



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 Principal 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 principal 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.