



Annex B - Exhibit E

tZERO Securities, LLC

Regulation CF Educational Materials

## Introduction

Equity crowdfunding allows the general public to participate in venture capital and private equity investing. Companies can use crowdfunding to offer and sell securities to the investing public, anyone can invest in a crowdfunding securities offering. tZERO Securities, LLC (“tZERO,” “we” and “our”) is providing you these materials, in accordance with applicable law, so you can educate yourself and understand the risks of making crowdfunding investments. We act as an intermediary for companies raising money under Regulation Crowdfunding and offer an on-line investment platform where you can invest in these offerings. Before making any investment on our platform, you should conduct your own thorough investigation of the issuing company. **You need to consider whether investing in a security offered and sold in reliance on Regulation Crowdfunding is appropriate for you.**

We are compensated by the issuer receiving a percentage of offering proceeds raised through our platform. Depending on the offering, we may charge you a non-refundable processing fee of up to 7% per investment commitment submitted through our platform. We may also pass through the fees from certain third-party payment processors integrated into our platform. Please note following the completion of an offering conducted through our platform, there may or may not be an ongoing relationship between the issuer and intermediary.

## Process for the offer, purchase and issuance of securities through our Platform

To invest in securities offered under Regulation CF, choose the project/issuer desired to invest in and simply tap on the “Invest” button. If you are not a tZERO customer you will be prompted to go through our on-boarding process and set up an account. To read more about our on-boarding process see our FAQs here. Upon confirming your investment, your investment amount will be funded and held in escrow or an escrow-like account with us or a third-party agent, acting as escrow agent exclusively for the issuer.

Investors are allowed to cancel their investment at any time up to 48 hours before a closing. In the event the target offering amount is reached prior to the offering deadline, all investors that have confirmed their investment will be notified five business days prior to the new closing date, which is meant to give investors adequate time to cancel their investment.

Lastly, in the case that the issuing company has a material change in their offering (e.g., terms are updated, company operations have materially changed), all investors will receive a notice of that material change and are required to confirm their investment. In the case that the investor does not confirm their investment within five business days, their investment will be automatically canceled, and the funds committed and placed in escrow will be returned to the investor.

## The Types of Securities Offered and Sold

The most common forms of securities an issuer can offer are equity or debt.

The securities we may offer include the following:

- **Common Stock**: Conveys a portion of the ownership interest in the company to the holder of the security. Stockholders are usually entitled to receive dividends when and if declared, vote on corporate matters, and receive information about the company, including financial statements. This is the riskiest type of equity security since common stock is last in line to be paid if a company fails. You should read our discussion of the risks of early-stage investing here, and pay special attention to the fact that your investment will only make money if the company's business succeeds. Common Stock is a long-term investment.
- **Preferred Stock**: Stock that has priority over common stock as to dividend payments and/or the distribution of the assets of the company. Preferred stock can have the characteristics of either common stock or debt securities. While preferred stock gets paid ahead of common stock, it will still only be repaid on liquidation if there is money left over after the company's debts are paid. In certain circumstances (such as an initial public offering or a corporate takeover) the preferred stock might be convertible into common stock (the riskiest class of equity). You should review the terms of the preferred stock to know when that might happen.
- **Debt**: Securities in which the seller must repay the investor's original investment amount at maturity plus interest. Debt securities are essentially loans to the company and the major risk they bear is that the company does not repay them, in which case they are likely to become worthless.
- **Convertible Note**: This form of investment is popular with technology startups because it allows investors to initially lend money to the company and later receive shares if new professional investors decide to invest. The sort of convertible note that is most often offered on tZERO may limit the circumstances in which any part of the loan is repaid, and the note may only convert when specified events (such as a preferred stock offering of a specific amount) happens in the future. You will not know how much your investment is "worth" until that time, which may never happen. You should treat this sort of convertible note as having the same risks as common stock.
- **SAFE**: A Simple Agreement for Future Equity (SAFE) is a convertible security that provides investors with the right to purchase shares at a future price when the company raises more money in a future priced securities offering.

### Restrictions on Resale

The securities offered on tZERO are only suitable for potential investors who are familiar with and willing to accept the high risks associated with high-risk and illiquid private investments. Securities sold through tZERO are restricted and not publicly traded and, therefore, cannot be sold unless registered with the SEC or an exemption from registration is available.

You are generally restricted from reselling your shares for a one-year period after they were issued, unless the shares are transferred:

- to the company that issued the securities;
- to an accredited investor;
- to a family member (defined as a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships.);
- in connection with your death or divorce or similar circumstance;
- to a trust controlled by you or a trust created for the benefit of a family member;
- as part of an offering registered with SEC

### Submission and Posting of Form C

Prior to launching a Regulation Crowdfunding Offering, an issuer is required to complete and submit a Form C to the SEC together with the required attachments. Companies that file a Form C are required to disclose certain information to the public which can be used to understand an investment and helps determine whether a particular investment is appropriate for a specific person.

This includes general information about the issuer, its officers and directors, a description of the business, the planned use for the money raised from the offering, often called the use of proceeds, the target offering amount, the deadline for the offering, related-party transactions, risks specific to the Issuer or its business, and financial information about the issuer.

### Annual Filing Obligation of Issuers

Each issuer that successfully completes a Regulation Crowdfunding securities offering is required to annually file with the SEC a Form C-AR and financial statements. This must be done no later than 120 days after the end of the issuer's fiscal year covered by such filing. Each issuer must also post its Form C-AR and financial statements to its own website, and that link must be provided along with the date by which such report will be available on the Issuer's website.

The Form C-AR contains updated disclosure substantially similar to that provided in the Issuer's initial Form C, including information on the Issuer's size, location, principals and employees, business, plan of operations and the risks of investment in the Issuer's securities; however, offering-specific disclosure is not required to be disclosed in the Form C-AR.

You should be aware that an issuer may no longer be required to continue its annual reporting obligations under any of the following circumstances:

- The issuer is required to file reports under Section 13(a) or Section 15(d) of the Exchange Act;
- The issuer has filed at least one annual report pursuant to Regulation Crowdfunding and has fewer than 300 holders of record and has total assets that do not exceed \$10,000,000;
- The issuer has filed at least three annual reports pursuant to Regulation Crowdfunding;
- The issuer or another party repurchases all of the securities issued in reliance on Section 4(a) (6) of the Securities Act, including any payment in full of debt securities or any complete redemption of redeemable securities; or
- The issuer liquidates or dissolves its business in accordance with state law.

**In the event that an Issuer ceases to make annual filings, investors may no longer have current financial information about the issuer available to them.**

### Required Financial Disclosures

The required type of financial disclosure depends on how much an issuer has already raised, and how much they intend to raise next.

- \$124,000 or less: If the current offer plus previous raises amounts to \$124,000 or less, the Issuer provides information from its tax returns (but not the tax returns themselves) certified by the principal executive officer. If financial statements are available they must be provided, too, and again certified by the principal executive officer.
- \$124,000.01 to \$618,000: If the current offering plus previous raises is between \$100,000 and \$618,000, financial statements are required and must be reviewed by a CPA. If audited financial statements are available, they must be provided.

- \$618,000.01 to \$1.235 million: If current offer plus previous raises amounts to \$618,000.01 or more, the required financial statements must be audited by a CPA. However, if the issuer has not previously sold securities under Regulation Crowdfunding, the financial statements will only be required to be reviewed by a CPA.

Note: An audit provides a level of scrutiny by the CPA that is higher than a review.

The required information is filed with the SEC and posted at the start of the offering on our platform and available to the public throughout the offering on the tZERO and SEC sites. It is available to the general public on both websites throughout the offering period – which must be a minimum of 21 days.

### Investment Limitations

Because of the risks involved with this type of investing, you are limited in how much you can invest during any 12-month period in these transactions. The limitation on how much you can invest depends on your net worth and annual income. If either your annual income or your net worth is less than \$124,000, then during any 12-month period, you can invest up to the greater of either \$2,500 or 5% of the lesser of your annual income or net worth.

If both your annual income and your net worth are equal to or more than \$124,000, then during any 12-month period, you can invest up to 10% of annual income or net worth, whichever is less, but not to exceed \$124,000 or all crowdfunding offerings in any 12-month period.

Calculating net worth involves adding up all your assets and subtracting all your liabilities. The resulting sum is your net worth. For purposes of crowdfunding, the value of your primary residence is not included in your net worth calculation.

The SEC's Investor Bulletin Crowdfunding for Investors contains detailed and useful information about how to perform these calculations and examples [here](#).

### Cancellations

As an investor, you will have up to 48 hours prior to a rolling close, or 48 hours prior to the offering deadline to change your mind and cancel your investment commitment for any reason.

The issuer may cancel the investment commitment under the following circumstances:

- For any offering that has not yet been completed or terminated, an issuer can file on Form C/A an amendment to its offering statement to disclose changes, additions or updates to information. An amendment is required for changes, additions or updates that are material, and in those required instances the issuer must reconfirm outstanding investment commitments within 5 business days, or the investor's commitment will be considered canceled. If we are required to cancel the investment commitment, it must then send a notice of the cancellation to the investor and direct a refusal of the investor's funds.
- Offering fails to reach the target by the specified deadline. If an issuer does not raise the target funds by the deadline it established, we have five days to provide investors with notice of the cancellation of the investment commitment, direct the refund of investor funds, and prevent investors from committing any additional funds to the offering.

### Changing Your Mind

If you do not cancel an investment commitment at least 48 hours prior to the offering deadline or a rolling close, the funds will be released to the issuer by the escrow agent. Following the close on funds, you will then receive securities in exchange for your investment.

If you do cancel an investment commitment before the 48-hour deadline, tZERO will direct the return of any funds that have been committed by you in the offering.

However, once the offering period is within 48 hours of ending, you will not be able to cancel for any reason, even if you make your commitment during this period.

### Material Changes

If the issuer makes a material change to the offering terms or other information disclosed to you, including a change to the offering deadline, you will be given five business days to reconfirm your investment commitment. If you don't reconfirm, your investment will be canceled and your escrowed funds will be returned to you.

### Risks associated Regulation Crowdfunding Offerings & Securities Issued

Securities, as well as any particular investment, may not be suitable or appropriate for everyone. Investors should note that investing in securities could involve substantial risks, including no guarantee of returns, costs associated with selling and purchasing, and no assurance of liquidity which could impact their price and investor's ability to sell, and possible loss of principal invested. Further, an investment in a single security could mean lack of diversification and, consequently, higher risk. Past performance of a security does not guarantee future results or returns. You should not invest any funds in which you require the ability to withdraw, cash-out, or liquidate within a certain period of time. Market volatility and volume may delay systems access and trade execution. There is always the potential of losing money when you invest in securities. Please carefully review the general risk associated with our Platform under the heading "Account Risk Disclosure" in our customer agreement.

**EACH INVESTOR IS STRONGLY ADVISED TO CONSULT LEGAL, TAX, INVESTMENT, ACCOUNTING AND/OR OTHER PROFESSIONALS BEFORE INVESTING, AND TO CAREFULLY REVIEW ALL THE SPECIFIC RISK DISCLOSURES PROVIDED AS PART OF ANY OFFERING MATERIALS, AND TO ASK QUESTIONS PRIOR TO MAKING AN INVESTMENT.**

Specifically related to securities sold in reliance on Regulation Crowdfunding you should consider the following risks:

- There are restrictions on your ability to cancel an investment commitment and obtain a return of the money you invested.
- It may be difficult to resell securities acquired in an offering under Regulation Crowdfunding, because they will be restricted securities. This means you may not be able to easily resell them on any established marketplace after you purchase them. You should not invest in securities issued under Regulation Crowdfunding if you are not able to maintain a long-term position in those securities.
- Investment in small, especially start-up and early stage, companies is speculative and involves a high degree of risk. You should not invest unless you are able to bear the loss of the entire investment.
- Unlike listed companies that are valued publicly through market-driven stock prices, the valuation of startups can be difficult to determine and is often subjective. You may risk overpaying for the equity stake you receive.
- There may be additional classes of equity or derivatives with rights that are superior to the class of equity being sold through crowdfunding. Additionally, investments are subject to dilution, which is when early investors see a reduction in ownership percentage as new stock is issued.

- An early-stage company may be able to provide only limited information about their business plan and operations because they do not have fully developed operations or a long history to provide more disclosure.
- Publicly listed companies generally are required to disclose information about their performance at least on a quarterly and annual basis and on a more frequent basis about material events that affect the issuing company. In contrast, crowdfunding companies are only required to disclose their results of operations and financial statements annually. Therefore, you may have only limited continuing disclosure about your crowdfunding investment.
- Investment opportunities, the adequacy of the disclosures, or the fairness of the terms of any such investment opportunity have not been reviewed or approved by a state or federal agency.
- The issuing company may not have an internal control infrastructure and there cannot be any assurance of no significant deficiencies or material weaknesses in the quality of the Issuer's financial and disclosure controls and procedures. Indeed, if it were necessary to implement such financial and disclosure controls and procedures, the cost to the Issuer might even have a material adverse effect on the issuer's operations.
- A portion of your investment may fund the compensation of the issuing company's employees, including its founders and management. Due to inexperience, management may not be able to execute on its business plan. Additionally, unless the issuing company has agreed to a specific use of the proceeds from the offering, its management will usually have considerable discretion over how to use the capital raised. You may not have any assurance the Issuer will use the proceeds appropriately. You should pay close attention to what the Issuer says about how offering proceeds are to be used.
- Because the issuing company's founders, directors and executive officers may be among its largest stockholders, they may be able to exert significant control or influence over the Issuer's business and affairs and may even have actual or potential interests that diverge from those of other Investors. This may worsen as time goes on if the holdings of the issuing company's directors and executive officers increase upon vesting or other maturation of exercise rights under options or warrants they may hold, or in the future be granted. In addition to holding or controlling board seats and offices, these persons may well have significant influence over and control of corporate actions requiring shareholder approval, separate from how the Issuer's other stockholders, including investors, may vote in a given offering.
- The issuing company may have serious risks specific to its industry or its business model. Demand for a product or service may be seasonal or be impacted by the overall economy. Small businesses, in particular, often depend heavily upon a single customer, supplier, or upon one or a small number of employee(s). It may have difficulty competing against larger companies who can negotiate for better prices from suppliers, produce goods and services on a large scale more economically, or take advantage of bigger marketing budgets.
- 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. Even with tZERO's diligence of companies and their executive teams, there is a risk of fraudulent activity.
- 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 Issuer'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.
- The issuer may not provide you with annual audited financial statements or quarterly unaudited financial statements, except as required by a particular registration exemption. The Issuer may not even have its financial statements audited, or even reviewed by outside auditors. Your decision to

make an investment in the Issuer will be based upon the information the Issuer provides in its offering materials, which may not completely or even accurately represent the financial condition of the issuer.

- As explained above, an investor may not be able to obtain the information it wants regarding a particular Issuer on a timely basis, or at all. It is possible that the investor may not be aware of material adverse changes that have occurred to the issuer. An Investor may not be able to get accurate information about an Issuer's current value at any given time.
- Federal securities law requires securities sold in the United States to be registered with the U.S. Securities and Exchange Commission ("**SEC**"), unless the sale qualifies for an exemption. The securities offered on tZERO have not been registered under the Securities Act, and are offered in reliance on an exemption to registration under the Securities Act. Securities sold on tZERO are likely restricted and not publicly traded and are therefore illiquid. No assurance can be given that any investment opportunity will continue to qualify under one or more of such registration exemptions under the Securities Act due to, among other things, the adequacy of disclosure and the manner of distribution, the existence of similar offerings in the past or in the future, or a change of any securities law or regulation that has retroactive effect.

### Promoters

In connection with establishing an account for an investor, tZERO Securities must inform the investor that any person who promotes an issuer's offering for compensation, whether past or prospective, or who is a founder or an employee of an issuer that engages in promotional activities on behalf of the issuer on tZERO Securities' platform, must clearly disclose in all communications on the tZERO Securities' platform, respectively, the receipt of the compensation and that he or she is engaging in promotional activities on behalf of the issuer.

### Additional Resources

tZERO is required by the SEC to post educational materials on our site. While those educational materials are a great start to educating yourself and understanding the risks of making crowdfunding investments, it is really only the beginning of your journey. Be sure to investigate the issuing company and to participate in our online forum where you can interact with other investors, weigh in on the pros and cons of an opportunity, and ask the issuing company questions.

If you or someone you know wants information about raising capital for a company, feel free to continue exploring our FAQ or reach out to a tZERO team member at [investor\\_support@tzero.com](mailto:investor_support@tzero.com).

To learn more about crowdfunding, see the adopting release and complete text of Regulation Crowdfunding, [here](#).

To read the May 10, 2017 SEC Investor Bulletin Crowdfunding for Investors, [Click Here](#).

For additional investor educational information, see the SEC's website for individual investors by clicking [here](#).