

Investor Securities Financial Fraud Bond Proposal

The Securities and Exchange Commission (“SEC”) is preparing regulations and rules for crowdfunding securities transactions under the JOBS Act. Based on preliminary information this is a summary of likely, but not official or final SEC rules or regulations for crowdfunding and investor antifraud protection. This proposal is an outline regarding the feasibility of providing an Investor Securities Financial Fraud Bond (not currently available) based on assumptions contained herein.

AT THIS TIME THERE IS NO DEFINITIVE SEC RULES FOR CROWDFUNDING AND THIS REPORT IS FOR DISCUSSION PURPOSES ONLY

Crowdfunding

Equity Crowdfunding refers to the funding of a company by selling common stock or equity to many investors. Current laws are restrictive to type of investor, accounting and method of solicitation. Under the JOBS Act, crowdfunding will allow for non-accredited investors with fewer regulatory restrictions. The maximum amount that can be raised is \$1 million. For fundraising, a crowdfunding issuer must use a funding portal or a registered broker.

Crowdfunding investments under the JOBS Act are not required to be registered. Under existing securities law, an offer made to the general public is considered a “public offering” that must be registered with the SEC, and if required must also be registered or qualified with securities regulatory agencies in each state the offering is conducted.

The JOBS Act provides a new crowdfunding exemption in Section 4 of the Securities Act and preemption of related state securities laws for crowdfunding transactions, which would have been considered public offerings requiring registration under the Securities Act.

Regarding Rule 144 under the Securities Act is not clear if securities issued in crowdfunding exempt offerings will be deemed a public offering by the SEC.

Securities Fraud Lawsuits

It is important to note that all of such existing Security Exchange Commission (“SEC”) Acts, as well as the common law pertaining to securities, provide generally applicable antifraud provisions.

Securities laws prohibit the use of fraudulent activities in connection with the offer, purchase or sale of securities. The Securities and Exchange Commission (“SEC”) monitors securities markets and exchanges and regulate securities fraud provision of the SEC acts. Under "Blue Sky Laws" states also regulate securities fraud. Securities fraud may be committed by brokers, financial advisors or analysts, insiders, corporations and its directors/officers

Securities fraud lawsuits are filed by investors who bought or sold a company's securities and suffered financial loss as a result of violations of the securities laws arising out of, based upon or attributable to the committing of any deliberate criminal or deliberate fraudulent or dishonest act, or any willful violation of any statute, rule or law. A final adjudication must establish that such act or willful violation of statute, rule or law was committed.

The majority of securities fraud cases in the United States involve Section 10b and Rule 10b-5 of the 1934 Securities Exchange Act. Section 10b is a general provision that prohibits any person from using fraud in connection with the purchase or sale of any security. Rule 10b-5 specifically prohibits making any false statements or omissions in connection with the sale or purchase of securities. A "false statement" is defined as any statement that misleads or creates a false impression. To be actionable under Rule 10b-5, the false statement or omission must be material.

A statement is material if it would be important to a reasonable investor making an investment decision. Additionally, the statement or omission must be made with the intent to deceive, manipulate or defraud. Thus, reasonable mistakes of fact, made without a malicious intent, are not actionable under Rule 10b-5.

The company, funding portal, broker and other individuals are strictly liable for any inaccurate statements in the documents presented to potential investors. This high level of liability exposure is known as "due diligence to ensure that any document is complete and accurate.

Crowdfunding offerings are not the subject of a registration statement filed with the SEC under the 1933 Act.

1. Crowdfunding does not exempt offerings from the anti-fraud and civil liability provisions of the various federal securities laws.
2. Crowdfunding in no way relieves issuers of their obligation to furnish to investors whatever material information may be needed to make any required disclosures not misleading.

Similarly, notwithstanding exemption from registration at the federal level, crowdfunding in no way eliminates an issuer's obligation to comply with applicable state law.

The issuer and any parties acting for the issuer, including the funding portal or broker- must take all reasonable steps to insure that the information given to the purchasers is complete and accurate. This is "due diligence." All information passed on in the course of the crowdfunding transaction, is subject to the anti-fraud provisions of the federal securities laws. **The fact that the offering is not registered with the SEC does not lower the standards for accuracy which would be applicable to any crowdfunding offering.**

Financial Reporting

The following are financial reporting requirements for crowdfunding transactions:

- For offerings less than \$100,000 in a 12-month period, companies are only required to provide in house financial statements.
- For offerings between \$100,000 and \$500,000 in a 12- month period, companies are obligated to produce financial statements that have been "reviewed" by an outside public accounting firm.
- For offerings greater than \$500,000 in a 12 month period, companies must provide audited financial statements.

Investor Securities Financial Fraud Bond

Securities fraud is a major concern to the SEC. If securities fraud is proven investors have legal rights against the corporation and its directors/officers for restitution. However, monetary relief may be inadequate if the company has insufficient assets and liquidity to pay a judgment.

Proposal:

For investor protection a mandatory Investor Securities Financial Fraud Bond is being reviewed for product development. The Investor Securities Financial Fraud Bond is to be purchased by the corporation with a stated face amount based on total asset size of the company or lesser amount (if aggregate investor cost basis can be documented). The face amount of the bond is not necessarily the same as the total asset size. The cost of the bond is paid from the capital proceeds of the offering at closing. **To be "mandatory" will require new federal securities law or amendment to existing laws or acts. Fraud from the sale of Crowdfunding securities to non-accredited investors under the JOBS Act would be considered under an Investor Securities Financial Fraud Bond.**

An Investor Securities Financial Fraud Bond is not a Financial Guarantee Bond. A financial guarantee bond for credit risk and a “hell or high water” payment condition covers default for any reason. Under an Investor Securities Financial Fraud Bond a specific event (a “named peril”) must give rise to a claim – specifically securities fraud must cause the loss.

Notes:

- In a financial guarantee bond if the obligee defaults the obligor must make payment. This includes business or economic risk conditions.
- There is no independence of risk in financial guarantee bonds. A poor economy can affect numerous companies for the same financial event. Therefore, pricing may always be inadequate to cover multiple losses from different bonds resulting from similar events.
- In Investor Securities Financial Bond Insurance the obligee (“insured”) are the stockholders of the corporation represented by a beneficial trust. The insured is not the corporation issuing the securities. Securities fraud is criminal or civil violation and we are not covering the corporation, but protecting the investors. The bond company or insurer has full subrogation rights.

Investor Securities Financial Fraud Bond Cost

There is a fixed cost for the Investor Securities Financial Fraud Bond. No insurer or bond company may be required to issue a bond. All companies are subject to insurance underwriting review.

- An initial premium of 2.5% to 5.0% of the face amount is paid for a five year bond period. (can be payable in installments). An additional premium of 2.5% to 5% will be charged for subsequent 5 years policy periods based on the face amount of the bond at that time. The Investor Securities Financial Fraud Bond is subject to insurer underwriting approval for each new period.
- The face amount of the bond if exhausted can be reinstated if additional premium is paid during any period, subject to insurance underwriting approval.
- The face amount of the bond can be changed if new securities are issued, subject to insurance underwriting approval.
- There is no deductible.
- Premium is subject to review and actuarial calculation.

Estimated Investor Securities Financial Fraud Bond Cost for a 3 year bond term

Asset Size	Face Amount	Upfront Premium	Asset Size	Face Amount	Upfront Premium
\$1 million	\$500,000	\$12,500 (2.5%)	\$1 billion	\$200 million	\$5.0 million (2.5%)
\$1 million	\$1 million	\$25,000 (2.5%)	\$5 billion	\$200 million	\$6.0 million (2.5+ %)
\$10 million	\$5 million	\$125,000 (2.5%)	\$10 billion	\$200 million	\$7.0 million (2.5+ %)
\$50 million	\$25 million	\$625,000 (2.5%)	\$25 billion	\$200 million	\$8.0 million (2.5+ %)
\$100 million	\$50 million	\$1.50 million (2.5%)	\$50 billion	\$200 million	\$9.0 million (2.5+ %)
\$500 million	\$100 million	\$2.5 million (2.5%)	\$100 billion	\$200 million	\$10.0 million (2.5+ %)

1. Face amounts will be limited dependent upon insurance and reinsurance capacity
2. Premium is paid at beginning of 3 year bond term
3. See “Securities Fraud Incidents” on page 4 of this report

Bond Form

The Investor Securities Financial Fraud Bond is a new product. Such as a bond or insurance policy protecting investors and covering securities fraud does not currently exist.

In a typical bond, the investors are the obligee and a surety (insurance company) is the obligor under the bond. The persons covered (“principal”) by the bond are the corporation and its directors and/or officers. The obligee can make a claim on the bond if the corporation causes a loss to the investor due to securities fraud or dishonesty under the Security Exchange Act of 1933 and 1934 Act including any amendments at the time of loss.

A bond is a contractual guarantee made up of three parties, each bound to the other for a specific financial purpose. A bond differs from insurance as follows:

- The premium is a fee for the service provided.
- A bond guarantees credit, performance or integrity - not physical loss.
- The surety is liable only after the principal is unable to pay its financial obligation for securities fraud in a final court award.

Parties:

There are three parties:

- Obligee or Assured: The person or firm that is the beneficiary of the bond.
- Principal or Issuer: The person or firm who is bonded to another entity by the surety.
- Surety or Company: The entity guaranteeing the performance of the principal to the obligee.

Other Types of Financial Bonds

Pension Trust/ERISA Bonds protect the plan and the money in these funds from fraud and dishonesty by appointed fiduciaries. The Pension Reform Act of 1974 (also known as ERISA - Employee Retirement and Income Security Act) states that the funds of pension or profit sharing plans must be protected under a fidelity bond for 10% of the amount of qualified funds handled, plus 100% of non-qualified funds.

Due Diligence Procedures

Disclosure Requirements: Ascertain that legal and regulatory requirements for a crowdfunding securities offering have been met by issuer as required by Securities and Exchange Commission rules and regulations.

Company Check: Confirm company's legal status, operations and business references. Verify background information on directors and officers.

Review: Review supporting documents, verify legal counsel and accounting firm and determine tax filings are current.

Insurance: Confirm business insurance coverages.

Reporting: Evaluate shareholder reporting procedures.

Application: Company completes ACFIA Investor Fraud Prevention Crowdfunding Company Supplemental Information.

NOTE: The business or investment risk of the company and its offering is always an investor decision.

Investor Securities Financial Fraud Bond Trustee

A trustee is established to receive proceeds of any Investor Securities Financial Fraud bond claims and losses. It is required to make proper disbursements to shareholders based on pre-determined formula of under Payment Procedures.

Investor Securities Financial Fraud Bond Claims and Recovery Process

To file a claim:

- Obligee (as "plaintiff") initiates class action or individual law suit alleging fraud against principal.
- Must obtain consent decree for securities fraud under US securities laws.

- Enter judgment and demand for payment against corporation and/or directors and officers.
- Proves inability to collect under a court order judgment not subject to further appeal by a principal under the bond.
- Provide proof of loss to surety (“obligor”).
- Bond pays investors (“obligees”) subject to face amount of bond and in accordance with Payment Procedures

Payment Procedures

According to a judgment against the principal (“defendant”) a shareholder (obligee and plaintiff) bond payment from the surety and allocation is based on following:

- Investors as Obligee
- Determine the cost basis (not market value) of the investment of each investor
- Allocation to Obligee (“investors”) is first made in total in order of preference to
 - Non-Accredited Individual Investors
 - Accredited Individual Investors
 - Pension/Welfare Benefit Funds
 - Charitable and Non-Profit Organizations
 - Corporate and Institutional Investors
- Surety may subrogate against corporation and directors/officers
- Payment proceeds must be segregated and legally protected to prevent any attachment by secured and unsecured creditors of the corporation.

D&O Liability Insurance Does Not Pay for Securities Fraud

Note: Investors cannot recover claims resulting in losses under Directors and Officers Liability Insurance:

“The Insurer shall not be liable to make any payment for Loss in connection with any Claim made against an Insured ... arising out of, based upon or attributable to the committing of any deliberate criminal or deliberate fraudulent or dishonest act, or any willful violation of any statute, rule or law, if any final adjudication establishes that such deliberate criminal, deliberate fraudulent or dishonest act or willful violation of statute, rule or law was committed”

Securities Fraud Incidents

It is difficult for investors to prove securities fraud. In securities cases alleging fraud plaintiffs must meet a high standard to move to discovery. The Private Securities Litigation Reform Act of 1995 (“PSLRA”) will automatically stay any discovery after the initial complaint is filed until the courts consider a motion to dismiss.

This particular provision prohibits plaintiffs from using discovery procedure to force the company to produce documents and records or making director/officers available for depositions.

To avoid a motion to dismiss a securities fraud cases must meet two legal standards:

1. Causation where the plaintiff must show the losses were caused by information that was misrepresented or not disclosed
2. Scierter provision which requires the plaintiff to state the facts that give rise to a “strong inference” as to the defendant’s state of mind.”

The Stanford Law School Securities Class Action Clearinghouse (“Stanford”) monitors securities class action litigation cases. It found 88 filings had been made in federal securities class-action filing activity during the first six months of 2012. This is a decrease of 6% for both the first six months and last six months of 2011. Stanford projects 2012 will end with 176 filings. The 1993 to 2011 average is 193 litigation cases. The 2009 to 2011 average is 177 litigation cases.

Cornerstone Research reported there were 65 court-approved securities class-action settlements totaling \$1.4 billion in total costs. It also stated the number of securities class-action settlements approved in 2011 was the lowest in more than a decade.

Reasons stated for the decline in securities litigation have been:

- Better corporate governance and disclosure procedures about financial performance. Litigation involving Enron, Countrywide, Merrill Lynch, etc. may have had influence.
- There has been an overall economic decrease in merger and acquisition activity.
- A decline in Chinese reverse mergers (Chinese-based company merges with a defunct U.S. company to use its stock symbol and exchange listing).

Crowdfunding Securities Fraud Prevention

Crowdfunding transaction must be processed through funding portals or NASD brokers. Funding portals are regulated by the SEC and industry agencies such as Financial Industry Regulatory Authority (“FINRA”).

The Crowdfunding Accreditation for Platform Standards (“CAPS”) program is designed to protect both investors and issuers. The CAPS program promotes the adoption of best practices for the operation of crowdfunding platforms including due diligence procedures.

CAPS is supported by an advisory council of leading platform operators and industry experts, the accreditation criteria will be reviewed annually to ensure high standards for performance continue to be set as the industry develops.

Further Information

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Investor Fraud Protection

Crowdfunding Company Supplemental Information

Title III of the JOBS Act adds new Section 3(h) to the Exchange Act which requires the Securities and Exchange Commission ("SEC") to exempt, conditionally or unconditionally, an intermediary operating a funding portal from the requirement to register with the SEC as a broker. The intermediary, though, would need to register with the SEC as a funding portal and would be subject to the SEC's examination, enforcement, and rulemaking authority. The funding portal must also become a member of a national securities association.

The SEC still has to write rules to implement the crowdfunding provisions of the JOBS Act. Until the SEC has completed this rulemaking a funding portal cannot act as a crowdfunding intermediary, even if you are already a registered broker. The Division of Corporation Finance has also reminded issuers that any offers or sales of securities purporting to rely on the crowdfunding exemption would be unlawful under the federal securities laws until the SEC's rulemaking is complete.

Crowdfunding provisions allow personal investors with annual incomes or net worth less than \$100,000 to invest the greater of \$2,000 or 5% of the investor's net worth or annual income. Investors with annual incomes or a net worth that are greater than \$100,000 can invest 10% of annual income or net worth.

Company Information

1. **Name of crowdfunding company (hereafter "You" or "you"). The name should match name on insurance application**

2. **Are you considering raising capital under the crowdfunding provisions of the JOBS Act?**

- Yes
- No

3. **Have you currently raised any investment funds?**

- Yes (Please describe)
- No

4. **Have you raised any funds describes as contribution/donations or rewards?**

- Yes (Please describe)
- No

5. **Are you an owner, chairman, president, partner or treasurer of a small business - less than 500 employees?**

Select:
Owner, Chairman, President, Partner, Treasurer, No

6. **What is your industry segment?**

Select:
Advertising, Aerospace/Defense, Agricultural/Farming, Automotive/Transportation, Biotechnology, Business Product/Services, Cleantech/Alternative Energy, Computers and Peripherals, Consumer Products/Services, Education, Electronics/Instrumentation, Entertainment, Fashion, Financial Services, Food and Drink, Gaming, Healthcare Services, Insurance Services, Hospitality, Industrial/Energy, Internet/Web Services, Lifestyle, Marketing/Advertising, Medical Devices and Equipment, Media, Medical Devices, Mobile, Nano Technology, Networking and Equipment, Pharmaceuticals, Professional Services, Real Estate, Restaurant/Food Services,

Retail/Distribution, Security, Semiconductors, Software, Sports, Storage, Telecommunications, Transportation, Travel, Warehouse/Distribution, Other

7. How many full time employees (including yourself) in your company?

Select:

Less than 5, 6 to 25, 26 to 100, 101 to 250, 251 to 500, 501 to 1000, More than 1000

8. What is total assets of your company?

Select:

Less than \$500,000, \$500,001 to \$1,000,000, \$1,000,001 to \$2,500,000, \$2,500,001 to \$5,000,000, \$5,000,001 to \$10,000,000, \$10,000,001 to \$25,000,000, \$25,000,001 to \$50,000,000, \$50,000,001 to \$100,000,000, \$100,000,001 to \$250,000,000, \$250,000,001 to \$500,000,000, More than \$500,000,000

9. What is age of your company?

Select:

Start Up, Less than one year old, 1 to 3 years old, 3 to 5 years old, 5 to 10 years old, More than 10 years old

10. What is your company profitability?

Select:

Start Up, Negative Net Income, Positive Net Income

IMPORTANT

The following material must be attached to this application:

1. The most recent fiscal year-end financial statements of the Parent Company as required by the JOBS Act
 - For offerings less than \$100,000 in a 12-month period, companies are only required to provide in house financial statements.
 - For offerings between \$100,000 and \$500,000 in a 12- month period, companies are obligated to produce financial statements that have been “reviewed” by an outside public accounting firm.
 - For offerings greater than \$500,000 in a 12 month period, companies must provide audited financial statements.
2. The Parent Company's indemnification provision or by-laws.
3. The most recent EEO-1 report.
4. Attach copy of placement memorandum or business plan

Please indicate if any of the materials requested above are not attached to this application and the reason why

Crowdfunding Company Information

11. Date of actual or proposed Crowdfunding:

12. Amount Funded or to be Funded:

13. Type of proposed crowdfunding transaction:

- Equity (non-accredited investors)
- Equity (accredited investors)
- Debt
- Contribution/Donation/Rewards
- Other

14. If you are currently or planning to do non-equity or debt transactions please describe types of contributions/donations/rewards or other incentives that are provided to contributors.

15 Crowdfunding Equity Financing

Authorized Common Stock Shares:
 Amount of Common Stock Outstanding:
 Equity Value of Company:
 Equity to be Funded with Crowdfunding:
 Equity Shares to be Distributed with Crowdfunding:

16 Equity Valuation

Describe how equity value of company was determined (methodology, independent consultants used, CPA, lawyer, etc.)

17. Proposed use of proceeds:

Select:
 Expansion of Current Operations, Working Capital or Liquidity, Increase Marketing, Upgrade Technology, Purchase Another Company, Hire Additional staff, Purchase Capital, Equipment, Increase Inventory, Purchase Real Estate, New Product Development, Fund Prior Losses, Eliminate Bank or Other Loans, Do Not Know, Not Applicable

18. What is your expectation of being able to raise funds through crowdfunding

Select:
 Transaction Completed
 Very Positive, Somewhat Positive, Not Sure, Negative, Somewhat Negative, No Opinion, Not Applicable

19. Describe Types of investor (For completed deals indicate % for actual investors or for proposed transactions use a checkmark for category)

	Completed Deal	Proposed Transaction				
	%	Likely	Maybe	Not Probable	Do Not Know	Not Applicable
Family/Friends						
Employees						
Customers						
Suppliers						
Industry Contacts						
Angel Funds						
Social Media Contacts						
Outside Investors						
Other						

General Crowdfunding Distribution Information

20. Name of crowdfunding portal you used (or will use) for distribution

21. Name of NASD registered broker you used (or will use) for distribution

Directors and Officers Liability Insurance

Directors and Officers Liability Insurance (often called D&O) is liability insurance payable to the directors and officers of a company, or to the organization(s) itself, as indemnifications for certain damages (losses) or advancement of defense costs in the event any such insured suffers such a loss as a result of a legal action (whether criminal, civil, or administrative) brought for alleged wrongful acts in their capacity as directors and officers (as to the individual directors/officers) or against the organization(s) (either for securities claims or other actions).

Such coverage can extend to defense costs arising out of criminal and regulatory investigations/trials as well; in fact, often civil and criminal actions are brought against directors/officers simultaneously. It has become closely associated with broader management liability insurance, which covers liabilities of the corporation as well as the personal liabilities for the directors and officers of the corporation..

22. Do you currently have Directors and Officers Liability Insurance?

- Yes
- No

23. If Yes:

- Name of Insurer:
- Policy Limit:
- Date of Policy:

(Attach Directors and Officers Liability Application)

Professional Liability Insurance

Professional liability insurance also called errors & omissions (E&O) is a form of liability insurance that protect individuals and companies from bearing the full cost of defending against a negligence claim made by a client including damages awarded in such a civil lawsuit, subject to limits of liability, deductible and policy provisions.

The coverage focuses on alleged failure to perform services and financial loss caused by, an act, error or omission in rendering services to the client. These are potential causes for legal action that would not be covered by a general liability insurance policy. Professional liability coverage also provides for the defense costs, including when legal action turns out to be groundless.

Professional liability insurance is required by law in some areas for certain kinds of professional practice (especially medical and legal), and is also sometimes required under contract by other businesses that are the beneficiaries of the advice or service.

24. Do you currently have Professional Liability Insurance?

- Yes
- No

25. If Yes:

- Name of Insurer:
- Policy Limit:
- Date of Policy:

(Attach Professional Liability Application)

Cyber Liability Insurance

Commercial general liability policies and traditional property policies will not cover security or privacy breaches. A company can attempt to recover damages from a third party for liability. However, it will prove to be costly and difficult. The preferred method is to insure directly with both first party and third party liability coverage.

First Party Protection:

- Loss of Digital Assets Coverage
- Business Interruption and Extra Expense
- Cyber Terrorism
- Cyber Extortion
- Security Event Costs

Third Party Liability Protection:

- Network Security and Privacy Liability
- Employee Privacy Liability
- Electronic Media Liability

26. Do you currently have Cyber Liability Insurance?

- Yes
- No

27. If Yes:

- Name of Insurer:
- Policy Limit:
- Date of Policy:

(Attach Cyber Liability Application)

SEC Rules and Regulations Compliance

Crowdfunding companies, NASD brokers and funding portals have significant duties under the JOBS Act to provide information to investors, reduce the risk of fraud and, where required under the Act, ensure that investors and issuers satisfy the requirements outlined in Title III of the JOBS Act.

28. Do you compensate promoters, finders, or lead generators for providing the intermediary with the personal identifying information of any potential investor?

- Yes
- No

29. Do you provide disclosures that the SEC determines appropriate by rule, including regarding the risks of the transaction and investor education materials?

- Yes
- No

30. Do you ensure that each investor: (1) reviews investor education materials; (2) positively affirms that the investor understands that the investor is risking the loss of the entire investment, and that the investor could bear such a loss; and (3) answers questions that demonstrate that the investor understands the level of risk generally applicable to investments in startups, emerging businesses, and small issuers and the risk of illiquidity?

- Yes
 - No
31. Do you take steps to protect the privacy of information collected from investors?
- Yes
 - No
32. Do you take such measures to reduce the risk of fraud with respect to such transactions, as established by the SEC, by rule, including obtaining a background and securities enforcement regulatory history check on each officer, director, and person holding more than 20 percent of the outstanding equity of every issuer whose securities are offered by such person?
- Yes
 - No
33. Do you make available to funding portal and/or NASD broker investors and the SEC, at least 21 days before any sale, any disclosures required by the SEC?
- Yes
 - No
34. Do you ensure that all offering proceeds are only provided to you when the aggregate capital raised from all investors is equal to or greater than a target offering amount, and allow all investors to cancel their commitments to invest?
- Yes
 - No
35. Do you make efforts to ensure that no investor in a 12-month period has purchased crowdfunded securities that, in the aggregate, from all issuers, exceed the investment limits set forth in section Title III of the JOBS Act?
- Yes
 - No
36. Do you plan to follow any other requirements that the SEC determines are appropriate?
- Yes
 - No

References

Please supply following business and professional references

37. Your lawyer (name, address, phone, email and fax)
38. Your accountant (name, address, phone, email and fax)
39. Business References – Companies you do business with (name, address, phone, email and fax)
40. Business References – Companies you do business with (name, address, phone, email and fax)
41. Business References – Companies you do business with (name, address, phone, email and fax)

READ AND SIGN BELOW:

I have reviewed this application for accuracy before signing it. As a condition precedent to coverage, I hereby state that the information contained herein is true, accurate and complete and that no material facts have been omitted, misrepresented or mis-stated. I know of no other claims or lawsuits against the applicant and I know of no other events, incidents or occurrences which might reasonably lead to a claim or lawsuit against the applicant. I understand that this is an application for insurance or bonding only and that completion and submission of this application does not bind coverage with any insurance or bonding company

Your Name: _____

Title _____

Date: _____

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12/13/2012

**Investor Securities Fraud Protection Bond
Insurer (the “Company”)**

SPECIMEN POLICY

DECLARATIONS

Item 1 – Issuer

Item 2 – Limit of Liability

Item 3 – Bond Effective Date and Bond Period

Item 4 – Premium

Item 5 – Trustee

Item 6 – Schedule of Assured

**Item 7 – Previous Investor Securities Fraud Protection Bond(s)
issued to Assured**

Investor Securities Fraud Protection Bond Insurer (the “Company”)

SPECIMEN POLICY

In consideration of payment of the required premium and subject to the **DECLARATIONS** made a part hereof and the limitations, conditions and provisions and other terms of this **Bond**, the **Company** agrees to pay to the **Trustee** on behalf of the **Assured** any financial loss including a right of rescission suffered by the **Assured** in connection with the offering, purchasing or selling of the **Issuer's Securities** and resulting from any **Violations of the Securities Laws**.

A final consent decree must establish the **Violation of the Securities Laws** was committed. A loss is payable under this **Bond** provided such **Violation of the Securities Laws** must be discovered by the **Trustee** of the **Assured** during the **Bond Period** and that the **Assured** has sustained such financial loss by reason of any **Violation of the Securities Laws** on the part of the **Issuer** or the **Intermediary** including their **Directors and Officers**, acting alone or through connivance with others, subject to the following:

Definitions

Definition of Assured

1. As used in this **Bond**, **Assured** means any and all shareholder(s) or creditor(s) as owner of record of the **Securities** of **Issuer** covered under this **Bond** who purchased such **Securities** under the **Crowdfunding Provisions of the JOBS Act** and relied upon information provided or verified by the **Issuer** or by the **Intermediary** when making such purchase.

Definition of Crowdfunding Provisions of the JOBS Act

2. As used in this **Bond**, **Crowdfunding Provisions of the JOBS Act** means Title III of the JOBS Act (aka “Jumpstart Our Business Startups Act”) amending Section 4 of the Securities Act of 1934 to create a new exemption for offerings of “crowdfunded” securities. Specifically, the JOBS Act amends Section 4 of the 1934 Securities Act to exempt issuers from the requirements of Section 5 of that Act when they offer and sell up to \$1 million in securities, provided that individual investments do not exceed certain thresholds and the issuer satisfies other conditions in the JOBS Act, provided by rules of the Securities and Exchange Commission.

Definition of Director and Officer

3. As used in this bond, **Director and Officer** means any board member, officer or employee of the **Issuer** or the **Intermediary** having responsibility in disclosure preparation and/or capital funding involving the **Securities** of the **Issuer**.

Definition of Due Diligence

4. As used in this **Bond**, **Due Diligence** means an investigation or audit of a potential investment with review of the qualification and suitability of the investors for purchasing such **Securities** under the **Crowdfunding Provisions of the JOBS Act**. The **Issuer** and any parties acting for the **Issuer**, including the **Intermediary** (funding portal or broker) must take all reasonable steps to assure that the information given to the **Assured** (as purchasers or investors of **Securities** hereunder) is complete and accurate.

Definition of False Statement or Omission

5. As used in this **Bond**, **False Statement or Omission** means any material statement or omission of any material information needed to make required disclosure to investors that is either misleading or creates a false in connection with the offering, sale or purchase of **Securities**. A statement or an omission is material if it would be important to a reasonable

investor making an investment decision. Additionally, the statement or the omission must be made or missing with the intent to deceive, manipulate or defraud. Reasonable mistakes or omissions of fact, made without a malicious intent, are not actionable under Rule 10b-5 of the 1934 Securities Exchange Act or this **Bond**.

Definition of Intermediary

6. As used in this **Bond**, **Intermediary** means either a broker registered with the Securities and Exchange Commission or a “funding portal” registered with the Securities and Exchange Commission, including its **Director(s) and Officer(s)** which are allowed to process **Securities** transactions on the behalf of an **Issuer** under **Crowdfunding Provisions of the JOBS Act** and are required to exercise **Due Diligence**.

Definition of Issuer

7. As used in this **Bond**, **Issuer** is the corporation or entity issuing **Securities** under the Crowdfunding provisions of the JOBS Act including its **Director(s) and Officer(s)** and exercising **Due Diligence**.

Definition of Securities

8. As used in this **Bond**, **Securities** mean any common stock, preferred stock, debenture or other type of investment permitted for issuance under the **Crowdfunding Provisions of the JOBS Act**.

Definition of Trustee

8. As used in this **Bond**, **Trustee** means the fiduciary identified in **ITEM 4** of the **DECLARATIONS** representing the interests of any and all **Assureds** covered under this **Bond**.

Definition of Violations of the Securities Laws

9. As used in this **Bond**, **Violations of the Securities Laws** means arising out of, based upon or attributable to the committing of any deliberate criminal or deliberate fraudulent or dishonest act, or any willful violation of any statute, rule or law including the 1934 Securities Exchange Act and the 1933 Securities Exchange Act or applicable state law (however preempting Blue Sky laws) regarding any **False Statement or Omission**.

Conditions

Non-Accumulation of Liability

1. Regardless of the number of years this **Bond** shall continue in force, and the number of premiums which shall be payable or paid or any other circumstance whatsoever, the **Limit of Liability** as stated in **ITEM 2** of the **DECLARATIONS** of the **Company** under this **Bond** with respect to any loss or losses shall not be cumulative from year to year or from period to period.

Discovery Period

2. This **Bond** does not cover any loss not discovered within twelve (12) calendar months following the termination of this **Bond** as an entirety. If prior to the termination of this **Bond** as an entirety, this **Bond** is terminated as to any **Assured** included herein, there shall be no liability for any loss sustained by such **Assured** unless discovered within twelve (12) calendar months, which period shall commence with the date of such termination.

Trustee of the Assured

3. Only the **Trustee** of the **Assured** shall have any right to make, adjust, receive and enforce payment of any and all claims hereunder and shall be deemed to be the sole agent of all **Assured** for such purposes and for the giving or receiving of any notice required or permitted to be given by the terms hereof and for the purpose of effecting or accepting any amendments hereto or termination hereof and each and every **Assured** shall be conclusively deemed to have consented and agreed that none of them shall have any direct beneficiary interest herein or any

right of action hereunder whatsoever and that this bond or any right of action thereon shall not be assignable. All losses and other payments, if any, payable by the **Company** hereunder shall be payable to the **Trustee** without regard to its obligations to others and the **Company** shall not be responsible for the proper application of any payment made hereunder to the **Trustee** of the **Assured**. If the **Company**, in any case, shall agree to and shall make payment to any **Assured** instead of the **Trustee** of the **Assured**, such payment shall be treated as though made to the **Trustee** of the **Assured**

Bond Loss Sustained Prior to the Effective Date Hereof

4. The liability of the **Company** under this **Bond** for loss sustained prior to the effective date hereof shall be subject to the following additional conditions and limitations:

- A. That the **Trustee** of some predecessor in interest thereof carried some other bond or insurance which, at the time such loss was sustained, afforded on the person or persons causing such loss some or all of the coverage of this **Bond**; and
- B. That such prior coverage and the right of claim for such loss hereunder continued under the same or some superseding bond or insurance without interruption from the time such loss was sustained until the effective date hereof; and
- C. That such loss shall have been discovered after the expiration of the time for discovery of such loss under the last such bond or insurance; and
- D. That the liability of the **Company** hereunder with respect to such loss shall not exceed the amount of such prior coverage in force at the time such loss was sustained, or applicable **Limit of Liability** as stated in **ITEM 2** of the **DECLARATIONS**, whichever is smaller.

Total Liability

5. The payment of any loss under this **Bond** shall not reduce the liability of the **Company** for other losses whenever sustained; provided, however, that the total liability of the **Company** for all losses, regardless of the number of **Assured** involved, is limited to the applicable **Limit of Liability** as stated in **ITEM 2** of the **DECLARATIONS**. The total liability of the **Company** for loss or losses sustained by all **Assured** included herein shall not exceed the sum of the **Limits of Liability** in the **Schedule of Assured** as stated in **ITEM 6** of the **DECLARATIONS** and the **Company** shall not be liable for loss sustained by one **Assured** to the advantage of any other **Assured**.

Ownership

6. The **Securities** covered under this **Bond** may be owned by any **Assured** or as respects which any **Assured** is legally liable, or held by a trustee in any capacity.

Claim Procedure

7. Subject to the terms and conditions of this **Bond** to file a claim the **Trustee** acting on behalf of the **Assured**:

- A. Must submit evidence of the **Assured** obtaining a consent decree for **Violations of the Securities Laws**.
- B. Enter judgment and demand for payment against **Issuer** and/or **Intermediary** and their **Directors and Officers**.
- C. Provide proof of loss and inability to collect under a court order judgment not subject to further appeal by any party under this **Bond**.
- D. Provide detail of loss to **Company**.

Loss Notice - Proof Legal Proceedings

8. At the earliest practicable moment after discovery of any loss hereunder the **Trustee** on behalf of the **Assured** shall give the **Company** written notice thereof and shall also within four (4) months after such discovery furnish to the **Company** affirmative proof of loss with full particulars. Legal proceedings for recovery of any loss hereunder shall not be brought after the expiration of twenty-four (24) months from the discovery of such loss. If any limitation embodied in this Section is prohibited by any law controlling the construction thereof, such limitation shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

Valuation of Securities

9. The value of any **Securities**, for the loss of which a claim shall be made hereunder, shall be determined by the cost basis of such **Securities** on the date of purchase by an **Assured** covered under this **Bond**.

Loss

10. A loss payable under this **Bond** including right of rescission shall be determined by an award for damages based on a final consent decree. Payment for a loss shall exclude any payment for exemplary or punitive damages and shall be limited to the actual loss sustained based on **Valuation of Securities** for each **Assured**.

Loss Payment Allocation to Assured

11. Any payment for loss under this **Bond** shall be as follows:

A. The cost basis (not market value) of the **Securities** owned by each **Assured** as investor.

B A loss payment is made only to the owner of the **Securities** and not to any previous or future owner.

C. Allocation of loss payment to **Assured** is first made in total in order of preference to following classes. In the event, loss payment proceeds are insufficient to satisfy all **Assureds** within a class a payment will be proportionate based on cost basis (not market value) of the **Securities** owned by each **Assured** as investor. The classes in order of preference for payment are:

- i. Non-Accredited Individual Investors
- ii. Accredited Individual Investors
- iii. Pension/Welfare Benefit Funds
- iv. Charitable and Non-Profit Organizations
- v. Corporate and Institutional Investors
- vi. Other

Any loss payment specifically excludes any entity(ies) or person(s) convicted of any **Violations of the Securities Laws** under this **Bond**.

Recoveries

12. If the **Assured** shall sustain a loss covered by this **Bond** which exceeds the amount of coverage provided by this **Bond**, such **Assured** shall be entitled to all recoveries (except from suretyship, insurance, reinsurance or indemnity taken by or for the benefit of the **Company**) by whomever made, on account of such loss until fully reimbursed, less the actual cost of effecting the same, any remainder shall be applied to the reimbursement of the **Company**; provided, however, that the **Assured** shall not be entitled to recoveries in any amount in excess of the amount of loss sustained.

Subrogation

13. Upon payment to the **Assured** by the **Company** on account of any loss through acts committed by anyone, whether acting alone or in connivance with others, an assignment of such of the **Assured's** rights and causes of action as it may have against any such person, firm or corporation by reason of such acts so committed shall, to the extent of such payment, be given by the **Assured** to the **Company**, and the **Assured** shall execute all necessary papers to secure to the **Company** the rights provided for herein.

Other Insurance or Bond

14. The **Trustee, Assured**, or any other party at interest in any loss has any other bond, indemnity or insurance which in the absence of this **Bond** would cover such loss in whole or in part, then this **Bond** shall be null and void, and shall not cover, to the extent of the amount of such other bond, indemnity or insurance; but shall attach to and cover, subject to its conditions and limitations, only the amount of such loss in excess of the amount of such other bond, indemnity or insurance.

Bond is Non-Cancelable

15. This **Bond** is non-cancelable by the **Company** and the premium is fully earned. Unless renewed the **Bond** shall terminate as an entirety upon expiration of the **Bond Period**.

Change or Modification

16. This **Bond** or any instrument amending or affecting same may not be changed or modified orally. No change therein or modification thereof shall be effective unless made a written endorsement issued to form a part hereof over the signature of an Authorized Representative of the **Company**.

Cancellation of Prior Bond

17. The taking effect of this **Bond** shall thereby terminate, if not already terminated, all previous obligations of the **Company** to the **Assured** under **Bond(s)** specified in **ITEM 7** of the **DECLARATIONS** and by reason of the issuance hereof, said **Bond(s)** shall not thereafter cover any loss not discovered and reported to the **Company** prior to such termination.

Bond Premium

18. The premium for this **Bond** specified in **ITEM 4** of the **DECLARATIONS** is paid by the **Issuer** for the benefit of the **Assured** and is full earned by the **Company**.

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**Investor Securities Fraud Protection Bond
Insurer (the “Company”)**

SPECIMEN POLICY

DECLARATIONS

Item 1 – Issuer

Item 2 – Limit of Liability

Item 3 – Bond Effective Date and Bond Period

Item 4 – Premium

Item 5 – Trustee

Item 6 – Schedule of Assured

**Item 7 – Previous Investor Securities Fraud Protection Bond(s)
issued to Assured**

Investor Securities Fraud Protection Bond Insurer (the “Company”)

SPECIMEN POLICY

In consideration of payment of the required premium and subject to the **DECLARATIONS** made a part hereof and the limitations, conditions and provisions and other terms of this **Bond**, the **Company** agrees to pay to the **Trustee** on behalf of the **Assured** any financial loss including a right of rescission suffered by the **Assured** in connection with the offering, purchasing or selling of the **Issuer's Securities** and resulting from any **Violations of the Securities Laws**.

A final consent decree must establish the **Violation of the Securities Laws** was committed. A loss is payable under this **Bond** provided such **Violation of the Securities Laws** must be discovered by the **Trustee** of the **Assured** during the **Bond Period** and that the **Assured** has sustained such financial loss by reason of any **Violation of the Securities Laws** on the part of the **Issuer** or the **Intermediary** including their **Directors and Officers**, acting alone or through connivance with others, subject to the following:

Definitions

Definition of Assured

1. As used in this **Bond**, **Assured** means any and all shareholder(s) or creditor(s) as owner of record of the **Securities** of **Issuer** covered under this **Bond** who purchased such **Securities** under the **Crowdfunding Provisions of the JOBS Act** and relied upon information provided or verified by the **Issuer** or by the **Intermediary** when making such purchase.

Definition of Crowdfunding Provisions of the JOBS Act

2. As used in this **Bond**, **Crowdfunding Provisions of the JOBS Act** means Title III of the JOBS Act (aka “Jumpstart Our Business Startups Act”) amending Section 4 of the Securities Act of 1934 to create a new exemption for offerings of “crowdfunded” securities. Specifically, the JOBS Act amends Section 4 of the 1934 Securities Act to exempt issuers from the requirements of Section 5 of that Act when they offer and sell up to \$1 million in securities, provided that individual investments do not exceed certain thresholds and the issuer satisfies other conditions in the JOBS Act, provided by rules of the Securities and Exchange Commission.

Definition of Director and Officer

3. As used in this bond, **Director and Officer** means any board member, officer or employee of the **Issuer** or the **Intermediary** having responsibility in disclosure preparation and/or capital funding involving the **Securities** of the **Issuer**.

Definition of Due Diligence

4. As used in this **Bond**, **Due Diligence** means an investigation or audit of a potential investment with review of the qualification and suitability of the investors for purchasing such **Securities** under the **Crowdfunding Provisions of the JOBS Act**. The **Issuer** and any parties acting for the **Issuer**, including the **Intermediary** (funding portal or broker) must take all reasonable steps to assure that the information given to the **Assured** (as purchasers or investors of **Securities** hereunder) is complete and accurate.

Definition of False Statement or Omission

5. As used in this **Bond**, **False Statement or Omission** means any material statement or omission of any material information needed to make required disclosure to investors that is either misleading or creates a false in connection with the offering, sale or purchase of **Securities**. A statement or an omission is material if it would be important to a reasonable

investor making an investment decision. Additionally, the statement or the omission must be made or missing with the intent to deceive, manipulate or defraud. Reasonable mistakes or omissions of fact, made without a malicious intent, are not actionable under Rule 10b-5 of the 1934 Securities Exchange Act or this **Bond**.

Definition of Intermediary

6. As used in this **Bond**, **Intermediary** means either a broker registered with the Securities and Exchange Commission or a “funding portal” registered with the Securities and Exchange Commission, including its **Director(s) and Officer(s)** which are allowed to process **Securities** transactions on the behalf of an **Issuer** under **Crowdfunding Provisions of the JOBS Act** and are required to exercise **Due Diligence**.

Definition of Issuer

7. As used in this **Bond**, **Issuer** is the corporation or entity issuing **Securities** under the Crowdfunding provisions of the JOBS Act including its **Director(s) and Officer(s)** and exercising **Due Diligence**.

Definition of Securities

8. As used in this **Bond**, **Securities** mean any common stock, preferred stock, debenture or other type of investment permitted for issuance under the **Crowdfunding Provisions of the JOBS Act**.

Definition of Trustee

8. As used in this **Bond**, **Trustee** means the fiduciary identified in **ITEM 4** of the **DECLARATIONS** representing the interests of any and all **Assureds** covered under this **Bond**.

Definition of Violations of the Securities Laws

9. As used in this **Bond**, **Violations of the Securities Laws** means arising out of, based upon or attributable to the committing of any deliberate criminal or deliberate fraudulent or dishonest act, or any willful violation of any statute, rule or law including the 1934 Securities Exchange Act and the 1933 Securities Exchange Act or applicable state law (however preempting Blue Sky laws) regarding any **False Statement or Omission**.

Conditions

Non-Accumulation of Liability

1. Regardless of the number of years this **Bond** shall continue in force, and the number of premiums which shall be payable or paid or any other circumstance whatsoever, the **Limit of Liability** as stated in **ITEM 2** of the **DECLARATIONS** of the **Company** under this **Bond** with respect to any loss or losses shall not be cumulative from year to year or from period to period.

Discovery Period

2. This **Bond** does not cover any loss not discovered within twelve (12) calendar months following the termination of this **Bond** as an entirety. If prior to the termination of this **Bond** as an entirety, this **Bond** is terminated as to any **Assured** included herein, there shall be no liability for any loss sustained by such **Assured** unless discovered within twelve (12) calendar months, which period shall commence with the date of such termination.

Trustee of the Assured

3. Only the **Trustee** of the **Assured** shall have any right to make, adjust, receive and enforce payment of any and all claims hereunder and shall be deemed to be the sole agent of all **Assured** for such purposes and for the giving or receiving of any notice required or permitted to be given by the terms hereof and for the purpose of effecting or accepting any amendments hereto or termination hereof and each and every **Assured** shall be conclusively deemed to have consented and agreed that none of them shall have any direct beneficiary interest herein or any

right of action hereunder whatsoever and that this bond or any right of action thereon shall not be assignable. All losses and other payments, if any, payable by the **Company** hereunder shall be payable to the **Trustee** without regard to its obligations to others and the **Company** shall not be responsible for the proper application of any payment made hereunder to the **Trustee** of the **Assured**. If the **Company**, in any case, shall agree to and shall make payment to any **Assured** instead of the **Trustee** of the **Assured**, such payment shall be treated as though made to the **Trustee** of the **Assured**

Bond Loss Sustained Prior to the Effective Date Hereof

4. The liability of the **Company** under this **Bond** for loss sustained prior to the effective date hereof shall be subject to the following additional conditions and limitations:

- A. That the **Trustee** of some predecessor in interest thereof carried some other bond or insurance which, at the time such loss was sustained, afforded on the person or persons causing such loss some or all of the coverage of this **Bond**; and
- B. That such prior coverage and the right of claim for such loss hereunder continued under the same or some superseding bond or insurance without interruption from the time such loss was sustained until the effective date hereof; and
- C. That such loss shall have been discovered after the expiration of the time for discovery of such loss under the last such bond or insurance; and
- D. That the liability of the **Company** hereunder with respect to such loss shall not exceed the amount of such prior coverage in force at the time such loss was sustained, or applicable **Limit of Liability** as stated in **ITEM 2** of the **DECLARATIONS**, whichever is smaller.

Total Liability

5. The payment of any loss under this **Bond** shall not reduce the liability of the **Company** for other losses whenever sustained; provided, however, that the total liability of the **Company** for all losses, regardless of the number of **Assured** involved, is limited to the applicable **Limit of Liability** as stated in **ITEM 2** of the **DECLARATIONS**. The total liability of the **Company** for loss or losses sustained by all **Assured** included herein shall not exceed the sum of the **Limits of Liability** in the **Schedule of Assured** as stated in **ITEM 6** of the **DECLARATIONS** and the **Company** shall not be liable for loss sustained by one **Assured** to the advantage of any other **Assured**.

Ownership

6. The **Securities** covered under this **Bond** may be owned by any **Assured** or as respects which any **Assured** is legally liable, or held by a trustee in any capacity.

Claim Procedure

7. Subject to the terms and conditions of this **Bond** to file a claim the **Trustee** acting on behalf of the **Assured**:

- A. Must submit evidence of the **Assured** obtaining a consent decree for **Violations of the Securities Laws**.
- B. Enter judgment and demand for payment against **Issuer** and/or **Intermediary** and their **Directors and Officers**.
- C. Provide proof of loss and inability to collect under a court order judgment not subject to further appeal by any party under this **Bond**.
- D. Provide detail of loss to **Company**.

Loss Notice - Proof Legal Proceedings

8. At the earliest practicable moment after discovery of any loss hereunder the **Trustee** on behalf of the **Assured** shall give the **Company** written notice thereof and shall also within four (4) months after such discovery furnish to the **Company** affirmative proof of loss with full particulars. Legal proceedings for recovery of any loss hereunder shall not be brought after the expiration of twenty-four (24) months from the discovery of such loss. If any limitation embodied in this Section is prohibited by any law controlling the construction thereof, such limitation shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

Valuation of Securities

9. The value of any **Securities**, for the loss of which a claim shall be made hereunder, shall be determined by the cost basis of such **Securities** on the date of purchase by an **Assured** covered under this **Bond**.

Loss

10. A loss payable under this **Bond** including right of rescission shall be determined by an award for damages based on a final consent decree. Payment for a loss shall exclude any payment for exemplary or punitive damages and shall be limited to the actual loss sustained based on **Valuation of Securities** for each **Assured**.

Loss Payment Allocation to Assured

11. Any payment for loss under this **Bond** shall be as follows:

A. The cost basis (not market value) of the **Securities** owned by each **Assured** as investor.

B A loss payment is made only to the owner of the **Securities** and not to any previous or future owner.

C. Allocation of loss payment to **Assured** is first made in total in order of preference to following classes. In the event, loss payment proceeds are insufficient to satisfy all **Assureds** within a class a payment will be proportionate based on cost basis (not market value) of the **Securities** owned by each **Assured** as investor. The classes in order of preference for payment are:

- i. Non-Accredited Individual Investors
- ii. Accredited Individual Investors
- iii. Pension/Welfare Benefit Funds
- iv. Charitable and Non-Profit Organizations
- v. Corporate and Institutional Investors
- vi. Other

Any loss payment specifically excludes any entity(ies) or person(s) convicted of any **Violations of the Securities Laws** under this **Bond**.

Recoveries

12. If the **Assured** shall sustain a loss covered by this **Bond** which exceeds the amount of coverage provided by this **Bond**, such **Assured** shall be entitled to all recoveries (except from suretyship, insurance, reinsurance or indemnity taken by or for the benefit of the **Company**) by whomever made, on account of such loss until fully reimbursed, less the actual cost of effecting the same, any remainder shall be applied to the reimbursement of the **Company**; provided, however, that the **Assured** shall not be entitled to recoveries in any amount in excess of the amount of loss sustained.

Subrogation

13. Upon payment to the **Assured** by the **Company** on account of any loss through acts committed by anyone, whether acting alone or in connivance with others, an assignment of such of the **Assured's** rights and causes of action as it may have against any such person, firm or corporation by reason of such acts so committed shall, to the extent of such payment, be given by the **Assured** to the **Company**, and the **Assured** shall execute all necessary papers to secure to the **Company** the rights provided for herein.

Other Insurance or Bond

14. The **Trustee, Assured**, or any other party at interest in any loss has any other bond, indemnity or insurance which in the absence of this **Bond** would cover such loss in whole or in part, then this **Bond** shall be null and void, and shall not cover, to the extent of the amount of such other bond, indemnity or insurance; but shall attach to and cover, subject to its conditions and limitations, only the amount of such loss in excess of the amount of such other bond, indemnity or insurance.

Bond is Non-Cancelable

15. This **Bond** is non-cancelable by the **Company** and the premium is fully earned. Unless renewed the **Bond** shall terminate as an entirety upon expiration of the **Bond Period**.

Change or Modification

16. This **Bond** or any instrument amending or affecting same may not be changed or modified orally. No change therein or modification thereof shall be effective unless made a written endorsement issued to form a part hereof over the signature of an Authorized Representative of the **Company**.

Cancellation of Prior Bond

17. The taking effect of this **Bond** shall thereby terminate, if not already terminated, all previous obligations of the **Company** to the **Assured** under **Bond(s)** specified in **ITEM 7** of the **DECLARATIONS** and by reason of the issuance hereof, said **Bond(s)** shall not thereafter cover any loss not discovered and reported to the **Company** prior to such termination.

Bond Premium

18. The premium for this **Bond** specified in **ITEM 4** of the **DECLARATIONS** is paid by the **Issuer** for the benefit of the **Assured** and is full earned by the **Company**.

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Investor Fraud Protection

Crowdfunding Company Supplemental Information

Title III of the JOBS Act adds new Section 3(h) to the Exchange Act which requires the Securities and Exchange Commission ("SEC") to exempt, conditionally or unconditionally, an intermediary operating a funding portal from the requirement to register with the SEC as a broker. The intermediary, though, would need to register with the SEC as a funding portal and would be subject to the SEC's examination, enforcement, and rulemaking authority. The funding portal must also become a member of a national securities association.

The SEC still has to write rules to implement the crowdfunding provisions of the JOBS Act. Until the SEC has completed this rulemaking a funding portal cannot act as a crowdfunding intermediary, even if you are already a registered broker. The Division of Corporation Finance has also reminded issuers that any offers or sales of securities purporting to rely on the crowdfunding exemption would be unlawful under the federal securities laws until the SEC's rulemaking is complete.

Crowdfunding provisions allow personal investors with annual incomes or net worth less than \$100,000 to invest the greater of \$2,000 or 5% of the investor's net worth or annual income. Investors with annual incomes or a net worth that are greater than \$100,000 can invest 10% of annual income or net worth.

Company Information

1. **Name of crowdfunding company (hereafter "You" or "you"). The name should match name on insurance application**

2. **Are you considering raising capital under the crowdfunding provisions of the JOBS Act?**

- Yes
- No

3. **Have you currently raised any investment funds?**

- Yes (Please describe)
- No

4. **Have you raised any funds describes as contribution/donations or rewards?**

- Yes (Please describe)
- No

5. **Are you an owner, chairman, president, partner or treasurer of a small business - less than 500 employees?**

Select:
Owner, Chairman, President, Partner, Treasurer, No

6. **What is your industry segment?**

Select:
Advertising, Aerospace/Defense, Agricultural/Farming, Automotive/Transportation, Biotechnology, Business Product/Services, Cleantech/Alternative Energy, Computers and Peripherals, Consumer Products/Services, Education, Electronics/Instrumentation, Entertainment, Fashion, Financial Services, Food and Drink, Gaming, Healthcare Services, Insurance Services, Hospitality, Industrial/Energy, Internet/Web Services, Lifestyle, Marketing/Advertising, Medical Devices and Equipment, Media, Medical Devices, Mobile, Nano Technology, Networking and Equipment, Pharmaceuticals, Professional Services, Real Estate, Restaurant/Food Services,

Retail/Distribution, Security, Semiconductors, Software, Sports, Storage, Telecommunications, Transportation, Travel, Warehouse/Distribution, Other

7. How many full time employees (including yourself) in your company?

Select:

Less than 5, 6 to 25, 26 to 100, 101 to 250, 251 to 500, 501 to 1000, More than 1000

8. What is total assets of your company?

Select:

Less than \$500,000, \$500,001 to \$1,000,000, \$1,000,001 to \$2,500,000, \$2,500,001 to \$5,000,000, \$5,000,001 to \$10,000,000, \$10,000,001 to \$25,000,000, \$25,000,001 to \$50,000,000, \$50,000,001 to \$100,000,000, \$100,000,001 to \$250,000,000, \$250,000,001 to \$500,000,000, More than \$500,000,000

9. What is age of your company?

Select:

Start Up, Less than one year old, 1 to 3 years old, 3 to 5 years old, 5 to 10 years old, More than 10 years old

10. What is your company profitability?

Select:

Start Up, Negative Net Income, Positive Net Income

IMPORTANT

The following material must be attached to this application:

1. The most recent fiscal year-end financial statements of the Parent Company as required by the JOBS Act
 - For offerings less than \$100,000 in a 12-month period, companies are only required to provide in house financial statements.
 - For offerings between \$100,000 and \$500,000 in a 12- month period, companies are obligated to produce financial statements that have been “reviewed” by an outside public accounting firm.
 - For offerings greater than \$500,000 in a 12 month period, companies must provide audited financial statements.
2. The Parent Company's indemnification provision or by-laws.
3. The most recent EEO-1 report.
4. Attach copy of placement memorandum or business plan

Please indicate if any of the materials requested above are not attached to this application and the reason why

Crowdfunding Company Information

11. Date of actual or proposed Crowdfunding:

12. Amount Funded or to be Funded:

13. Type of proposed crowdfunding transaction:

- Equity (non-accredited investors)
- Equity (accredited investors)
- Debt
- Contribution/Donation/Rewards
- Other

14. If you are currently or planning to do non-equity or debt transactions please describe types of contributions/donations/rewards or other incentives that are provided to contributors.

15 Crowdfunding Equity Financing

Authorized Common Stock Shares:
 Amount of Common Stock Outstanding:
 Equity Value of Company:
 Equity to be Funded with Crowdfunding:
 Equity Shares to be Distributed with Crowdfunding:

16 Equity Valuation

Describe how equity value of company was determined (methodology, independent consultants used, CPA, lawyer, etc.)

17. Proposed use of proceeds:

Select:
 Expansion of Current Operations, Working Capital or Liquidity, Increase Marketing, Upgrade Technology, Purchase Another Company, Hire Additional staff, Purchase Capital, Equipment, Increase Inventory, Purchase Real Estate, New Product Development, Fund Prior Losses, Eliminate Bank or Other Loans, Do Not Know, Not Applicable

18. What is your expectation of being able to raise funds through crowdfunding

Select:
 Transaction Completed
 Very Positive, Somewhat Positive, Not Sure, Negative, Somewhat Negative, No Opinion, Not Applicable

19. Describe Types of investor (For completed deals indicate % for actual investors or for proposed transactions use a checkmark for category)

	Completed Deal	Proposed Transaction				
	%	Likely	Maybe	Not Probable	Do Not Know	Not Applicable
Family/Friends						
Employees						
Customers						
Suppliers						
Industry Contacts						
Angel Funds						
Social Media Contacts						
Outside Investors						
Other						

General Crowdfunding Distribution Information

20. Name of crowdfunding portal you used (or will use) for distribution

21. Name of NASD registered broker you used (or will use) for distribution

Directors and Officers Liability Insurance

Directors and Officers Liability Insurance (often called D&O) is liability insurance payable to the directors and officers of a company, or to the organization(s) itself, as indemnifications for certain damages (losses) or advancement of defense costs in the event any such insured suffers such a loss as a result of a legal action (whether criminal, civil, or administrative) brought for alleged wrongful acts in their capacity as directors and officers (as to the individual directors/officers) or against the organization(s) (either for securities claims or other actions).

Such coverage can extend to defense costs arising out of criminal and regulatory investigations/trials as well; in fact, often civil and criminal actions are brought against directors/officers simultaneously. It has become closely associated with broader management liability insurance, which covers liabilities of the corporation as well as the personal liabilities for the directors and officers of the corporation..

22. Do you currently have Directors and Officers Liability Insurance?

- Yes
- No

23. If Yes:

- Name of Insurer:
- Policy Limit:
- Date of Policy:

(Attach Directors and Officers Liability Application)

Professional Liability Insurance

Professional liability insurance also called errors & omissions (E&O) is a form of liability insurance that protect individuals and companies from bearing the full cost of defending against a negligence claim made by a client including damages awarded in such a civil lawsuit, subject to limits of liability, deductible and policy provisions.

The coverage focuses on alleged failure to perform services and financial loss caused by, an act, error or omission in rendering services to the client. These are potential causes for legal action that would not be covered by a general liability insurance policy. Professional liability coverage also provides for the defense costs, including when legal action turns out to be groundless.

Professional liability insurance is required by law in some areas for certain kinds of professional practice (especially medical and legal), and is also sometimes required under contract by other businesses that are the beneficiaries of the advice or service.

24. Do you currently have Professional Liability Insurance?

- Yes
- No

25. If Yes:

- Name of Insurer:
- Policy Limit:
- Date of Policy:

(Attach Professional Liability Application)

Cyber Liability Insurance

Commercial general liability policies and traditional property policies will not cover security or privacy breaches. A company can attempt to recover damages from a third party for liability. However, it will prove to be costly and difficult. The preferred method is to insure directly with both first party and third party liability coverage.

First Party Protection:

- Loss of Digital Assets Coverage
- Business Interruption and Extra Expense
- Cyber Terrorism
- Cyber Extortion
- Security Event Costs

Third Party Liability Protection:

- Network Security and Privacy Liability
- Employee Privacy Liability
- Electronic Media Liability

26. Do you currently have Cyber Liability Insurance?

- Yes
- No

27. If Yes:

- Name of Insurer:
- Policy Limit:
- Date of Policy:

(Attach Cyber Liability Application)

SEC Rules and Regulations Compliance

Crowdfunding companies, NASD brokers and funding portals have significant duties under the JOBS Act to provide information to investors, reduce the risk of fraud and, where required under the Act, ensure that investors and issuers satisfy the requirements outlined in Title III of the JOBS Act.

28. Do you compensate promoters, finders, or lead generators for providing the intermediary with the personal identifying information of any potential investor?

- Yes
- No

29. Do you provide disclosures that the SEC determines appropriate by rule, including regarding the risks of the transaction and investor education materials?

- Yes
- No

30. Do you ensure that each investor: (1) reviews investor education materials; (2) positively affirms that the investor understands that the investor is risking the loss of the entire investment, and that the investor could bear such a loss; and (3) answers questions that demonstrate that the investor understands the level of risk generally applicable to investments in startups, emerging businesses, and small issuers and the risk of illiquidity?

- Yes
 - No
31. Do you take steps to protect the privacy of information collected from investors?
- Yes
 - No
32. Do you take such measures to reduce the risk of fraud with respect to such transactions, as established by the SEC, by rule, including obtaining a background and securities enforcement regulatory history check on each officer, director, and person holding more than 20 percent of the outstanding equity of every issuer whose securities are offered by such person?
- Yes
 - No
33. Do you make available to funding portal and/or NASD broker investors and the SEC, at least 21 days before any sale, any disclosures required by the SEC?
- Yes
 - No
34. Do you ensure that all offering proceeds are only provided to you when the aggregate capital raised from all investors is equal to or greater than a target offering amount, and allow all investors to cancel their commitments to invest?
- Yes
 - No
35. Do you make efforts to ensure that no investor in a 12-month period has purchased crowdfunded securities that, in the aggregate, from all issuers, exceed the investment limits set forth in section Title III of the JOBS Act?
- Yes
 - No
36. Do you plan to follow any other requirements that the SEC determines are appropriate?
- Yes
 - No

References

Please supply following business and professional references

37. Your lawyer (name, address, phone, email and fax)
38. Your accountant (name, address, phone, email and fax)
39. Business References – Companies you do business with (name, address, phone, email and fax)
40. Business References – Companies you do business with (name, address, phone, email and fax)
41. Business References – Companies you do business with (name, address, phone, email and fax)

READ AND SIGN BELOW:

I have reviewed this application for accuracy before signing it. As a condition precedent to coverage, I hereby state that the information contained herein is true, accurate and complete and that no material facts have been omitted, misrepresented or mis-stated. I know of no other claims or lawsuits against the applicant and I know of no other events, incidents or occurrences which might reasonably lead to a claim or lawsuit against the applicant. I understand that this is an application for insurance or bonding only and that completion and submission of this application does not bind coverage with any insurance or bonding company

Your Name: _____

Title _____

Date: _____

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12/13/2012