, other than in the ordinary course of business, briefly describe and state to the cost of the assets and other material terms of the acquisitions. If the assets are to be acquired from officers, directors, employees or principal stockholders of the company or their associates, give the names of the persons from whom the assets are to be acquired and set forth the cost to the company, the method followed in determining the cost, and any profit to such persons:

(Type response here)

- (D) If any amount of the proceeds is to be used to reimburse any officer, director, employee or stockholder for services already rendered, assets previously transferred, or monies loaned or advanced, or otherwise explain:

(Type response here)

8. Indicate whether the company is having or anticipates having within the next 12 months any cash flow or liquidity (i.e., the ability to satisfy its payment obligations as they become due) problems and whether or not it is in default or in breach of any note, loan, lease or other indebtedness or financing arrangement requiring the company to make payments. Indicate if a significant amount of the company's trade payables have not been paid within the stated trade term. State whether the

company is subject to any unsatisfied judgments, liens, or settlement obligations and the amounts thereof. Indicate the company's plans to resolve any such problems:

(Type response here)

9. Indicate whether management, based on its reasonable assumptions, believes that the proceeds from this offering will satisfy the company's cash requirements for the next 12 months, and whether it will be necessary to raise additional funds. State the source of additional funds, if known:

(Type response here)

10. The securities being offered hereby are:
- ☐ Common Stock
  - ☐ Preferred Stock
  - ☐ LLC Membership or Partnership Interests
  - ☐ Promissory Notes
  - ☐ Units of two or more types of securities, composed of:

☐ Other. Describe:

11. If the securities are equity securities, the securities have:
- YES( ) NO( ) Voting rights
- YES( ) NO( ) Special voting rights, including protective provisions
- YES( ) NO( ) Preemptive rights (i.e., the right to participate in future financings)
- YES( ) NO( ) Preference as to dividends or interest
- YES( ) NO( ) Anti-dilution rights
- YES( ) NO( ) Redemption rights (i.e., the right to require the company to repurchase the securities)
- YES( ) NO( ) Preference upon liquidation or sale of the company
- YES( ) NO( ) Other special rights or preferences. Specify and explain:

(Type response here)

12. Are the securities convertible into another type or class of security? YES( ) NO( )
- If so, state the terms of such conversion:

(Type response here)

13. If securities are notes or other types of debt securities:

(A) What is the interest rate? \_\_\_\_% If interest rate is variable or multiple rates, describe:

(Type response here)

(B) What is the maturity date? \_\_\_\_/\_\_\_\_/\_\_\_\_

If serial maturity dates, describe:

(Type response here)

- (C) Is the company required to set aside funds on a scheduled basis to ensure sufficient fund availability at maturity? YES( ) NO( )

Describe:

(Type response here)

- (D) Is there an agreement which contains covenants and creates obligations for the benefit of the investors? YES( ) NO( )

- (E) Is there an intercreditor agreement? YES( ) NO( )

If so, will an agent be appointed to serve as the agent of the investors? YES( ) NO( )

Name, address, and telephone number of administrative agent:

- (F) Are the securities prepayable at the option of the company? YES( ) NO( )

Describe, including prepayment premium, if any:

(Type response here)

- (G) Are the securities collateralized by real or personal property? YES( ) NO( )

Describe:

(Type response here)

- (H) If these securities are subordinated in right of payment of interest or principal or lien position, explain the terms of such subordination:

(Type response here)

How much current outstanding indebtedness of the company is senior to the securities in right of payment of interest or principal? \$

How much indebtedness shares in right of payment on an equivalent (pari passu) basis? \$

How much indebtedness is or will be junior (subordinate) to the securities? \$

Is there a limitation on the amount of indebtedness the company may incur after the offering?

14. If securities are preferred stock:

Will there be dividends payable on the preferred stock? YES( ) NO( )

Will the dividends continue to accrue if they are not paid? YES( ) NO( )

Will accrued and unpaid dividends be added to the liquidation preference (if any) of the preferred stock? YES( ) NO( )

15. If securities are capital stock of any type, indicate restrictions on dividends under loan or other financing arrangements or otherwise:

(Type response here)

NOTE: Attach to this Disclosure Document copies or a summary of the charter, bylaw, or contractual provision or document that gives rise to the rights of holders of preferred stock, notes, or other securities being offered.

PLAN OF DISTRIBUTION

16. Describe any material relationships between any broker-dealer, sales representative, on-line intermediary, selling agents or finder identified in response to question 2 (above) and the company or its management:

(Type response here)

17. (A) Name, address and telephone number of financial institution where funds will be deposited into an escrow account:

Name:

Address:

City, State, Zip Code:

Telephone Number:

- (B) Date on which funds will be returned if minimum proceeds are not raised: \_\_\_\_/\_\_\_\_/\_\_\_\_.

MANAGEMENT OF THE COMPANY

18. Chief Executive Officer:

Name:

Title:

Age:

Office Street Address:

City, State, Zip Code:

Telephone Number:

Name of employers, titles and dates of positions held during the past five years with an indication of job responsibilities:

Education (degrees, schools, and dates):

Director of the company? YES( ) NO( )

19. Chief Operating Officer:

Name:

Title:

Age:

Office Street Address:

City, State, Zip Code:

Telephone Number:



Name of employers, titles and dates of positions held during the past five years with an indication of job responsibilities:

Education (degrees, schools, and dates):

Director of the company? YES( ) NO( )

20. Chief Financial Officer:

Name:

Title:

Age:

Office Street Address:

City, State, Zip Code:

Telephone Number:

Name of employers, titles and dates of positions held during the past five years with an indication of job responsibilities:

Education (degrees, schools, and dates):

Director of the company? YES( ) NO( )

21. Other Key Personnel:

Name:

Title:

Age:

Office Street Address:

City, State, Zip Code:

Telephone Number:

Name of employers, titles and dates of positions held during the past five years with an indication of job responsibilities:

Education (degrees, schools, and dates):

Director of the company? YES( ) NO( )

Name:

Title:

Age:

Office Street Address:

City, State, Zip Code:

Telephone Number:

Name of employers, titles and dates of positions held during the past five years with an indication of job responsibilities:

Education (degrees, schools, and dates):

Director of the company? YES( ) NO( )

22. Number of directors:  
If directors are not elected annually, or are elected under a voting agreement or other arrangement explain:

(Type response here)

23. (A) Information concerning outside or other directors and other persons holding a role in the issuer similar to that of a director of a corporation (such as, for example, a manager of a limited liability company or a general partner of a partnership) (i.e., those not described above):

Name:

Title:

Age:

Office Street Address:

City, State, Zip Code:

Telephone Number:

Name of employers, titles and dates of positions held during the past five years with an indication of job responsibilities:

Education (degrees, schools, and dates):

Name:

Title:

Age:

Office Street Address:

City, State, Zip Code:

Telephone Number:

Name of employers, titles and dates of positions held during the past five years with an indication of job responsibilities:

Education (degrees, schools, and dates):

- (B) If the company has never conducted operations or is otherwise in the development stage, indicate whether any of the officers or directors (or persons holding roles similar to that of a director) have ever managed any other company in the start-up or development stage and describe the circumstances, including relevant dates:

(Type response here)

- (C) If any of the company's key personnel are not employees but are consultants or other independent contractors, state the details of their engagement by the company:

(Type response here)

- (D) If the company has key man life insurance policies on any of its officers, directors, or key personnel, explain, including the names of the persons insured, the amount of insurance, whether the insurance proceeds are payable to the company and whether there are

arrangements that require the proceeds to be used to redeem securities or pay benefits to the estate of the insured person or to a surviving spouse:

(Type response here)

24. If a petition under the Bankruptcy Act or any state insolvency law was filed by or against the company or its officers, directors or other key personnel, or a receiver, if fiscal agent or similar officer was appointed by a court for the business or property of any such persons, or any partnership in which any of such persons was general partner at or within the past five years, or any corporation or business association of which any such person was an executive officer, at or within the past five years, set forth below the name of such persons, and the nature and date of such actions:

(Type response here)

#### LITIGATION

25. Describe any past, pending or threatened litigation or administrative action which has had or may have a material effect upon the company's business, financial condition, or operations, including any litigation or action involving the company's officers, directors or other key personnel. State the names of the principal parties, the nature and current status of the matters, and amounts involved. Give an evaluation by management or counsel, to the extent feasible, of the merits of the proceedings of litigation and the potential impact on the company's business, financial condition, or operations:

(Type response here)

#### MISCELLANEOUS FACTORS

26. Describe any other material factors, either adverse or favorable, that will or could affect the company or its business (for example, discuss any defaults under major contracts, entry into the market of a large competitor, potential loss of key supplier, any immediate cash flow needs, etc.) or which are necessary to make any other information in this disclosure document not misleading or incomplete:

(Type response here)

#### FINANCIAL STATEMENTS

27. Attach, if available, the issuer's most recent balance sheet, profit and loss statement, and cash flow statement. Note, if the issuer is raising more than \$1 million in any twelve month period, the above-referenced financial statements must comply with section 11-51-308.5(3)(a)(II) and Rule 51-3.22(C).

#### ESCROW AGREEMENT

28. Attach a copy of the escrow agreement that controls the terms of the escrow account established pursuant to section 11-51-308.5(3)(a)(IV)(D) and Rule 51-3.24(F).

INVESTOR ACKNOWLEDGEMENT

I UNDERSTAND AND ACKNOWLEDGE THAT I AM INVESTING IN A HIGH-RISK, SPECULATIVE BUSINESS VENTURE. I MAY LOSE ALL OF MY INVESTMENT, OR UNDER SOME CIRCUMSTANCES MORE THAN MY INVESTMENT, AND I CAN AFFORD THIS LOSS. THIS OFFERING HAS NOT BEEN REVIEWED OR APPROVED BY ANY STATE OR FEDERAL SECURITIES COMMISSION OR DIVISION OR OTHER REGULATORY AUTHORITY AND NO SUCH PERSON OR AUTHORITY HAS CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF ANY DISCLOSURE MADE TO ME RELATING OT THIS OFFERING. THE SECURITIES I AM ACQUIRING IN THIS OFFERING CANNOT BE READILY SOLD, ARE ILLIQUID, THERE IS NO READY MARKET FOR THE SALE OF SUCH SECURITIES, IT MAY BE DIFFICULT OR IMPOSSIBLE FOR ME TO SELL OR OTHERWISE DISPOSE OF THIS INVESTMENT, AND, ACCORDINGLY, I MAY BE REQUIRED TO HOLD THIS INVESTMENT INDEFINITELY. I MAY BE SUBJECT TO TAX ON MY SHARE OF THE TAXABLE INCOME AND LOSSES OF THE COMPANY, WHERE OR NOT I HAVE SOLD OR OTHERWISE DISPOSED OF MY INVESTMENT OR RECEIVED ANY DIVIDENDS OR OTHER DISTRIBUTIONS FROM THE COMPANY.

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Investor – Print Name:  
Investor – Address:  
Investor – Telephone:  
Investor – Email:  
Investor – Other Contact Information:

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Signature

**Additional Regulatory Requirements for a Small Offering Exemption Under the Colorado  
Crowdfunding Act (No Minimum Offering So No Escrow)  
(effective as of December 15, 2019)**

51-3.20. Crowdfunding – Fees and Notice Filing Forms

- A. Not less than ten days before the commencement of an offering pursuant to the exemption from registration provided in section 11-51-308.5 (the Colorado Crowdfunding Act), the issuer shall pay a fee, which shall be determined and collected pursuant to section 11-51-707.

**\$50, per <https://www.colorado.gov/pacific/dora/fees-1>**

- B. On-line intermediary rules not applicable.
- C. The issuer notice filing required by section 11-51-308.5(3)(a)(IV)(A) of the Colorado Crowdfunding Act shall be made by filing Form CF-1 with the Securities Commissioner.
- Form CF-1 is available at <https://www.colorado.gov/pacific/dora/forms-11>**
- D. On-line intermediary rules not applicable.
- E. Notice Filing Review by the Securities Commissioner.

51-3.21. Crowdfunding – Consent to Service of Process Form –

51-3.22. Crowdfunding – Disclosure Document – Form CF-2

Must not contain any misstatement of any material fact or any omission to state a material fact necessary, in light of other disclosure made, to make such disclosure not misleading. C.R.S. 11-51-501(1).

**Form CF-1 is available at <https://www.colorado.gov/pacific/dora/forms-11>**

51-3.23. Crowdfunding – Issuer Records

- A. Issuers shall make and preserve all records described in the rule with respect to any offering conducted pursuant to the exemption provided by the Colorado Crowdfunding Act for five years after the completion or termination of the offering. These records include records required to demonstrate compliance with section 11-51-308.5(3)(a)(VII) [purchaser certification that that investment is high risk and speculative, and that the investor “may lose all of my investment or under some circumstances more than my investment, and I can afford this loss.”
- B. The issuer may contract with the on-line intermediary or other service provider to collect such information and preserve such records, but the issuer retains the responsibility for the accuracy, completeness, and availability of such records.

51-3.24. Crowdfunding – Additional Issuer Requirements

A. *Investor Qualifications.*

1. Before accepting any investment, an issuer must verify that the aggregate amount sold by the issuer to any person during the twelve-month period preceding the date of sale does not exceed \$5,000, or take reasonable steps to verify that any person who has purchased an aggregate amount greater than \$5,000 from the issuer during any twelve-month period satisfies the accredited investor definition under the SEC's Rule 501 of Regulation D (17 CFR 230.501).
2. Before accepting any offer to purchase securities from any person pursuant to the Colorado Crowdfunding Act, an issuer must comply with the certification requirements of section 11-51-308.5(3)(a)(VII).

B. *Communications Between the Offerees and the Issuer.* Any offeree may communicate directly with the issuer pursuant to the method described in the Form CF-2 to obtain further information or to provide the issuer with a notice that the offeree intends to make an investment in the offering as described in the Form CF-2.

C. *Notice of Investment Commitment.* After a person directs funds to the escrow account in an offering being conducted through an on-line intermediary, the issuer must promptly send to such person a notification disclosing:

1. The dollar amount of the investment commitment;
2. The price of the securities;
3. The name of the issuer;
4. The amount of the minimum offering and the maximum offering;
5. The amount of proceeds received in the escrow account as of the date of such notification; and
6. Whether such person has the right to cancel their investment prior to the deadline in the escrow agreement to reach the minimum offering amount and what such person must do to invoke that right.

D. *Notice of Completion of Transaction.* The issuer must, at or before the release of funds from escrow pursuant to Rule 51-3.24(F), send to each investor a notification disclosing:

1. The date of the transaction;
2. The type of security that such person is purchasing;
3. The identity, price, and number of securities being purchased by such person, as well as the number of securities sold by the issuer in the transaction through the date of the notification, and the price at which the securities were sold;
4. If a debt security, the interest rate and yield to maturity calculated from the price paid and the maturity date;
5. If a callable security, the first date that the security can be called by the issuer;
6. Whether the offering is being continued or is completed; and

7. Other information that the issuer determines is appropriate or necessary to provide to the person purchasing securities from the issuer in the offering being conducted pursuant to the Colorado Crowdfunding Act.
- E. *Transmission of Funds.* The on-line intermediary and issuer shall direct investors to transmit all payments for the purchase of securities directly to the escrow account specified in the Form CF-2 until the offering is completed or terminated.
- F. *Escrow Agreement* not required if there is no minimum offering in an offering pursuant to the Small Offering Exemption.
- G. *Single Intermediary.* No intermediary required, although one may be useful to assist in record generation and retention, and post-offering communication with investors.
- H. *Sales Representative.* No sales representative required if no minimum offering.
- I. *Quarterly Report Timing.* Each quarterly report shall be provided to all holders of the issuer's securities and the Commissioner within forty-five days after the end of each fiscal quarter.
- The quarterly report requirements are set forth in C.R.S. § 11-51-308.5(3)(a)(XIII) and below.**
- J. *Issuer Distribution of Notice of Offering.* The issuer may, in accordance with section 11-51-308.5(3)(a)(XIV), distribute a statement that the issuer is conducting an offering. When used in section 11-51-308.5(3)(a)(XIV), the term "within Colorado" includes a statement distributed by, at the direction of, or on behalf of the issuer on the issuer's website or through electronic mail or social media if the statement includes (at a minimum) disclaimers and restrictive legends making it clear that the offering is limited to residents of Colorado and there is in fact a confirmation of residency before the recipient or viewer of such statement can access the Form CF-2 or other information related to the offering.
- K. *Single Plan of Financing.* In accordance with section 11-51-308.5(3)(a)(XI), the exemption provided by the Colorado Crowdfunding Act shall not be used in conjunction with any other exemption pursuant to section 11-51-307, 11-51-308, or 11-51-309 during the immediately preceding twelve-month period which is part of the same issue.
- L. *Federal Rules Applicable.* Offerings made pursuant to the Colorado Crowdfunding Act must be conducted in a manner consistent with SEC Rule 147 (17 CFR 230.144) or Rule 147A (17 CFR 230.147A).
- This supersedes C.R.S. § 11-51-308.5(3)(a)(I) which limits the exemption to SEC Rule 147. This also means that the entity does not have to be an entity formed in Colorado as long as it meets the requirements of Rule 147A for an offering to Colorado residents.**
- Furthermore, the issuer may not be an investment company as defined in § 3(c) of the Investment Company Act of 1940, 15 U.S.C. § 80a-3(c), or be a reporting company under the Securities Exchange Act of 1934, 15 U.S.C. §§ 78m or 78o(d). C.R.S. § 11-51-308.5(3)(a)(V).**
- M. Failure of an issuer to comply with any of the provisions of section 11-51-308.5, these Rules, or any order, will constitute a violation of those provisions, Rules, or orders, and subject the issuer to the enforcement authority of the Commissioner under section 11-51-602.

51-3.25, .26, .28, and .29 Crowdfunding – On-line Intermediary Records. Not required for the Small Offering Exemption.

51-3.30. Crowdfunding – Disqualification from Relying on Crowdfunding Exemption

See below “The Bad-Actor Provisions Under the Colorado Crowdfunding Act and Rules”

Quarterly Report Requirements (C.R.S. § 11-51-308.5(3)(a)(XIII))

(XIII) An issuer of a security pursuant to this section shall provide, free of charge, a quarterly report to the issuer’s owners. An issuer may satisfy the reporting requirement of this subparagraph (XIII) by making the information available on a website operated by an online intermediary if the information is made available within forty-five days after the end of each fiscal quarter and remains available until the succeeding quarterly report is issued. An issuer shall file each quarterly report required pursuant to this subparagraph (XIII) with the division and, if the quarterly report is made available on a website operated by an online intermediary, the issuer shall also provide a written copy of the report to any owner upon request. The report must contain all the following:

(A) Compensation received by each director and executive officer, including cash compensation earned since the previous report and on an annual basis and any bonuses, stock options, other rights to receive securities of the issuer or any affiliate of the issuer, or other compensation received; and

(B) An analysis by management of the issuer of the business operations and financial condition of the issuer.



**The Bad-Actor Provisions Under the Colorado Crowdfunding Act and Rules**

51-3.30. Crowdfunding – Disqualification from Relying on Crowdfunding Exemption

- A. No exemption under section 11-51-308.5 shall be available for a sale of securities if the issuer; any predecessor of the issuer; any affiliated issuer; any director, executive officer, other officer participating in the offering, general partner or managing member or manager of the issuer; any beneficial owner of 20% or more of the issuer's outstanding voting equity securities, calculated on the basis of voting power; any promoter connected with the issuer in any capacity at the time of such sale; any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with such sale of securities; any general partner or managing member of any such solicitor; or any director, executive officer or other officer participating in the offering of any such solicitor or general partner or managing member of such solicitor:
1. Has a conviction that became final within ten years before such sale, of any felony or misdemeanor:
    - a. In connection with the purchase or sale of any security;
    - b. Involving the making of any false filing with the Securities and Exchange Commission or a state securities regulatory agency;
    - c. Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities; or
    - d. Involving fraud or deceit in which the loss to the victim or victims exceeds \$10,000;
  2. Is subject to any final order, judgment or decree of any court of competent jurisdiction, entered within five years before such sale, that, at the time of such sale, restrains or enjoins such person from engaging or continuing to engage in any conduct or practice:
    - a. In connection with the purchase or sale of any security;
    - b. Involving the making of any false filing with the Securities and Exchange Commission or a state securities regulatory agency; or
    - c. Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;
  3. Is subject to a final order of a state securities commission (or an agency or officer of a state performing like functions); a state authority that supervises or examines banks, savings associations, or credit unions; a state insurance commission (or an agency or officer of a state performing like functions); a federal banking agency; the Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission; the Federal Trade Commission, the Consumer Financial Protection Bureau, or the National Credit Union Administration that:
    - a. At the time of such sale, bars the person from:
      - i. Association with an entity regulated by such commission, authority, agency, bureau or officer;

- ii. Engaging in the business of securities, insurance or banking; or
  - iii. Engaging in savings association or credit union activities; or
- b. Constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct, including making untrue statements of material facts or omitting to state material facts, entered within five years before such sale;
- 4. Is subject to a final order of the Securities and Exchange Commission entered pursuant to section 15(b) or 15B(c) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(b) or 78o–4(c)) or section 203(e) or (f) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–3(e) or (f)) that, at the time of such sale:
  - a. Suspends or revokes such person’s registration as a broker, dealer, municipal securities dealer or investment adviser;
  - b. Places limitations on the activities, functions or operations of such person; or
  - c. Bars such person from being associated with any entity or from participating in the offering of any penny stock;
- 5. Is subject to any final order of the Securities and Exchange Commission entered within five years before such sale that orders the person to cease and desist from committing or causing a violation or future violation of:
  - a. Any scienter based anti-fraud provision of the federal securities laws, including without limitation section 17(a)(1) of the Securities Act of 1933 (15 U.S.C. 77q(a)(1)), section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)) and 17 CFR 240.10b–5, section 15(c)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(c)(1)) and section 206(1) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–6(1)), or any other Rule or regulation thereunder; or
  - b. Section 5 of the Securities Act of 1933 (15 U.S.C. 77e);
- 6. Is suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a registered national or affiliated securities association for any act or omission constituting conduct inconsistent with just and equitable principles of trade;
- 7. Has filed (as a registrant or issuer), or was or was named as an underwriter in, any registration statement or Regulation A offering statement filed with the Securities and Exchange Commission that, within five years before such sale, was the subject of a final refusal order, stop order, or order suspending the Regulation A exemption, or is, at the time of such sale, the subject of an investigation or proceeding to determine whether a stop order or suspension order should be issued;
- 8. Is subject to a final United States Postal Service false representation order entered within five years before such sale, or is, at the time of such sale, subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations;

9. Has filed a registration statement which is subject to a final stop order entered under section 11-51-306, or any other state’s securities law, within five years before such sale; or
  10. Is currently subject to any final state administrative enforcement order or judgment, including Colorado, entered by the Commissioner, or any other state’s securities administrator, within five years prior to such sale.
- B. For purposes of paragraph A. of this Rule, “final order” shall mean a written directive or declaratory statement issued by a federal or state agency described in subparagraph A.3. under applicable statutory authority that provides for notice and an opportunity for hearing, which constitutes a final disposition or action by that federal or state agency.
- C. The Commissioner may, following a written request, and in the exercise of discretion, waive, either before or after an offering has commenced, subparagraphs 5. through 10. of paragraph A. of this Rule and subsections (d)(1)(v) through (viii) of Rule 506 (17 CFR 230.506(d)(1)(v)-(viii)) if upon a showing of good cause and without prejudice to any other action by the Commissioner, the Commissioner determines that, in balancing all relevant factors, granting the waiver is consistent with the objective of the Colorado Securities Act to protect investors and maintain public confidence in securities markets while avoiding unreasonable burdens on participants in capital markets.

1. Consideration for Risk Factors to be included in the CF-2 disclosure document

Securities Division Form CF-2 requires that the disclosure include disclosure of “the factors which the issuer considers to be the most substantial risks to an investor in this offering in view of all facts and circumstances or which otherwise make the offering one of high risk or speculative.”

This “list” is usually prepared in narrative form and includes items such as:

1. Projections, Assumptions and Models
2. General Economic and Market Conditions
3. The Issuer Has No Operating History and No Assurance of Profitability
4. The Issuer Is A Small Company With Limited Business Diversification
5. Conflicts of Interest Between the Issuer and Its Management and Significant Investors
6. Dependence of the Issuer and Investors on the Manager and Key Personnel, and the Investors Will Likely Have No Right To Remove or Replace the Manager and Management.
7. Most Offering Documents Include Projections Which May Prove to be Inaccurate and the Financial Information Included Will Not Have Been Audited
8. Most Small Issuers Can Predict the Need for Additional Capital Which May Not Be Available When Needed On Reasonable Terms
9. Most Small Businesses Operate In A Competitive Market.
10. Many Small Businesses Have Potential Liability for Environmental Matters In Their Operations
11. In Some Circumstances (Such As Wrongful Distributions), Investors May Have A Risk Of Liability, But There Can Be No Assurance That There Will Be Future Distributions.
12. The Inability To Trade The Ownership Interests Because There Is and Will Be No Market For Those Interests
13. Future Issuances of Ownership Interests May Result in Dilution To The Current Investors
14. Where The Issuer Will Be Treated As A Partnership For Tax Purposes, There Are Risk Associated with Partnership Taxation
15. Potential Costs To The Issuer Associated With Requirements To Indemnify Management On Certain Occasions.

Especially in an offering pursuant to the Small Offering Exemption where there is no minimum offering, a significant risk factor is that there is no assurance that the Issuer will raise enough funds to complete its business purpose:

There is no minimum number of Units that must be sold in this Offering. There is no assurance that any or all of the Units will be sold. There is no minimum amount that must be raised and we will retain any amount of proceeds received from the sale of Units. If the Company is unable to meet the maximum offering amount, the Company may not be able to complete its business purpose as described in the disclosure documents and there is no requirement that offering proceeds be returned to Investors. The investment objectives of the Company involve a variety of risks and a wide range of assumptions. Investors should not invest in the Units if they do not fully comprehend the nature of these risks and assumptions and are willing to assume the loss of their entire investment.