



CRCover FAQ

What is CRCover and why do you offer it?

Yeah, I know, principal loan assurance isn't the most scintillating topic around, but stay with me. It is a big deal when it comes to financing creative startup projects and not really that difficult to understand. Essentially a CRCover Principal Assurance is an Asset backed commitment if the CrowdCo can't pay the principal through the royalties, and the loan goes into default.

How was CRCover created?

Asset-backed loans are not new. An **asset-based loan** is a [loan](#), often for a short term, secured by a company's [assets](#). [Real estate](#), [accounts receivable](#) (A/R), [inventory](#), and [equipment](#) are typical assets used to back the loan. The loan may be backed by a single category of assets or some combination of assets, for instance, a combination of A/R and equipment.

CrowdFunding and the nature of the startup have required a modified take on the current practices. For starters CrowdCos:

- Normally do not have track records of earnings to support normal bank loans nor the requirements of angel and venture capitalists.
- Have built up assets and/or inventory and/or product sales to cover funding needs.
- Have need for 6-18 months of development time before they can begin generating incomes stream.

This coupled with a stringent capital market there is need to help CrowdVestors:

- Reduce and/or modify risk
- Agree to a medium term payback period of 7 years
- Enhance their portfolio with creative entities focused on rebuilding the market and providing employment.

The number are simple get an asset that matures to the principal covered in 7 years and allow the CrowdVestor to hedge their investment with these asset backed assurances for principal recovery. Once in place, the technical issues of principal risk are easily removed from the investment decision.

Who really pays for this assurance product?

The CrowdVestor. Not what you wanted to hear but the facts are the facts. No matter how we cover it up the consumer pays for the ride. It is the same with every product or service you buy and that includes the investments you make.

Now it gets nicely wrapped into the pricing of your [royalty loan](#) unit by providing you with an effective yield that varies with the amount of CRCover protection you want. But in essence it is an assurance policy against loss of principal and needs to be considered a cost of investing in capital lending programs.

Why does the CrowdVestor pay this premium?

Now there is a really good question. We believe in the end it is because they want to invest in great ideas. They just need a structured approach. Hedging or Arbitrage investing is a practice of building a



level of control into an investment portfolio. CRCover takes these concepts down to the individual lending facility helping the CrowdCo and CrowdVestor come together and execute dynamically.

- Reduction of overall risk.
- Better control of assets balances over time.
- Ability to take on interesting projects that would normally need to be avoided.

A CrowdVestor is seeking a return on investment. Startup investing contains additional risk and CrowdVestors expect a higher return. Using CRCover they can get the best of both worlds. - It fair and it is practical.

Is this like the government loan guarantees we see for SAB loans, etc.?

Yes and no. Yes - the principal coverage process is similar. No - unlike the government that can write paper money, CRCover is backed by real assets to cover its obligations for assurance.

It would most likely be better to compare this program with the process of a warranty or insurance company.

Why does CRCover require CRMonitor?

Repayment assurance comes with a cost to continually manage the CrowdVestor's funding. For many CrowdCos who have tried banks, VCS, Angels and even their aunt Petunia, our CRRoyalty program makes sense and they are more than willing to allow for us to monitor their progress to get CrowdVestors interested in their financing needs.

If you are really going to be successful there should be no problem with monitoring your progress and this helps assure your CrowdVestors.

What does it mean my funds raised will be tranced?

Investments/loans are typically disbursed through one or more staged draw-downs. These staged disbursements may correspond with specific business activities, revenue growth milestones, working capital requirements, or other special events or achievements. CRRoyalty use escrow.com to control these tranced funds.

For CRRoyalty programs requiring development time, tranching is a documented contractual agreement with the CrowdVestor, and is considered a requirement. The development milestones are managed by our CRMonitor process to provide CrowdVestors with the best control over their capital infusion.

Who provides the CRCover assets?

CRProduct LLC, purchases assets and maintains cash accounts that will effectively provide for the principal liabilities they assume based upon the CRCover contracts executed. Since the CRCover program is basically a 7 year balloon payment (there are certain buy down options offered to CrowdVestors), the assets booked need to provide for future costs and are purchased based upon their yield to mature at the time of the CRCover note.



Is each CRCover contract backed by a specific asset?

No, CRProduct LLC maintains a fund of assets that it reports on quarterly to all interested CrowdVestors that maintains funding balances to cover the expected liability for non-performing CrowdCos. Due to the nature of the startup market we maintain an expected 50% failure rate in our calculation of coverage which we believe is conservative enough to provide solid coverage. Remember, our goal is not to pay but to support successful projects.

For each CRCover contract, CRProduct LLC will purchase assets scheduled to yield at least 85% of principal coverage by the end of year 7 to assure proper liability containment.

Does CRCover require personal guarantees from the officers of the CrowdCo?

No. The goal of CRCover is to make the lending facility under the corporate entity. We at CRProduct LLC believe that the CrowdCo should stand on its own and not required family back the business personally. The entrepreneurial process is built on building companies that serve the needs of the community and can stand on their own.

