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# INVESTMENT CROWDFUNDING INVESTOR GUIDELINES

Read Before Investing



MUSICFY BY TRUCROWD, INC

## CONTENTS

OPENING AN ACCOUNT.....	2
Fees .....	2
Conditions and Process .....	2
Communications.....	2
SECURITIES OFFERED ON MUSICFY .....	4
Common Shares:.....	4
Preferred Shares:.....	4
Corporate Bond: .....	5
Corporate Debenture: .....	5
Revenue Participation Rights: .....	5
SAFE (Simple Agreement for Future Equity).....	5
SAFE +REV (Simple Agreement for Future Equity AND Revenue Participation Rights) .....	6
RISKS .....	7
Speculative. ....	7
Illiquidity. ....	7
Cancellation restrictions. ....	7
Valuation and capitalization.....	7
Limited disclosure.....	7
Investment in personnel.....	8
Possibility of fraud. ....	8
Lack of professional guidance. ....	8
Dilution.....	8
Annual Filings with the SEC.....	8
Lack or very limited revenue.....	8
CHANGING YOUR MIND .....	9
Offering Funded.....	9
Material Change.....	9
INVESTOR LIMITATIONS.....	10
Calculation of Net Worth.....	10
Online Calculator of Net Worth .....	11
Investor Requirements and Acknowledgments.....	11
Making an investment.....	11
ISSUER DISCLOSURE REQUIREMENTS .....	13
Opening an Account.....	13
Fees .....	13
Conditions and Process.....	13
Limitation on Issuers.....	13
Communications .....	14
INITIATING AN OFFERING.....	15
Disclosure Requirements .....	15
Financial Statement Requirements .....	17
Business Plan.....	17
Limits on Advertising and Promoters .....	17
Due Diligence.....	18
Posting an Offering .....	19

MUSICFY by TRUCROWD, INC does not accept an investment in a transaction involving the offer or sale of securities sold under Regulation Crowdfunding exemption until the Investor has opened an account with MUSICFY.

## OPENING AN ACCOUNT

### FEES

There is no fee to register and open an account on our Portal and platform as long as you agree to abide by our User Agreement and corresponding Privacy Policy.

Any company or individual presenting an Offering, must pay an upfront listing fee of \$3,500 that will be credited against the success fee. In addition to the listing fee, there is a final success fee if the Offering is successful in reaching its funding goal. The success fee is established by agreement between the Issuer making the Offering and us. The success fee must be disclosed to Investors in the materials presented in the Offering. The success fee is paid by the Issuer and can be in cash and/or a combination of cash and the offered securities, generally not to exceed 12% of the total funds raised. *There is no fee paid by the Investor.*

### CONDITIONS AND PROCESS

To register and open an account on our Portal you must be 18 years or older and complete a short application. The application is designed to identify you and allow you to interact via our Chat Room with Issuers and other Investors. By creating this account, you represent that you are either: (a) an individual and wish to make investments on your own behalf; or (b) an individual authorized to place orders on behalf of a corporation or other entity.

You agree that you have all requisite authority to open an account and use the services contemplated by our User Agreement and Privacy Policy. Our Portal and platform are not solicitations for or offerings of any security, investment product or service to any person, corporation, or other entity in any jurisdiction where a solicitation or offering would be illegal.

You represent that you, or the organization for which you are acting as an authorized person, have not been designated by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") as a Specially Designated National or Blocked Person. You have no reason to believe that you would be considered a Blocked Person by OFAC, and you do not reside in a restricted country. You also represent that you are not employed by or acting as an agent of any government, government-controlled entity or government corporation restricted under OFAC. You understand that if your application violates OFAC guidelines, your account may be declined or restricted from certain activity.

### COMMUNICATIONS

Under Securities and Exchange Commission ("SEC") regulations, all communications between the platform and Investors must be conducted through electronic means. Electronic communications

include, but are not limited to, email, social media messages, instant messages or other electronic media formats.

TRUCROWD provides through electronic means on our Portal and platform, certain materials listed under the “Education” tab, a User Agreement and Privacy Policy disclosure under the “About” tab and guidelines and forms for becoming an Issuer or Investor under the “Create Account” tab.

The electronic means referred to above, include specific links to the information as posted on our platform, or through an electronic message that provides notice of what the information is and that it is located on our platform or on the Issuer's website. Electronic messages include, but are not limited to, email, social media messages, instant messages or other electronic media formats. By accepting our User Agreement and Privacy Policy, you give your express consent to this electronic communication requirement. You will also be required to sign an Investor Questionnaire indicating your consent to the electronic communication requirement.

## SECURITIES OFFERED ON MUSICFY

### COMMON SHARES:

*Common shares* are the units of ownership in a corporation. If there is only one class of shares issued, they may also be called *common stocks, common shares, capital shares, shares, or stocks*.

*There are two fundamental rights of holders of common shares:*

- Holders of common shares are entitled to vote for the election of a Board of Directors and on other matters that may be presented to them; and
- Holders of common shares are also entitled to the net assets of the corporation when distributions are made in the form of dividends or liquidating distributions.

**However, common shareholders are the last to be paid in the event of a liquidation of the company. There is no assurance that any assets will be available to pay common shareholders and in that event investors could lose all their investment.**

*There are also rights of holders of common shares in addition to the fundamental rights listed above, including:*

- The right to inspect the books & records of the corporation.
- The right to sue on behalf of the corporation to right a wrong committed against it.
- The right of access to the financial information of the corporation.

### PREFERRED SHARES:

In general, *preferred shares* are classes of shares with some rights that are preferential to those assigned to common shares, but they may also be limited in some way. Usually, but not always, preferred shares are non-voting.

Holders of preferred shares are entitled to a “priority” in payment as against the holders of common stock including the following:

- Priority payment of a specified distribution referred to as a dividend usually established as a specified dollar amount or as a percentage of the price of the preferred share.
- Repayment of the price of the preferred shares and any unpaid dividend in the event of the sale or dissolution of the corporation.
- Other priority rights that may be established in the Articles of Incorporation or By-Laws of the corporation.

**However, there is no assurance that the Issuer will have any assets to pay dividends, currently or accrued, to preferred shareholders. In the event of a liquidation, the preferred shareholders can lose their entire investment.**

#### CORPORATE BOND:

A *corporate bond* is an interest-bearing debt instrument containing a corporation's promise to pay a fixed sum of money (yield) at some future time. Holders of corporate bonds generally have priority of payment over any other instrument of ownership or debt in the corporation.

**However, there is no assurance that the Issuer will have any assets to pay bond holders in the event of a liquidation and in that event, the bond holders can lose their entire investment.**

#### CORPORATE DEBENTURE:

A *corporate debenture* is very much the same as a corporate bond. Generally, a debenture is backed only by the general credit and financial reputation of the Issuer. The terms “bond” and “debenture” are often interchangeable but the difference between the two is that the bond holders have a priority of payment ahead holders of debentures.

**However, there is no assurance that the Issuer will have any assets to pay debenture holders in the event of a liquidation and in that event, the debenture holders can lose their entire investment.**

#### REVENUE PARTICIPATION RIGHTS:

In a *Revenue Participation* financing a business offers the investors a percentage of the business's future gross revenues in exchange for a capital investment. In its simplest form, the business offers to give the investors y% of future gross revenues until such time as Investor has been paid “x” times the amount of capital invested.

So, for example, in exchange for \$100,000 of capital, the business could agree to pay the investors 20% of future gross revenues until the business has paid the investors 3X the \$100,000 capital investment, or \$300,000.

**However, there is no assurance that the Issuer will have any revenue to pay the revenue participation rights holders. Also in the event of a liquidation the revenue participation rights holders can lose their entire investment.**

#### SAFE (SIMPLE AGREEMENT FOR FUTURE EQUITY)

A SAFE is an agreement between you, the investor, and the company in which the company generally promises to give you a future equity stake in the company if certain trigger events occur. Not all SAFEs are the same and the very important terms governing when you may get the future equity may vary across the SAFEs being offered in different crowdfunding offerings.

**However:**

- 1) **The most important thing to realize about SAFEs is that you are not getting an equity stake in return. SAFEs are not common stock.**
- 2) **SAFEs may only convert to equity if certain triggering events occur.**
- 3) **Depending on its terms, a SAFE may not be triggered.**
- 4) **Keep in mind other possible provisions of the SAFE.**
  - i) Conversion terms.
  - ii) Repurchase rights.
  - iii) Dissolution rights
  - iv) Voting rights.
- 5) **SAFEs were designed for a specific type of startup.**
- 6) **There is nothing standard or simple about a SAFE. Various terms from the triggering events to the conversion price are subject to different treatment by different companies offering SAFEs.**

**Despite its name, a SAFE may not be “simple” or “safe.”**

Please [click here](#) to read the SEC’s “[Investor Bulletin: Be Cautious of SAFEs in Crowdfunding](#)”

SAFE +REV (SIMPLE AGREEMENT FOR FUTURE EQUITY AND REVENUE PARTICIPATION RIGHTS)

A *SAFE+REV* is an agreement between you, the investor, and the company in which the company generally promises to give you a future equity stake in the company if certain trigger events occur. AND to offers the investors a percentage of the business’s future gross revenues, capped at a certain multiple return.

**However, both sets of risks associated with Revenue Participation (E – from above) and Simple Agreement for Future Equity (F – from above) do apply.**

## RISKS

You should consider the following list of potential risks, before making a crowdfunding investment:

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### SPECULATIVE.

Investments in startups and early-stage ventures are speculative and these enterprises often fail. Unlike an investment in a mature business where there is a track record of revenue and income, the success of a startup or early-stage venture often relies on the development of a new product or service that may or may not find a market. *You should be able to afford and be prepared to lose your entire investment.*

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### ILLIQUIDITY.

*You will be limited in your ability to resell your investment for the first year and may need to hold your investment for an indefinite period.* Unlike investing in companies listed on a stock exchange where you can quickly and easily trade securities on a market, you may have to locate an interested buyer when you do seek to resell your crowdfunded investment.

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### CANCELLATION RESTRICTIONS.

Once you make an investment commitment for a crowdfunding offering, you will be committed to make that investment (unless you cancel your commitment within a specified period). As detailed below for *Changing your mind*, the ability to cancel your commitment is limited.

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### VALUATION AND CAPITALIZATION.

Your crowdfunding investment may be the purchase of a security in a startup company. *Unlike listed companies that are valued publicly through market-driven stock prices, the valuation of private companies, especially startups, is difficult and you may risk overpaying for the securities you receive.*

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### LIMITED DISCLOSURE.

The Issuer must disclose information about the company, its business plan, the offering, and its anticipated use of proceeds, among other things. A start-up or an early-stage company may be able to provide only limited information about its business plan and operations because it does not have fully developed operations or a long history to provide more disclosure. The company is also only obligated to file information annually regarding its business, including financial statements. A publicly listed company, in contrast, is required to file annual and quarterly reports and promptly disclose certain events—continuing disclosure that you can use to evaluate the status of your investment. *In contrast, you may have only limited continuing disclosure about your crowdfunding investment.*



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#### INVESTMENT IN PERSONNEL.

*An early-stage investment is also an investment in the entrepreneur or management of the company. Being able to execute on the business plan is often an important factor in whether the business is viable and successful. You should also be aware that a portion of your investment may fund the compensation of the company's employees, including its management. You should carefully review any disclosure regarding the company's use of proceeds.*

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#### POSSIBILITY OF FRAUD.

In light of the relative ease with which early-stage companies can raise funds through crowdfunding, it may be the case that certain opportunities turn out to be money-losing fraudulent schemes. *As with other investments, there is no guarantee that crowdfunding investments will be immune from fraud.*

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#### LACK OF PROFESSIONAL GUIDANCE.

Many successful companies partially attribute their early success to the guidance of professional early-stage investors (e.g., angel investors and venture capital firms). These investors often negotiate for seats on the company's board of directors and play an important role through their resources, contacts and experience in assisting early-stage companies in executing on their business plans. An early-stage company primarily financed through crowdfunding may not have the benefit of such professional investors."

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#### DILUTION.

In some situations, the additional sales of the security offered may result in a limitation of voting power because of dilution.

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#### ANNUAL FILINGS WITH THE SEC.

Issuers who have successfully raised capital and issued securities are subject to annual filings with the SEC and shareholders. There is the possibility that those obligations may terminate in the future.

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#### LACK OR VERY LIMITED REVENUE.

Despite best efforts of the company, there is the possibility that revenue will not be ever generated or the revenue will be so small that any Revenue Participation agreement will make no sense.

## CHANGING YOUR MIND

An investor may cancel an investment commitment for any reason until 48 hours prior to the deadline identified in the issuer's offering materials. During the 48 hours prior to such deadline, an investment commitment may not be cancelled except as provided below.

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### OFFERING FUNDED

In the event an Issuer reaches the target offering amount prior to the deadline identified in its offering materials, the Issuer may close the offering on a date earlier than the deadline identified in its offering materials, if:

- 1) The offering remains open for a minimum of 21 days;
- 2) We provide notice to any potential Investors, and give or send notice to Investors that have made investments in the offering, of:
  - The new, anticipated deadline of the offering;
  - The right of investors to cancel investment commitments for any reason until 48 hours prior to the new offering deadline; and
  - Whether the issuer will continue to accept investments during the 48-hour period prior to the new offering deadline.
- 3) The new offering deadline is scheduled for and occurs at least five business days after the notice of the new completion date is provided; and
- 4) At the time of the new offering deadline, the issuer continues to meet or exceed the target offering amount.

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### MATERIAL CHANGE

If there is a material change to the terms of an offering or to the information provided by the issuer, we shall give or send to any investor who has made an investment:

- 1) Notice of the material change and that the investor's investment will be cancelled unless the investor reconfirms his or her investment within five business days of receipt of the notice.
- 2) If the investor fails to reconfirm his or her investment within those five business days, within five business days thereafter we must:
  - Give or send the investor a notification disclosing that the investment was canceled, the reason for the cancellation and the refund amount that the investor is expected to receive; and
  - Direct the refund of investor funds.

If material changes to the offering or to the information provided by the Issuer regarding the offering occur within five business days of the maximum number of days that an offering is to remain open, the offering must be extended to allow for a period of five business days for the investor to reconfirm his or her investment. If an issuer does not complete an offering, an intermediary must within five business days:

- 1) Give or send each investor a notification of the cancellation, disclosing the reason for the cancellation, and the refund amount that the investor is expected to receive;
- 2) Direct the refund of investor funds; and

3) Prevent investors from making investment commitments with respect to that offering on its platform.

## INVESTOR LIMITATIONS

The aggregate amount of securities sold to all investors by an issuer in reliance on Regulation Crowdfunding during the 12-month period preceding the date of such offer or sale, included in such transaction shall not exceed \$1,070,000.

There is a limitation on the aggregate amount you can invest in any 12-month period based on the following:

- The greater of \$2,200 or 5 percent of the lesser of your annual income or net worth if either the annual income or net worth is less than \$107,000; or
- Ten (10) percent or the lesser of your annual income or net worth, not to exceed an investment amount of \$107,000, if both your annual income and net worth are equal to or more than \$107,000.

An Issuer offering and selling securities in reliance on section Regulation Crowdfunding may rely on the efforts of a Portal to ensure that the aggregate amount of securities purchased by an Investor will not cause the investor to exceed the limit set forth above, if:

- 1) the Issuer does not know that the Investor has exceeded the investor limits or would exceed the investor limits because of purchasing securities in the issuer's offering;
- 2) The transaction is conducted through an intermediary that complies with the requirements in Regulation Crowdfunding and the transaction is conducted exclusively through the intermediary's platform; and
- 3) An issuer shall not conduct an offering or concurrent offering using more than one intermediary.

Your annual income and net worth may be calculated jointly with your spouse; however, when such a joint calculation is used, the aggregate investment of you and your spouse may not exceed the limit that would apply to an individual investor at that same income or net worth level.

## CALCULATION OF NET WORTH

Calculating net worth involves adding up all your assets and subtracting all your liabilities. The resulting sum is your net worth. ***For purposes of Regulation Crowdfunding, the value of your primary residence is not included in your net worth calculation.*** In addition, any mortgage or other loan on your home does not count as a liability up to the fair market value of your home. If the loan is for more than the fair market value of your home (*i.e.*, if your mortgage is underwater), then the loan amount that is over the fair market value counts as a liability under the net worth test.

Further, any increase in the loan amount in the 60 days prior to your purchase of the securities (even if the loan amount doesn't exceed the value of the residence) will count as a liability as well.

The reason for this is to prevent net worth from being artificially inflated through converting home equity into cash or other assets. While your individual circumstances will vary, the following table sets forth examples of calculations under the net worth test to determine crowdfunding investment limits:

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### [ONLINE CALCULATOR OF NET WORTH](#)

Provided by **Bankrate**

*Net worth is the value of all assets, minus the total of all liabilities. Put another way, net worth is what is owned minus what is owed.*

*This net worth calculator helps determine your net worth. It also estimates how net worth could grow or decline over the next 10 years.*

### INVESTOR REQUIREMENTS AND ACKNOWLEDGMENTS

Before you can commit an investment, we are required to obtain from you a Investor Questionnaire that acknowledges and represents that you have read and understand the various educational materials on our platforms and the Crowdfunding Investor Guidelines set out above. For each additional investment you wish to make, another signed Investor Questionnaire is required.

Each questionnaire requires current information from you that confirms your eligibility to make an investment on our portal and provides the classification of your income and net worth establishing the amount of money you are permitted to invest in a continuous 12-month period.

You must also indicate the amount of other crowdfunding investments you have made within the past 12 months.

### MAKING AN INVESTMENT

Once you have complied with the requirements of Item 7, above, you must give us notice of the investment amount you wish to commit to a specific Offering. We will direct you to send the commitment or funds to a designated Escrow Agent and we will promptly give you Notice of the following:

- The dollar amount of the investment commitment or payment;
- The price of the securities;
- The name of the Issuer; and

- The date and time by which you may cancel the investment commitment or payment of funds.

The Questionnaire referred to above is located as a separate document in the “Education” tab on our Portal. You must answer the Questionnaire before the Invest button will become active.

## ISSUER DISCLOSURE REQUIREMENTS

An Issuer offering or selling securities in reliance on Title III of the JOBS Act of 2012 must first open an account with us.

### OPENING AN ACCOUNT

#### FEES

There is no fee to register and open an account on our Portal and its Platform if you agree to abide by our User Agreement and our corresponding Privacy Policy. Any company presenting an Offering must pay a listing fee of \$3,500 that will be credited against the success fee paid as a percentage from the amount raised by the offering listed on MUSICFY. In addition to the listing fee, there is a final success fee if the Offering is successful in reaching its funding goal. The success fee is established by agreement between you and us. The agreed success fee must be disclosed to Investors in the materials presented in your Offering. The success fee is paid by you and can be in cash and/or a combination of cash and the offered securities, generally not to exceed 12% of the total funds raised.

There are no fees paid by the investors.

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### CONDITIONS AND PROCESS

To register and open an account on our Portal you must be 18 years or older and complete a short application. The application is designed to identify you and allow you to interact through our “Chat Room” with registered Investors. By creating this account, you represent that you are an individual authorized to make Offerings on behalf of a corporation or other entity.

You agree that you have all requisite authority to open an account and use the services contemplated by our User Agreement, Privacy Policy and these guidelines. Our Platform is not a solicitation for or offerings of any security, investment product or service to any person, corporation, or other entity in any jurisdiction where a solicitation or offering would be prohibited.

You represent that you, or the organization for which you are acting as an authorized person, have not been designated by the U.S. Department of Treasury’s Office of Foreign Assets Control (“OFAC”) as a Specially Designated National or Blocked Person. You have no reason to believe that you would be considered a Blocked Person by OFAC, and you do not reside in a restricted country. You also represent that you are not employed by or acting as an agent of any government, government-controlled entity or government corporation restricted under OFAC. You understand that if your application violates OFAC guidelines, your account may be declined or restricted from certain activity.

### LIMITATION ON ISSUERS

The opportunity to make an offering is limited to Issuers that are not ineligible to use the Regulation Crowdfunding exemption because the Issuer:

- Is not organized under, and subject to, the laws of a State or territory of the United States or the District of Columbia;
- Is subject to the requirement to file reports pursuant to the Securities Exchange Act of 1934;
- Is an investment company, as defined in the Investment Company Act of 1940.
- Is not eligible to offer or sell securities because of a disqualification as specified in the Code of Federal Regulations, Title 17, Part 227.503(a);
- Has sold securities in reliance on the Regulation Crowdfunding exemption and has not filed with the SEC and provided to investors, certain required reports during the immediately preceding two years; or
- Has no specific business plan or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies.

## COMMUNICATIONS

Under Securities and Exchange Commission (“SEC”) regulations, all communications between the Platforms and Investors must be conducted through electronic means. Electronic communications include, but are not limited to, email, social media messages, instant messages or other electronic media formats. The Crowdfunding Portal must also provide on its platform, communication channels by which persons can communicate with one another and with representatives of the Issuer about Offerings made available on the platform. Our Crowdfunding Portal provides a communication channel (“Q&A”) on our platform for use subject to the following conditions:

- MUSICFY does not participate in these communications other than to establish guidelines for communication and remove abusive or potentially fraudulent communications;
- MUSICFY permits public access to view the comments made on the Q&A;
- MUSICFY restricts posting of comments on the Q&A to those persons who have opened an account with our Portal; and
- MUSICFY requires that any person posting a comment on the Q&A must clearly and prominently disclose with each posting whether he or she is a founder or an employee of an Issuer engaging in promotional activities on behalf of the Issuer, or is otherwise compensated, whether in the past or prospectively, to promote the Issuer's offering.

## INITIATING AN OFFERING

### DISCLOSURE REQUIREMENTS

Once you decide to make an offering of securities on our portal, you must pay our listing fee and open an account file with the Securities and Exchange Commission (SEC). The SEC requires that issuers provide certain information to Investors through the funding Portal's platform and to the SEC directly via a filing of Form C on EDGAR, the SEC's data handling system. Form C will consist of XML-fillable fields in the front portion of the Form C and then "Exhibits" which will include the rest of the information required to be filed.

Other than the cover page, Form C is not to be used as a blank form to be filled in, but only as a guide in the preparation of Form C. An Issuer may provide the required information in the optional Question and Answer ("Q&A") format in the Form C, including copies of screen shots of the relevant information as appropriate and necessary. Some information required in the Form C is mandatory, but the issuer may include other information in the Form C. The following list, represents the required disclosure items in [Form C and Offering Statement](#).

- A. The name, legal status (i.e., form, state, and date of organization), physical address, and website address.
- B. The names of the directors and officers (and any persons occupying a similar status or performing a similar function), the positions and offices held by those persons, how long they have served in those positions, and the business experience of those persons over the past three years.
- C. The name of each person who is a beneficial owner of 20% or more of the issuer's outstanding voting equity securities. These are the same shareholders covered by the "Bad Actor" disqualification provisions discussed below.
- D. A description of the business of the issuer and anticipated plan of business.
- E. The current number of employees of the issuer.
- F. A discussion of the material risk factors that make an investment in the issuer speculative or risky.
- G. The target offering amount and the deadline to reach the target amount, including a statement that if the sum of the investment commitments does not equal or exceed the target offering amount at the offering deadline, no securities will be sold in the offering, investment commitments will be cancelled and committed funds will be returned.
- H. Statement with respect to whether the issuer will accept investments more than the target amount and the maximum it will accept. If the issuer accepts investments above the stated target, it must state the method it will use to allocate oversubscriptions.
- I. A description of the purpose and intended use of the offering proceeds. The SEC elaborates that it expects issuers to provide a detailed description of the intended use of proceeds with enough information to allow investors to understand how the offering proceeds will be used. If an issuer is uncertain how the proceeds will be used, it should identify the probable uses and the factors impacting the selection of each use. Similarly, if the issuer accepts proceeds above the target amount, it should indicate the purpose and intended use of those excess funds.
- J. A description of the process to complete the transaction or to cancel an investment commitment.



K. The price of the securities or the method for determining the price. If the issuer has not set a price at start of the campaign, it must provide a final price prior to any sale of securities.

L. A description of the ownership and capital structure of the issuer. This requirement also includes:

- Disclosure of the terms of the securities being offered as well as each other class of security of the issuer;
- Any rights held by principal shareholders;
- Name and ownership level of any 20% beneficial owner;

M. How the securities being offered are valued and how the securities may be valued in the future;

N. Risks to purchasers of the securities relating to minority ownership and the risks associated with corporate actions like the additional issuance of shares, issuer repurchases, and the sale of the issuer or issuer assets to related parties;

O. Description of the restrictions on the transfer of the securities.

P. The name, SEC file number and Central Registration Depository number of the intermediary conducting the offering.

Q. A description of the intermediary's financial interests in the issuer's transaction, including the amount of compensation paid to the intermediary for conducting the offering and the amount of any referral or other fees associated with the offering.

R. A description of the material terms of any indebtedness of the issuer. Material terms include the amount, interest rate, maturity date, and any other terms a purchaser would deem material.

S. A description of any exempt offering conducted within the past three years. The description should include the date of the offering, the offering exemption relied upon, the type of securities offered, the amount of securities sold, and the use of proceeds.

T. A description of any completed or proposed transaction involving the issuer or any entity under common control with the issuer for value exceeding five percent of the amount raised under Section 4(a)(6) within the past 12 months, including the current offering, when a control person, promoter, or family member had a direct or indirect material interest.

U. A description of the financial condition of the issuer, including discussion of liquidity, capital resources, and historical results of operations covering each period for which financial statements are provided.

V. The tax information and financial statements certified by the principal executive officer, reviewed financial statements, or audited financial statements of the issuer, depending on the level of the raise and raises within the previous 12 months, or whether this is the first offering of the issuer under Regulation CF.

W. A description of any events that would have triggered disqualification under the Bad Actor disqualification had they occurred after the effective date of the final rule.

X. Updates on progress towards meeting the target offering amount.

Y. A statement regarding where on the issuer's website investors will be able to find the issuer's annual report, and the date by which the annual report will be available.

Z. A statement regarding whether the issuer or any of its predecessors failed to comply with the ongoing reporting requirements of Regulation CF. Any other material information necessary to make previous statements not misleading.

Other than the information about the issuer that is required to be entered on the XML portion of the Form C (which covers things like name, address, size of offering, etc.), the SEC does not specify the format or medium in which the mandatory disclosure must be presented, leaving flexibility for crowdfunding issuers to present some information in written offering documents, some in videos, and other information by graphic means.

#### FINANCIAL STATEMENT REQUIREMENTS

The required financial information is set forth below for offerings that, together with all other amounts sold under Regulation Crowdfunding within the preceding 12-month period, have, in the aggregate, the following target offering amounts:

(1) For offerings of \$107,000 or less, you must disclose the amount of total income, taxable income and total tax, or the equivalent line items, as reported on the federal income tax returns filed by you for the most recently completed year (if any). The above federal income tax return items and financial statements shall be certified by the principal executive officer of the issuer to reflect accurately the information reported on the issuer's federal income tax returns, and financial statements of the issuer to be true and complete in all material respects. If financial statements of the issuer are available that have either been reviewed or audited by a public accountant that is independent of the issuer, the issuer must provide those financial statements instead and need not include the information reported on the federal income tax returns or the certifications of the principal executive officer;

(2) For offerings more than \$107,000, but not more than \$535,000 your financial statements must be reviewed by a public accountant that is independent of the issuer. If financial statements of the issuer are available that have been audited by a public accountant that is independent of the issuer, the issuer must provide those financial statements instead and need not include the reviewed financial statements; and

(3) More than \$535,000, financial statements of the issuer audited by a public accountant that is independent of the issuer; *provided, however*, that for issuers that have not previously sold securities in reliance on Regulation Crowdfunding, offerings that have a target offering amount of more than \$535,000, but not more than \$1,070,000, financial statements of the issuer reviewed by a public accountant that is independent of the issuer. If financial statements of the issuer are available that have been audited by a public accountant that is independent of the issuer, the issuer must provide those financial statements instead and need not include the reviewed financial statements.

#### BUSINESS PLAN

We also require that the Issuer provide a detailed business plan that includes, but is not limited to, the product or services to be sold; the target market for the products or services; the identity and short biography of the directors and officers of the Issuer; and an explanation of how the Issuer intends to use the funds raised.

#### LIMITS ON ADVERTISING AND PROMOTERS

An issuer may not advertise the terms of a Regulation Crowdfunding offering except in a notice that directs investors to the intermediary's platform and includes no more than the following information:

- a statement that the issuer is conducting an offering pursuant to Regulation Crowdfunding ("Reg CF") of the Securities Act, the name of the intermediary through which the offering is being conducted, and a link directing the potential investor to the intermediary's platform;
- the terms of the offering, which means the amount of securities offered, the nature of the securities, the price of the securities, and the closing date of the offering period; and
- factual information about the legal identity and business location of the issuer, limited to the name of the issuer of the security, the address, phone number, and website of the issuer, the e-mail address of a representative of the issuer, and a brief description of the business of the issuer.

Although advertising the terms of the offering from the intermediary's platform is limited to a brief notice, an issuer may communicate with investors and potential investors about the terms of the offering through communication channels provided on the intermediary's platform. An issuer must identify itself as the issuer and persons acting on behalf of the issuer must identify their affiliation with the issuer in all communications on the intermediary's platform.

An issuer may compensate others to promote its crowdfunding offerings through communication channels provided by an intermediary, but only if the issuer takes reasonable steps to ensure that the promoter clearly discloses the compensation with each communication.

## DUE DILIGENCE

Upon completing and filing the Form C information, we will conduct, at a minimum, a background and securities enforcement regulatory history check on each issuer whose securities are to be offered on our Portal and on each officer, director or beneficial owner of 20 percent or more of the issuer's outstanding voting equity securities, calculated based on voting power.

We will review the Form C information, the background and securities enforcement check, the business plan, and the financial information to determine the following:

- Is there a reasonable basis for believing that the issuer or any of its officers, directors (or any person occupying a similar status or performing a similar function) or beneficial owners of 20 percent or more of the issuer's outstanding voting equity securities, calculated based on voting power, is subject to a disqualification under SEC rules.
- Is there a reasonable basis for believing that the issuer has established means to keep accurate records of the holders of the securities it would offer and sell through our Portal? We may rely on your representations of recordkeeping; however, you will be deemed to have satisfied this requirement if you have engaged the services of a registered transfer agent.

- Is there a reasonable basis for believing that the issuer or the offering presents the potential for fraud or otherwise raises concerns about investor protection? In satisfying this requirement, we must deny access to our Portal if we reasonably believe that we are unable to adequately or effectively assess the risk of fraud of the issuer or its potential offering.
- In addition, if we become aware of information after we have granted access that causes us to reasonably believe that the issuer or the offering presents the potential for fraud or otherwise raises concerns about investor protection, we must promptly remove the offering from our platform, cancel the offering, and direct the return of any funds that have been committed by investors in the offering.

## POSTING AN OFFERING

Once the Issuer is granted access and approval to make an Offering on our Portal, all information on the Form C, the business plan, the financial statements and other information:

- Shall be made publicly available on MUSICFY, in a manner that reasonably permits a person accessing the platform to save, download, or otherwise store the information;
- Shall be made publicly available on our Portal for a minimum of 21 days before any securities are sold in the offering, and before we may accept investment commitments;
- This and any additional information provided by the issuer, must remain publicly available on our Portal until the offer and sale of securities in reliance on section Regulation Crowdfunding is completed or cancelled.

## CONSIDER EVERYTHING

Before investing in the businesses listed on MUSICFY, each investor needs to consider all the details offered by the issuer, including, but not limited to: the general risks of investing, the risk factors presented in the offering statement, the security offered, the industry, the team experience, to decide if such investment is appropriate for the investor's own situation

## Q&A

*Question*    *Answer*

*Can I delete my company profile?*

Yes. You can delete your company profile as long as there is no ongoing or past successful crowdfunding campaign.

*Can I resell my*

Investments in crowdfunding assets should be viewed as a long-term

*investment?*

and illiquid investment. Securities purchased in a crowdfunding transaction generally cannot be resold for a period of one year, unless the securities are transferred: to the issuer of the securities; to an “accredited investor”; as part of an offering registered with the Commission; or to a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance. Liquidity is the ease in which you can sell your shares after you have purchased them. Buying shares in businesses sold via MUSICFY cannot be sold easily as they are unlikely to be listed on a secondary trading market, such as NASDAQ, AMEX or the New York Stock Exchange. Even successful companies rarely list shares on such an exchange. In addition, if you purchase B Investment Shares, these are non-voting shares and may not be attractive to potential buyers. Without a public market to find a buyer for shares, it may be more difficult to sell them.

*Can my percentage ownership be diluted? If yes, when and how?*

Yes. Any investment made through MUSICFY may be subject to dilution in the future. Dilution occurs when a company issues more shares. Dilution affects every existing shareholder who does not buy any of the new shares being issued. As a result, an existing shareholder's proportionate shareholding of the company is reduced or 'diluted'- this has an effect on a number of things including voting, dividends and value. Some businesses who pitch through MUSICFY offer A-Ordinary Shares, which may include pre-emption rights that protect an investor from dilution. In this situation the business must give shareholders with A-Ordinary Shares the opportunity to buy additional shares during a subsequent fundraising round so that they can maintain or preserve their shareholding. Please research the pitch and the Articles of the company to see if the shares you are buying will have these pre-emption rights. Most companies do not offer pre-emption rights for B Investment Shares.

*Choose and Participate*

You can use your skills and expertise to help the company you are investing in. If pre-issuance or post-issuance the entrepreneur seeks advice or someone with expertise in a certain business area as investor or potential investor you can step in and help. Our integrated communication channels give investors the opportunity to participate in group discussions to share personal insight and expertise.

*Could I lose my investment?*

Many of startup businesses fail and therefore investing may involve significant risk. You might lose all, or part, of your investment. You should only invest an amount you are comfortable losing and should

*Do I have access to all the security offerings?*

build a diversified portfolio to spread the risk.

Yes. All offerings that are compliant with our rules and Regulation Crowdfunding will be listed on the portal and available to all US and non-US investors.

*Foundational Issues of Revenue Participation Financing*

Unlike a traditional risk capital equity investment, the investors in a Revenue Participation financing do not thereby become equity stakeholders in the business they financed. Nor does the investors become creditors in the traditional sense: that is, there is no promise by the business to “pay back” the investors except to the extent the business achieves gross revenues sufficient to fund the revenue participation promise. Source: <https://www.natlawreview.com/article/introduction-to-revenue-participation-financing> (<https://www.natlawreview.com/article/introduction-to-revenue-participation-financing>)

*How can I decrease the risk?*

You could decrease the risk by making many small investments in different companies. Please keep in mind that diversification does not assure a profit and is not a guarantee against investment loss. Focus on industries or sectors you have knowledge of, on companies you have affinities with or companies you are customer/user of. Leveraging the wisdom of the crowds will also help you choose businesses that potentially successful in the future.

*How can I decrease the risk?*

The best two ways to decrease risk are diversifying your investments and leveraging the wisdom of the crowds: Diversify your portfolio by making multiple small investments to lessen the risk. Remember that even if recommended, diversification will not reduce every type of risk. Leveraging the wisdom of the crowds will help you choose businesses potentially successful in the future.

*How can I promote my security offering?*

There are several ways to engage the investor community:

1. Promote your security offering on your website, blog, social media and other online channels.
2. Post often updates and information about the offering on your Offering page (Q&A section). When you post something, the people following your company will receive the update over email.
3. Encourage your friends, family, potential customers/users/partners and prospective investors to follow your company on social media (Facebook, Twitter, and LinkedIn).
4. Create educational blog articles post about your business, your

products, and services.

5. Link your blog to your business profile so we can suggest fresh content for your profile page.

Until your offering is live on MUSICFY, it is not legal to mention that you are raising money now, or you plan to do so. You can ask people to "follow" your profile but are not allowed to mention the details of the offering like: the date when your campaign starts, the amount that you intent to raise, the number of shares issued, the price/share and so on.

*How do I communicate with investors?*

Once your offering is live you have to communicate with investors through our MUSICFY communication channel. After you complete your company profile, you will be able to use our integrated communication (twitter like functionality) options to send and receive messages to/from all interested parties.

*How does MUSICFY ensure the privacy and safety of user information?*

We use a powerful 2048-bit SSL encryption as well as Extended Validation to protect the privacy and safety of all users. The Certification Authority/Browser (CA/B) Forum and the National Institute of Standards and Technology have determined that any key length below 2048-bit is no longer strong enough. As computer power increases, anything less than 2048-bit certificates are at risk of being compromised by hackers with readily-available processing capabilities. The cybersecurity industry is moving to adoption of SSL certificates employing at least 2048-bit encryption to help preserve internet security. We take pride in our security measures and assure all of our users their personal and professional information will be safe and secure.

*How long does it take to raise money with MUSICFY?*

Each offering has a listing period decided by the issuer. In general, 60 days or 120 days is a good duration. The security offering will be made publicly available on our platform for a minimum of 21 days before any securities are sold in the offering, during which time the company can accept investment commitments.

Regarding the offering listing process, one should factor in the time needed to complete the security offering and all related documents. Depending on the entrepreneur's team and how much they already have done, we estimate the preparation process might take as little as two weeks - including the time we need to perform background, and bad actor checks on all control persons of the company.

*How many investments should I make?*

At MUSICFY, we recommend making many smaller investments as opposed to one or two larger investments.

For example, if you have \$2,000 to invest it would be wise to make 10

separate \$200 investments instead of two \$1,000 investments.

*How many investments should I make?*

At MUSICFY we recommend making a large number of small investments as opposed to one or two larger investments. For example, if you have \$2,000 to invest it would be wise to make 10 separate \$200 investments instead of two \$1,000 investments. You will be spreading the risk, and even if only 3/10 investments pan out, you will most likely cover your losses many times over.

*How risky is investing in startups?*

Very risky! Investing in startups is like a card game. The probability of losing your entire investment is high. You should not invest your entire investment portfolio in startups. Make sure you allocate an appropriate amount that if lost will not have a negative impact on your life standard. At MUSICFY we are providing a full risk disclosure, so you can make informed decisions.

*Is there a possibility I will lose my investment?*

Many of startup businesses fail and therefore investing in these businesses may involve significant risk. You might lose all, or part, of your investment. You should only invest an amount you are comfortable losing and should build a diversified portfolio to spread the risk. For example, by dividing \$2,000 into 10 separate \$200 investments you are spreading risk. If 7/10 investments end up losing money, the three who provide returns may cover those losses many times over. But be aware: if a business you invest in fails, neither the company - nor MUSICFY - will pay you back your investment.

*Revenue Participation: Some Words of Caution*

Revenue Participation financing can be very attractive for investors and businesses alike – when the business fits the Revenue Participation paradigm of relatively predictable (timing and magnitude) high gross margin revenues. Most companies that are good candidates for venture capital investment don't fit that paradigm, and investors and entrepreneurs alike should be careful not to let the attractions of the Revenue Participation – primarily a first call on revenues and “promised” return multiple/rate for the investor; primarily the lack of any equity interest and related pressure for an “exit” event for the entrepreneur – color their analysis of the future performance of the business in terms of size, magnitude and timing of future high margin revenues.

Source: <https://www.natlawreview.com/article/introduction-to-revenue-participation-financing>  
(<https://www.natlawreview.com/article/introduction-to-revenue-participation-financing>)

*Revenue Participation:*

In a Revenue Participation financing a business offers the investors a



### *The Concept*

percentage of the business's future gross revenues in exchange for a capital investment. In its simplest form, the business offers to give the investors y% of future gross revenues until such time as Investor has been paid "x" times the amount of capital invested.

For example, in exchange for \$100,000 of capital, the business could agree to pay the investors 20% of future gross revenues until the business has paid the investors 3X the \$100,000 capital investment, or \$300,000.

Source: <https://www.natlawreview.com/article/introduction-to-revenue-participation-financing>  
(<https://www.natlawreview.com/article/introduction-to-revenue-participation-financing>)

### *Some Key Contractual Considerations for Revenue Participation Financing*

While a Revenue Participation financing is a substantially different animal than a typical venture capital equity financing involving convertible preferred stock, an investor in a Revenue Participation financing will have several of the same concerns, in terms of monitoring the business and in some circumstances limiting the management prerogatives of the owners of the business. At a minimum, the Revenue Participation investor will want information, including accounting information, sufficient to ensure that the business is properly recording and distributing revenue.

Source: <https://www.natlawreview.com/article/introduction-to-revenue-participation-financing>  
(<https://www.natlawreview.com/article/introduction-to-revenue-participation-financing>)

### *Steps before preparing your security crowdfunding campaign?*

Planning ahead is the most important ingredient in the recipe for a successful security crowdfunding campaign. Here is a basic check list for what you need to know before starting your campaign: Prepare all necessary legal documents Brainstorm with business partners and close family and friends about your business model/strategy and product or service. Update company profile on all major social media accounts. Create a blog and post often. Keep your website updated. Research successful profiles of similar companies and products Start working on your business plan Make a detailed budget for your objectives and set your funding goal Refer to our website and blog for advice and tips.

### *What companies can raise capital through MUSICFY?*

Any startup incorporated in any US State or District of Columbia are allowed to use MUSICFY for capital raising. However, there are certain companies categories that would not be eligible to use the Reg CF exemption. Ineligible companies include: non-U.S. companies, Exchange Act reporting companies, certain investment companies,

companies that are subject to disqualification under Regulation Crowdfunding, companies that have failed to comply with the annual reporting requirements under Regulation Crowdfunding during the two years immediately preceding the filing of the offering statement, and companies that have no specific business plan or have indicated that their business plan is to engage in a merger or acquisition with an unidentified company or companies. When investing in startups via Reg CF, the retail investors are looking for the same things that Angel/VC are looking: a great team, traction and outstanding idea.?

*What is an “issuer”?*

The term “issuer” is defined as the “person who issues or proposes to issue any security.” On a more common language, issuer is the entrepreneur that offers securities in his company in exchange of capital.

*What is securities crowdfunding?*

Securities crowdfunding is the name given to the process whereby people (the crowd) invest in a company in exchange for securities. It is a new capital raising and investing method. Securities crowdfunding (Reg CF) enables startups and small businesses to raise up to 1 million capital/year from non-accredited and accredited investors, through funding portals. Non-accredited investors are considered all individuals with an income lower than \$200,000/year. In the US to be considered an accredited investor, one must have a net worth of at least one million US dollars, excluding the value of one's primary residence, or have income at least \$200,000 each year for the last two years (or \$300,000 combined income if married) and have the expectation to make the same amount this year. Starting May 16 2016 when the Regulation Crowdfunding became active, non-accredited investors can be security holders.

*What is Regulation Crowdfunding (Reg CF)?*

Starting May 16, 2016 under the Regulation Crowdfunding (Title III of JOBS ACT) US startups and small businesses can raise up to \$1,070,000 per year from non-accredited and accredited investors, US or non-US citizens.

*What is MUSICFY?*

MUSICFY by TRUCROWD INC is operating under Regulation Crowdfunding (Title III of JOBS ACT) and is dedicated to the Music industry. We connect music related startups and small businesses selling securities in exchange of capital with the US or foreign non-accredited and accredited investors. With experience in entrepreneurship, we understand startups needs and limitations and one of our most important objectives is to make capital raising affordable. Since it takes two to tango, we offer free education, support, and services to all investors.

*What startups should I invest in?*

The decision is yours. At MUSICFY we verify the companies in order to prevent fraud and require all entrepreneurs to provide ample information about their business, so the investors can make informed

investing decisions. Though we do not recommend any particular company. We believe in the “wisdom of the crowd,” and are confident it will do a great job when it comes to choosing companies they have affinities with and believe in.

*When/how will I get dividends?*

Dividends are payments made by a business to its shareholders from the company's profits. Most of the companies offering equity on our platform are startups or early stage companies who will rarely pay dividends to their investors in the first years. Profits are typically reinvested into the business to fuel growth and build shareholder value.

*Why do I need a business plan for my securities crowdfunding campaign?*

The business plan is the public/written representation of your vision and how that vision will be translated into the reality. It will be the primary source of information for potential investors. Your business plan may be the one deciding factor when it comes to winning or losing an investment. It should be clear, concise and leave the reader with no doubt of who you are, what your product is and your future plans for success.

*Why should I invest in startups?*

Startups are riskier and more likely to fail as compared to public companies listed on the stock market. From sustaining a concept they believe in or a vision they trust people have different incentives when it comes to investing.

*Will I earn return on investment?*

There is no definitive answer to how long it takes to receive a return. You may end up holding shares in a company for a long time, but that is not necessarily a bad thing. When investing through MUSICFY, under Reg. CF you receive actual shares of the business. You might receive a traditional ROI when/if the company is listed on a stock exchange, gets sold or pays a dividend. If the company is acquired or goes public you can sell your stock.

MUSICFY BY TRUCROWD INC DOES NOT OFFER INVESTMENT OR LEGAL ADVICE; NOR MAKE RECOMMENDATIONS ON ISSUERS OR OFFERINGS LISTED ON OUR PORTAL. WE MAY ADVISE AN ISSUER ABOUT THE STRUCTURE OR CONTENT OF THE ISSUER'S OFFERING, INCLUDING ASSISTING THE ISSUER IN PREPARING THE OFFERING DOCUMENTATION.