

**Item 1: Cover Page**

Part 2A of Form ADV: Firm Brochure



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This brochure ("Brochure") provides information about the qualifications and business practices of Fundify Advisors, LLC ("Fundify" or "the Firm"). Registration does not imply a certain level of skill or training. If you have any questions about the contents of this Brochure, please contact us at [legal@fundify.com](mailto:legal@fundify.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Fundify is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2:      Material Changes**

In this Item, Fundify is required to identify and discuss material changes to this Brochure from its last annual update. The Firm has no changes to disclose in relation to this Item.

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## Item 4:      **Advisory Business**

Fundify is a SEC registered investment adviser that was formed in Delaware in January 2022. Fundify is principally owned by Fundify, Inc. (the “Fundify Parent”). Fundify Parent is principally owned by Joshua Chodniewicz.

Fundify provides web-based discretionary investment advisory services to clients (each a “Client,” and collectively, “Clients”) through Fundify’s interactive mobile application and/or website (together, the “Fundify Platform”). Fundify interacts with its Clients predominantly through a software application that is available through the Fundify Platform and the Firm’s advisory services are delivered solely through the Fundify Platform. Fundify does not provide investment advice in person or over the phone or in any manner other than through the Fundify Platform.

Fundify primarily advises Clients on investments in pre-initial public offering (“IPO”) companies, recommending each Client a portfolio (“Portfolio”) of securities issued by pre-seed, seed, early stage, and later stage private companies (“Portfolio Investments”). Fundify recommends Portfolios based on its proprietary due diligence process, investment thesis, and investment selection algorithm. Portfolio Investments include (but are not limited to) preferred and common equity, debt instruments (such as convertible loans), and other investments (such as Simple Agreements for Future Equity or “SAFEs”), either directly through the applicable issuer or an associated crowdfunding vehicle. Portfolio Investments are generally offered through third-party and affiliated crowdfunding portals and platforms and generally rely on exemptions from registration pursuant to Regulation D, Regulation CF (Crowdfunding), and Regulation A. Fundify implements the Portfolio on an initial and ongoing basis by purchasing and selling Portfolio Investments in the Client’s account (“Fundify Account”) through third-party and affiliated crowdfunding portals and platforms and by purchasing securities directly from issuers. To facilitate this, Clients grant Fundify discretionary authority to manage assets on their behalf. Such discretionary trading authority permits Fundify to buy and sell securities without the Clients’ prior approval and consent.

At the outset of the advisory relationship, Clients provide Fundify information about their financial situation, investment horizon, and risk profile, among other factors (“Investment Needs”) through a Client Profile on the Fundify Platform (“Client Profile”). Fundify then recommends each Client a Portfolio consisting of Portfolio Investments. Fundify then implements the Portfolio by purchasing recommended Portfolio Investments from both affiliated and non-affiliated funding portals and platforms and directly from issuers. As Clients make additional deposits into or withdrawals from their Fundify Accounts, the corresponding transactions made by Fundify is designed to rebalance the account toward the target allocation of the Portfolio, as determined by the Client’s Investment Needs. Clients may impose on the investment recommendation(s) by Fundify as specified in the platform.

To engage Fundify, prospective Clients are required to enter into an investment advisory agreement with Fundify (“Investment Advisory Agreement”), which discusses the services they will receive, Fundify’s fees, and the conditions of their relationship with Fundify. The advisory relationship between Fundify and a Client begins upon the effective date of the Investment Advisory Agreement with the Client. Any preliminary information provided to a prospective Client before the effective date of the Investment Advisory Agreement does not

constitute investment advice under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and should not be relied on as such.

Fundify does not provide comprehensive financial or tax planning or legal advice, and Clients are advised and afforded the opportunity to seek the advice and counsel of the Client’s own tax, financial, and legal advisers. Fundify’s services are not a complete investment program and Clients should not use it as the sole component of their investment plan.

Fundify does not offer a Wrap Fee Program. As of the date of this Brochure, the Firm does not have assets under management.

## **Item 5: Fees and Compensation**

### **Advisory Fees**

The method used for calculating Fundify’s advisory fee (“Fee”) is determined based on the “Portfolio Fee Value” of a Client’s Portfolio, which is the lower of either: (a) the “Cost Basis” of a Client’s Portfolio (that is, the original cost of current portfolio assets); or (b) the “Current Market Value” of a Client’s Portfolio (that is, the market value of the current portfolio assets). The value of cash in the Client’s Portfolio is included in both the Cost Basis as well as the Current Market Value. The method used for calculating a Client’s initial Fee is determined based on the amount of the Client’s initial deposit.

Clients with a Portfolio Fee Value of less than \$2,500 as of the Subscription Date (as defined below) will pay a monthly subscription Fee (“Subscription Fee”). The Subscription Fee varies based on the Portfolio Fee Value of the Client’s portfolio in accordance with the following fee schedule:

Monthly Investment	Subscription Fee	Example
Less than \$100	5% of current monthly deposit amount	monthly investment = \$40 subscription fee = $\$40 \times .05 = \$2$ total monthly deposit = $\$40 + \$2 = \$42$
\$100 or more	\$5 flat fee	monthly investment = \$200 subscription fee = \$5 total monthly deposit = $\$200 + \$5 = \$205$

Subscription Fees are assessed and charged monthly, in advance, on a specified date (“Fee Date”). The Fee Date for a given month is the “Subscription Date” (that is, the monthly anniversary of the Client’s initial deposit). Notwithstanding the foregoing, if the monthly anniversary of the Subscription Date falls on a day that is not a business day, the Fee Date for that month will be the following business day. Further, if the monthly anniversary of the Subscription Date falls on a day in the following month (for example, due to weekends or holidays) the Fee Date is the last business day of the current calendar month. In the event a

Client terminates the Firm's services, the Subscription Fee is not refunded for the current month.

Clients with a Portfolio Fee Value greater than or equal to \$2,500 on the Fee Date pay an asset-based Fee ("Asset-Based Fee"). The annual Asset-Based Fee is two percent (2%) of the current assets being managed through the Platform. The Asset-Based fee is charged monthly, in advance, on the Fee Date, based on the Portfolio Fee Value. The monthly Asset-Based fee is 2% (annual) divided by 12 (months) multiplied by the Portfolio Fee Value. In the event a Client withdraws funds or assets from their Portfolio or terminates the Firm's services, the Asset-Based Fee is not refunded for the current month. In valuing Portfolio Investments, the Firm will generally use a mark to market valuation in accordance with Fundify's valuation policies, unless Fundify determines a reliable market valuation is available.

### Third-Party Fees

In addition to the Fundify Fee, Clients may incur certain other fees imposed by third-party financial institutions (e.g., transfer fees, administrative fees, other fees). These additional fees and charges may include the following:

Category	Applicable To	Description
Non-Securities Transaction Fees	All users	Nominal cost to cover the movement of funds, including: <ul style="list-style-type: none"> <li>• User deposits</li> <li>• Investment disbursements</li> <li>• Returns disbursements</li> <li>• Refunds</li> <li>• Returned funds</li> <li>• One time deposit</li> <li>• One time withdrawal</li> <li>• Portal investment transaction fee</li> <li>• Transfer fees to sell securities on secondary markets</li> </ul>
Third-Party Portal Fees	All users	Any additional fees incurred by Fundify for investing on a third-party portal, including: <ul style="list-style-type: none"> <li>• Finders' fee</li> <li>• Transaction fees</li> </ul>
Account Setup And Maintenance Fees	All users	Any fees incurred by Fundify to set up a user account or maintain that account, including: <ul style="list-style-type: none"> <li>• KYC (Know Clients' Customer)</li> <li>• AML (Anti Money Laundering)</li> <li>• Accreditation</li> <li>• Cap table management</li> <li>• Tax document management</li> </ul>
Termination Fees	All users	Any fees incurred to cover the cost of terminating an account, including: <ul style="list-style-type: none"> <li>• Closing of bank accounts</li> <li>• Closing / transfer of equity holdings</li> </ul>

## **Fee Discretion**

Fundify in its sole discretion may from time to time offer lower Fees for one or more Clients through promotions, referrals, and other discounts to some accounts that differ from the Fee stated above. Any such program or initiative may be expanded, narrowed, suspended, cancelled, or modified at any time by Fundify. To the extent any such program or initiative is canceled or terminated, Clients will once again be charged the then-current Fee on a going forward basis. Fundify shall have sole discretion in determining whether or not any existing Client or potential Client meets the requirements to participate in and/or benefit from any such program or initiative. In addition, from time to time, Fundify may in its sole discretion also modify its Fee, consistent with the terms of the Investment Advisory Agreement.

## **Additions and Withdrawals**

Clients may deposit and withdraw available cash and request the sale of liquid investments from their account at any time. Clients are advised that Portfolio Investments are generally illiquid. To the extent of Portfolio Investments are eligible for liquidity, the withdrawal of assets from Clients' Fundify Account may impair the achievement of a Client's investment objectives. Further, Clients are advised that when assets are liquidated and cash is withdrawn, they may be subject to transaction fees and/or tax ramifications.

## **Fee Deduction**

Fundify's Fees are charged via a transfer (ACH, electronic funds, etc.) from the Client's linked account. Accounts are linked using a third-party service authorized by the Client. Fundify will not store Client's account information or username and passwords for Clients' linked accounts.

## **Compensation for the Sale of Securities**

While the Firm and its Supervised Persons do not accept compensation for the sale of securities or other investment products to advisory clients, the Firm's affiliate, Fundify Portal, LLC ("Fundify Portal"), a FINRA and SEC-registered funding portal in the United States, may (and likely will) receive financial compensation as a result of Fundify investing Clients in opportunities on the Fundify Portal. For additional information, refer to Item 10, below.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

Neither the Firm nor any of its supervised persons accept performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a Client.

## **Item 7: Types of Clients**

Fundify generally provides investment advice to natural persons or entities who: (i) are legally allowed to invest in the applicable securities; (ii) pass Fundify's identity verification protocols;

and (iii) if applicable, are lawful United States businesses not formed solely for the purpose of making an investment.

## **Item 8:      Methods of Analysis, Investment Strategies and Risk of Loss**

### **Investment Strategies and Methods of Analysis**

Fundify's investment advice is primarily based on the idea that long-term investing in a diversified Portfolio of pre-IPO companies can produce positive returns. Fundify's Investment Committee ("Investment Committee") oversees investment scoring, modeling, and Portfolio construction.

Fundify uses a proprietary investment selection process to select Portfolio Investments, applying an investment thesis and goals that are applicable across all of its Clients. Fundify's Investment Committee employs a variety of methods and approaches when considering Investments and making recommendations. When selecting and monitoring the investments that comprise the Portfolios, Fundify considers qualitative and quantitative factors, including data or other inputs provided by third-party data providers. Quantitative factors considered in evaluating an underlying Investment may include: adherence to investment objectives, performance, volatility, long-term profitability, the time horizon of liquidity and expenses, among others. No single factor will determine whether an Investment should be added, retained, or eliminated; however, certain factors may carry more weight than others in the final analysis performed by the Investment Committee.

The Investment Committee considers these characteristics when reviewing an investment opportunity, but may invest in opportunities which do not meet one or more of these characteristics:

- Management team and its domain expertise and/or experience;
- Addressable market size;
- Scalability of its business model;
- The stage in which a product or service is in (beta versus alpha for example);
- Revenue stage including "Proof of concept" or significant pilots;
- A plausible exit strategy;
- Capital expenditure requirements;
- Opportunities that can be accelerated with the support from Fundify's network of investors, experts, and/or contacts;
- Valuation assessment in relation to all other considerations; and
- Other tangible and intangible factors.

The following categories do not meet Fundify's investment criteria: gambling, tobacco, marijuana, and companies domiciled outside of the U.S.

There are inherent limitations on Fundify's selection methodology as the suitability factors evaluated by the Fundify process do not comprehensively address all relevant considerations when making investment suitability determinations. Fundify reviews and evaluates its Portfolio recommendations to Clients periodically in line with updates to the Clients' Client



Profiles. To facilitate the updating process, Fundify sends periodic communications to Clients reminding them to make any necessary updates to their Client Profiles. Clients are encouraged to update their Client Profile in the event of a change to the information previously provided.

## **Risk of Loss**

Client Portfolios are not fully diversified and are not intended to be a complete investment program. Fundify does not guarantee the future performance of any Client's account or Portfolio. Clients must understand that investments made via the Platform involve substantial risk and are subject to various market, currency, economic, political, and business risks, and that those investment decisions and actions will not always be profitable. Clients may lose some or all of the amount invested.

The price of any security can decline for a variety of reasons outside of Fundify's control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. There is no guarantee that Fundify's judgment or investment decisions about particular securities will necessarily produce the intended results. Fundify's judgment may prove to be incorrect, and a Client might not achieve his or her investment objectives.

When evaluating risk, financial loss may be viewed differently by each Client and may depend on many different risk items, each of which may affect the probability of adverse consequences and the magnitude of any potential losses. The following risks may not be all-inclusive but should be considered carefully by a prospective Client before entering the Platform. These risks should be considered as possibilities, with additional regard to their actual probability of occurring and the effect on a Client if there is, in fact, an occurrence.

### ***General Risks***

**Market Risk:** The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, inflation rates, regulatory changes, and domestic or foreign political, demographic, or social events. If a Client has a high allocation in a particular asset/class, it may negatively affect overall performance to the extent that the asset/class underperforms relative to other market assets. Conversely, a low allocation to a particular asset class that outperforms other asset/classes in a particular period may cause that Client's account to underperform relative to the overall market.

**Investment Risk:** There is no guarantee that Fundify's judgment or investment decisions about particular securities and asset classes will necessarily produce the intended results. Fundify's judgment may prove to be incorrect, and a Client might not achieve his or her investment objectives. Fundify may also make future changes to the investing algorithms and services that it provides. In addition, it is possible that Clients or Fundify itself may experience computer equipment failure, loss of internet access, viruses, or other events that may impair access to Fundify's software based financial service.

Concentration of Investments: The Portfolios will typically hold a relatively small number of security positions especially initially, which will expose the Portfolio to the particular industry or market sector the security represents and the value of the specific company. Losses in one or more positions, or a downturn in an industry or market sector in which the company participates, could adversely affect the Portfolio's performance in a particular period. Such limited diversification may heighten the concentration of risk, which, in turn, could expose the Client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements with respect to investments.

Fundamental Investment Strategy Risks: Fundify's Portfolio management and trading decisions are based on fundamental research conducted by its professionals. The research process incorporates various operating and financial factors aimed at exploiting market trends, anomalies, and pricing discrepancies with a view to selecting investments in pursuit of the Portfolio's investment objectives. The process of designing and perfecting the research, Portfolio construction, and management model is highly complex. Fundify cannot guarantee that the model will indeed function as intended or that it will produce profits on investments as implemented. The fundamental and quantitative strategies utilized by Fundify have inherent limitations, including the possibility of human error in the design, data input or implementation process, imperfections of a model to keep up with changes in the markets and the behavior of market participants over time. The risk of errors, malfunctions and anomalies is inherent in each component of the programming process, how those components function together, and how the program absorbs market data interpreted by Fundify. In addition, any portfolio manager's judgment during the approval or override of the model results is based on human skills and abilities similar to non-quantitative investing, with all the risks, potential errors, or miscalculations that any asset or portfolio manager faces.

Liquidity Risk: The lack of deep and active liquid markets for a security may prevent the sale of a Client's securities at all, or at an advantageous time or price because Fundify may have difficulty finding a buyer and may be forced to sell at a significant discount to market value. Further, Portfolio Investments are illiquid, long-term investments and cannot be withdrawn from, absent a liquidity event. Specifically, Clients will not be able to sell securities until the expiration of any applicable resale restriction period, which could be at up to twelve (12) months. Further, its likely there will not be a ready market to sell securities after the restricted period is over.

Discretionary Management Risks: Although clients are encouraged to consult legal, tax and accounting professionals prior to enrolling in the program, clients will not have the opportunity to review the securities which will comprise the Portfolio and will not review any of issuer's offering documentation for additional information related to risk and consult with a qualified financial and tax advisor prior to Fundify making any investment.

Dilution Risk: The risk that the issuing company may issue additional equity securities in the future, which will result in the percentage of ownership that the Investor previously held being lower after the additional issuance of equity.

Legislative and Tax Risk: Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities and changes in

the tax code that could affect interest income, income characterization, and/or tax reporting obligations.

Inflation, Currency, and Interest Rate Risks: Security prices and Portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which in turn may cause the value of many types of fixed income investments to decline. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. In addition, the relative value of the U.S. dollar-denominated assets managed by Fundify may be affected by the risk that currency devaluations affect Fundify's purchasing power.

Automated Investing: Fundify relies on static Client Profiles consisting of a limited number of questions that form the sole basis for its investment recommendations. Such Client Profiles are very limited in nature. The questions may not, or may not accurately, capture an individual Client's needs. Although Clients may change and update their responses, Fundify does not, at this time, make investment advisory personnel available to Clients to highlight and explain important concepts or clarify the details of a specific Client's financial goals and needs. Online and electronic interactions are limited compared to face-to-face individual advice.

Operational Risk: Operational risk is the exposure to the chance of loss arising from shortcomings or failures in internal processes or systems of Fundify, external events impacting those systems, and human error. A Client account may suffer a loss arising from shortcomings or failures in internal processes, people, systems, or from external events. Operational risk can arise from many factors ranging from routine processing errors to potentially costly incidents related to, for example, major systems failures.

Trade errors and other operational mistakes ("Operating Events") occasionally may occur in connection with Fundify's management of Client accounts. Fundify has policies and procedures that address identification and correction of Operating Events. An Operating Event generally is compensable by Fundify to a Client when it is a mistake (whether an action or inaction) in which Fundify has, in Fundify's reasonable view, deviated from the applicable investment guidelines or the applicable standard of care in managing a Client account, subject to the considerations set forth below.

Operating Events may include, but are not limited to, the following: (i) the placement of orders (either purchases or sales) in excess of the amount intended to trade for a Client account; (ii) the purchase (or sale) of when it should have been sold (or purchased); (iii) a purchase or sale not intended for the Client account; and (iv) incorrect allocations of trades. Operating Events can also occur in connection with other activities that are undertaken by Fundify, such as fee calculations, and other matters that are non-advisory in nature.

Fundify makes its determinations regarding Operating Events pursuant to its policies on a case-by-case basis, in its discretion, based on factors it considers reasonable, including regulatory requirements, contractual obligations, and business practices. Not all Operating Events will be considered compensable mistakes.

Relevant factors Fundify considers when evaluating whether an Operating Event is compensable include, among others, the nature of the service being provided at the time of the event, specific applicable contractual and legal requirements, and standards of care, whether an applicable investment guideline was contravened, and the nature of the relevant circumstances.

Operating Events may result in gains or losses or could have no financial impact. Clients are entitled to retain any gain resulting from an Operating Event. Operating Events involving erroneous transactions in Client accounts generally are corrected in accordance with the procedures established by Fundify and/or [Custodian].

When Fundify determines that reimbursement by Fundify is appropriate, the Client will be compensated as determined in good faith by Fundify. Fundify will determine the amount to be reimbursed, if any, based on what it considers reasonable guidelines regarding these matters in light of all of the facts and circumstances related to the Operating Event. In general, compensation is expected to be limited to direct and actual losses, which may be calculated relative to comparable conforming investments, market factors and benchmarks and with reference to related transactions, and/or other factors Fundify considers relevant. Compensation generally will not include any amounts or measures that Fundify determines are speculative or uncertain.

Cybersecurity Risks: Fundify and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss, or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks may cause losses to Fundify's Clients by interfering with the processing of transactions, affecting Fundify's ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased, and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose Fundify to civil liability as well as regulatory inquiry and/or action. In addition, Clients could be exposed to additional losses as a result of unauthorized use of their personal information. While Fundify has established business continuity plans, incident responses plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cybersecurity risks also are present for issuers of securities in which Fundify invest, which could result in material adverse consequences for such issuers and may cause a Client's investment in such securities to lose value.

Market Volatility: General economic conditions have an impact on the success of Fundify's investment strategies. Changing external economic conditions in the U.S. and global economics could have a significant impact on the success of the Fundify Platform and Clients' investments. The stability and sustainability of growth in global economies may be impacted by terrorism or acts of war. There can be no assurance that such markets and economic systems will be available for issuers of securities available via the Fundify Platform to operate.

Changing economic conditions, thus, could potentially adversely impact the valuation of Clients' investments in securities via the Fundify Platform.

Large Investment Risks: Clients may collectively account for a large portion of the assets in certain investments. A decision by many investors to buy or sell some or all of a particular investment where Clients hold a significant portion of that investment may negatively impact the value of that the investment.

Novel Coronavirus Pandemic, Public Health Emergency and Global Economic Impacts: As of the date of this Form ADV Part 2A, there is an ongoing outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization declared a pandemic on March 11, 2020. The outbreak of COVID-19 has caused a worldwide public health emergency with a substantial number of hospitalizations and deaths, and has significantly adversely impacted global commercial activity and contributed to both volatility and material declines in equity and debt markets. The global impact of the outbreak is rapidly evolving, and many country, state and local governments have reacted by instituting mandatory or voluntary quarantines, travel prohibitions and restrictions, closure or reduction of offices, businesses, schools, retail stores and other public venues and/or cancellation, suspension or postponement of certain events and activities, including certain non-essential government and regulatory activity. Businesses are also implementing their own precautionary measures, such as voluntary closures, temporary or permanent reductions in work force, remote working arrangements, and emergency contingency plans. Such measures, as well as the general uncertainty surrounding the dangers, duration, and impact of COVID-19, are creating significant disruption in supply chains and economic activity, impacting consumer confidence, and contributing to significant market losses, including having particularly adverse impacts on transportation, hospitality, tourism, sports, entertainment, and other industries dependent upon physical presence. As COVID-19 continues to spread, potential additional adverse impacts, including a global, regional, or other economic recession of indeterminate duration, are increasingly likely and difficult to assess.

The extent of the impact of COVID-19 on Fundify's and/or a Client's operational and financial performance and each Client's investments will depend on many factors, including the duration and scope of the resulting public health emergency, the extent of any related restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity, and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of the COVID-19 pandemic may materially and adversely impact the value, performance, and liquidity of a Client's investments, Fundify's ability to source, manage and divest investments and Fundify's ability to achieve its investment objectives on behalf of its Clients, all of which could result in significant losses to a Client.

In addition, COVID-19 and the resulting changes to global businesses and economies likely will adversely impact the business and operations of Clients, Fundify, and their respective affiliates. Certain businesses and activities may be temporarily or permanently halted as a result of government or other quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors, including the potential adverse impact of COVID-19 on the health of key personnel.

Other Catastrophic Risks: In addition to the potential risks associated with COVID-19 as outlined above, Clients, Fundify, and their respective affiliates, may be subject to the risk of loss arising from direct or indirect exposure to a number of types of other catastrophic events, including without limitation: (i) other public health crises, including any outbreak of SARS, H1N1/09 influenza, avian influenza, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof; or (ii) other major events or disruptions, such as hurricanes, earthquakes, tornadoes, fires, flooding and other natural disasters; acts of war or terrorism, including cyberterrorism; or major or prolonged power outages or network interruptions. The extent of the impact of any such catastrophe or other emergency on Fundify's and/or a Client's operational and financial performance and each Client's investments will depend on many factors, including the duration and scope of such emergency, the extent of any related travel advisories and restrictions, the impact on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity, and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. In particular, to the extent that any such event occurs and has a material effect on global financial markets or specific markets in which a Client participates (or has a material effect on any locations in which Fundify operates or on any of its personnel) the risks of loss could be substantial and could have a material adverse effect on Clients or the ability of Fundify to fulfill its investment objectives on behalf of its Clients.

Limitations of Disclosure: The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in investing in securities. As investment strategies develop and change over time, Clients may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

### *Risks Associated with Small Businesses*

Lack of Professional Management: Most small companies are managed by their founders. Very often the founder of a company is very strong in one area – for example, she might be an extremely effective salesperson or a terrific engineer – but lacks experience or skills in other critical areas. It might be a long time before: (1) a startup can afford to hire professional management; and (2) the founder recognizes the need for professional management. In the meantime, the company and its Investors could suffer.

Lack of Access to Capital: Small companies have very limited access to capital, a situation that funding portals hope to improve but cannot fix entirely. Frequently these companies cannot qualify for bank loans, leaving the company to live off the credit card debt incurred by the founder. Capital is the oxygen of any business, and without it a business will eventually suffocate and fail.

Limited Products and Services: Most small businesses sell only one or two products or services, making them vulnerable to changes in technology and/or customer preferences.

Lack of Accounting Controls: Larger companies typically have in place strict accounting controls to prevent theft and embezzlement. Smaller companies typically lack these controls, exposing themselves to additional risk.

Lack of Technology: Many small businesses cannot afford the technology that a larger business would use to create efficiencies and cost savings.

Cash Flow Shortfalls: Many small businesses experience frequent shortfalls in cash flow. If a business doesn't have enough money to meet payroll, it might not make payments on obligations to its Investors, either.

Competition: A small business is likely to be vulnerable to competition, whether in the form of another small business or a national chain.

#### *Risks Common to Portfolio Companies Fundify Invests in Generally*

Reliance on Management: Most of the time, the securities bought as part of the Portfolio will not give Clients the right to participate in the management of the issuer. Furthermore, if the founders or other key personnel of the issuer were to leave or become unable to work, issuer (and Clients' investment in the issuer) could suffer substantially. Thus, Clients should not invest unless Clients are comfortable relying on the company's management team. Clients will almost never have the right to oust management, no matter what Clients think of them.

Inability to Sell Clients' Investment: The law prohibits Clients from selling Clients' securities (except in certain very limited circumstances) for a certain period of time (typically, one year after Clients acquire them). Even after that period, federal and state securities laws may limit or restrict the ability to sell securities. Furthermore, there will most likely not be an established market to sell the securities. Given these factors, Clients should be prepared to hold investments indefinitely.

The Issuer Might Need More Capital: An issuer might need to raise more capital in the future to fund new product development, expand its operations, buy property and equipment, hire new team members, market its products and services, pay overhead and general administrative expenses, or for a variety of other reasons. There is no assurance that additional capital will be available when needed, or that it will be available on terms that are not adverse to a Client's interests. If the issuer is unable to obtain additional funding when needed, it could be forced to delay its business plan or even cease operations altogether.

Changes in economic conditions could hurt an Issuer's businesses: Factors like global or national economic recessions, changes in interest rates, changes in credit markets, changes in capital market conditions, declining employment, decreases in real estate values, changes in tax policy, changes in political conditions, and wars and other crises, among other factors, hurt businesses generally and small, local businesses in particular. These events are generally unpredictable.

No Registration Under Securities Laws: The issuer's securities in which a client invests through the Platform will generally not be registered with the SEC or the securities regulator of any state. Hence, neither the Portfolio Companies nor their securities will be subject to the same degree of regulation and scrutiny as if they were registered.

Lack of Ongoing Information: Portfolio Companies that issue securities using Title III are required to provide some information to Investors for at least one year following the offering. However, this information is far more limited than the information that would be required of a

public reporting company; and the company is allowed to stop providing annual information in certain circumstances.

Uninsured Losses: A given issuer might not purchase any or enough insurance to guard against the risks of its business, whether because it doesn't know enough about insurance, because it can't afford adequate insurance, or some combination of the two. Also, there are some kinds of risks that are simply impossible to insure against, at least at a reasonable cost. Therefore, any company could incur an uninsured loss that could damage its business.

Limits on Liability of Company Management: Many companies limit the liability of management, making it difficult or impossible for Investors to sue managers successfully if they make mistakes or conduct themselves improperly (not all liability can be waived, however).

Changes in Laws: Changes in laws or regulations, including but not limited to zoning laws, environmental laws, tax laws, consumer protection laws, securities laws, antitrust laws, and health care laws, could adversely affect many companies.

Conflicts of Interest with Fundify: Fundify will make money as soon as Clients invest. Clients, on the other hand, make money only if their investments turn out to be successful. Or to put it a different way, it is in Fundify's interest to have Clients invest as much as possible, even if they all eventually fail and Clients lose Clients' money.

Conflict of Interest with Companies and their Management: In many ways, Clients' interests and the interests of an issuer's management will coincide because both want the company to be as successful as possible. However, Clients' interests might be in conflict in other important areas, including these:

- Clients might want the company to distribute money, while the company might prefer to reinvest it back into the business.
- Clients might wish the company would be sold, while management might want to continue operating the business.
- Clients would like to keep the compensation of managers low, while managers want to make as much as they can.

Minority Investment: Most Portfolio investments will be minority interests, and Clients will be "minority" owners of companies through Fundify, meaning that other parties will have complete voting and managerial control over the issuer. As a minority stockholder, Clients typically will not have the right or ability to influence the direction of the company. Clients will generally be passive investors. In some cases, this may mean that Clients' securities are treated less preferentially than those of larger security holders.

Equity Interests Might Be Diluted: Equity interest will be "diluted" immediately, in the event of (1) additional capital raises; and/or (2) grants of equity (stock options, RSUs, and the like) to employees, contractors, and/or partners. These events may happen on multiple occasions, either all at once or over time. Clients' interest could be further "diluted" in the future if the company sells stock at a lower price than Clients paid.



Future Investors Might Have Superior Rights: If an issuer needs more capital in the future and sells stock to raise that capital, the new investors might have rights superior to the Clients'. For example, they might have the right to be paid before Clients are, to receive larger distributions, to have a greater voice in management, or otherwise.

Portfolio Companies will likely not be subject to the corporate governance requirements of the national securities exchanges: Any company whose securities are listed on a national stock exchange (for example, the New York Stock Exchange) is subject to a number of rules about corporate governance that are intended to protect investors. For example, the major U.S. stock exchanges require listed companies to have an audit committee made up entirely of independent members of the board of directors (i.e., directors with no material outside relationships with the company or management), which is responsible for monitoring the company's compliance with the law. Companies invested into via Fundify typically will not be required to implement these and other stockholder protections.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a Client or prospective Client's evaluation of the Firm's advisory business or the integrity of the Firm's management requiring disclosure in response to this Item.

## **Item 10: Other Financial Industry Activities and Affiliations**

As set forth above, Fundify buys and sells Portfolio Investments through Fundify Portal, a FINRA and SEC-registered funding portal. Fundify Portal may (and likely will) receive financial compensation as a result of Fundify investing Clients in opportunities on Fundify Portal. Specifically, Fundify Portal will receive compensation in the form of cash and/or equity for certain Client transactions. This presents a conflict of interest because Fundify has an incentive to engage in additional transactions through the Fundify Portal and to recommend particular investments that offer Fundify Portal such compensation. Fundify has policies and procedures in place to ensure that recommendations are in clients' best interests, notwithstanding this incentive.

Neither the Firm nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Neither the Firm nor any of its persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. Neither the Firm nor any of its

management persons have any relationship or arrangement that is material to the Firm's advisory business or to its Clients with any related person listed below.

- broker-dealer, municipal securities dealer, or government securities dealer or broker;
- investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund);
- other investment adviser or financial planner;
- futures commission merchant, commodity pool operator, or commodity trading advisor;
- banking or thrift institution;
- accountant or accounting firm;
- lawyer or law firm;
- insurance company or agency;
- pension consultant;
- real estate broker or dealer; and
- sponsor or syndicator of limited partnerships.

The Firm does not recommend or select other investment advisers for Clients.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Fundify has adopted a Code of Ethics ("Code") as required by the applicable securities laws. The Code establishes and reinforces a standard of business conduct expected of its supervised persons and provides specific guidance related to managing conflicts of interests and Fundify's fiduciary duty to its Clients. This includes procedures relating to: (1) the confidentiality of Client information; (2) a prohibition on insider trading; (3) a prohibition of rumor mongering; (4) restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items; (5) personal securities trading procedures; and (6) reporting of internal violations of the Code, among other things. All supervised persons at Fundify must acknowledge the terms of the Code annually, or as amended. Fundify will provide a copy of its Code to Clients and prospective Clients upon request. To request a copy of the Code, please contact Fundify at [legal@fundify.com](mailto:legal@fundify.com).

Fundify anticipates that, in appropriate circumstances, consistent with Clients' investment objectives, it will recommend to accounts advised by Fundify to effect the purchase or sale of securities in which Fundify, its management persons and/or Clients, directly or indirectly, have a position or interest. These activities are expected to create conflicts of interest between Fundify and its Clients with regard to such matters as allocation of opportunities to participate in, or refrain from participation in, particular investments or to dispose of certain investments. Fundify addresses these conflicts in various ways, including: (i) through disclosure in this Brochure and in the Investment Advisory Agreement; (ii) Fundify is required to recommend securities that are suitable for each Client based upon Client investment goals, time horizon and risk profile; and (iii) Fundify has established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest—both those arising between and among Client accounts as well as between Client accounts and Fundify's business.

Fundify's employees and persons associated with Fundify are required to follow Fundify's Code. Subject to satisfying the policies therein, and applicable laws, officers, directors, and employees of Fundify may trade for their own accounts in securities which are recommended to and/or purchased for Fundify's Clients. The Code is designed to assure that the personal securities transactions, activities, and interests of Fundify's employees will not interfere with: (i) making decisions in the best interest of Clients; and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that personal employee transactions in these types of securities would not materially interfere with the best interest of Fundify's Clients. Employee trading is continually monitored under the Code, and to reasonably prevent conflicts of interest between Fundify and its Clients.

## **Item 12: Brokerage Practices**

The Firm does not receive research or other products from a broker-dealer or third party in connection with client securities transactions ("soft dollar benefits").

As set forth in Item 4, above, Fundify recommends Portfolio Investments, which are securities issued by pre-seed, seed, early stage, and later stage private companies. Such Portfolio Investments are generally offered through affiliated crowdfunding portal Fundify Portal which generally relies on exemptions from registration pursuant to Regulation D, Regulation CF (Crowdfunding), and Regulation A. Fundify then implements the Portfolio on an initial and ongoing basis by purchasing and selling Portfolio Investments in the Client's Fundify Account through the affiliated crowdfunding portal and by purchasing securities directly from issuers. Accordingly, the Firm does not expect to select or recommend broker-dealers for client transactions or receive client referrals from a broker-dealer or third party.

When Fundify considers it to be in Clients' best interest, Fundify may, but is not required to, aggregate Clients' order for the sale or purchase of securities for Clients' account with orders for other Clients. Under this approach, the transactions may be averaged as to the price and will be allocated among Fundify's Clients in proportion to the purchase and sale orders placed for each Client account.

The Firm does not permit Clients to direct brokerage.

## **Item 13: Review of Accounts**

Fundify's financial professionals conduct a sample review of accounts and statements quarterly for purposes of monitoring for any unexpected issues. Clients are encouraged to make Fundify aware of any changes to their profile by updating their Client Profile within the Fundify Platform. This includes changes to their financial objectives, risk tolerance or other financial circumstances, which could result in a necessary modification to their Portfolio. Fundify Account statements are provided to clients through the Fundify Platform on a monthly basis.

#### **Item 14: Client Referrals and Other Compensation**

Fundify and its related persons do not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice to Clients. The Firm does not currently provide compensation to clients for testimonials or third parties for endorsements.

#### **Item 15: Custody**

Fundify expects to have constructive (i.e., not physical) custody of certain Client funds and securities in connection with investments it makes for client Portfolios. Accordingly, prior to accepting custody, the Firm will engage an independent accounting firm to perform a surprise annual examination of assets for which it has custody. Any related opinions issued by an independent accounting firm are filed with the SEC and are publicly available on the SEC's Investment Adviser Public Disclosure website.

#### **Item 16: Investment Discretion**

The Advisory Agreement provides Fundify discretionary authority to manage assets on behalf of Clients. Discretionary trading authority permits Fundify to buy and sell securities without the Client's prior approval and consent.

#### **Item 17: Voting Client Securities**

Fundify does not exercise voting authority over Client proxies for client securities. To the extent Portfolio Investments provide the opportunity to vote proxies, Clients will receive proxies directly from the financial institution where their securities are custodied. To the extent Portfolio Investments are made through crowdfunding vehicles, each crowdfunding vehicle will seek instructions as it pertains to voting matters and vote in accordance with such instructions. The Firm does not provide advice on any such issuer solicitations. Clients shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.

#### **Item 18: Financial Information**

Fundify does require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance. The Firm is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients. The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.