



January 21, 2014

Ms. Elizabeth M. Murphy
Secretary
U.S Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Proposed Regulation Crowdfunding (Release Nos. 33-9470; 34-70741; File No. S7-09-13): Ongoing Reporting, Costs and Practical Implications

Dear SEC Commissioners and Staff:

We would like to thank you for all the thought and hard work in drafting and releasing Proposed Regulation Crowdfunding. We believe that this is a great framework for a new industry and hope that it, with some modifications based on industry feedback, can give true meaning to the legislative intent of the JOBS Act (namely, to create jobs).

Based on our research, we believe the largest obstacle to making crowdfunding a viable option for startups and small businesses is the post-offering ongoing annual reporting obligations, including the annual disclosure and financial statement requirements. Issuers would be required to effectively become mini-public companies with reporting obligations potentially extending indefinitely. These items create a cost structure that is out of proportion with the amounts proposed to be raised, particularly for smaller offerings under \$350,000.

Specifically, in this letter, we request both (i) a reduction in the scope of the required ongoing reporting obligations and (ii) implementation of several exemptions from ongoing reporting obligations (both disclosure and financial statements). These changes are required to make use of Regulation Crowdfunding a viable option for young startups and small businesses from a cost and time burden perspective.

Sections I – IV provide applicable statutory and regulatory background for the discussion in Section V and recommendations in Section VI below.

I. The JOBS Act – Statutory Provisions

Title III, Section 4A(b)(4). “An issuer who offers or sell securities shall... not less than annually, file with the Commission and provide to investors reports of the results of operations and financial statements of the issuer, as the Commissions shall by rule, determine appropriate, subject to such exceptions and termination dates as the Commission may establish, by rule.”¹

¹ The Jumpstart Our Business Startups (JOBS) Act, Title III, Section 4A(b)(4), available at <http://www.gpo.gov/fdsys/pkg/BILLS-112hr3606enr/pdf/BILLS-112hr3606enr.pdf> (the “JOBS Act”)

II. Proposed Regulation Crowdfunding²

§ 227.202. Ongoing reporting requirements.

- (a) An issuer that has offered and sold securities in reliance on Section 4(a)(6) of the Securities Act (15 U.S.C. 77d(a)(6)) and in accordance with Section 4A of the Securities Act (15 U.S.C. 77d-1) and Regulation Crowdfunding (§§ 227.100 et seq.) must file with the Commission on EDGAR and post on the issuer's website an annual report of its results of operations as described in § 227.201(s) and financial statements of the issuer for the highest aggregate target offering amount previously provided under § 227.201(t). The report also must include the disclosure required by paragraphs (a), (b), (c), (d), (e), (f), (m), (p), (q), and (r) of § 227.201. The report must be filed in accordance with the requirements of § 227.203 and Form C (§ 239.900 of this chapter) and no later than 120 days after the end of the fiscal year covered by the report.
- (b) An issuer must continue to comply with the ongoing reporting requirements until:
 - 1. The issuer becomes a reporting company required to file reports under Section 13(a) or Section 15(d) of the Exchange Act (15 U.S.C. 78m(a) or 78o(d));
 - 2. The issuer or another party repurchases all of the securities issued in reliance on Section 4(a)(6) of the Securities Act (15 U.S.C. 77d(a)(6)), including any payment in full of debt securities or any complete redemption of redeemable securities; or
 - 3. The issuer liquidates or dissolves its business in accordance with state law.

III. Summary of Proposed Ongoing Reporting Requirements:

So long as any crowdfunded securities are outstanding (and the company has not dissolved), a crowdfunded company will have to make an annual filings, which would be required to include:

Annual Report of Results of Operations

A description of the issuer's financial condition, including a discussion, to the extent material, of the issuer's historical results of operations, liquidity and capital resources. For issuers with no prior operating history, the description should include a discussion of financial milestones and operational, liquidity and other challenges. For issuers with an operating history, the discussion should address whether historical earnings and cash flows are representative of what investors should expect in the future. Issuers should take into account the proceeds of the offering and any other known or pending sources of capital. Issuers should also discuss how the proceeds from the offering will impact the issuer's liquidity and the necessity of receiving these funds and any other additional funds to the viability of the business. In addition, issuers should describe the other available sources of capital to the business, such as lines of credit or required contributions by shareholders.

² Securities and Exchange Commission Release No. 34-70741 (October 23, 2013) available at <http://blog.seedinvest.com/wp-content/uploads/2013/10/33-9470.pdf> ("Proposed Rules") at 92-93.

Financial Statements³

File with the SEC new financial statements each year. If the issuer raised over \$500,000 via crowdfunding, then this would require a new audit to be filed with the SEC every year, similar to how public companies are treated. Companies who raise between \$100,000 - \$500,000 via crowdfunding would have to file financials prepared in accordance with GAAP and reviewed by a public accountant together with the report of the public accountant.

We note that the JOBS Act does not require new annual reviewed or audited financial statements for ongoing reporting, but that this is a new requirement in proposed Regulation Crowdfunding. As further discussed below, this will also be the largest cost driver for offerings above \$100,000.

Other Required Disclosure:⁴

201(a): Identity information of Company

201(b): Director and officer experience for prior three years

201(c): Information about each 20% shareholder

201(d): Description of the business of the issuer and anticipated business plan

201(e): Current number of employees

201(f): Risk Factors

201(m): A description of the ownership and capital structure of the issuer,

201(p): A description of the material terms of any indebtedness

201(q): A description of exempt offerings conducted within the past three years;

201(r): A description of related party transactions;

201(s): Annual Report of its Results of Operations

IV. Applicable Requests for Comment – Regulation Crowdfunding⁵

80. Should we require ongoing annual reports, as proposed? Why or why not? Should we require ongoing reporting more frequently than annually? Why or why not? If so, how often (e.g., semi-annually or quarterly)?

84. Are the proposed ongoing disclosure requirements appropriate? Why or why not? Should we modify or eliminate any of the proposed requirements?

86. ...Are there other criteria (other than total assets) that we should consider? Please explain.

91. We have the authority to include exceptions to the ongoing reporting requirements in Section 4A(b)(4). Should we consider excepting certain issuers from ongoing reporting obligations (e.g., those raising a certain amount, such as \$100,000 or less)? Should any exception always apply or only after a certain number of reports have been filed? Please explain.

³ Id. at 485.

⁴ Id.

⁵ Id. at 97-101.

V. Discussion of Practical Implications and Costs of Proposed Ongoing Reporting Requirements:

In response to the foregoing Requests for Comment, we note the following:

Cost Estimates:

Cost Estimates in Proposed Rules

1. The Proposed Rules estimate that ongoing disclosure costs would be approximately \$4,000 per year, assuming that ¼ of the hourly work will be done by outside professionals, with the remaining ¾ being conducted by the issuer.⁶
2. The Proposed Rules estimate that reviewed financial statements will cost \$14,350 and audited financial statements will cost \$28,700.⁷
3. In addition to disclosure and audited/reviewed financial statements, we anticipate that companies will also incur the following expenses:
 - Crowdfunding portal placement fees (5-15% of total raise)
 - Transfer agent (or similar service) fees (\$99/month)
 - Increased D&O insurance premium (~\$3,000/year)
4. Based on the cost estimates in the Proposed Rules, our crowdfunding cost model predicts the following outcomes assuming a five year investment horizon (the average successful startup takes 5-7 years to exit) (available at <http://www.seedinvest.com/blog/?p=471>) and attached as **Exhibit A**:

<u>Financing Amount</u>	<u>Total Cash Costs</u>	<u>Total Cash Proceeds</u>	<u>"Load" (i.e. Cost of Capital)</u>
\$10,000	\$39,862	-\$29,862	399%
\$33,000	\$41,587	-\$8,587	126%
\$67,000	\$44,137	\$22,863	66%
\$100,000	\$46,612	\$53,388	47%
\$100,001	\$111,847	-\$11,846	112%
\$300,000	\$126,847	\$173,153	42%
\$400,000	\$134,347	\$265,653	34%
\$500,000	\$141,847	\$358,153	28%
\$500,001	\$207,081	\$292,920	41%
\$750,000	\$225,831	\$524,169	30%
\$900,000	\$237,081	\$662,919	26%
\$1,000,000	\$244,581	\$755,419	24%

⁶ Id. at 358.

⁷ Id. at 359.

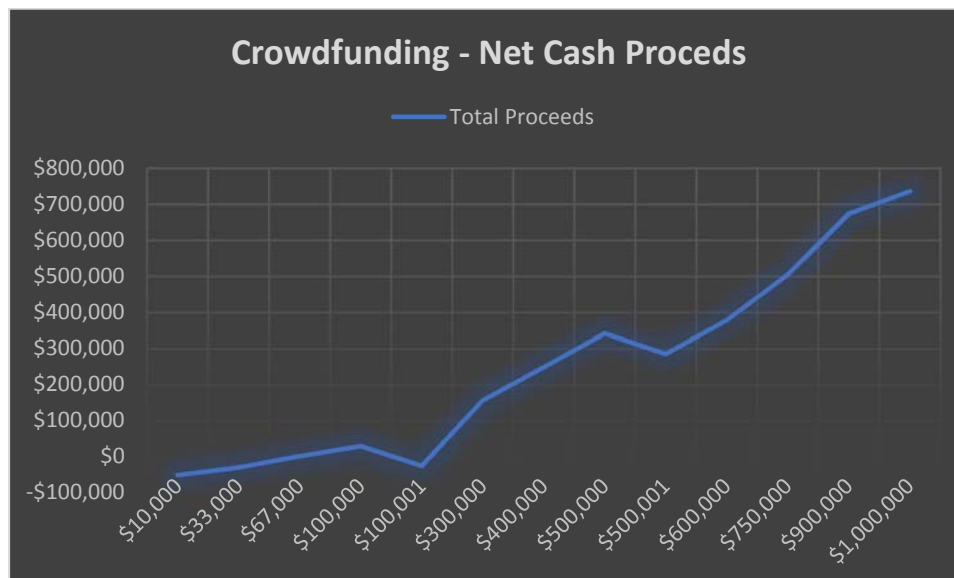
Market Estimates

5. The lowest quote we received for production of the Form C-AR is \$3,000, but the service would also require independent legal counsel review, which is expected to cost approximately another \$3,000 on the low end.
6. On the high end of the spectrum, large law firms would be expected to charge \$20,000+ for the creation and review of the disclosure document.
7. Based on our informal survey of potential vendors, we believe the costs will range from \$6,000 to \$20,000 out of pocket, with the median being roughly \$10,000.
8. As such, we believe the true burden to be roughly \$10,000 in out-of-pocket expenses and an additional \$15,000 worth of time burden on the issuer (i.e. opportunity cost) per year for the Form C-AR (excluding financial statements).
9. Annual financial statements would add \$14,350 per year for reviewed financials and \$28,700 per year for audited financials in out of pocket costs and likely an additional \$5,000 - \$10,000 worth of time burden on the issuer.
10. The key cost driver is the multiplication effect of the ongoing annual filing requirements, including ongoing financial statement requirements. The foregoing costs will be multiplied by the number of years that the securities are outstanding (assumed for the purposes of our model to average 5 years and require 4 annual filings).
11. The net present value of the ongoing disclosure costs for 4 filings over 5 years (at a 5% discount rate) would be approximately \$35,000 out of pocket and \$53,000 in opportunity cost.
12. The net present value of the ongoing financial statement costs for 4 filings over 5 years (at a 5% discount rate) would be approximately \$50,884 for reviewed and \$101,769 for audited financial statements. Significant additional time burden would also be expected as companies spend time to coordinate the audit process.
13. These costs, together with the ongoing financial statement requirements and all of the other costs of Regulation Crowdfunding, are grossly out of proportion with the amount of money that can be potentially raised.

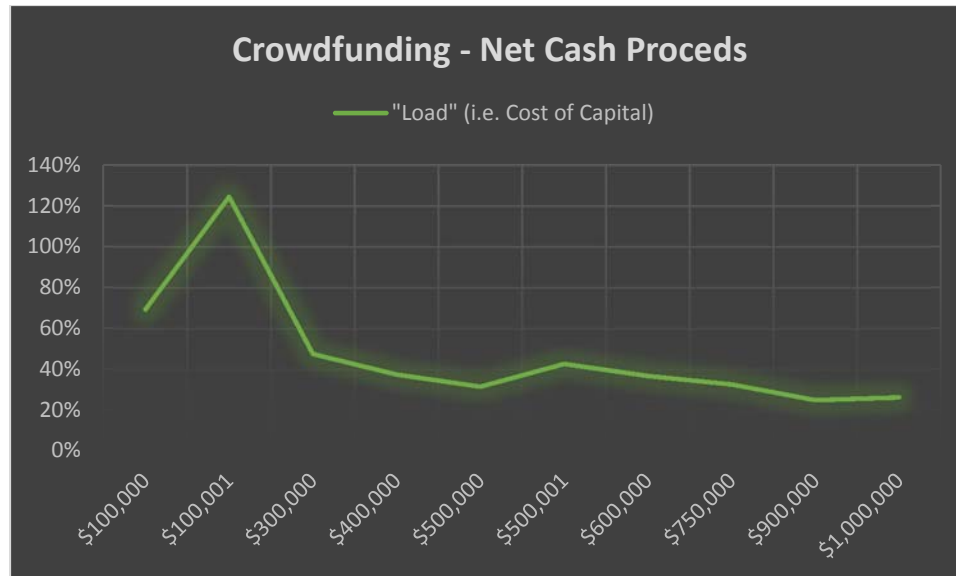
14. Based on our own estimates for costs related to disclosure and financial audit/reviews (per a number of attorneys, accountants and other service providers), our [crowdfunding cost model](#) predicts the following results assuming a five year investment horizon, with individual scenarios detailed in **Exhibit B**:

Financing Amount	Total Cash Costs	Total Proceeds	"Load" (i.e. Cost of Capital)
\$10,000	\$60,138	-\$50,138	601%
\$33,000	\$61,863	-\$28,863	187%
\$67,000	\$64,413	\$2,587	96%
\$100,000	\$69,388	\$30,612	69%
\$100,001	\$124,522	-\$24,521	125%
\$300,000	\$142,772	\$157,228	48%
\$400,000	\$150,272	\$249,728	38%
\$500,000	\$157,772	\$342,228	32%
\$500,001	\$213,657	\$286,344	43%
\$600,000	\$221,157	\$378,843	37%
\$750,000	\$244,907	\$505,093	33%
\$900,000	\$225,307	\$674,693	25%
\$1,000,000	\$263,657	\$736,343	26%

15. Again, even ignoring the opportunity cost, the numbers are stark:



- Below \$115,000, the issuer would have **negative cash flow**.
- At \$500,000 (just below the audit requirement), the issuer would net approximately \$342,000 in cash flow.
- For a \$1,000,000 offering, the issuer can expect to net approximately \$736,000 from the offering after 5 years of compliance costs.



- Below \$75,000, the cost of capital is off the charts (500%+)
- Between \$75,000 and \$300,000, the cost of capital will be extraordinary (40-110%)
- Above \$350,000, the cost of capital will be very high (25-40%)

16. We estimate that the additional opportunity cost of the time spent by the founding teams and employees to comply with the ongoing disclosure obligations to be between \$35,000 for small offerings (where there are no audited financials) ranging up to \$85,000 (where audited financials are involved) over a 5 year period. Management time and bandwidth is the most precious resource for young companies and this diversion will drain valuable time and resources from other company operations (such as generating sales or building products).
17. The foregoing assumes a time horizon of 5 years, with 4 required annual filings. The numbers would start to look much worse for companies who exceeded this time horizon, introducing an additional uncertainty factor.
18. Based on the foregoing, we find it very unlikely that issuers can viably use the current Proposed Rules for offerings below \$350,000.
19. At the high end of the range, the expense (both time and money) of this type of offerings will force issuers with other financing options to opt out of Title III. Thus, as currently constructed, Title III might only be used by companies desperate for funding and thus hurting the investors these provisions were designed to protect.

Unintended Consequences

The ongoing disclosure requirements and the cost structure described above could cause some unintended consequences:

1. **A Rock and a Hard Place.** Assume a young company is running out of cash with payroll due, customer orders to be fulfilled and they now have audited financials and their Form C-AR annual filing due. If the issuer is unable to raise further outside capital in a timely manner, it might have to choose to among the following alternatives:
 - Lay off employees in order to pay for audited financials and disclosure obligations
 - Delay customer orders in order to pay for audited financials and disclosure filings.
 - Attempt to draft disclosure without outside legal help, likely making material misstatements and exposing themselves to lawsuits and personal liability
 - Liquidate rather than fail to make their filings or risk violating securities laws
2. **Unfavorable Investor Structures.** As a means to avoid these ongoing reporting requirements, issuers are likely to build in automatic redemption or call rights into the crowdfunding securities so that they are retired as soon as possible (i.e. at the next financing or before next reporting cycle). Therefore, crowdfunding investors may be less likely to participate in the upside of successful companies, but will equally share in downside of the unsuccessful companies.
3. **Crowdfunding Investors will be Harmed.** Burdensome costs and obligations ultimately hurt the investors, whose money being used to pay all of these expenses. Moreover, the cost and distraction of reporting will harm the issuer's chances of success, thereby reducing returns to investors. From a practical perspective, the biggest objection we hear from traditional angel investors to participating in crowdfunding offerings is that they don't want their money going to pay these costs and they don't want their CEOs distracted by unnecessary compliance.

Responses to Stated Rationales

RATIONALE: “[Utilization of the initial offering materials] should minimize the disclosure burden for issuers to the extent they would be able to use the offering materials as a basis to prepare the ongoing disclosure.”⁸

RESPONSE: We disagree with the premise that annual disclosure costs will go down over time. Startups rapidly change and may shift business models a dozen times in a given year. A disclosure document at the time of offering is likely to require substantial revisions for purposes of the annual filings. Moreover, as the issuer matures, its disclosure will become more complex, requiring additional time and costs to make adequate disclosure.

⁸ Id. at 96.

RATIONALE: “Investors should benefit from receiving annual updates to the information they received when making the decision to invest in the issuer’s securities, which should allow them to continue to be informed about issuer developments.”⁹

RESPONSE: There are far less expensive and burdensome methods for issuers to keep their investor based informed, such as holding regular shareholder webcasts and sending standard free form email updates.

RATIONALE: “Under the statute and the proposed rules, the securities will be freely tradable after one year and, therefore, this information also would benefit potential future holders of the issuer’s securities and help them to make more informed investment decisions.”¹⁰

RESPONSE: As demonstrated by transfer restrictions currently in place for securities offered under Regulation D for private companies, it seems likely that most private companies will not want their securities to be traded are likely to also include contractual transfer restrictions on crowdfunded securities. Crowdfunded securities are likely to be illiquid and it is unlikely that purchasers of crowdfunding securities will have the ability to make ongoing investment decisions. Additionally, under existing law, there are baseline disclosure requirements where an investor is required to make an investment decision. Those requirements should be sufficient to encourage the issuers to provide necessary disclosure at the appropriate times.

RATIONALE: “We preliminarily believe, nevertheless, that financial statements for such issuers would be useful for investors, particularly when presented along with a description of the issuer’s financial condition. This would give investors a more complete picture of the issuer and would highlight its early stage of development.”¹¹

RESPONSE: Additionally, as the staff¹² and other commentators¹³ have noted, audited financials provide little to no value in a startup, particularly where a company is pre-revenue. Moreover, the proposed consumers of this information may not generally be able to properly interpret or use this information. Finally, we have not seen the staff, any commentators or other industry parties present a strong argument about how audited financial statements for young pre-revenue companies provides value to issuers or investors.

RATIONALE: “We would not expect that the required financial statements would be long or complicated for “issuers that are recently formed and have limited operating histories.”¹⁴

⁹ Id.

¹⁰ Id. at 36

¹¹ Id. at 79.

¹² Id. at 368 (noting that “We also understand that requiring audited financial statements would increase the cost to issuers, and for issuers that are newly formed, with no or very limited operations, the benefit of the audit may not justify the cost of the audit.”)

¹³ See, for example, Comment Letter from David M. Freedman dated January 15, 2014, available at <http://www.sec.gov/comments/s7-09-13/s70913-120.htm>

¹⁴ See Proposed Rules at 79.

RESPONSE: Based on our conversations with accountants, almost half the work and cost of an audit results from compliance work that is required regardless of the facts and circumstances of the issuer.

VI. Request for Modifications to Regulation Crowdfunding

Based on a review of the various scenarios, it seems that the ongoing disclosure requirements are the main cost driver for offerings below \$500,000. At offerings above \$500,000, where the ongoing disclosure costs might be more bearable, the costs associated with audited financials will kick in and continue to make these offerings very expensive.

A. Proposed Revision to § 227.202. Ongoing reporting requirements.

In light of the foregoing, we respectfully request that Section 227.202 of Regulation Crowdfunding be revised to **limit the ongoing disclosure requirements to the statutorily required level, namely the “results of operations and financial statements of the issuer.”**

We believe that such a disclosure should be limited to a brief update of the business with a flexible format (see <http://shaigoldman.com/2012/12/03/investor-updates-email-template/>), which is common format under Reg D offerings) together with unaudited financial statements.

We again emphasize that **the JOBS Act does not require reviewed or audited financials for the ongoing annual reports** and that the Commission has full authority to eliminate these requirements.

B. Proposed Exemptions from Ongoing Reporting Requirements

Additionally, noting that the SEC has broad authority to implement exemptions to ongoing disclosure requirements, we propose there should be no ongoing annual reporting requirements (including both disclosure and financial statements) in the following scenarios:

1. Smaller Offerings. The ongoing reporting requirements should be scaled to the size of the offering. As described above, the disclosure and filing costs will dwarf the offering size for smaller offerings, particularly for offerings below \$350,000. As such, we propose an exemption from the ongoing reporting requirements for offerings below \$350,000.
2. No Investment Decision. The securities are structured such that there can be no investment decision. For example, where the securities have transfer restrictions, are non-voting and/or are subject to automatic sale or redemption provisions at liquidity event or next financing.
3. Institutional, Venture Capital or Angel Led Round. Where:
 - a. an institutional investor, venture capitalist or sophisticated angel investors (or angel groups) (a “Lead Investor”) are leading the financing, negotiating terms and conducting due diligence (whether under Regulation D or otherwise);
 - b. the securities offered under Regulation Crowdfunding are on substantially the same economic terms as those purchased by the Lead Investor(s); and

- c. the securities offered under Regulation Crowdfunding are structured to automatically tag-along with sales by the Lead Investor.
4. Waiver. Where all investors have contractually waived right to receive ongoing reports with informed consent (i.e. after demonstrating an understanding of the waiver).

VII. Conclusion

We believe that, with the modifications above, Title III crowdfunding can become a key driver of economic growth and job creation in this country.

Again, we'd like to thank the Commission and the Staff for all their efforts in proposing Regulation Crowdfunding. We believe it is now the industry's obligation to provide you with the appropriate market data and feedback to make the necessary revisions to Regulation Crowdfunding and carry out the intent of the JOBS Act.

We look forward to the ongoing conversation and would welcome the opportunity to provide additional details and market data to the Commission and Staff.

Respectfully,

Sashi Kiran Lingam

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EXHIBIT A
CROWDFUNDING COST MODEL
SEC ESTIMATES

See attached.

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Crowdfunding Cost Model

Scenario 1 - \$10,000 Raise

Variables	
Financing Amount	\$10,000
Financial Requirement	None
Company Stage	Idea Stage (Incorporation)

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$0
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$6,000
<u>Closing</u>	
Portal Fee	\$750
Net Proceeds at Closing	\$3,250
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$0
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988
Total Costs	\$39,862
Net Economic Proceeds	\$(29,862)
Cost of Capital	399%

Opportunity Cost*	\$42,551
Total Real Costs	\$82,414
Total Real Proceeds	-\$72,414
Total Real Cost of Capital	824.1%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	\$ 60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$0	\$14,350	\$28,700
Pre-Rev/Pre-Employee	\$0	\$14,350	\$28,700
Pre-Rev/10 Employee	\$0	\$14,350	\$28,700
Revenue	\$0	\$14,350	\$28,700
Total Financials Cost	\$0		

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$6,000
Pre-Rev/Pre-Employee	\$6,000
Pre-Rev/10 Employee	\$6,000
Revenue	\$6,000
Total Disclosure Cost	\$6,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$ 50,884	\$ 101,769
Total Economic Cost	\$0		

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$33,000
Financial Requirement	None
Company Stage	Idea Stage (Incorporation)

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$0
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$6,000
<u>Closing</u>	
Portal Fee	\$2,475
Net Proceeds at Closing	\$24,525
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$0
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988
Total Costs	\$41,587
Net Economic Proceeds	\$(8,587)
Cost of Capital	126%
Opportunity Cost*	\$42,551
Total Real Costs	\$84,139
Total Real Proceeds	-\$51,139
Total Real Cost of Capital	255.0%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	\$ 60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$0	\$14,350	\$28,700
Pre-Rev/Pre-Employee	\$0	\$14,350	\$28,700
Pre-Rev/10 Employee	\$0	\$14,350	\$28,700
Revenue	\$0	\$14,350	\$28,700
Total Financials Cost	\$0		

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$6,000
Pre-Rev/Pre-Employee	\$6,000
Pre-Rev/10 Employee	\$6,000
Revenue	\$6,000
Total Disclosure Cost	\$6,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	0	\$14,350	\$28,700
NPV (5 Years, 4 filings)	0	\$50,884	\$101,769
Total Economic Cost	\$0		

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$67,000
Financial Requirement	None
Company Stage	Idea Stage (Incorporation)

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$0
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$6,000
<u>Closing</u>	
Portal Fee	\$5,025
Net Proceeds at Closing	\$55,975
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$0
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988
Total Costs	\$44,137
Net Economic Proceeds	\$22,863
Cost of Capital	66%

Opportunity Cost*	\$42,551
Total Real Costs	\$86,689
Total Real Proceeds	-\$19,689
Total Real Cost of Capital	129.4%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/Pre-Employee	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/10 Employee	\$ -	\$ 14,350	\$ 28,700
Revenue	\$ -	\$ 14,350	\$ 28,700
Total Financials Cost	\$0		

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$ 6,000
Pre-Rev/Pre-Employee	\$ 6,000
Pre-Rev/10 Employee	\$ 6,000
Revenue	\$ 6,000
Total Disclosure Cost	\$6,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769
Total Economic Cost	\$0		

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$100,000
Financial Requirement	None
Company Stage	Pre-Rev/Pre-Employee

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$0
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$6,000
<u>Closing</u>	
Portal Fee	\$7,500
Net Proceeds at Closing	\$86,500
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$0
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988
Total Costs	\$46,612
Net Economic Proceeds	\$53,388
Cost of Capital	47%
Opportunity Cost*	\$42,551
Total Real Costs	\$89,164
Total Real Proceeds	\$10,836
Total Real Cost of Capital	89.2%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$0	\$14,350	\$28,700
Pre-Rev/Pre-Employee	\$0	\$14,350	\$28,700
Pre-Rev/10 Employee	\$0	\$14,350	\$28,700
Revenue	\$0	\$14,350	\$28,700
Total Financials Cost	\$0		

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$6,000
Pre-Rev/Pre-Employee	\$6,000
Pre-Rev/10 Employee	\$6,000
Revenue	\$6,000
Total Disclosure Cost	\$6,000

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$0	\$14,350	\$28,700
NPV (5 Years, 4 filings)	\$0	\$50,884	\$101,769
Total Economic Cost	\$0		

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$100,001
Financial Requirement	Review
Company Stage	Pre-Rev/Pre-Employee

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$14,350
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$20,350

<u>Closing</u>	
Portal Fee	\$7,500
Net Proceeds at Closing	\$72,151

<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$50,884
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988

Total Costs	\$111,847
Net Economic Proceeds	\$(11,846)
Cost of Capital	112%

Opportunity Cost*	\$42,551
Total Real Costs	\$154,398
Total Real Proceeds	-\$54,397
Total Real Cost of Capital	154.4%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/Pre-Employee	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/10 Employee	\$ -	\$ 14,350	\$ 28,700
Revenue	\$ -	\$ 14,350	\$ 28,700

Total Financials Cost \$14,350

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 6,000
Pre-Rev/Pre-Employee	\$ 6,000
Pre-Rev/10 Employee	\$ 6,000
Revenue	\$ 6,000

Total Disclosure Cost \$6,000

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769

Total Economic Cost \$50,884

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$200,000
Financial Requirement	Review
Company Stage	Pre-Rev/Pre-Employee

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$14,350
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$20,350

<u>Closing</u>	
Portal Fee	\$15,000
Net Proceeds at Closing	\$164,650

<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$50,884
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988

Total Costs	\$119,347
Net Economic Proceeds	\$80,653
Cost of Capital	60%

Opportunity Cost*	\$42,551
Total Real Costs	\$161,898
Total Real Proceeds	\$38,102
Total Real Cost of Capital	80.9%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/Pre-Employee	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/10 Employee	\$ -	\$ 14,350	\$ 28,700
Revenue	\$ -	\$ 14,350	\$ 28,700

Total Financials Cost \$14,350

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 6,000
Pre-Rev/Pre-Employee	\$ 6,000
Pre-Rev/10 Employee	\$ 6,000
Revenue	\$ 6,000

Total Disclosure Cost \$6,000

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769

Total Economic Cost \$50,884

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$300,000
Financial Requirement	Review
Company Stage	Pre-Rev/10 Employee

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$14,350
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$20,350

<u>Closing</u>	
Portal Fee	\$22,500
Net Proceeds at Closing	\$257,150

<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$50,884
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988

Total Costs	\$126,847
Net Economic Proceeds	\$173,153
Cost of Capital	42%

Opportunity Cost*	\$42,551
Total Real Costs	\$169,398
Total Real Proceeds	\$130,602
Total Real Cost of Capital	56.5%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$0	\$14,350	\$28,700
Pre-Rev/Pre-Employee	\$0	\$14,350	\$28,700
Pre-Rev/10 Employee	\$0	\$14,350	\$28,700
Revenue	\$0	\$14,350	\$28,700

Total Financials Cost \$14,350

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$6,000
Pre-Rev/Pre-Employee	\$6,000
Pre-Rev/10 Employee	\$6,000
Revenue	\$6,000

Total Disclosure Cost \$6,000

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$0	\$14,350	\$28,700
NPV (5 Years, 4 filings)	\$0	\$50,884	\$101,769

Total Economic Cost \$50,884

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$400,000
Financial Requirement	Review
Company Stage	Pre-Rev/10 Employee

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$14,350
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$20,350

<u>Closing</u>	
Portal Fee	\$30,000
Net Proceeds at Closing	\$349,650

<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$50,884
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988

Total Costs	\$134,347
Net Economic Proceeds	\$265,653
Cost of Capital	34%

Opportunity Cost*	\$42,551
Total Real Costs	\$176,898
Total Real Proceeds	\$223,102
Total Real Cost of Capital	44.2%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/Pre-Employee	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/10 Employee	\$ -	\$ 14,350	\$ 28,700
Revenue	\$ -	\$ 14,350	\$ 28,700

Total Financials Cost \$14,350

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 6,000
Pre-Rev/Pre-Employee	\$ 6,000
Pre-Rev/10 Employee	\$ 6,000
Revenue	\$ 6,000

Total Disclosure Cost \$6,000

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769

Total Economic Cost \$50,884

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$500,000
Financial Requirement	Review
Company Stage	Pre-Rev/10 Employee

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$14,350
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$20,350
<u>Closing</u>	
Portal Fee	\$37,500
Net Proceeds at Closing	\$442,150
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$50,884
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988
Total Costs	\$141,847
Net Economic Proceeds	\$358,153
Cost of Capital	28%

Opportunity Cost*	\$42,551
Total Real Costs	\$184,398
Total Real Proceeds	\$315,602
Total Real Cost of Capital	36.9%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/Pre-Employee	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/10 Employee	\$ -	\$ 14,350	\$ 28,700
Revenue	\$ -	\$ 14,350	\$ 28,700
Total Financials Cost		\$14,350	

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$ 6,000
Pre-Rev/Pre-Employee	\$ 6,000
Pre-Rev/10 Employee	\$ 6,000
Revenue	\$ 6,000
Total Disclosure Cost	\$6,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769
Total Economic Cost		\$50,884	

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$500,001
Financial Requirement	Audited
Company Stage	Pre-Rev/10 Employee

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$28,700
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$34,700
<u>Closing</u>	
Portal Fee	\$37,500
Net Proceeds at Closing	\$427,801
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$101,769
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988
Total Costs	\$207,081
Net Economic Proceeds	\$292,920
Cost of Capital	41%

Opportunity Cost*	\$42,551
Total Real Costs	\$249,632
Total Real Proceeds	\$250,369
Total Real Cost of Capital	49.9%

*Value of time spent by team preparing disclosure and audit materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/Pre-Employee	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/10 Employee	\$ -	\$ 14,350	\$ 28,700
Revenue	\$ -	\$ 14,350	\$ 28,700
Total Financials Cost	\$28,700		

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$ 6,000
Pre-Rev/Pre-Employee	\$ 6,000
Pre-Rev/10 Employee	\$ 6,000
Revenue	\$ 6,000
Total Disclosure Cost	\$6,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769
Total Economic Cost	\$101,769		

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables

Financing Amount	\$600,000
Financial Requirement	Audited
Company Stage	Pre-Rev/10 Employee

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$28,700
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$34,700
<u>Closing</u>	
Portal Fee	\$45,000
Net Proceeds at Closing	\$520,300
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$101,769
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988
Total Costs	\$214,581
Net Economic Proceeds	\$385,419
Cost of Capital	36%
Opportunity Cost*	\$42,551
Total Real Costs	\$257,132
Total Real Proceeds	\$342,868
Total Real Cost of Capital	42.9%

*Value of time spent by team preparing disclosure and audit materials

Assumptions

Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/Pre-Employee	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/10 Employee	\$ -	\$ 14,350	\$ 28,700
Revenue	\$ -	\$ 14,350	\$ 28,700
Total Financials Cost	\$28,700		

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 6,000
Pre-Rev/Pre-Employee	\$ 6,000
Pre-Rev/10 Employee	\$ 6,000
Revenue	\$ 6,000
Total Disclosure Cost	\$6,000

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769
Total Economic Cost	\$101,769		

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$750,000
Financial Requirement	Audited
Company Stage	Revenue

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$28,700
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$34,700
<u>Closing</u>	
Portal Fee	\$56,250
Net Proceeds at Closing	\$659,050
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$101,769
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988
Total Costs	\$225,831
Net Economic Proceeds	\$524,169
Cost of Capital	30%

Opportunity Cost*	\$42,551
Total Real Costs	\$268,382
Total Real Proceeds	\$481,618
Total Real Cost of Capital	35.8%

*Value of time spent by team preparing disclosure and audit materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/Pre-Employee	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/10 Employee	\$ -	\$ 14,350	\$ 28,700
Revenue	\$ -	\$ 14,350	\$ 28,700

Total Financials Cost \$28,700

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 6,000
Pre-Rev/Pre-Employee	\$ 6,000
Pre-Rev/10 Employee	\$ 6,000
Revenue	\$ 6,000

Total Disclosure Cost \$6,000

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769

Total Economic Cost \$101,769

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$900,000
Financial Requirement	Audited
Company Stage	Revenue

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$28,700
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$34,700
<u>Closing</u>	
Portal Fee	\$67,500
Net Proceeds at Closing	\$797,800
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$101,769
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988
Total Costs	\$237,081
Net Economic Proceeds	\$662,919
Cost of Capital	26%

Opportunity Cost*	\$42,551
Total Real Costs	\$279,632
Total Real Proceeds	\$620,368
Total Real Cost of Capital	31.1%

*Value of time spent by team preparing disclosure and audit materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/Pre-Employee	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/10 Employee	\$ -	\$ 14,350	\$ 28,700
Revenue	\$ -	\$ 14,350	\$ 28,700
Total Financials Cost	\$28,700		

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$ 6,000
Pre-Rev/Pre-Employee	\$ 6,000
Pre-Rev/10 Employee	\$ 6,000
Revenue	\$ 6,000
Total Disclosure Cost	\$6,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$ -	\$14,350	\$28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769
Total Economic Cost	\$101,769		

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$1,000,000
Financial Requirement	Audited
Company Stage	Revenue

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$28,700
Disclosure (Legal)	\$6,000
Total Pre-Offering Costs	\$34,700

<u>Closing</u>	
Portal Fee	\$75,000
Net Proceeds at Closing	\$890,300

<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$101,769
Annual Disclosure	\$14,184
Marginal D&O Ins	\$12,988

Total Costs	\$244,581
Net Economic Proceeds	\$755,419
Cost of Capital	24%

Opportunity Cost*	\$42,551
Total Real Costs	\$287,132
Total Real Proceeds	\$712,868
Total Real Cost of Capital	28.7%

*Value of time spent by team preparing disclosure and audit materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/Pre-Employee	\$ -	\$ 14,350	\$ 28,700
Pre-Rev/10 Employee	\$ -	\$ 14,350	\$ 28,700
Revenue	\$ -	\$ 14,350	\$ 28,700

Total Financials Cost \$28,700

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 6,000
Pre-Rev/Pre-Employee	\$ 6,000
Pre-Rev/10 Employee	\$ 6,000
Revenue	\$ 6,000

Total Disclosure Cost \$6,000

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769

Total Economic Cost \$101,769

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 4,000	\$12,000
NPV (5 Years, 4 filings)	\$14,184	\$42,551

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

EXHIBIT B

CROWDFUNDING COST MODELS

MARKET ESTIMATES

See attached.

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Crowdfunding Cost Model

Scenario 1 - \$10,000 Raise

Variables	
Financing Amount	\$10,000
Financial Requirement	None
Company Stage	Idea Stage (Incorporation)

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$0
Disclosure (Legal)	\$5,000
Total Pre-Offering Costs	\$5,000
<u>Closing</u>	
Portal Fee	\$750
Net Proceeds at Closing	\$4,250
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$0
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988
Total Costs	\$60,138
Net Economic Proceeds	\$(50,138)
Cost of Capital	601%

Opportunity Cost*	\$53,189
Total Real Costs	\$113,327
Total Real Proceeds	-\$103,327
Total Real Cost of Capital	1133.3%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	\$ 60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$0	\$1,750	\$3,500
Pre-Rev/Pre-Employee	\$0	\$4,250	\$8,500
Pre-Rev/10 Employee	\$0	\$5,000	\$10,000
Revenue	\$0	\$10,000	\$20,000
Total Financials Cost	\$0		

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$5,000
Pre-Rev/Pre-Employee	\$7,500
Pre-Rev/10 Employee	\$10,000
Revenue	\$12,500
Total Disclosure Cost	\$5,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$ 50,884	\$ 101,769
Total Economic Cost	\$0		

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$10,000	\$15,000
NPV (5 Years, 4 filings)	\$35,460	\$53,189

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$33,000
Financial Requirement	None
Company Stage	Idea Stage (Incorporation)

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$0
Disclosure (Legal)	\$5,000
Total Pre-Offering Costs	\$5,000
<u>Closing</u>	
Portal Fee	\$2,475
Net Proceeds at Closing	\$25,525
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$0
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988
Total Costs	\$61,863
Net Economic Proceeds	\$(28,863)
Cost of Capital	187%
Opportunity Cost*	\$53,189
Total Real Costs	\$115,052
Total Real Proceeds	-\$82,052
Total Real Cost of Capital	348.6%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	\$ 60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$0	\$1,750	\$3,500
Pre-Rev/Pre-Employee	\$0	\$4,250	\$8,500
Pre-Rev/10 Employee	\$0	\$5,000	\$10,000
Revenue	\$0	\$10,000	\$20,000
Total Financials Cost	\$0		

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$5,000
Pre-Rev/Pre-Employee	\$7,500
Pre-Rev/10 Employee	\$10,000
Revenue	\$12,500
Total Disclosure Cost	\$5,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	0	\$14,350	\$28,700
NPV (5 Years, 4 filings)	0	\$50,884	\$101,769
Total Economic Cost	\$0		

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$10,000	\$15,000
NPV (5 Years, 4 filings)	\$35,460	\$53,189

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$67,000
Financial Requirement	None
Company Stage	Idea Stage (Incorporation)

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$0
Disclosure (Legal)	\$5,000
Total Pre-Offering Costs	\$5,000

<u>Closing</u>	
Portal Fee	\$5,025
Net Proceeds at Closing	\$56,975

<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$0
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988

Total Costs	\$64,413
Net Economic Proceeds	\$2,587
Cost of Capital	96%

Opportunity Cost*	\$53,189
Total Real Costs	\$117,602
Total Real Proceeds	-\$50,602
Total Real Cost of Capital	175.5%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 1,750	\$ 3,500
Pre-Rev/Pre-Employee	\$ -	\$ 4,250	\$ 8,500
Pre-Rev/10 Employee	\$ -	\$ 5,000	\$ 10,000
Revenue	\$ -	\$ 10,000	\$ 20,000

Total Financials Cost \$0

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 5,000
Pre-Rev/Pre-Employee	\$ 7,500
Pre-Rev/10 Employee	\$ 10,000
Revenue	\$ 12,500

Total Disclosure Cost \$5,000

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769

Total Economic Cost \$0

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 10,000	\$ 15,000
NPV (5 Years, 4 filings)	\$35,460	\$53,189

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$100,000
Financial Requirement	None
Company Stage	Pre-Rev/Pre-Employee

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$0
Disclosure (Legal)	\$7,500
Total Pre-Offering Costs	\$7,500
<u>Closing</u>	
Portal Fee	\$7,500
Net Proceeds at Closing	\$85,000
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$0
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988
Total Costs	\$69,388
Net Economic Proceeds	\$30,612
Cost of Capital	69%
Opportunity Cost*	\$53,189
Total Real Costs	\$122,577
Total Real Proceeds	-\$22,577
Total Real Cost of Capital	122.6%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$0	\$1,750	\$3,500
Pre-Rev/Pre-Employee	\$0	\$4,250	\$8,500
Pre-Rev/10 Employee	\$0	\$5,000	\$10,000
Revenue	\$0	\$10,000	\$20,000
Total Financials Cost	\$0		

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$5,000
Pre-Rev/Pre-Employee	\$7,500
Pre-Rev/10 Employee	\$10,000
Revenue	\$12,500
Total Disclosure Cost	\$7,500

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$0	\$14,350	\$28,700
NPV (5 Years, 4 filings)	\$0	\$50,884	\$101,769
Total Economic Cost	\$0		

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$10,000	\$15,000
NPV (5 Years, 4 filings)	\$35,460	\$53,189

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$100,001
Financial Requirement	Review
Company Stage	Pre-Rev/Pre-Employee

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$4,250
Disclosure (Legal)	\$7,500
Total Pre-Offering Costs	\$11,750

<u>Closing</u>	
Portal Fee	\$7,500
Net Proceeds at Closing	\$80,751

<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$50,884
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988

Total Costs	\$124,522
Net Economic Proceeds	\$(24,521)
Cost of Capital	125%

Opportunity Cost*	\$53,189
Total Real Costs	\$177,712
Total Real Proceeds	-\$77,711
Total Real Cost of Capital	177.7%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 1,750	\$ 3,500
Pre-Rev/Pre-Employee	\$ -	\$ 4,250	\$ 8,500
Pre-Rev/10 Employee	\$ -	\$ 5,000	\$ 10,000
Revenue	\$ -	\$ 10,000	\$ 20,000

Total Financials Cost \$4,250

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 5,000
Pre-Rev/Pre-Employee	\$ 7,500
Pre-Rev/10 Employee	\$ 10,000
Revenue	\$ 12,500

Total Disclosure Cost \$7,500

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769

Total Economic Cost \$50,884

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 10,000	\$ 15,000
NPV (5 Years, 4 filings)	\$35,460	\$53,189

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$200,000
Financial Requirement	Review
Company Stage	Pre-Rev/Pre-Employee

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$4,250
Disclosure (Legal)	\$7,500
Total Pre-Offering Costs	\$11,750
<u>Closing</u>	
Portal Fee	\$15,000
Net Proceeds at Closing	\$173,250
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$50,884
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988
Total Costs	\$132,022
Net Economic Proceeds	\$67,978
Cost of Capital	66%

Opportunity Cost*	\$53,189
Total Real Costs	\$185,212
Total Real Proceeds	\$14,788
Total Real Cost of Capital	92.6%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 1,750	\$ 3,500
Pre-Rev/Pre-Employee	\$ -	\$ 4,250	\$ 8,500
Pre-Rev/10 Employee	\$ -	\$ 5,000	\$ 10,000
Revenue	\$ -	\$ 10,000	\$ 20,000
Total Financials Cost		\$4,250	

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$ 5,000
Pre-Rev/Pre-Employee	\$ 7,500
Pre-Rev/10 Employee	\$ 10,000
Revenue	\$ 12,500
Total Disclosure Cost	\$7,500

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769
Total Economic Cost		\$50,884	

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 10,000	\$ 15,000
NPV (5 Years, 4 filings)	\$35,460	\$53,189

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$300,000
Financial Requirement	Review
Company Stage	Pre-Rev/10 Employee

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$5,000
Disclosure (Legal)	\$10,000
Total Pre-Offering Costs	\$15,000
<u>Closing</u>	
Portal Fee	\$22,500
Net Proceeds at Closing	\$262,500
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$50,884
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988
Total Costs	\$142,772
Net Economic Proceeds	\$157,228
Cost of Capital	48%

Opportunity Cost*	\$53,189
Total Real Costs	\$195,962
Total Real Proceeds	\$104,038
Total Real Cost of Capital	65.3%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$0	\$1,750	\$3,500
Pre-Rev/Pre-Employee	\$0	\$4,250	\$8,500
Pre-Rev/10 Employee	\$0	\$5,000	\$10,000
Revenue	\$0	\$10,000	\$20,000
Total Financials Cost	\$5,000		

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$5,000
Pre-Rev/Pre-Employee	\$7,500
Pre-Rev/10 Employee	\$10,000
Revenue	\$12,500
Total Disclosure Cost	\$10,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$0	\$14,350	\$28,700
NPV (5 Years, 4 filings)	\$0	\$50,884	\$101,769
Total Economic Cost	\$50,884		

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$10,000	\$15,000
NPV (5 Years, 4 filings)	\$35,460	\$53,189

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$400,000
Financial Requirement	Review
Company Stage	Pre-Rev/10 Employee

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$5,000
Disclosure (Legal)	\$10,000
Total Pre-Offering Costs	\$15,000

<u>Closing</u>	
Portal Fee	\$30,000
Net Proceeds at Closing	\$355,000

<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$50,884
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988

Total Costs	\$150,272
Net Economic Proceeds	\$249,728
Cost of Capital	38%

Opportunity Cost*	\$53,189
Total Real Costs	\$203,462
Total Real Proceeds	\$196,538
Total Real Cost of Capital	50.9%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 1,750	\$ 3,500
Pre-Rev/Pre-Employee	\$ -	\$ 4,250	\$ 8,500
Pre-Rev/10 Employee	\$ -	\$ 5,000	\$ 10,000
Revenue	\$ -	\$ 10,000	\$ 20,000

Total Financials Cost \$5,000

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 5,000
Pre-Rev/Pre-Employee	\$ 7,500
Pre-Rev/10 Employee	\$ 10,000
Revenue	\$ 12,500

Total Disclosure Cost \$10,000

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769

Total Economic Cost \$50,884

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 10,000	\$ 15,000
NPV (5 Years, 4 filings)	\$35,460	\$53,189

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$500,000
Financial Requirement	Review
Company Stage	Pre-Rev/10 Employee

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$5,000
Disclosure (Legal)	\$10,000
Total Pre-Offering Costs	\$15,000
<u>Closing</u>	
Portal Fee	\$37,500
Net Proceeds at Closing	\$447,500
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$50,884
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988
Total Costs	\$157,772
Net Economic Proceeds	\$342,228
Cost of Capital	32%

Opportunity Cost*	\$53,189
Total Real Costs	\$210,962
Total Real Proceeds	\$289,038
Total Real Cost of Capital	42.2%

*Value of time spent by team preparing disclosure materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 1,750	\$ 3,500
Pre-Rev/Pre-Employee	\$ -	\$ 4,250	\$ 8,500
Pre-Rev/10 Employee	\$ -	\$ 5,000	\$ 10,000
Revenue	\$ -	\$ 10,000	\$ 20,000
Total Financials Cost	\$5,000		

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$ 5,000
Pre-Rev/Pre-Employee	\$ 7,500
Pre-Rev/10 Employee	\$ 10,000
Revenue	\$ 12,500
Total Disclosure Cost	\$10,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769
Total Economic Cost	\$50,884		

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 10,000	\$ 15,000
NPV (5 Years, 4 filings)	\$35,460	\$53,189

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$500,001
Financial Requirement	Audited
Company Stage	Pre-Rev/10 Employee

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$10,000
Disclosure (Legal)	\$10,000
Total Pre-Offering Costs	\$20,000
<u>Closing</u>	
Portal Fee	\$37,500
Net Proceeds at Closing	\$442,501
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$101,769
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988
Total Costs	\$213,657
Net Economic Proceeds	\$286,344
Cost of Capital	43%

Opportunity Cost*	\$88,649
Total Real Costs	\$302,306
Total Real Proceeds	\$197,695
Total Real Cost of Capital	60.5%

*Value of time spent by team preparing disclosure and audit materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 1,750	\$ 3,500
Pre-Rev/Pre-Employee	\$ -	\$ 4,250	\$ 8,500
Pre-Rev/10 Employee	\$ -	\$ 5,000	\$ 10,000
Revenue	\$ -	\$ 10,000	\$ 20,000
Total Financials Cost		\$10,000	

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$ 5,000
Pre-Rev/Pre-Employee	\$ 7,500
Pre-Rev/10 Employee	\$ 10,000
Revenue	\$ 12,500
Total Disclosure Cost	\$10,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769
Total Economic Cost		\$101,769	

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 10,000	\$ 25,000
NPV (5 Years, 4 filings)	\$35,460	\$88,649

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$600,000
Financial Requirement	Audited
Company Stage	Pre-Rev/10 Employee

Cost Analysis	
<u>Pre-Offering</u>	
Financials	\$10,000
Disclosure (Legal)	\$10,000
Total Pre-Offering Costs	\$20,000
<u>Closing</u>	
Portal Fee	\$45,000
Net Proceeds at Closing	\$535,000
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$101,769
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988
Total Costs	\$221,157
Net Economic Proceeds	\$378,843
Cost of Capital	37%

Opportunity Cost*	\$88,649
Total Real Costs	\$309,805
Total Real Proceeds	\$290,195
Total Real Cost of Capital	51.6%

*Value of time spent by team preparing disclosure and audit materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)			
	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 1,750	\$ 3,500
Pre-Rev/Pre-Employee	\$ -	\$ 4,250	\$ 8,500
Pre-Rev/10 Employee	\$ -	\$ 5,000	\$ 10,000
Revenue	\$ -	\$ 10,000	\$ 20,000
Total Financials Cost	\$10,000		

Disclosure & Legal (Pre-Offering)	
Idea Stage (Incorporation)	\$ 5,000
Pre-Rev/Pre-Employee	\$ 7,500
Pre-Rev/10 Employee	\$ 10,000
Revenue	\$ 12,500
Total Disclosure Cost	\$10,000

Financials Ongoing (Annual Cost)**			
	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769
Total Economic Cost	\$101,769		

Disclosure Ongoing (Annual Cost)**		
	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 10,000	\$ 25,000
NPV (5 Years, 4 filings)	\$35,460	\$88,649

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$750,000
Financial Requirement	Audited
Company Stage	Revenue

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$20,000
Disclosure (Legal)	\$12,500
Total Pre-Offering Costs	\$32,500

<u>Closing</u>	
Portal Fee	\$56,250
Net Proceeds at Closing	\$661,250

<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$101,769
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988

Total Costs	\$244,907
Net Economic Proceeds	\$505,093
Cost of Capital	33%

Opportunity Cost*	\$88,649
Total Real Costs	\$333,555
Total Real Proceeds	\$416,445
Total Real Cost of Capital	44.5%

*Value of time spent by team preparing disclosure and audit materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 1,750	\$ 3,500
Pre-Rev/Pre-Employee	\$ -	\$ 4,250	\$ 8,500
Pre-Rev/10 Employee	\$ -	\$ 5,000	\$ 10,000
Revenue	\$ -	\$ 10,000	\$ 20,000

Total Financials Cost \$20,000

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 5,000
Pre-Rev/Pre-Employee	\$ 7,500
Pre-Rev/10 Employee	\$ 10,000
Revenue	\$ 12,500

Total Disclosure Cost \$12,500

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769

Total Economic Cost \$101,769

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 10,000	\$ 25,000
NPV (5 Years, 4 filings)	\$35,460	\$88,649

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$900,000
Financial Requirement	Audited
Company Stage	Revenue

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$20,000
Disclosure (Legal)	\$12,500
Total Pre-Offering Costs	\$32,500

<u>Closing</u>	
Portal Fee	\$67,500
Net Proceeds at Closing	\$800,000

<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$70,919
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988

Total Costs	\$225,307
Net Economic Proceeds	\$674,693
Cost of Capital	25%

Opportunity Cost*	\$88,649
Total Real Costs	\$313,956
Total Real Proceeds	\$586,044
Total Real Cost of Capital	34.9%

*Value of time spent by team preparing disclosure and audit materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 1,750	\$ 3,500
Pre-Rev/Pre-Employee	\$ -	\$ 4,250	\$ 8,500
Pre-Rev/10 Employee	\$ -	\$ 5,000	\$ 10,000
Revenue	\$ -	\$ 10,000	\$ 20,000

Total Financials Cost \$20,000

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 5,000
Pre-Rev/Pre-Employee	\$ 7,500
Pre-Rev/10 Employee	\$ 10,000
Revenue	\$ 12,500

Total Disclosure Cost \$12,500

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$10,000	\$20,000
NPV (5 Years, 4 filings)	\$ -	\$35,460	\$70,919

Total Economic Cost \$70,919

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 10,000	\$ 25,000
NPV (5 Years, 4 filings)	\$35,460	\$88,649

**Assumes that the company will continue to mature and require more robust and complex disclosure over time

Variables	
Financing Amount	\$1,000,000
Financial Requirement	Audited
Company Stage	Revenue

Cost Analysis

<u>Pre-Offering</u>	
Financials	\$20,000
Disclosure (Legal)	\$12,500
Total Pre-Offering Costs	\$32,500
<u>Closing</u>	
Portal Fee	\$75,000
Net Proceeds at Closing	\$892,500
<u>Ongoing</u>	
Transfer Agent	\$5,940
Annual Financials	\$101,769
Annual Disclosure	\$35,460
Marginal D&O Ins	\$12,988
Total Costs	\$263,657
Net Economic Proceeds	\$736,343
Cost of Capital	26%

Opportunity Cost*	\$88,649
Total Real Costs	\$352,305
Total Real Proceeds	\$647,695
Total Real Cost of Capital	35.2%

*Value of time spent by team preparing disclosure and audit materials

Assumptions	
Portal Fee	7.5%
Months w Crowdfunders	60
Monthly Transfer Agent	\$ 99
Marginal D&O Premium	\$ 3,000

Financials (Pre-Offering)

	None	Review	Audited
Idea Stage (Incorporation)	\$ -	\$ 1,750	\$ 3,500
Pre-Rev/Pre-Employee	\$ -	\$ 4,250	\$ 8,500
Pre-Rev/10 Employee	\$ -	\$ 5,000	\$ 10,000
Revenue	\$ -	\$ 10,000	\$ 20,000
Total Financials Cost	\$20,000		

Disclosure & Legal (Pre-Offering)

Idea Stage (Incorporation)	\$ 5,000
Pre-Rev/Pre-Employee	\$ 7,500
Pre-Rev/10 Employee	\$ 10,000
Revenue	\$ 12,500
Total Disclosure Cost	\$12,500

Financials Ongoing (Annual Cost)**

	None	Review	Audited
Revenue	\$ -	\$ 14,350	\$ 28,700
NPV (5 Years, 4 filings)	\$ -	\$50,884	\$101,769
Total Economic Cost	\$101,769		

Disclosure Ongoing (Annual Cost)**

	Out-of-Pocket	Opportunity Cost
Annual Disclosure	\$ 10,000	\$ 25,000
NPV (5 Years, 4 filings)	\$35,460	\$88,649

**Assumes that the company will continue to mature and require more robust and complex disclosure over time