**INSTRUCTIONS FOR CONDUCTING YOUR SECURITIES OFFERING**

We recently provided you with the offering documents required to conduct your securities offering, be it for the offering and sale of securities to be issued and distributed by you and your Company. The offering documents include:

* A Subscription Agreement Package consisting of the Subscription Agreement and a Subscriber Representation Letter;
* A Private Offering Memorandum; and
* The Company’s White Paper

These Instructions are designed to make certain that you know how to use the documents and conduct your offering so that it is exempt from the registration requirements of the US Securities Laws. Before we do, however, we want to make certain that we also remind you of your obligations under the Securities Laws that your offering documents must be accurate. While we prefer not to get technical, it is incumbent upon us, as your attorneys, to remind you of the anti-fraud provisions of Rule 10b-5 promulgated under the Securities Exchange Act of 1934. That Rule makes it unlawful to “make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.”

Please understand that while Exemplar Law prepared your offering materials for you, we did so based upon information we received from you. We want to make certain that we did not make any mistakes or have any misunderstandings in putting your words to paper or in interpreting the meaning of documents you gave to us which we incorporated into your offering documents. It is therefore necessary that before you use any of your offering documents that you and your entire team carefully review the documents to make certain there are no material misstatements or omissions. If you have any questions or concerns whatsoever about this requirement, please contact us immediately before you disseminate any of the offering documents to prospective investors.

**PRESERVING YOUR EXEMPTION FROM THE REGISTRATION REQUIREMENTS**

**Rule 506(c)**

A fundamental principle of the securities laws is that all sales of securities such as what your offering involves must either be registered with the Securities and Exchange Commission (“SEC”) or have available an exemption from the registration requirements. As we have advised you, the offering you are making is subject to an exemption from registration available under Rule 506(c) promulgated under the Securities Act of 1933.

Rule 506(c) permits you to broadly solicit and generally advertise your offering both with the United States and in most foreign jurisdictions, provided that: (1) all purchasers in your offering, regardless of where they reside, are “accredited investors,” and (2) you take reasonable steps to verify that the investors are accredited investors before you accept them into your offering.

**Accredited Investors**

There are two standards for satisfying the “accredited investor” requirements—one for individuals, and another for “entities”. For individuals, the requirement is either to have a net worth of at least $1,000,000, excluding the value of one's primary residence, or to have income of 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. For entities such as banks, insurance companies, employee benefit plans and the like, the requirements are higher, generally to have total assets in excess of $5 Million. These accredited investor standards are more specifically contained in the Offering Documents.

**Verification of Status as an Accredited Investor**

The SEC has provided a non-exclusive list of steps you can take to verify that an investor is accredited that will provide you with what they call a “safe harbor”—i.e., you won’t be challenged. For example, when verifying the annual income test for a US resident, you can obtain and review any Internal Revenue Service (IRS) forms reporting their income for the two most recent fiscal years and obtain a written purchaser representation that he or she has a reasonable expectation of reaching the required income level during the current year. Another “safe harbor” verification approach involves having the prospective investor obtain a written confirmation from their registered broker-dealer, SEC-registered investment adviser, attorney or CPA attesting that such person or entity has taken reasonable steps within the prior three months to verify that the purchaser is an accredited investor and as a result has determined that such purchaser actually is an accredited investor.

**Best Verification Approach**

We suggest a different approach that is much more simple, expeditious, and inexpensive: the use of an online, third-party verification company which at the end of their process will provide you with a simple attorney’s letter verifying (or not verifying) a prospective investor’s status. One such company that our clients have successfully utilized is <http://verifyinvestor.com>. In just a few minutes you can set up your online issuer account and then send them the email address of each investor for which you want to obtain verification, and VerifyInvestor will handle it from there. Their licensed attorneys will contact your investors and obtain the necessary information to conduct the analysis and issue a verification letter directly to you that is fully compliant with the SEC’s requirements. You can pre-pay VerifyInvestor for a bulk package of verifications at a very low price: 25 verifications will only cost you $52 each. While Exemplar could conduct these verifications for you, our cost will be many multiples higher.

**Retention of Records**

Please remember: the verification process outlined above must be conducted and completed **prior to** the time you accept each investor’s money. You can either not take any money from a prospective investor until the verification process is complete, or place all yet-to-be-verified funds into some form of escrow account pending verification. In particular, do not pre-sign investor acceptance forms in the quest for speed—that approach doesn’t work.

Please also note: in the unlikely event that the SEC or some other agency drops by for an inspection, the burden of proof to establish your exemption from registration is on you. If you have followed our advice, you should have nothing to worry about, as you can prove that you did comply with all aspects of Rule 506(c) and your offering is exempt from registration:

* You have either a file cabinet or an online data room where you have a file for every investor you’ve accepted (it’s also a good idea to keep information about investors you’ve turned down to show that you are rightfully turning down prospective investors);
* Each investor file has hard or soft copies of all of the documents you provided to the investors, along with all documents they filled out and executed; and
* You have a record of all/any conversations, emails, and all other contacts the prospective investor might have had with you to show that they had an opportunity to have any questions answered.

**RESTRICTIONS ON RESALES OF SECURITIES**

Because your securities were not registered with the SEC but instead were sold in a transaction that is exempt from the registrations requirements, there are restrictions imposed upon the ability of purchasers (including your company and officers, directors, employees, contractors and others receiving the securities) to resell them. Unless your company was already a “reporting company” filing current information with the SEC, all purchasers receiving securities, be they shares of stock, LLC interests or tokens, will have to hold them for 12 months before they can be resold as provided by the SEC’s Rule 144.

There are some exceptions to this strict 12-month holding period for securities of non-reporting companies. Private sales with no general solicitation to institutional investors or other accredited investors who can satisfy additional qualifications requirements (for example, sophistication, access to information, etc.) and who agree to be subject to the same restrictions imposed on the seller in relation to the securities (for example, securities with a restricted legend). Before you consider recommending or engaging in any such resales prior to the expiration of the 12-month holding period prescribed in Rule 144, please check with your Exemplar contact person.

**PAYMENT OF FINDERS’ FEES**

What is being referred to here is the payment of what is known as “incentive-based compensation” for people or entities who help you sell your shares or tokens, generally by providing introductions to potential investors, and who are not registered with the SEC or FINRA as Investment Advisors or Broker-Dealers. Basically, it’s the payment of a commission to an unregistered person who helps you sell, and who gets paid a percentage of the amount they help you raise.

Reams have been written about finders, and yes: hundreds of companies apparently use finders and don’t get caught. But we at Exemplar want to be clear about this: do NOT use unregistered finders and pay them any incentive-based compensation. The penalties for getting caught are draconian: in addition to potential monetary penalties imposed by the SEC, use of an unlicensed finder nullifies your ability to use the exemption from registration provided by Rule 506(c)—you’ve blown your exemption! As a result, all of your investors have a right to demand rescission—i.e., that they get their money back. And they generally have 1 or 2 years to make that decision. They can wait and see how things are going, and if they’re not going well, demand their money back. Furthermore if you need an auditor to prepare financial statements for your next big leap forward, it is lightly that the auditor will either have to give you a “qualified opinion” or otherwise indicate that the amount of funds you raised can not be shown as an asset on your balance sheet because it must be held in reserve potentially to provide the funds for that rescission demand from investors.

There may be ways to structure payments to persons who assist you in your fund-raising activities without being deemed an unregistered broker, but each situation is highly fact-based and too detailed to discuss in a general-purpose document such as these Instructions. Just remember: before you engage anyone who potentially could be deemed a finder, please contact your Exemplar contact.

**FILING REQUIREMENTS WITH THE SEC AND STATES**

In order to preserve your exemption from registration that Rule 506(c) provides, you must file with the SEC what is called a Form D. This is essentially a notice to the world that you have engaged in an exempt offering. Commission rules further require the notice to be filed within 15 days after the first sale of securities in the offering. For this purpose, the date of first sale is the date on which the first investor is irrevocably contractually committed to invest. While the Form in and of itself is quite simple and straight forward, as can be seen by the Form D template attached to these Instructions, the SEC uses an archaic and complex mechanical process for the filing. We strongly recommend that you hire one of the numerous third-party entities that provide this service. Please consult with your Exemplar representative and we can assist you in finding such a source.

There are also state law filing requirements known as “Blue Sky” laws. Because your offering is exempt under Federal laws under Rule 506(c), states cannot review your offering but can only (a) require that you file a form of notice with them that you’ve sold to an investor residing in their state; and (b) view you as a source of revenue to fill their coffers and charge you a fee for such filing. Blue Sky filing fees for states other than New York generally run from $50 to $300, but not all states require filings if you have only a small number of purchasers from their state, and even fewer require a filing where all purchasers are accredited, as will be the case with your offering. Nevertheless, you do not want to miss state filing deadlines either. Without further details, suffice it to say that New York requirements are both more costly and complex. Again, we urge you to engage a filing service prior to the commencement of your offering.

**SUMMARY**

Below is a summary of enumerated steps to ensure your offering and sale is compliant:

1.      Place numbers on the Offering Memorandum and Subscription Agreements, and secure either a softcopy or hardcopy of all executed subscription agreements from all investors.

2.      For investors from all states, except New York, within 15 days after accepting funds, you should contact us and the third-party filing company you choose can file Form D’s with the state and the SEC. For investors from NY, Form D with the SEC and State before you accept funds.

3.      Initial funds should be held in a funding account with the company name, and closings should be conducted twice a month on the once a week (e.g., Monday of each week)

4.      Maintain an electronic computer folder to store completed subscription agreements, and each investor should have his/ her own subfolder folder. Each investor’s folder should have a copy of the investor’s executed subscription agreement and documentation verifying their accredited status, which should include one of the following:

1. A letter from an accountant, lawyer, or financial advisor attesting to the investor’s accredited status, or
2. You should have retained income (e.g., W2’s, Tax Returns, property information, etc.) and financial information to conduct an internal evaluation of the investor’s accredited status.
3. You may also use a third-party service such as verifyinvestor.com

5.      You should maintain a master investor spreadsheet with the following information:

1. Subscription agreement number
2. Name of Subscriber
3. Dollar amount of subscription
4. Short description proof of investor accreditation (e.g., either “3rd party certification” or “issuer staff internal certification”)
5. Link to verification documents in spreadsheet
6. Timestamp of when the purchase was received
7. The currency used (e.g., USD, Euro, BTC, ETH). All currency will be converted to USD on the date received and a system must be put in place for those conversions.

Remaining compliant during the capital raising process is necessary to maintaining the protection afforded by your offering documents. That is, if you fail to follow all of the recommended procedures, you can lose your exemption from registration and you may not be protected by the offering documents. We urge you to stay in constant contact with your Exemplar representative(s) during this entire process. That’s why we utilized a fixed-fee arrangement with you: we want to encourage and incentivize you to utilize us fully to increase the likelihood of a successful offering and the avoidance of mistakes that could jeopardize that outcome.