



Bringing Great Ideas to Market



CRProducts FAQ

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CrowdFund RoundUp

A CrowdCreative Association



Introduction to CrowdFund Roundup

Many people will sit back and ask what happened to our great economy. Others will strike out looking for people to blame. We believe there is a much better way and it is in creating CrowdCreative endeavors across our communities building solutions we can all participate in.

First - A place to come to ask questions and find answers. Each **CR Community** will host monthly meetings serving the needs of both the **CrowdCo** and the **CrowdVestor**.

Next - Education that provides a pathway to success.

Using our fully transparent process methodology, we will guide **CrowdCos** not only through the process of CrowdFunding but throughout the product lifecycle helping to assure quality. Now that the 'guy/gal next door' can invest we will provide the how and the why of investing in startups effectively.

Each idea needs talented people from the community to succeed. Besides formal training programs, **CR Communities** will provide access to quality consulting services that strengthen and enhance the **CrowdCo's** opportunity for success.

Finally - There are measurable processes and products making CrowdFund Roundup the new 'Good Housekeeping Seal of Approval' for new ventures. Every **CR Community** will provide tools and support services to assure both the **CrowdCo** and the **CrowdVestor** can maintain excellence.



CrowdFund Roundup Value Proposition

Capitalizing great ideas by bringing the Crowd into the capital formation process will accelerate and enhance the startup venture process. There are imperatives:

- CrowdFunding must work with all capital formation providers. Angels, VCs and Bankers continue to be important to the **CrowdCos** growth process.
- Community involvement builds stronger companies and **CrowdCos** that include community in all phases of their growth have healthier outlooks.
- The Crowd's ability to 'vote' for quality will be a measurable advantage to **CrowdCos** and communities everywhere.

CrowdFund Roundup CR Community Commitment:

Each **CR Community** will:

Incorporate **CR's** Vision, Mission and Corporate Values into their Community.

Maintain continuing access to both **CrowdCos** and **CrowdVestors** within the community they serve.

Include national products into their local organization and work to improve this work product for all **CR** locations by participating in the advancement of educational and process improvements.

Coordinate the local **CR Community's** activities with community leaders in education, government, and business support.

Vision Statement

To provide a transparent process for startup success using CrowdCreative processes including all capital resources effectively.

Mission Statement

Through dedication and cooperative business practices make **CrowdFund Roundup** a household name in the capital formation process.

Core Values of CrowdFund Roundup

- Acting with absolute integrity
- Collaborating, supporting and respecting one another
- Communicating openly, honestly and frequently
- Optimizing CrowdFunding through our cooperative business resources
- Simplifying and improving our processes continually



CRRoyalty FAQ

What is CRRoyalty?

CRRoyalty is a lending program established by CR under the control of CRProduct Group that provides the process and procedures for Advance Sales Business Financing.

Can any Company use CRRoyalty to get funding?

The answer is YES. All companies that have a product or service that they sell can use the CRRoyalty to get an advance on their product/service sales.

How fast can I get cash?

That will certainly depend on your ability to present your loan packages to CrowdVestors through the Crowdfunding process. Most Crowdfunding Campaigns take 30-60 days of preparation and 30-90 days of campaigning to achieve their goals. These numbers can be used as a timeframe form your expectations.

Does my advance have to be completely paid off before I can get another advance?

No. Depending on your royalty income, you can request more advances at any time.

Do I need to have good credit?

No. Everyone is welcome to use this Product regardless of his/her credit history. It is up to the CrowdVestors to evaluate the CrowdCo's business risk and act accordingly. We don't not tie our CRRoyalty program to personal credit scores or require personal guarantees.

Our CRCover Program helps ameliorate the risk factor for many of our CrowdVestors and should be considered as part of your CRRoyalty Campaign See <http://www.crowdfundroundup.com/CRCoverFAQ> for more information on this Principle Protection Program.

Do I need to live in the United States?

At this time CrowdFund Roundup is working with companies located in the United States. We do, however, have active expansion negotiations going on in the UK for the European market, Canada, and Australia.

Do I lose ownership of my company?

The most amazing part of CRRoyalty is that it is a LOAN and not a transfer of ownership. As you work out and document your financing offering you pledge sum certain and period certain royalty payments that once accomplished closes out the liability to the lender.

While we have built the CRRoyalty product with a great deal of flexibility there is no requirement to give up your ownership top participate in the lending facility.

What if I want more cash than an advance can give me?

All Crowdfunding Campaigns require the CrowdCo to communicate with and convince CrowdVestors to provide the capital to reach their market and succeed. There is no limit on our CRRoyalty program. However, your cash needs are scrutinized by the CrowdVestors and need to be in line with the



appropriate deliver of your product or service. Wanting more and needing more are two different businesses constructs. CrowdVestors will lend you what you need - not what you want.

What kinds of fees are associated with the CRRoyalty Program?

All CRProduct LLC products are offered through CR Certified Advisory only. Their fee structure for offering CRRoyalty Product is as follows:

- First and foremost - there are no upfront fees associated with your ability to use the CRRoyalty product.
- At successful closing there is a 5% commission paid to CR that is distributed to the CR Certified Advisor and the CR Community guiding the royalty progress.
- By contract there is a CRMonitor Fee taken to manage the CRRoyalty program throughout the life of the royalty loan. This fee is stated up front in the CRRoyalty Documents and agreed to by all parties prior to the CF Campaign.

CR Certified Advisor may be asked to assist the CrowdCo in preparing for their CF Campaign or provide consulting services for the company in general. These fees and expenses are arms-length transactions between the CrowdCo and the CR Certified Advisor(s) and not part of the lending facility program. We do normally identify these and document them in the Due Diligence section of the campaign.

Can I pay down my loan at any time WITHOUT any pre-payment penalties?

Yes. You may pay off your loan completely at any time WITHOUT any prepayment penalty, but we need to provide a detailed answer to this question.

When you set up your CRRoyalty contract you identify an early payoff amount that you agree to. This amount is normally an amount greater than the funds received and less than the prorated accumulated royalty payments anticipated by your Pro formas (or the Maximum Royalty Payout amount documented in your lending agreement).

- If you borrowed \$100,000 and your maximum royalty payout is set at \$600,000, you will set an early payout somewhere between these two numbers. The amount you agree to will affect your CrowdVestors decision. Too low and they will worry about getting involved, Too high and they will be concerned with the real value of the product/service. And yes you hear me right - there is no just right answer. Many believe a 120% to 150% of borrowing will be good. You need to judge this on your own.
- You also need to understand how this will work, since you document a set amount over and above any time elapsed and/or royalty payments delivered. If we assume one year has passed and we choose to buy out our \$100,000 note for \$150,000 we will be paying an effective simple annual rate of 50% on our facility (fees and expenses not taken into this calculation). If it is end of year three and we have paid \$180,000 in royalties to date and we choose to pay off the facility we will pay the \$150,000 giving the investor an effective simple annual rate of 110% $([180,000+150,000]/100,000/3)$.

For more on this element of setting up a CRRoyalty program we suggest you view our CRRoyalty video series at <http://www.crowdfundroundup.com/CRRoyalty/videos>.

Does it cost anything to apply?

Applying to CRRoyalty Advance Funding is absolutely free. We welcome all calls and inquiries.



Is Royalty Advance Funding offered by banks?

To date we have not identified a bank that will offer this service although we continually encourage our banking relationships to jump on board.

We do know of banks that have begun to look at Crowdfunding and how they can participate. If you are a banker looking to support your clients and see this facility as a potential please contact us for information on how we can work together.

Is royalty advance funding offered by others?

Yes. There are many fine establishments offering Royalty Financing. Here are a few we have found that offer a form of royalty funding for you to vet. To date we have not yet found an organization that is effectively ready to support CrowdCos with their funding needs.

Among those are Arctaris Capital Partners, LP in Waltham, Mass. (www.arctaris.com); Cypress Growth Capital LLC in Dallas (www.cypressgrowthcapital.com); Revenue Loan LLC in Seattle (www.revenueloan.com); and Noventi Ventures in Menlo Park, Calif. (www.noventivc.com); (www.nextstepcapitalpartners.com)

How is CRRoyalty different from debt financing?

Banks and other lenders require a set payment schedule irrespective of company performance. CRRoyalty investments are repaid solely on the basis of gross revenue. If sales trend lower than expected, payments decrease proportionately. If sales are higher than anticipated, the investment is repaid early.

Lenders also require hard assets or other personal guarantees to collateralize a loan. CRRoyalty is based upon a revenue-sharing investment structure. We do offer our CrowdVestors the options of protecting their principle with CRCover and highly recommend that the CrowdCo offer this assurance product as part of their offering.

How is CRRoyalty different from venture debt?

Just like bank financing, venture debt requires fixed payments, collateralization of hard assets, and other personal guarantees. Also, venture debt typically requires an ownership stake in the company. CRRoyalty has none of these requirements.

How does due-diligence differ from that of Private Equity Investors or Venture Capitalists?

Due-diligence, to be performed by the CrowdVestor, is focused on the company's ability to generate sustainable revenue and gross margin to cover the investment while allowing the company to thrive. Since positioning for IPO or strategic acquisition is not the objective of investment many believe the analysis is simplified.

CrowdFund Round provides due-diligence templates and CrowdCo self assessments that can be included as part of the campaign. The final judgment is left to the CrowdVestor.



At what stage does CRRoyalty work for?

CRRoyalty, unlike any of the other programs we have found is built to assist the startup from the idea phase onwards.

Funds are typically utilized for operational objectives including but not exclusive to new product development and market penetration where a pathway to market can be expressed and accomplished in no more than 24 months.

Projects that need more than 18 months of development may find it hard to present a clear picture of royalty returns and may need to consider other capital programs.

How is a typical CRRoyalty investment structured?

Working with your CR Certified Advisor, your Pro forma is enhanced to cover the 7 year term of the CRRoyalty program and certain terms and consideration are set including but not limited to:

Targeted Raise	Requested amount of Funding
CRRoyalty Loan Go Point	Point at which enough pledges of funding have been received to launch the company. This amount must be able to advance the company into the market effectively.
Maximum Raise	Many project catch the imagination fo the CrowdVestors and easily exceed their requested amount. For many CrowdCos this provides a better corporate position. The amount of the Maximum raise is a calculation of diminishing returns on funding dollars. It is important to note that these additional royalty units will never reduce the ROI of the initial agreement for investors.
Max RU Equivalent	Many CrowdCos will choose to offer additional royalty loan units at a reduced ROI giving first in lenders an effective premium for early support.

In return for an investment, an agreed-to percentage of future revenue is paid to CrowdVestors for a set period of time and up to a sum certain amount.

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.

How does the CRRoyalty Program work with lenders, angels, venture capitalists and other investors?

CRRoyalty compliments rather than replaces other types of growth capital.



Many early-stage companies that use CRRoyalty will position themselves for a future equity investment that is appropriate and beneficial (i.e., not overly dilutive). CRRoyalty welcomes co-investors of all types.

What do you need to know to get started?

Simple. - Your name - Your phone contact - Your email contact.

Contact us at info@crowdfundroundup.com

We will provide you with a CR Certified Advisor who will take the time to understand your project and guide you through the process of selecting the right funding program.

Compare CRRoyalty to Other Capital Programs

Some baselines:

	Revenue-Based Financing	Equity Financing Angels and VCs
Valuation of Company Required	No	Yes
Personal Guarantees	No	Sometimes
Fixed Payment Amounts	No	No
Equity Dilution	No	Yes
Loss of Control	No	Yes, to what extent varies
Alignment of Interests	Always aligned with revenue growth	Can be misaligned regarding growth and exit
Large Market Opportunity Required	No	Yes
Borrowing Costs Tax Deductible	Yes	No
Cost of Capital	Targeted 2x return in 3-4 years	Targeted 10x return in 5-7 years

This is from industry research and the numbers will vary for each program. For CRRoyalty's program we look at a 7 year term and a Targeted 3-5X return as a starting point.



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.

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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.



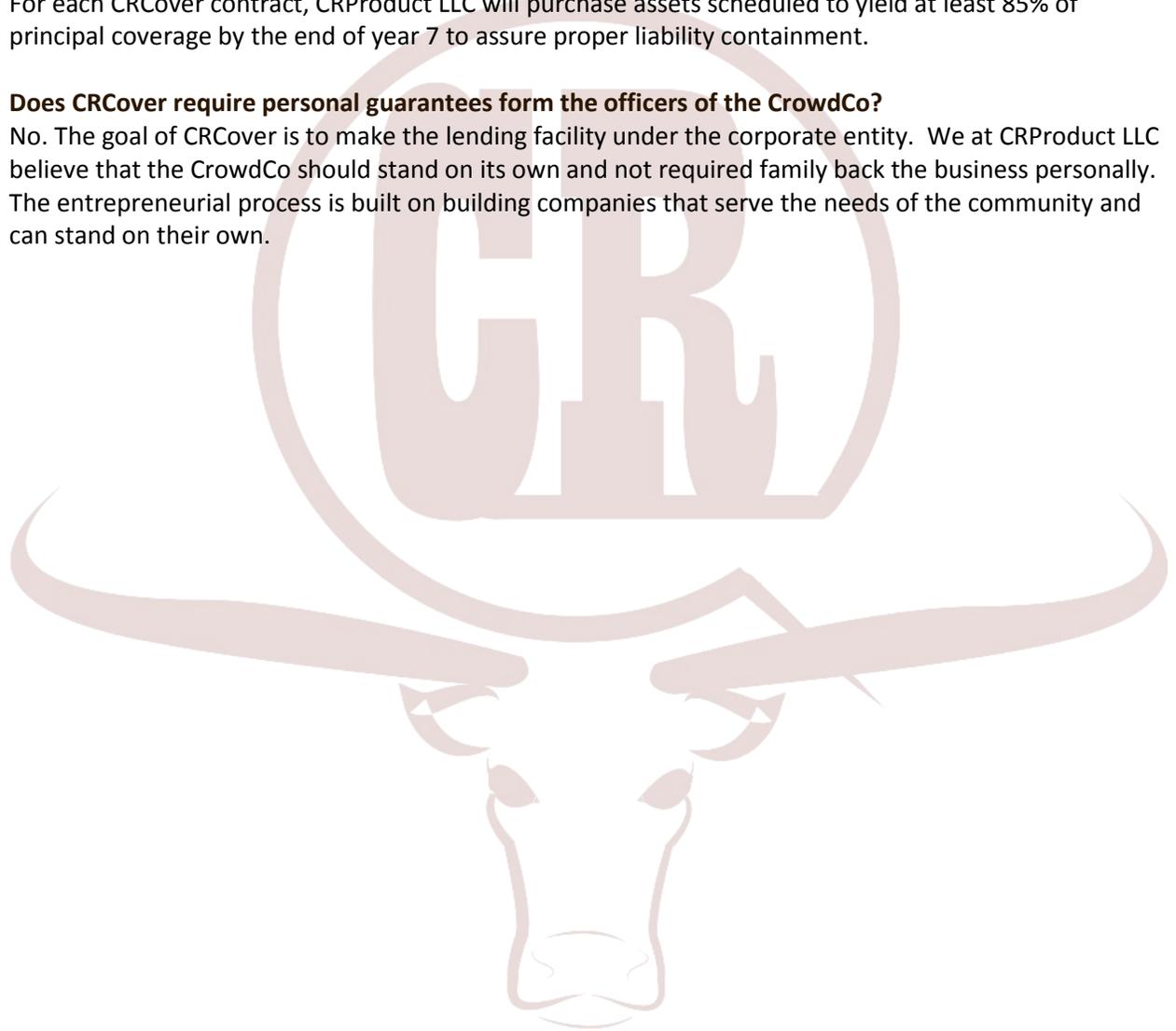
Is each CRCover contract backed by a specific asset?

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.





CRMonitor FAQ

What is CRMonitor?

It is an agreement established between the CrowdCo and the CrowdVestor to provide third party monitoring by CRProduct LLC during a contracted portion of the CrowdCo startup project and may include investor capital tranching and milestone reviews.

An upfront fee is taken for the services provided by CR Product LLC during the development and product launch phase of the project which can be as long as 24 months. Additional on-line reporting fees are paid by the CrowdCo after the development and launch period until CRCover liability is satisfied.

At this time CRMonitor is not a standalone product but is offered through the CRRoyalty and the CRCover Programs

How does it work?

As part of the campaign development, the CrowdCo chooses to offer this service to their CrowdVestors and document the terms and conditions within the campaign documents. This includes but is not limited to:

- Loan Proceed tranching and Milestone Reviews
- Monthly reporting conducted by CR Certified Advisors on site
- Project escalation and funding stoppage if milestones are not met.

It is best to consider this program as the project liaison between the CrowdCo and the CrowdVestor monitoring progress and controlling the invested funds.

Is it a required expenditure for the CrowdCo?

For the CRCover project - yes. It is built into the CRCover program and is considered essential for proper assurance delivery.

For CRRoyalty, it is highly recommended. While we cannot demand monitoring, we consider projects that refuse to be monitored high risk.

Why monitor at all?

We live in a marketplace that somehow decided and 85% failure rate for startups was acceptable. We are burdened with a stagnant economy that has more twists and turns than a rollercoaster and none of them are fun. We are challenged with getting it right this time or maybe being the generation that killed the American dream.

Why monitor? It is not the time for absentee management and we are building a new model of CrowdCreative companies that can re-establish effective corporate culture. It is the time of process change and enhancement to help quality rise to the top and bring those who participate along with us towards success.

The reason to monitor is to get the Crowd involved and to provide a fully transparent process so that the Crowd can be engaged even when the individual CrowdVestor makes a minimum contribution.