



Fund-ME Offering Circular User's Instruction Manual

This Manual has been prepared to help you complete the Fund-ME Offering Circular registration filing in order to sell securities to the general public in Maine. An important goal of the Fund-ME legislation is to minimize the cost to you, the business owner, for preparing such filings. Therefore we have included many pieces of information beyond just “how to fill in the blanks.” In addition to instructions for completing the sections in the registration filing form, this manual includes examples, sample disclosure, and definitions of technical terms. If you need further information or have any questions about completing the Fund-ME Offering Circular, send an e-mail to the Office of Securities at www.investors.maine.gov or call us at 877.624.8551 or 207.624.8551. We are also working with a number of business support and services organizations that will be assisting companies in completing registration filings.

PLEASE BE AWARE THAT THIS MANUAL IS INTENDED AS A GUIDANCE DOCUMENT ONLY AND DOES NOT REPLACE THE REQUIREMENTS OF, OR RELIEVE RESPONSIBILITY TO COMPLY WITH, THE MAINE UNIFORM SECURITIES ACT, ITS ADMINISTRATIVE RULES, OR ANY OTHER APPLICABLE LOCAL, STATE, OR FEDERAL LAWS.

Suggested Filing Sequence

The Fund-ME Offering Circular tries to balance between the need to protect investors through adequate disclosures of important information, and the need for Maine businesses to raise capital without spending large sums on lawyers and accountants. Nonetheless, the information you will need to fill out the Offering Circular is extensive and will require time and effort. We therefore suggest the following sequence to make the best use of your time.

- 1) Learn enough about Fund-ME versus other financing options to determine whether or not it is a good fit for your business.
- 2) Develop a solid business plan with detailed financial projections.
- 3) Determine what type of security is the best fit for your business (there are variations on both debt and equity possible under the law).
- 4) Download the 26-page Fund-ME Offering Circular from our web site (it is a Word document) and spend at least 10 minutes skimming the questions.

- 5) Use this guide to help determine what needs to be provided in the Offering Circular and then complete the Circular as you gather, create, or cut and paste the information requested.
- 6) Ask a knowledgeable services provider (such as a business counselor or attorney) to review your draft.
- 7) Submit your edited draft to our office, but expect some feedback before it is finally filed.

Important Reminders

- 1) Do not alter the Fund-ME form in any way other than to complete the requested information. Do not add language to, delete language from, reorder items or sections, or re-format the form.
- 2) Make sure you respond completely and accurately to every item in every section in the Fund-ME form. Include every page of the Offering Circular, including the table of contents, executed signature page, and all required exhibits with your filing. See the Fund-ME Short-Form Seed Capital Registration Filing Checklist (Cover Sheet) for a list of documents you must include with your Fund-ME filing and for filing instructions.
- 3) You cannot start advertising, marketing, or offering the Company's securities until the Maine Office of Securities provides you with an effective date. Every copy of the offering circular that you provide to potential investors, either as a .pdf or as a printed copy, must be the same as what you registered with our office. In addition, you may not advertise, market, offer or sell the Company's securities in any other states without registration or a valid exemption from registration in such other states.
- 4) When you register securities with the Maine Office of Securities by filing Fund-ME, you are relying on a federal exemption from registration (Rule 504), which requires that you file a Form D with the Securities and Exchange Commission (the "SEC") within 15 days of your first sale. The Form D must be filed online through the SEC's EDGAR system. In order to file online through the EDGAR system, the Company must have its own filer identification number (called a "central index key" or "CIK" number) and a set of password-like "access codes." The CIK and access codes can be obtained by filing a Form ID online at the SEC's Filer Management page (<https://www.filermanagement.edgarfiling.sec.gov/Welcome/EDGARFilerMgmtMain.htm>).

Table of Contents for the User’s Manual:

THE COMPANY.....	4
TABLE OF CONTENTS (for the circular).....	6
EXECUTIVE SUMMARY.....	7
The Business.....	7
How the Company Will Use Your Money.....	8
The Principal Officers of the Company.....	8
THE OFFERING.....	9
RISK FACTORS.....	10
BUSINESS PLAN	11
COMPANY FINANCIAL STATEMENTS.....	11
CAPITALIZATION.....	12
COMPANY OFFICERS, DIRECTORS, MANAGERS, AND KEY PERSONS.....	12
MILESTONES.....	13
USE OF PROCEEDS.....	16
Company Salespersons.....	22
Other Salespersons and Finders.....	22
Purchaser Limitations.....	23
Impound of Offering Proceeds.....	24
ARRANGEMENTS WITH OFFICERS, DIRECTORS, MANAGERS, AND KEY PERSONS.....	25
Compensation.....	26
CERTAIN LEGAL PROCEEDINGS.....	29
Insolvency.....	29
Criminal Proceedings.....	30
Civil Proceedings.....	31
Administrative Proceedings.....	32
Self-Regulatory Proceedings.....	33
MANAGEMENT RELATIONSHIPS AND TRANSACTIONS.....	34
Family Relationships.....	34
Management Transactions.....	34
LITIGATION.....	39
TAX ASPECTS.....	40
OTHER MATERIAL FACTORS.....	40
ADDITIONAL INFORMATION.....	41
Appendix A – Business Plan.....	43
Appendix B – Financial Statements.....	46
Appendix C – Capitalization Table.....	47
Appendix D – Biographical Information.....	49
Attachment I – Sample Risk Factors.....	51
Attachment II – Accounting Terms.....	54
Attachment III – Commonly Offered Securities with Descriptions.....	60

Gray shaded text in this manual is language from the Fund-ME Offering Circular form. The language from the form is followed by information to help you draft responses to those items in the form.

Fund-ME Offering Circular

The Offering Circular begins with required disclosures to potential investors. The first page of the Offering Circular also includes a summary of some of the key terms of the offering, contact information for the Company, and contact information for the person(s) who can answer questions about the offering.

IMPORTANT NOTICES TO PROSPECTIVE INVESTORS:

The Company described in this Offering Circular is attempting to raise money for its business by offering securities to the public in Maine, subject to strict limits on the maximum dollar amount that the Company can raise and the maximum dollar amount that can be sold to any one investor. The information contained in this Offering Circular has been provided by the Company itself. Neither the Maine Office of Securities nor any other Maine or Federal government agency has attempted to verify the accuracy or completeness of the information provided in this Offering Circular by the Company.

Investment in a small business is often risky, and some businesses are much riskier than others. Most small businesses fail within the first several years of their operation. YOU SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS YOU CAN AFFORD TO LOSE YOUR ENTIRE INVESTMENT. See the Risk Factors section of the offering circular for a discussion of the risk factors that the Company believes present the most substantial risks to you.

If you buy the securities offered here and you later come to believe that the information set forth in this Offering Circular was intentionally false at the time of your purchase, you should contact the Maine Office of Securities through its Online Complaint Option at <https://www.maine.gov/pfr/securities/complaint.htm>, or you can call the Office at 877-624-8551. Maine law provides legal remedies for victims of fraud, but be aware that the procedures for doing so are complicated and time-consuming. The best defense is not to make the investment if you cannot afford to lose the entire amount invested.

THE COMPANY:

Name (Exact name of Company as set forth in its Organizational Documents):

Street address of principal office:

Company Telephone Number:

Company Website:

Fill in the name of the Company, the address (street, suite # (if any), city, state, zip code) of the Company's principal office, the Company's telephone number, and its web site.

Person(s) to contact at Company with respect to offering:

Telephone Number (if different from above):

Email address:

You also need to provide a contact name, phone number, and e-mail address for the person at the Company who can answer questions about the offering.

The date of this Offering Circular is _____

The date of the Offering Circular will be the effective date of the offering as determined by the Maine Office of Securities. Leave this blank when you submit your Fund-ME filing. You will need to fill in the blank after you receive the effective date from the Office.

Type of securities offered:

Briefly describe the type of security being offered and its characteristics. Your description here should be a brief summary of the disclosure you have provided in "Description of Securities Offered." See **Attachment III** of this User's Manual for examples of types of securities commonly offered and the characteristics common to each type of security.

Price per security: \$

If the price has not been determined, the method for determining the price:

NOTE: Investors must be provided the final price in writing along with all required disclosures PRIOR to the sale. Investors who made a commitment to purchase before the price was determined must be given a reasonable opportunity to rescind their commitment to purchase once the final price is disclosed to them.

There are various methods used to determine the price at which you want to offer shares of the Company. Please describe the method you used to determine the share price.

Sales commission, if any: _____ %

If the Company is paying anyone to offer its securities to potential investors, you must disclose the amount the Company is paying as a percentage of the offering price. Generally, anyone who receives compensation for the sale of securities must be properly licensed with the Maine Office of Securities. If the Company is **not** paying anyone to offer its securities, then respond to this item with "N/A." Your response here should be consistent with your responses to items in the sections **Executive Summary – How the Company Will Use Your Money, The Offering, Use of Proceeds, and How These Securities Will Be Offered and Sold – Other Salespersons and Finders.**

Minimum dollar amount of securities offered:

The minimum dollar amount must be at least 30 percent of the maximum dollar amount of the securities offered by the Company listed below. Remember that the maximum dollar amount cannot be more than \$1,000,000. Also, the minimum dollar amount is the amount that you must put into the escrow/impoundment account. If the minimum amount is not raised within 12 months of the effective date of the Offering Circular, then the funds in the escrow/impoundment account must be returned to investors and the Company will not be able to access or use the funds in that account.

Maximum dollar amount of securities offered:

The maximum dollar amount of the offering cannot be more than \$1,000,000.

Deadline to reach the minimum dollar amount of securities offered:

This date cannot be later than 12 months from the effective date of the Offering Circular.

An edited version of this table of contents is required in the Offering Circular. The page numbers in the table of contents in the form are the page numbers of sections of the form before it is completed by the Company. After you complete the Fund-ME Offering Circular form, make sure the page numbers in the **Table of Contents** correspond to the completed version of the Offering Circular.

If you make the Offering Circular available in a format other than .pdf on various types of media, the page numbers could change based on the browser or software used to view the document. You may want to add a note to each page of the **Table of Contents** to explain this.

Table of Contents

THE COMPANY.....	1
TABLE OF CONTENTS.....	2
EXECUTIVE SUMMARY.....	3
The Business.....	3
How the Company Will Use Your Money.....	3
The Principal Officers of the Company.....	4
THE OFFERING.....	4
RISK FACTORS.....	5
BUSINESS PLAN	5
COMPANY FINANCIAL STATEMENTS.....	5
CAPITALIZATION.....	5
COMPANY OFFICERS, DIRECTORS, MANAGERS, AND KEY PERSONS.....	5
MILESTONES.....	6
USE OF PROCEEDS.....	7
Company Salespersons.....	10
Other Salespersons and Finders.....	10
Purchaser Limitations.....	11
Impound of Offering Proceeds.....	11
ARRANGEMENTS WITH OFFICERS, DIRECTORS, MANAGERS, AND KEY PERSONS.....	12
Compensation.....	13
CERTAIN LEGAL PROCEEDINGS.....	14
Insolvency.....	14
Criminal Proceedings.....	14
Civil Proceedings.....	15
Administrative Proceedings.....	16
Self-Regulatory Proceedings.....	16
MANAGEMENT RELATIONSHIPS AND TRANSACTIONS.....	17
Family Relationships.....	17
Management Transactions.....	17
LITIGATION.....	19
TAX ASPECTS.....	20
OTHER MATERIAL FACTORS.....	20
ADDITIONAL INFORMATION.....	20
Appendix A – Business Plan.....	23

Appendix B – Financial Statements.....	24
Appendix C – Capitalization Table.....	25
Appendix D – Biographical Information.....	26

EXECUTIVE SUMMARY

The Business

Describe the business of the Company (or, if the Company has not yet commenced operations, describe the Company’s anticipated business plan).

Briefly describe the business in which the Company currently engages or plans to engage. Include a summary of the Company’s products or services. Indicate which products or services are currently produced or provided and those which the Company plans to produce or provide in the future. Your response to this section should be a brief summary of your responses to items in **Milestones**, **Use of Proceeds**, and the **Business Plan** you include in **Appendix A** of your Fund-ME filing.

Describe how the Company plans to carry out its activities.

Briefly describe how the Company will produce or provide its products or services and how and when it intends to carry out these activities. Your response to this item should be a brief summary of your response to **Milestones**.

This Company:

- Has never conducted operations.*
- Is in the development stage.*
- Is currently conducting operations.*
- Has shown a profit in the last fiscal year.*
- Other (Specify):*
(Check at least one, as appropriate)

Be sure to correctly characterize the Company’s stage of development. You may need to check more than one box.

Generally, a company is in the development stage if most of its efforts are devoted to establishing its business. Development stage activities include establishing a business plan; raising capital; engaging in research and development; establishing supply sources; acquiring property, facilities, and equipment; recruiting and training personnel; developing markets; and starting up production.

An example of a response to “Other” would be if the Company is currently conducting operations but posted a loss for the last fiscal year.

Type of entity, if other than a corporation:

Examples of types of business entities other than corporations include limited liability companies, partnerships, limited partnerships, and limited liability partnerships. Please note that sole proprietorships and “blank check companies” cannot use Form Fund-ME to raise capital. A “blank check company” is a development stage company that has no specific business plan or purpose or has

indicated its business plan is to engage in a merger or acquisition with an unidentified company or companies, other entity, or person.

Jurisdiction and date of formation:

To take advantage of the Fund-ME short-form for registration of securities, your Company's principal place of business must be located in Maine and your Company must be registered with the Maine Secretary of State as an entity formed under the laws of Maine or authorized to transact business in Maine.

Fiscal year end: _____
(month) (day)

Is the Company in good standing with the Maine Secretary of State? Yes [] No []

How the Company Will Use Your Money

Describe how the Company intends to use the proceeds of this offering. (For further details, see Use of Proceeds below.)

Your response to this item should be a brief summary of your detailed response in **Use of Proceeds**.

The Principal Officers of the Company

The Principal Officers of the Company (or the functional equivalents) and their titles are:

Chief Executive Officer:

Chief Operating Officer:

Chief Financial Officer:

For more information about these Officers, see Appendix D.

Principal officers. Identify all executive officers and management personnel and the positions they hold in the Company.

Executive officers defined. When completing this item, the following definitions may be helpful:

The "Chief Executive Officer" has the overall authority to run the Company. In the small business context, the Chief Executive Officer usually is the Company's president or general manager and is often the owner or majority shareholder.

The "Chief Operating Officer" supervises the day-to-day business of the Company. Depending on the Company's size and structure, the Chief Executive Officer may also be the Chief Operating Officer. The "Chief Financial Officer" is usually the Company's "treasurer" and is the person who prepares the Company's financial records and handles the Company's funds/assets.

If the Company does not have individuals with these titles, identify who performs the functions of Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer.

In **Appendix D** of the Fund-ME Offering Circular, you will need to include biographical information about these individuals. See **Appendix D** to this User's Manual for more information.

THE OFFERING

Is anyone eligible to receive commissions, finders' fees or other compensation from the sale of the securities offered by the Company? Yes [] No [] If Yes, see the section of this Offering Circular entitled HOW THESE SECURITIES WILL BE OFFERED AND SOLD.

If you answered "yes" to this question, make sure you enter the percentage in response to the item on commissions in **The Company**. You will also need to provide details about who will receive compensation and the amount of compensation in **How These Securities Will Be Offered and Sold**. Keep in mind that anyone who receives payment for selling securities needs to be properly licensed with the Maine Office of Securities.

As a protection to investors, all monies raised in this offering will be set aside in a separate bank account and cannot be spent by the Company unless it succeeds in raising at least \$_____ by the following date: _____ (which date must be no later than one year from the effective date of this offering). The Company is required to provide you with regular updates regarding its progress in reaching this minimum offering amount. If this minimum funding condition is not met, the Company is required to refund your subscription amount in full. Securities you buy in this offering may be resold to others. However, there is no public market for the securities sold as part of this offering. Finding purchasers who are willing to buy your securities at favorable prices may be very difficult.

The language above is required disclosure that is part of the Fund-ME Offering Circular. You must fill in the minimum offering amount, which must be the same amount you entered in the "[m]inimum dollar amount of securities offered" in the first section of the Offering Circular under **The Company**. The minimum dollar amount must be at least 30 percent of the maximum dollar amount you are looking to raise. The maximum dollar amount cannot be more than \$1,000,000. Also, the minimum dollar amount is the amount that you must put into the escrow/impoundment account.

You must also fill in the date by which you hope to raise the minimum amount. This date can be no later than 12 months following the effective date of the Offering Circular. If the minimum amount is not raised by that date, then the funds in the escrow/impoundment account must be returned to investors and the Company will not be able to access or use the funds in that account.

This offering will be conducted in the following states in addition to Maine:

If your Company plans to raise capital by offering these securities to residents in states in addition to Maine, list those states here. Before you offer securities in a state other than Maine, check with the securities regulator in each of those states to find out what each state requires for filings, fees, etc.

You should consider the terms and risks of this offering before you invest. No government regulator is recommending these securities. No government regulator has verified that this document is accurate or determined that it is adequate. It is a crime for anyone to tell you differently.

The Company is required to include in this Offering Circular and the attached Business Plan important information about itself and this offering. If any Company representative gives you different information, you should not rely upon it. You should rely only on the information in this Offering Circular.

The language above is required disclosure that is part of the Fund-ME Offering Circular.

RISK FACTORS

List in the order of importance the factors that the Company considers to be the most significant risks to an investor.

Purpose. The purpose of disclosing risk factors is:

- To tell potential investors about the risks involved in purchasing the security so they can make informed investment decisions; and
- To protect the Company from claims from investors that all of the material risks were not disclosed.

Be specific. List and describe the risks specific to your Company's business and the type of security your Company is offering. Although there is no required minimum number of risk factors you need to identify, you need to make sure your list of risks is complete and that the description of each risk is accurate. Do not respond to this item with generalized statements or a statement that there are no risks related to purchasing securities in the offering. Every offering of securities involves risks. Also, do not qualify statements of risk in any way that appears to minimize the importance of the risks.

Order of risk factors. List the risk factors in order of importance, starting with the most significant risks. Generally, if the Company has no operating history or a limited operating history, risks addressing the Company's financial condition should appear first.

Formatting of risk factors. Please include a separate paragraph for each risk factor with a heading in bold that briefly summarizes the risk factor. See sample formatting in **Attachment I** to this User Manual.

Sample risk factors. Sample risk factors are below and in **Attachment I** to this User's Manual.

Small company risks. There are several risks that are common to most small companies, especially those in the development stage. These risks include, but are not limited to:

- cash flow and liquidity problems;
- inadequate capitalization;
- inexperience of management;
- ability to timely or successfully bring product or service to market;
- absence of operating history;
- absence of a market for the company's products or services; and

- absence of a market for the company's securities.

Other risk factors commonly appearing in a small company's securities offering include, but are not limited to, the absence of profitable operations in recent periods, an erratic financial history, the overall financial position of a company, the nature of the business in which a company is engaged or proposes to engage, conflicts of interest between a company and its management personnel, arbitrary establishment of the offering price of securities, and reliance on the efforts of a single individual for success in operating the business. This list is not one-size fits all; you should list and describe the risks related to your Company's business and the type of security your Company is offering.

Additional risks.

- Suppliers – Major supply contracts? Limited number of suppliers on which a company is dependent? Contracts subject to cancellation? Are there other sources of supply? How long will it take to replace supplies? At what cost?
- Sales orders or contracts – Any in place or in negotiation? If yes, are they subject to cancellation?
- Intellectual property – Protected?
- License agreements – Obtained?
- Governmental regulation
- License or permits needed to do business? If yes, any issues with obtaining?

BUSINESS PLAN

As a condition to this offering of securities, the Company is required to prepare a brief business plan. The Company's Business Plan is set forth in Appendix A of this Offering Circular.

Description of the business. Describe the Company's business, focusing on the products the Company manufactures or sells or the services the Company provides. Include enough information so that a person who knows nothing about the Company's business can understand it. If the nature of the Company's business is technical, consider including an explanation of terms in the **Business Plan**. Other items to consider including in the **Business Plan** are provided at **Attachment A**.

COMPANY FINANCIAL STATEMENTS

Financial statements for the Company are set forth in Appendix B of this Offering Circular. If the amount of securities offered does not exceed \$100,000, the Company must provide as its financial statements its most recent year-end federal income tax returns. If the amount of securities offered is greater than \$100,000, the Company must submit financial statements that have been reviewed or audited by a public accountant who is independent of the Company, using professional standards and procedures for such review or audit. Year-end federal income tax statements will not be provided if the Company did not have operations or start-up activities in any prior calendar year. In addition, the Company must

provide financial statements that its Principal Executive Officer certifies to be true and complete in all material respects.

If the Company elects to provide financial projections for future periods, they, too, will appear in Appendix B and must include a summary of what Company management believes to be the most significant assumptions and uncertainties of such projections.

The type of financial statements you need to submit depends on the amount of your offering. For aggregate offering amounts that during the preceding 12-month period totaled:

- \$100,000 or less – submit the Company’s income tax returns, if any, for the most recently completed year along with Company financial statements certified by the Company’s principal executive officer;
- more than \$100,000 but not more than \$500,000 – submit Company financial statements reviewed by a public accountant; or
- more than \$500,000 – submit audited financial statements for the Company.

For more information on what to include in **Appendix B** of the Offering Circular, see **Appendix B** to this User’s Manual. For a description of important accounting terms and concepts, see **Attachment II** to this User’s Manual. You should provide the most recent financial information available with your Fund-ME filing.

CAPITALIZATION

A description of the Company’s capital structure is set forth in Appendix C of this Offering Circular, including a description of recent offerings or issuances of securities by the Company.

For more information on what to include in **Appendix C** of the Offering Circular, see **Appendix C** to this User’s Manual.

COMPANY OFFICERS, DIRECTORS, MANAGERS, AND KEY PERSONS

Biographical information is set forth in Appendix D of this Offering Circular for each Officer, Director, Manager, and other key owner, key employee, or other key person. The term “key person” means a person, other than the Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer, who makes a significant contribution to the business of the Company.

For a description of information to include in **Appendix D** of the Offering Circular, see **Appendix D** to this User’s Manual.

MILESTONES

Describe in chronological order the steps management intends to take to achieve, maintain, or improve profitability during the 12 months following its first receipt of the proceeds from this offering.

If management does not expect the Company to achieve profitability during that time period, describe the business objectives for that period and the steps management intends to take to achieve those objectives.

Indicate the probable timing of each step and the approximate cost to complete it.

Purpose of Milestones. In this section, you need to list, step-by-step, the events over the next 12 months that Company management believes must occur in order for the Company to become profitable or to meet its business objectives. Your response should also describe the activity management will undertake to complete each step. You should provide enough information so that an investor is able to assess whether the Company's resources will prove adequate to accomplish its stated goals.

Major steps. List the major steps in your business plan. For example, a company that is opening a new business needs to describe the steps to take to open the business. A company in the development stage might list steps such as obtaining a state license, entering into construction contracts, purchasing specific equipment, and hiring a specific number of personnel.

The following are examples of typical milestones for small business offerings:

- acquiring a specific piece of equipment;
- acquiring or leasing a specific property or facility;
- registering a trademark;
- obtaining a license;
- acquiring a specific contract for goods or services;
- achieving a specific level of net sales;
- reaching a specific number of new markets;
- generating a specific level of manufacturing output;
- reaching a specific level of inventory purchases; or
- implementing the next stage of a business plan (for example, hiring a marketing staff and creating a new marketing department or creating a new production line).

Achieving the steps. You should describe what the Company must do to complete each step. For example, if you listed "obtain a patent on its product" as a milestone, the way to achieve that milestone

might be to hire an attorney to file an application with the U.S. Patent and Trademark Office. If you listed “purchase machinery” as a milestone, the way to achieve that milestone might be to contact a dealer in that type of machinery and to enter into a contract for its purchase.

Order of the steps. List the steps of the Company’s business plan in chronological order. To determine the sequence of steps/milestone, ask yourself the following questions:

- What are the most important steps the Company must take?
- What steps must the Company take first?
- Which steps depend on the Company first achieving other steps?

To the extent possible, you should determine the “critical path” of the steps. What is the last point in time a step can take place or a condition can be fulfilled before the entire **Business Plan** is off schedule? What steps are dependent on the completion of other steps? For instance, should leasing the premises come before or after hiring staff and purchasing equipment? The Company’s response to the **Milestones** section should be forward looking and should not include past events.

The sequence of the steps must also be consistent with your response in the **Use of Proceeds** section. The **Use of Proceeds** section sets out the categories and amounts of funds the Company needs and plans to spend on each item. The **Milestone** section shows the sequence in which the Company will use those funds.

Timing of the steps. You should disclose when each step will occur. While a date may be given, it is preferable to state a range or number of months in which the Company expects to accomplish the business objective. In addition, you should indicate the circumstances under which the steps will begin, such as upon completion of the minimum offering. The time period during which you attempt to achieve the steps should not exceed 12 months following the Company’s first receipt of the proceeds from this offering.

Cost of completion of the steps. Provide an estimate of the cost to achieve each step. You may express this amount as a range. If the Company does not have access to funds from sources other than the proceeds of the offering, your response should track the **Use of Proceeds** table. If the Company will exhaust the offering proceeds prior to completing a step, you should indicate whether the Company has access to other sources of funds, identify the sources, and disclose whether those sources are contingent or firm.

Be specific. You should be detailed in describing what the Company needs to do to meet its business objectives. Below are examples of specific disclosures that may not be relevant to your Company:

- “Reach sales of \$100,000,” for a manufacturing and merchandising company;
- “Acquire 40 large account customers,” for a service provider; or
- “Sign up 10,000 new subscriptions,” for a magazine publisher.

Operating companies. If the Company has been operating for some time, the Company's disclosures should accurately reflect:

- the current stage of the Company's **Business Plan**; and
- how the achievement of a particular **Business Plan** objective will have a positive effect on the Company's operations or profits.

Tabular format. If you prefer, you may describe your Company's milestones in tabular form. An example Milestone Table appears below. In the table, you should describe:

- what the steps are;
- what the Company must do to achieve each step;
- the order in which the Company will perform each step,
- the time it will take to complete each step; and
- how much money the Company will spend to complete each step.

Example Milestone Table

Milestone or Step	Expected Manner of Occurrence or Method of Achievement	Date, or Number of Months after Receipt of Offering Proceeds When Step Should be Accomplished	Cost of Completion
Formation and setup of Company	Find and lease location for Company, purchase equipment, hire employees	2 months	\$150,000
Start operations	Purchase materials, start assembling widgets	2 – 4 months	\$250,000
Start marketing phase	Develop sales materials, start mailings and product presentations	2 – 4 months	\$200,000
Reach sales of 3,000 widgets	Finish and ship widgets	6 – 9 months	\$150,000

State the anticipated consequences to the Company if any step is not completed as scheduled.

Describe the consequences to the Company if there are delays in achieving any of the milestones you listed. Also, state whether the steps in the **Milestones** section are based on receipt of the minimum or maximum offering proceeds. If the steps are based on receipt of a specified amount of offering proceeds, such as the maximum offering proceeds, the minimum offering proceeds, or some other amount, you should also disclose the effect on the Company if it does not raise such amount. Consider whether you need to add a disclosure to **Risk Factors**.

Describe how the Company will deal with these consequences.

After the Company states the probable consequences of a delay in achieving a milestone, identify how the Company will deal with the delays. If the Company has a liquidity problem, disclose how the

Company will cut down on expenses. If the lack of funding will impact the Company's **Business Plan**, provide detailed disclosure about the adverse impacts here. For example, if the Company will be unable to turn a profit in the first year of operation, disclose that the "Company would have insufficient funds to open the second store discussed in the Offering Circular."

NOTE: After reviewing management's discussion of the steps it intends to take, potential investors should consider whether achievement of each step within the estimated time frame and the estimated cost is realistic. Potential investors should also assess the consequences to the Company of any delays in taking these steps and whether the Company will need additional financing to accomplish them.

The above is a required disclosure that is part of the Fund-ME Offering Circular.

USE OF PROCEEDS

Show how the Company intends to use the proceeds of this offering:

	If Maximum Sold	If Minimum Sold
Anticipated Gross Proceeds from Offering	\$	\$
Less: Offering Expenses		
Commissions and Finders Fees	\$	\$
Legal & Accounting	\$	\$
Copying & Advertising	\$	\$
Other:	\$	\$
Anticipated Net Proceeds from Offering	\$	\$

Use of Net Proceeds if Maximum Sold:	Amount	Percent
Repayment of money borrowed from unrelated third parties	\$	%
1.	\$	%
2.	\$	%
Other:	\$	%
Payments to repurchase previously issued securities	\$	%
Prior compensation obligations to executives	\$	%
Prior compensation obligations to other employees	\$	%
Payments to acquire equipment/other assets	\$	%
Payments to finance a merger with or acquisition of another entity	\$	%
Working Capital	\$	%
Payment of offering expenses	\$	%
Other:	\$	%
Total	\$	100%

<i>Use of Net Proceeds if Minimum Sold:</i>	<i>Amount</i>	<i>Percent</i>
<i>Repayment of money borrowed from unrelated third parties</i>	\$	%
1.	\$	%
2.	\$	%
<i>Other:</i>	\$	%
<i>Payments to repurchase previously issued securities</i>	\$	%
<i>Prior compensation obligations to executives</i>	\$	%
<i>Prior compensation obligations to other employees</i>	\$	%
<i>Payments to acquire equipment/other assets</i>	\$	%
<i>Payments to finance a merger with or acquisition of another entity</i>	\$	%
<i>Working Capital</i>	\$	%
<i>Payment of offering expenses</i>	\$	%
<i>Other:</i>	\$	%
<i>Total</i>	\$	100%

This section requires you to disclose in a table how the Company will use the proceeds raised through the offering. First, enter the total amount of the offering. Then, fill in the offering expenses (see below for explanation). The anticipated net proceeds are equal to the total amount of the offering minus the offering expenses. Next, show how the Company expects to spend the net proceeds. Remember, the dollar amount for “maximum sold” cannot exceed \$1,000,000 and the dollar amount for “minimum sold” must be at least 30 percent of the maximum amount. The dollar amounts for minimum and maximum should be consistent with the dollar amounts you entered in response to items in **The Company** and **The Offering** sections.

Offering expenses. Calculate and disclose the actual costs associated with the offering. These costs usually include commissions, legal fees, accountant fees, and printing, copying, and advertising costs. Also, disclose any miscellaneous fees and costs connected with the offering, such as registration fees, consultant fees, fees for the impound/escrow account, and travel, postage, and sales meeting expenses.

Allocation of net proceeds to acquisition of other businesses. If the Company is raising capital for a merger or acquisition, you need to make specific disclosure about the planned acquisition. Simply reserving a substantial amount of the proceeds for “acquisition of other businesses” is not sufficient.

If the Company has identified the business it intends to acquire, identify the business and the status of any negotiations. Describe the business in detail. Disclose whether the enterprise has business operations similar to the Company’s core business and describe the business plan for expanding the business. You may need to discuss the acquisition in other sections of the Offering Circular such as **Risk Factors**, the **Business Plan**, and **Milestones**.

Allocation of the net proceeds to unspecified purposes (Other). The items in the Offering Circular are designed to elicit responses that disclose important information to support the Company in raising capital for specific Company business purposes. The net proceeds raised from this offering should be used for the purposes listed in the **Executive Summary**, the Company’s **Business Plan**, **Use of Proceeds** (this section), and **Milestones**. If the proceeds from this offering are being used for purposes other

than, or in addition to, the specific line items in each table, then total up those expenses and put the total amount in "Other." List the other purposes in a footnote to the table(s). When thinking about items in addition to those specifically listed in the table for which you need proceeds raised through the offering, consider the following categories – leases, rent, utilities, payroll (by position or type), purchase or lease of specific items of equipment or inventory, payment of notes, accounts payable, marketing or advertising costs, taxes, research, consulting fees, permits, professional fees, insurance, and supplies. The categories you use will depend on the Company's **Business Plan**. In your response, add a footnote to the table in which you list each of the specific expenses that make up the total amount you put in "Other."

Describe how money will be spent if minimum offering amount is exceeded (Maximum Amount Raised/Sold). Provide a detailed breakdown of how the Company plans to spend the offering proceeds that exceed the minimum offering amount. Briefly describe each planned use in sequence and in order of priority. Be specific. For example, identify a building or piece of property to be purchased or leased by its size, location, and the general terms of the purchase agreement or lease. Identify each specific piece of equipment the Company plans to purchase or lease and the general terms of the purchase or lease agreement. If the Company is hiring new personnel, identify each position by title, salary, and expected hiring date.

If the Company plans to use any material part of the proceeds to discharge indebtedness, describe the terms of that indebtedness, including the interest rates. If the Company incurred the indebtedness within the current or previous fiscal year, describe how it used the proceeds of the indebtedness. Make sure that your answer to this item is consistent with the information you provided in **Milestones**.

Describe how money will be spent if only minimum offering amount is raised. Provide a detailed breakdown of how the Company plans to spend the offering proceeds if only the minimum amount is raised. Briefly describe each planned use in sequence and in order of priority. Be specific and make sure that your answer to this Item is consistent with the information you provided in **Milestones**.

You may need to include in **Risk Factors** the inability of the Company to meet its business objectives if only the minimum offering amount is raised. For example, if only a small amount is raised, all or substantially all of the offering proceeds may be applied to cover the offering expenses and the Company will not otherwise benefit from the proceeds raised through the offering.

Setting the minimum offering amount. Maine law requires the Company to set a minimum offering amount, which must be no less than 30 percent of the maximum amount (the maximum amount cannot exceed \$1,000,000), and to place all funds raised into an escrow/impound account at a bank until the minimum offering amount is raised. The Company cannot access the funds in the escrow/impound account until the minimum amount has been raised. This is to ensure that the Company does not spend any funds until a sufficient amount is raised to carry out the Company's business objectives. If the minimum offering amount is not reached, the offering will be cancelled and the financial institution holding the funds will be required to return the funds in the account to investors.

Deciding the level at which you want to set the minimum offering amount is important. Assess the Company's cash needs under a variety of assumptions and provide for a minimum based on the cash needs for the next 12 months under the least favorable assumptions. For many small companies, the minimum offering amount is simply how much money the Company will need to stay in business for the next 12 months. If the Company needs the proceeds to purchase a specific piece of property, or to

complete a project, you should set the minimum offering amount at (or above) the cost of the property or project. Also, if you plan to use proceeds from the offering to pay for the offering expenses, the minimum amount will need to cover the offering expenses. Keep in mind that you might not be able to raise more than the minimum amount during the offering.

You should review your **Business Plan** and your responses in the **Use of Proceeds** and **Milestones** sections. Decide which expenditures and purchases the Company must make to get the Business Plan off the ground or to keep it from failing.

SELECTED FINANCIAL INFORMATION

What were net, after-tax earnings for the last fiscal year? (If losses, show in parenthesis.)

Total	\$
Per share	\$

Earnings per share. First, disclose the total earnings (or losses) of the Company and then disclose the earnings (or losses) on a per share basis.

Sample Calculation:

Earnings per Share = Net After-Tax Earnings ÷ Outstanding Shares = \$183,246/863,020 = \$0.22/Share

In disclosing the per share data, you must include all shares outstanding prior to the offering and should not include shares being offered in this offering. If the Company has issued a significant number of shares during the year, you should check with your accountant to determine whether a weighted average per share would be more appropriate. If so, you should disclose that the number reflects the weighted average per share.

Fiscal year. You should disclose the after-tax earnings for the Company's most recently completed fiscal year. The net after-tax earnings for the last fiscal year should be available from the Company's income statement. Even though the Company may not have operated for a full fiscal year, you must still disclose earnings or losses for the time period during which the Company was operational. The disclosure for this item should reflect the fact that the Company has not been in existence for a full fiscal year. For example, "The Company commenced operations in June 2014. The losses as of October 31, 2014 totaled \$195,000."

Interim activity. If operations have substantially changed since the end of the last fiscal year, you should also show the interim earnings or losses.

Changes in form of entity. If the Company recently reorganized or changed the form of its business entity – for example, a change from a sole proprietorship or partnership to a limited liability company – you should disclose and briefly describe the change(s).

Lack of operations. If the Company is a start-up or development stage company that has had no operations, state, "The Company has not yet started operations."

Accounting review. Net after-tax earnings must be based on generally accepted accounting principles (GAAP). See **Attachment II** to this User's Manual for more information on GAAP.

If the Company had profits, show offering price as a multiple of earnings.

$$\frac{\text{Offering Price Per Share}}{\text{Net After-Tax Earnings Per Share for Last Fiscal Year}} = (\text{price/earnings multiple})$$

Offering price/earnings multiple. The price/earnings multiple simply reflects the ratio of the current offering price of the common stock (or other equity security) to the Company's historical earnings, as reflected above in the net after-tax earnings per share for the last fiscal year number. The price/earnings multiple must be based on the Company's financial statements, prepared according to generally accepted accounting principles, for the most recently completed fiscal year. If you disclosed interim earnings, you should also show the price/earnings multiple for the interim period. If your Company has not been in existence for a full year, your response to this question would be that there is no information to report in response to this item given that the Company has not been in existence for a full fiscal year.

Sample Calculation:

$$\text{Price/Earnings Multiple} = \text{Offering Price Per Share} \div \text{Net After-Tax Earnings per Share} = \$5.00/\$0.22 = 22.7x$$

If the Company has no earnings, you cannot calculate the price/earnings multiple. If this is the case, you should disclose that the Company was not profitable. If the Company is not yet operational or has been operational for less than one year, say so in your response.

DESCRIPTION OF SECURITIES OFFERED

Describe:

(i) terms of the securities of the Company being offered and each other class of security of the Company, including how such terms may be modified, and a summary of the differences between such securities, including how the rights of the securities being offered may be materially limited, diluted, or qualified by the rights of any other class of security of the Company;

Describe the security you are offering in detail. To help you respond to this item, see **Attachment III** of this User's Manual for a list of types of securities typically offered along with a brief explanation of each type, followed by typical features, rights, preferences, and restrictions, each of which must be disclosed, if applicable. The more features the Company's securities have, the more disclosures you will need to make.

If the Company is offering more than one type of security or the security has unusual features that make it difficult to classify, you cannot simply disclose the type of security; you also need to disclose how the security will function. An example is if the shares offered are called preferred stock, but the shares are actually inferior to the Company's common stock in dividend or liquidation preferences. Disclose the specific preferences that the security has (and doesn't have).

(ii) the name and ownership level of each existing individual or entity who directly or indirectly owns, or has the right to acquire within 60 days of the date of this Offering Circular, more than 20 percent of any class of the securities of the Company (a “principal owner”);

This may be answered in the form of a table.

(1) Title of Class	(2) Name of Owner	(3) Percent of Class

(iii) how the exercise of the rights held by the principal owners of the Company could negatively impact the purchasers of the securities being offered;

(iv) how the securities being offered are being valued, and examples of methods for how such securities may be valued by the Company in the future, including during subsequent corporate actions; and

Disclose the various factors you considered in arriving at the offering price and the approach used (e.g., income approach, asset-based approach, fair market value, or arbitrary).

If you have not done financial or market analysis to arrive at the offering price, you need to disclose that the pricing is arbitrary. If the Company arbitrarily set the offering price, then disclosure should be added to **Risk Factors**. Following are two examples of risk factor disclosure for arbitrary offering price.

Arbitrary Offering Price. The offering price of \$5.00 per share was determined by the Company [and the sales person]. The price bears no relationship to established value criteria and is not an indication of the actual value of the Company.

Arbitrary Offering Price. The price of the shares in this offering was arbitrarily established. The price per share is not related to net tangible assets or any price previously paid by others for the Company’s shares. The offering price is X times the amount paid by the founders of the Company. The offering price may not be justified by the ultimate results of operations of the Company.

(v) the risks to purchasers relating to minority ownership in the Company, including the risks of major corporate actions approved by the principal owners of the Company, such as additional issuances of ownership interests, a sale of the Company or of assets of the Company, or transactions with related parties.

HOW THESE SECURITIES WILL BE OFFERED AND SOLD

Salespersons/Finders may need to be licensed; please contact the Office of Securities for further details.

Company Salespersons

Identify each Officer, Director, Manager or Company employee who will be specially compensated for offers or sales of these securities:

Name:

Title:

CRD Number:

Address:

Telephone Number:

Describe any compensation that the Company will pay such person in addition to his or her customary salary and compensation.

Use the format above (name, title, etc.) to identify each Officer, Director, and/or Company employee who will be offering or selling the securities **and** who will be compensated for such sale. Remember, anyone who receives compensation for the sale of securities must be properly licensed with the Maine Office of Securities. If the Company is **not** paying anyone to offer its securities, then respond to this item with "N/A."

Additional compensation the Company may pay includes any cash, securities, contracts, bonuses, or rewards that may be given in addition to that person's regular salary and compensation.

Your response here should be consistent with your responses to items in the sections **Executive Summary – How the Company will use your Money, The Offering, and Use of Proceeds.**

Provide the following information for each salesperson or finder who is not an Officer, Director, Manager or employee of the Company:

Name:

Company:

CRD Number:

Address:

Telephone Number:

Describe all compensation that the Company will pay to each person identified above.

Other salespersons and finders.

Use the format above (name, title, etc.) to identify each salesperson who is **not** an Officer, Director, and/or Company employee who will be offering or selling the securities **and** who will be compensated for such sale. Remember, anyone who receives compensation for the sale of securities must be properly

licensed with the Maine Office of Securities. If the Company is **not** paying non-Company personnel to offer its securities, then respond to this item with “N/A.”

Disclose **all** compensation that the Company will pay to salespersons and finders. Compensation includes any cash, securities, contracts, bonuses, or rewards that may be given in addition to the cash commission that you disclosed as a percentage of the offering price in **The Company** at the beginning of this Offering Circular.

Your response here should be consistent with your responses to items in the sections **Executive Summary – How the Company will use your Money, The Offering, and Use of Proceeds.**

Salesperson and broker-dealer disciplinary history. Check the disciplinary history of each person the Company intends to use to sell its securities. If you have any questions about whether an agent, salesperson, or broker-dealer has disciplinary history, you should contact the Maine Office of Securities.

"Finders" are people who are compensated for acting as intermediaries in finding salespersons or otherwise making introductions to help the offering succeed. Generally, finders are required to be licensed with the Maine Office of Securities.

Describe any material relationships between these sales persons or finders and the Company or its management.

Discuss any material relationships between sales persons or finders and the Company or its management so that an investor could understand possible conflicts of interest. A conflict of interest can be defined as any situation in which an individual or a company is in a position to exploit a professional or official capacity in some way for their personal or corporate benefit. Given the role of a sales person or finder in raising capital for the Company and receiving compensation for such efforts, the potential exists for a sales person to take advantage of personal relationships within the Company to receive, for example, preferred terms of investment.

Even informal relationships without formal written agreements should be disclosed if they are material. Since the idea of “materiality” is sometimes subjective, you should consider as material most relationships between the Company and its sales persons or finders.

For example, the sales person may be related to an Officer, Director or controlling Shareholder of the Company by blood or marriage. If so, you should disclose the identity of the related person and nature of the relationship.

Purchaser Limitations

Is the offering subject to any limitations on who will be allowed to purchase offered securities?

Yes No

If the answer is “yes,” describe the limitation(s).

Examples of limitations or restrictions a Company may place on offers are sales only to employees, independent contractors, or franchisees of the Company; sales only to property owners in a certain area; sales only to residents of a specific state; sales only to members of a specific social organization;

sales only to a certain number of investors; or sales only to investors, such as accredited investors, who meet specified financial suitability standards.

Describe the steps the Company will take to ensure that purchasers meet offering limitations, if any.

Describe any applicable limits on the dollar amount that a purchaser may invest in the Company within any consecutive 12-month period.

Keep in mind that the Maine short-form registration law does not allow you to sell more than \$5,000 to any investor in a 12-month period unless the investor is an “accredited investor.” Generally, an accredited investor is an individual whose net worth, or joint net worth with a spouse, exceeds \$1,000,000 or whose annual income exceeded \$200,000, or whose joint income with a spouse exceeded \$300,000, in each of the two most recent years (17 Code of Federal Regulations, Section 230.501). In your response, you should state that you plan to allow a purchaser to invest the maximum amount permitted by Maine law unless you plan to limit the amount that you would let a person invest during a 12-month period to an amount that is less than \$5,000. For example, if you plan to limit each investor to contributing no more than \$3,000 during a 12-month period, your response should reflect your Company’s \$3,000 limit.

Impound of Offering Proceeds

The Company is required to impound the proceeds of the offering until it raises the minimum offering proceeds of not less than 30% of the maximum offering amount.

The minimum amount of proceeds that the Company must raise and place in an impound account before the Company can receive and use the proceeds is \$XXX.

State the name, address, and telephone number of the bank or other similar depository institution acting as impound agent. The bank will be named as depository only and has not passed in any way upon the merits or qualifications of the security and makes no recommendation with regard to its purchase. The bank does not authorize the use of its name by any person for the promotion or sale of the security.

If the Company has not raised the minimum offering proceeds by [DATE], the offering will end and your offering proceeds will be returned to you. All offering proceeds to be returned to investors will be returned within 30 days of the date the offering ended.

Until such time as the minimum offering amount is met and, as a result, funds are released to the Company, the Company may not issue any certificates or other evidence of ownership of securities other than subscription agreements.

An impound account, also known as an escrow account, is an account at a financial institution in which all funds raised in the offering will be held until the minimum offering amount (which must be at least 30 percent of the maximum offering amount) is reached.

The Company will not have access to the funds in the account, and the funds will not be released to the Company, unless the Company raises at least the minimum offering amount. The purpose of placing funds raised in a securities offering in this type of account is to protect investors. If the proposed business of the Company requires a minimum amount of capital to commence or proceed with the

business plan, and the minimum amount is not raised within 12 months of the effective date of the offering, then the offering will terminate and the amounts in the account will be returned to investors.

Remember, you must submit a fully executed copy of the escrow/impound agreement with your Fund-
ME filing.

ARRANGEMENTS WITH OFFICERS, DIRECTORS, MANAGERS, AND KEY PERSONS

Describe any arrangements to ensure that Officers, Directors, Managers, and key persons will remain with the Company and not compete with the Company if they leave.

Briefly describe the arrangements, if any, made by the Company to protect itself against the loss of people who are essential to running the Company such as its Officers, Directors, Managers, and key persons. Include a summary of the material terms of each arrangement. For example, has the Company entered into long-term contracts, non-compete agreements, or made other arrangements with these people? If the Company has not taken such steps, you should disclose that no such arrangements or agreements exist. Also, consider whether the absence of such protection should be disclosed as a risk in **Risk Factors**.

“Key person” means a person, other than the executive officers of the company (such as the CEO, COO, or CFO), who makes a significant contribution to the business of the Company. Examples of key persons are vice presidents, production managers, sales managers, and research scientists. Employees, consultants, or independent contractors may be key persons.

Describe the impact on the Company if it loses the services of any Officer, Director, Manager, or key person due to death, disability, or departure.

The loss of an Officer, Director, Manager, or key person represents a significant risk to the on-going operations of the Company. This is particularly true if only a few people manage the Company. Briefly describe the potential impact of such a loss on the business of the Company and the risk this poses to investors. Also disclose any relevant factors, such as age or health of an Officer, Director, Manager, or key person, that may increase the risk that his or her services will become unavailable. Consider whether to include additional disclosure in **Risk Factors**.

Has the Company purchased key person life insurance or disability insurance on any Officer, Director, Manager or key person? Yes No

If the answer is “yes,” describe.

Has the Company made any arrangements to replace any Officer, Director, Manager or key person it loses due to death or disability or departure? Yes No

If the answer is “yes,” describe.

Disclose whether the Company has established any procedures to deal with the loss of its personnel who are essential to running the Company. These procedures might include searching for a replacement or winding up the Company.

Insurance of personnel. Disclose whether the Company has purchased “key person” life insurance on any of its personnel, payable to the Company upon the death of the person. Briefly describe the terms and coverage of each insurance policy, including:

- the name of the person insured;
- the amount of the policy;
- to whom the proceeds are payable; and
- any arrangements that require the proceeds to be used to redeem securities or pay benefits to the estate of the insured person or to a surviving spouse.

Disclose how the Company would use any insurance proceeds payable to it.

If the Company has not purchased “key person” life insurance, or if the Company will not benefit from the insurance, include the appropriate disclosure in **Risk Factors**.

Compensation

List all compensation that the Company paid to its Officers, Directors, Managers, and key persons for the last fiscal year:

	<u>Cash</u>	<u>Other</u>
Chief Executive Officer		
Chief Operating Officer		
Chief Financial Officer		
Key Persons:		
Total:	\$ _____	\$ _____
Officers as a group (number of persons ____)	\$ _____	\$ _____
Directors or Managers as a group (number of persons ____)	\$ _____	\$ _____
Key Persons as a group (number of persons ____)	\$ _____	\$ _____

Disclose the salaries and other benefits, such as life insurance, paid to the Company's management personnel during the Company's most recently completed fiscal year. Disclose the total compensation paid to the executive officers of the Company (such as the CEO, COO, CFO) and each key person. Also disclose the total compensation paid to any other Officer, Director, or employee whose total compensation was more than that paid to a manager or key person.

Include each person's title.

Compensation. Include anything provided by the Company that directly or indirectly benefits an Officer, Director, Manager, or key person. Compensation includes both cash and non-cash items.

"Cash" includes:

- salary;
- bonus;
- commission payments;
- consulting fees;
- non-accountable expense accounts; and
- other similar items.

"Other" includes:

- the value of any options granted or securities given;
- the value of any annuity, pension, or retirement benefits;
- any non-cash bonus or profit-sharing plans; and
- personal benefits, including club memberships, company cars, or insurance benefits not generally available to employees.

Itemize these benefits in a footnote to the table.

If the Company paid compensation in some form other than cash, and it is impractical to determine the cash value, state the nature and amount of the compensation in a footnote to the table. An example of non-cash compensation that may be difficult to value is the use of a company car.

Compensation under an ongoing plan. Briefly describe all proposed future compensation the Company will pay pursuant to ongoing plans or arrangements with the individuals identified above. Include in the description:

- a summary of how each plan operates;
- any performance formula or measure or other criteria used to determine payment amounts;
- the time periods used to determine the measurements of benefits;
- payment schedules; and

- any recent material amendments to the plan.

Do **not** furnish Information about group life, health, or hospitalization insurance or medical reimbursement plans generally available to all salaried employees.

Fill in the number of persons in each group (Officers, Directors, Managers, key persons) and the total amount of cash and other compensation for each group.

Does the Company owe any Officer, Director, Manager, or employee any compensation for periods prior to the commencement of this offering? Yes No

If the answer is "yes," explain.

If you answered "yes" to this question, your explanation should include the amount of compensation owed, as well as the reason(s) why the compensation has not been paid.

Is compensation expected to change within the next 12 months? Yes No

If the answer is "yes," explain.

If you answered "yes" to this question, your explanation should include details on how the compensation will change and on the reason(s) for the change.

Does the Company have any employment agreements with Officers, Directors, Managers or key persons? Yes No

If the answer is "yes," explain.

Does the Company plan to enter into any employment agreements with Officers, Directors, Managers or key persons? Yes No

If the answer is "yes," describe.

If you responded "yes" to either or both of the above questions, briefly describe the provisions of each current or contemplated agreement with Officers, Directors, Managers, or key persons. Each description should include:

- title and name of the Officer, Director, Manager, or key person;
- date of the agreement and its beginning and end dates;
- compensation and/or benefits the Company agreed to provide; and
- terms for terminating the agreement.

If the Company has contractual agreements with its Officers, Directors, Managers, or key persons to pay salaries, disclose how the Company plans to make these payments, including whether the Company plans to use proceeds from the offering. Make sure your response to this item is consistent with your response in **Use of Proceeds**.

CERTAIN LEGAL PROCEEDINGS

Insolvency

Has a petition for bankruptcy, receivership, or a similar insolvency proceeding been filed by or against any Officer, Director, Manager or key person within the past five years, or any longer period if material?

Yes No

Actions or proceedings may be material if they have not been completely resolved, if resulting financial obligations continue, or if they involved circumstances related to, or similar to, those of the proposed offering. If you answered "yes" to the above question, your response should include:

- name of the Officer, Director, Manager, or key person;
- date of the initial proceeding;
- name of the court that heard the proceeding;
- docket number of the case;
- current status of the case; and
- current financial condition of the Officer, Director, or key person (for example, whether he or she is insolvent).

Also, disclose whether any Officer, Director, Manager, or key person has substantial outstanding debts (including debts that were accelerated due to default).

A "similar insolvency proceeding" includes the court appointment of a custodian, trustee, fiscal agent, or similar officer for the business or property of any of the Company's Officers, Directors, Managers, or key persons or of a business entity related to any of them.

Was any Officer, Director, Manager, or key person an executive officer, a director, or in a similar management position for any business entity that was the subject of a petition for bankruptcy, receivership, or similar insolvency proceeding within the past five years, or any longer period if material?

Yes No

If the answer is "yes," explain.

If you answered "yes" to the above question, your explanation should include:

- name of the Officer, Director, Manager, or key person;
- name of the company;
- position held by the Officer, Director, Manager, or key person;

- his or her areas of responsibility at the Company;
- date of the initial proceeding;
- name of the court that heard the proceeding;
- docket number of the case;
- the current status of the case; and
- any similarity between the subject business venture and the Company.

If any of the Company’s Officers, Directors, Managers, or key persons owned or managed a business in the same industry as the Company and that business has been the subject of a bankruptcy, receivership, or insolvency proceeding, explain the prior business failure in **Appendix D – Biographical Information** to the Fund-Me Offering Circular. You should also explain how this Company intends to avoid a similar failure. Make these disclosures regardless of whether the entity involved in the bankruptcy or insolvency is technically a predecessor of the present Company.

If possible, provide an evaluation by Company management or legal counsel of the potential impact of current bankruptcy or insolvency proceedings on the Company’s business, financial condition, or operations. Identify any potential risk to investors or the Company’s operations that may result from the bankruptcy or insolvency of the Officers, Directors, Managers, or key employees. Consider whether to add a similar statement to **Risk Factors**.

Criminal Proceedings

Has any Officer, Director, Manager, or key person been convicted or pled guilty or nolo contendere (“no contest”) in a criminal proceeding, excluding traffic violations or other minor offenses?

Yes No

If the answer is “yes,” explain.

Is any Officer, Director, Manager, or key person named as the subject of a pending criminal proceeding, excluding traffic violations or other minor offenses?

Yes No

If the answer is “yes,” explain.

If the answer to either or both of the above questions is “yes,” your explanation(s) should include:

- name of the Officer, Director, Manager, or key person;
- crime or alleged crime;
- prosecuting agency;
- date of the initial proceeding;

- name of the court;
- docket number of the case;
- current status of the case; and
- penalty imposed or sought.

If possible, provide an evaluation by Company management or legal counsel of the potential impact of any pending criminal proceedings on the Company's business, financial condition, or operations. Identify any potential risk to investors or the Company's operations that may result from the criminal proceedings against the Officers, Directors, Managers, or key employees. Consider whether to add a similar statement to **Risk Factors**.

Civil Proceedings

Has any Officer, Director, Manager, or key person been the subject of a court order, judgment or decree in the last five years related to his or her involvement in any type of business, securities, or banking activity? Yes No

If the answer is "yes," explain.

Is any Officer, Director, Manager, or key person the subject of a pending civil action related to his or her involvement in any type of business, securities, or banking activity? Yes No

If the answer is "yes," explain.

Has any civil action been threatened against any Officer, Director, Manager, or key person related to his or her involvement in any type of business, securities, or banking activity? Yes No

If the answer is "yes," explain.

If the answer to any or all of the above questions is "yes," your explanation(s) should include:

- name of the Officer, Director, Manager, or key person;
- person bringing the action;
- summary of the allegations;
- date of the initial proceeding;
- name of the court;
- docket number of the case;

- current status of the case; and
- relief granted or sought.

If possible, provide an evaluation by Company management or legal counsel of the potential impact of pending civil litigation on the Company's business, financial condition, or operations. Identify any potential risk to investors or the Company's operations that may result from pending or threatened civil proceedings. Consider whether you should add a similar statement to **Risk Factors**.

Administrative Proceedings

Has any government agency, administrative agency, or administrative court imposed an administrative finding, order, decree, or sanction against any Officer, Director, Manager, or key person in the last five years as a result of his or her involvement in any type of business, securities, or banking activity?

Yes No

If the answer is "yes," explain.

Is any Officer, Director, Manager, or key person the subject of a pending administrative proceeding related to his or her involvement in any type of business, securities, or banking activity? Yes No

If the answer is "yes," explain.

Has any administrative proceeding been threatened against any Officer, Director, Manager, or key person related to his or her involvement in any type of business, securities, or banking activity?

Yes No

If the answer is "yes," explain.

If the answer to any or all of the above questions is yes, your explanation(s) should include:

- name of the Officer, Director, or key person;
- agency bringing the action;
- a summary of the allegations;
- date of the initial proceeding;
- name of any hearing officer or administrative court;
- docket number of the case;
- current status of the case; and
- fines, penalties, or sanctions imposed or being sought.

Examples of government or administrative agencies that could bring these types of actions include, but are not limited to, state and federal securities regulators, state and federal tax agencies (such as the IRS), state and federal environmental protection agencies, and state and federal banking regulators. If possible, provide an evaluation by Company management or legal counsel of the potential impact of any pending administrative proceedings on the Company's business, financial condition, or operations. Identify any potential risk to investors or the Company's operations that may result from these pending or threatened administrative proceedings. Consider whether you should add a similar statement to **Risk Factors**.

Self-Regulatory Proceedings

Has a self-regulatory agency imposed a sanction against any Officer, Director, Manager, or key person in the last five years as a result of his or her involvement in any type of business, securities, insurance, or banking activity? Yes No

If the answer is "yes," explain.

Is any Officer, Director, Manager, or key person the subject of a pending self-regulatory organization proceeding related to his or her involvement in any type of business, securities, insurance, or banking activity? Yes No

If the answer is "yes," explain.

Has any self-regulatory organization proceeding been threatened against any Officer, Director, Manager, or key person related to his or her involvement in any type of business, securities, insurance, or banking activity? Yes No

If the answer is "yes," explain.

NOTE: After reviewing the background of the Company's Officers, Directors, Managers, and key persons, potential investors should consider whether or not these persons have an appropriate background and adequate experience to develop and operate this Company and to make it successful. In this regard, the experience and ability of management are often considered two of the most significant factors in the success of a business.

If you answered "yes" to any or all of the above questions, your explanation(s) should include:

- name of the Officer, Director, Manager, or key person;
- self-regulatory agency bringing the action;
- a summary of the allegations;
- date of the initial proceeding;
- name of any hearing officer or hearing panel;

- docket number of the case;
- current status of the case; and
- fines, penalties, or sanctions imposed or being sought.

If possible, provide an evaluation by management or legal counsel of the potential impact of any pending self-regulatory proceedings on the Company's business, financial condition, or operations of any pending or threatened self-regulatory actions. Identify any potential risk to investors or the Company's operations that may result from these pending or threatened self-regulatory proceedings. Consider whether you should add a similar statement to **Risk Factors**.

An example of a self-regulatory agency for the securities industry is the Financial Industry Regulatory Authority (FINRA). As a regulatory body authorized by Congress to protect U.S. investors, FINRA's authority is similar to that of state and federal regulators. FINRA examines firms, enforces rules, investigates violations, and brings enforcement actions.

MANAGEMENT RELATIONSHIPS AND TRANSACTIONS

Family Relationships

Is there a family relationship between any Officer, Director, Manager, key person, or principal owner (i.e., an individual or entity who directly or indirectly owns, or has the right to acquire within 60 days of the date of this Offering Circular, more than 20 percent of any class of the securities of the Company)?

Yes No

If yes, describe.

Briefly describe the nature of any family relationship between any executive Officer, Director, Manager, key person, 20 percent shareholder, or any person nominated or chosen by the Company to become one of the foregoing.

The term "family relationship" includes any relationship by blood, marriage, or adoption, but does not include relationships extending beyond a first cousin.

Management Transactions

Will the Company use any offering proceeds to acquire assets from any Officer, Director, Manager, key person, or principal owner? Yes No

If the answer is "yes," provide detailed information including the name of the person, the cost to the Company, the method used to determine the cost, and any profit to the seller.

Will the Company use any offering proceeds to acquire assets from an associate of any Officer, Director, Manager, key person, or principal owner? Yes No

If the answer is “yes,” provide detailed information including the name of the person, the cost to the Company, the method used to determine the cost, and any profit to the seller.

If you respond “yes” to either or both of the above questions, information to help you draft your detailed response(s) appears below.

Acquisition of assets. Even though a particular acquisition of assets may be briefly summarized in the **Use of Proceeds** section, you need to provide the detailed information requested above in response to these items. Typically, an acquisition of an asset is a purchase of something (such as a piece of equipment) by the Company. However, a long term lease might also be an acquisition of assets. You may want to check with your accountant who can assist with properly characterizing items. You should provide the same information about the acquisition of an asset such as a long-term lease that you would provide about a purchase by the Company, including the cost and material terms of the acquisition transaction.

Principal owners. A “principal owner” is a person who directly or indirectly owns 20 percent or more of the Company’s shares of common or preferred stock (or equity interests) currently outstanding. If the shares or equity interests are held by family members, whether through corporations, partnerships, or in any manner that would allow the family member to direct or control the voting of those shares, the Company must include these shares as owned by the family member.

Associate. An associate includes a person who is an Officer, Director, a Partner, or is a direct or indirect beneficial owner of 5 percent or more of any class of equity security of an affiliate; a trust or estate in which an affiliate has a substantial beneficial interest or for which an affiliate serves as a trustee or in a similar capacity; or an affiliate’s spouse and an affiliate’s relative by blood or marriage.

Method to determine cost/valuation. If the Company is using offering proceeds to purchase an asset from an Officer, Director, Manager, key person, principal owner or an associate, you must disclose the name of the person, the cost to the Company, and the method used to determine the cost of the asset. One method of determining cost is to use the fair market value for the particular asset. The cost to the seller might form the basis for the cost to the Company. Generally, you should disclose the lower of the seller's cost or market value.

If the Company has obtained or will obtain an appraisal of the value of the asset to be acquired, disclose the appraised value. If the Company has not obtained an appraisal, disclose that fact.

Disclosure of profit. If the Company plans to use offering proceeds to acquire assets from an Officer, Director, Manager, key person, principal owner, or an associate, because of the seller’s connection to or relationship with the Company, the Company must disclose any profit to the sellers. One method to estimate the profit to the seller is to subtract the amount the seller originally paid for the asset from the amount for which the seller sold the asset to the Company. The seller of the asset must report profits earned for income tax purposes, usually calculated as the sale price minus the cost basis in the asset. If the seller cannot determine what his or her basis is, the Company should assume that the seller's tax basis is zero and disclose as profit the entire amount received by the seller for the sale of the asset to Company.

Conflict of interest. Whenever the Company does business with its personnel or associates of the Company’s personnel, there is a conflict of interest that must be disclosed. A conflict of interest can be

defined as any situation in which an individual or a company is in a position to exploit a professional or official capacity in some way for their personal or corporate benefit. In this case, given the ability of an Officer, Director, Manager, key person or principal owner to influence Company decisions, the potential exists for such people to get better terms from the Company than they would get from unrelated parties in the marketplace. If Officers, Directors, Managers, key persons, or principal owners of the Company are selling or providing an asset to the Company, you need to disclose whether the business arrangements will be on terms comparable to those available from unaffiliated third parties – that is, did the Company obtain the materials, equipment, property, money, or services from management personnel on standard market terms? If not, and the terms were more favorable to the provider than standard market terms, why did the Company decide to pay more to, or receive less from, management personnel than it would pay to, or receive from, an unrelated third-party? Include in your response the method(s) used in determining the Company’s purchase or sale price and the name(s) of the person(s) making that determination.

Will the Company use any offering proceeds to reimburse any Officer, Director, Manager, key person, or principal owner for services already rendered, assets previously transferred, or moneys loaned or advanced, or otherwise? Yes No

If yes, provide detailed information about each transaction. Include the name of the person, the cost to the Company, the method used to determine the cost, and any profit to the person.

If you responded “yes” to the above question, information to help you draft your detailed response appears below.

Reimbursement. Disclose the amount of the proceeds, if any, to be used to pay an Officer, Director, Manager, key person, or principal owner for services previously provided, assets previously transferred, moneys previously loaned, or any other similar transactions. Reimbursement covers actual out of pocket payments. An example of reimbursement for services previously provided would be if a Director of your Company is a lawyer and helped you form the Company and drafted the Company’s response to Fund-ME. If you plan to pay the Director for the legal services provided to the Company using money raised through the offering, you need to disclose that in response to this item.

Be specific about the particular transaction (for example, accounting services, legal services, building contractor, loan to buy equipment or hire experts) and the benefit of the transaction to the Company; value the services rendered or assets transferred to the Company and provide the amount to be reimbursed to the Officer, Director, Manager, key person, or principal owner. Additionally, disclose whether the services, assets, or loans were provided at cost or whether the amount to be paid constitutes a profit to the person who provided the services, assets, or loans. Generally, a person may not seek reimbursement for activities that have not benefited the Company, such as his or her purchase of Company stock.

Method to determine cost/valuation. If the Company is using offering proceeds to purchase an asset from an Officer, Director, Manager, key person, principal owner or an associate, you must disclose the name of the person, the cost to the Company, and the method used to determine the cost of the asset. One method of determining cost is to use the fair market value for the particular asset. The cost to the seller might form the basis for the cost to the Company. Generally, you should disclose the lower of the seller's cost or market value.

If the Company has obtained or will obtain an appraisal of the value of the asset to be acquired, disclose the appraised value. If the Company has not obtained an appraisal, disclose that fact.

Disclosure of profit. If the Company plans to use offering proceeds to acquire assets from an Officer, Director, Manager, key person, principal owner, or an associate, because of the seller's connection to or relationship with the Company, the Company must disclose any profit to the sellers. One method to estimate the profit to the seller is to subtract the amount the seller originally paid for the asset from the amount for which the seller sold the asset to the Company. The seller of the asset must report profits earned for income tax purposes, usually calculated as the sale price minus the cost basis in the asset. If the seller cannot determine what his or her basis is, the Company should assume that the seller's tax basis is zero and disclose as profit the entire amount received by the seller for the sale of the asset to Company.

Conflict of interest. Whenever the Company does business with its personnel or associates of the Company's personnel, there is a conflict of interest that must be disclosed. A conflict of interest can be defined as any situation in which an individual or a company is in a position to exploit a professional or official capacity in some way for their personal or corporate benefit. In this case, given the ability of an Officer, Director, Manager, key person or principal owner to influence Company decisions, the potential exists for such people to get better terms from the Company than from unrelated parties in the marketplace. If Officers, Directors, Managers, key persons, or principal owners of the Company are selling or providing an asset to the Company, you need to disclose whether the business arrangements will be on terms comparable to those available from unaffiliated third parties – that is, did the Company obtain the materials, equipment, property, money, or services from management personnel on standard market terms? If not, and the terms were more favorable to the provider than standard market terms, why did the Company decide to pay more to, or receive less from, management personnel than it would pay to, or receive from, an unrelated third-party? Include in your response the method(s) used in determining the Company's purchase or sale price and the name(s) of the person(s) making that determination.

Has the Company made loans to any Officer, Director, Manager, key person, or principal owner within the last two years? Yes No

Does the Company plan to make loans to its Officers, Directors, Managers, key persons, or principal owners in the future? Yes No

If yes, describe any policies the Company has adopted to deal with the conflicts of interest in these transactions:

If you responded "yes" to either or both of the above questions, information to help you draft your detailed response(s) appears below.

Conflicts of interest. A conflict of interest can be defined as any situation in which an individual or a company is in a position to exploit a professional or official capacity in some way for their personal or corporate benefit. In this case, given the ability of an Officer, Director, Manager, key person or principal owner to influence Company decisions, the potential exists for such people to get better terms from the Company than from unrelated parties in the marketplace. If Officers, Directors, Managers, key persons, or principal owners of the Company have borrowed money from the Company within the past two years or will soon be borrowing money from the Company, your response should include information such as

the criteria used to decide to make a loan and who decides whether such a loan should be made – for example, do loans need to be approved by more than one person? Is a resolution of the Board of Directors needed? What role, if any, do individual Directors play in the approval process? Also include information about the purposes for which the Company will let borrowers borrow money and the terms of the loan, such as repayment schedules, length of the loan, amount of interest, whether the loan is secured by collateral, whether it is non-recourse, and what kind of loan agreement the Company executed – for example, promissory note, indenture agreement, etc. Were the terms of the loan negotiated at arm’s length – that is, did the Company make the loan on standard market terms? If not, why not? Also, if the terms were more favorable to the borrower than standard market terms, what steps, if any, did the company take to protect itself from the risk of default?

Reimbursements or advances made in the normal course of business for business travel, legitimate business expenses, and similar ordinary operating expenditures are not loans and should not be included in your response.

Has the Company done business with any Officer, Director, Manager, key person, or principal owner within the last two years? Yes No

Is the Company currently doing business with any Officer, Director, Manager, key person, or principal owner? Yes No

Does the Company plan to do business with its Officers, Directors, Managers, key persons, or principal owners in the future? Yes No

If yes, describe any policies the Company has adopted to deal with the conflicts of interest in these transactions. Provide details for any “yes” answers. State the principal terms of any significant loans, agreements, leases, financing, or other arrangements.

If you responded “yes” to either or both of the above questions, information to help you draft your detailed response(s) appears below.

Conflicts of interest. As explained above, due to the conflicts of interest that exist when the Company gives things to, or gets things from, its Officers, Directors, Managers, key persons, or principal shareholders, you need to disclose if the Company has done, is doing, or plans to do business with its management personnel in the future. Doing business includes obtaining or providing materials, equipment, property, money (loans), or services. Your response should include information about whether the business arrangements will be on terms comparable to those available from unaffiliated third parties, as well as information on any approval process required by the Board of Directors and what role, if any, Directors not having an interest in the business arrangements play in the approval process.

Transactions with management personnel. Briefly describe the terms of any significant transactions or business arrangements between the Company and its management personnel. Were the terms of the transaction negotiated at arm’s length – that is, did the Company obtain or provide the materials, equipment, property, money, or services from management personnel on standard market terms? If not, and the terms were more favorable to the provider than standard market terms, why did the Company decide to pay more to, or receive less from, management personnel than it would pay to, or

receive from, an unrelated third-party? Include in your response the method(s) used in determining the Company's purchase or sale price and the name(s) of the person(s) making that determination.

Has any Officer, Director, Manager, key person, or principal owner guaranteed or co-signed the Company's bank debt or other obligations? Yes No

If yes, explain the terms of each transaction and describe the Company's plans for repayment.

LITIGATION

Describe any recent or pending litigation or administrative action which has had or may have a material effect upon the Company's business, financial condition, or operations. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.

Describe any threatened litigation or administrative action that may have a material effect upon the Company's business, financial condition, or operations. State the names of the principal parties, and the nature and current status of the matters.

If the Company or any of its executive/management personnel are in litigation, or litigation is threatened against the Company or any of its executive/management personnel, the Company or its counsel should determine whether such proceedings could significantly impact the Company's business or financial condition. If yes, your response should disclose details about the litigation or administrative action(s) and the impact to the Company resulting from any potential or actual judgments, orders, liens, fines, penalties, or sanctions.

Your response should also include the following information:

- parties to the litigation or administrative proceeding;
- a brief summary of the allegations;
- date of the proceeding;
- name of the court;
- current status of the case; and
- damages, penalties, fines, or sanctions imposed or being sought.

Materiality. If the litigation has or may have a material effect on the Company, you must disclose that. The Company should use its own judgment to determine if disclosure is needed. If there is any doubt about what is material, the Company should seek the assistance of an attorney or an accountant. A business may routinely generate, for example, negligence claims. The claim may not be material unless it exceeds the average for that type of claim. Claims for damages below 10 percent of the net assets of the Company are not usually material. A proceeding for bankruptcy, receivership or a similar proceeding is always material. Regulatory problems involving securities law violations should always be

disclosed. Finally, disclose any material legal proceeding in which certain corporate insiders or affiliates of the Company are in a position that is contrary to that of the Company.

In determining the disclosure necessary in the Company's financial statements, answer this question: should the Company disclose pending or threatened litigation as a contingent liability? You should consider the following factors: the period in which the underlying cause of action occurred; if litigation is pending, the probability of an unfavorable outcome; if litigation is threatened, the probability that a suit may be filed and the possibility of an unfavorable outcome; and the ability to reasonably estimate the amount or range of potential losses.

Based on the ability to reasonably estimate the amount of any contingent liability, an assessment may be required as to the material impact the resulting liability would have on the financial condition of the Company. Ordinarily, contingent liabilities associated with securities law violations must be disclosed.

TAX ASPECTS

Describe any material tax consequences to investors in this offering.

Briefly describe the federal income tax treatment of the Company and its impact on investors. For example, if the Company is set up as an S Corporation, a limited liability company, or other entity in which income is usually "passed through," describe the tax impact of the Company's structure on investors. For example, will shareholders be taxed on Company income even if the Company does not distribute its income to shareholders? If the Company had losses that will be passed through to shareholders, are there any limitations on the amount of the losses that shareholders may claim on their tax returns?

Potential loss of S corporation status. A primary risk involved in S corporation status is the Company's potential loss of that status. Disqualifying factors should be discussed in light of the individual circumstances of the issuer. Consider whether you need to add disclosure to **Risk Factors**.

Limited Liability Companies. Since this type of entity may provide the tax advantages of a limited partnership, the liability protection of a corporation, and may issue multiple classes of ownership interests, you should discuss any tax impact on the Company and its members.

Net operating losses. If your Company has accumulated a substantial net operating loss that it intends to carry forward into subsequent tax years to offset income, please provide detailed information in your response.

OTHER MATERIAL FACTORS

Describe any other material factors, either adverse or favorable, that will or could affect the Company or its business or which are necessary to make any other information in this Offering Circular not misleading or incomplete.

Catch all. Although the questions in Form Fund-ME were designed to elicit responses that would provide potential investors with the information they would need to make an informed decision about whether to invest in the Company, you may still need to add disclosure under this item that is not

covered in any other response so that the information the Company provides in the Offering Circular is accurate and complete.

ADDITIONAL INFORMATION

Describe the types of information that the Company will provide to security holders in the future.

Describe the schedule for providing this information.

The Company's Offering Circular should disclose what information, including financial information, about the Company's progress will be provided after this offering of securities has been completed. You also should disclose when and how frequently that information will be provided. For example, do you plan to provide information to investors and potential investors about how the offering is proceeding, such as amounts raised to-date, whether you have raised the minimum amount, or whether you need to terminate the offering because you have not reached the minimum? If yes, how will you deliver and how often will you communicate this information - through quarterly newsletters, monthly e-mails? In addition, companies typically provide an annual report to shareholders within 120 days after the end of the fiscal year. The report should contain financial statements prepared in accordance with generally accepted accounting principles and reviewed by independent certified public accountants in accordance with the accounting and review service standards promulgated by the American Institute of Certified Public Accountants. See **Attachment II** to this User's Manual for more information on accounting terms and concepts.

Attach the Company's financial statements to the Offering Circular as Appendix B.

Financial Statements. The required financial statements must be attached to the Offering Circular as **Appendix B**. The type of financial statements you provide depends on the total amount of securities offered by the Company in the current offering plus the total amount of securities in offerings by the Company during the 12-month period preceding the current offering.

- \$100,000 or less – If this current offering plus all other offerings of the Company within the preceding 12-month period total, in the aggregate, \$100,000 or less, you need to attach:
 - The income tax returns filed by the Company for the most recently completed year, if any; **and**
 - The financial statements of the Company certified by the principal executive officer of the issuer to be true and complete in all material respects.
- more than \$100,000 but not more than \$500,000 – If this current offering plus all other offerings of the Company within the preceding 12-month period total, in the aggregate, \$100,000 but not more than \$500,000, you need to attach financial statements **reviewed** by a public accountant who is independent of the issuer.

- More than \$500,000 but not more than \$1,000,000 – If this current offering plus all other offerings of the issuer within the preceding 12-month period total, in the aggregate, more than \$500,000, you need to attach financial statements **audited** by a public accountant who is independent of the issuer.

See **Attachment II** to this User’s Manual for more information on accounting terms and concepts.

If the Company has been in existence for less than one fiscal year, you should attach a balance sheet as of the date within 135 days of the date of filing the registration application. If the effective date of your Offering Circular will be within 45 days after the Company’s fiscal year end and financial statements for the most recent fiscal year are not available, the balance sheet may be as of the end of the preceding fiscal year. An additional balance sheet, at least as current as the end of the Company’s most recent third fiscal quarter, should be included. Also attach statements of income and cash flows and statements of changes in shareholders’ equity for the most recent fiscal year or such shorter period as the Company has been in existence. In addition, for any interim period at least as current as the end of the Company’s most recent third fiscal quarter, attach statements of income and cash flows. Financial statements must be prepared in accordance with generally accepted accounting principles. If the Company has not conducted significant operations, statements of receipts and disbursements should be included in place of statements of income. Interim financial statements may be unaudited.

Please note that in addition to the Balance Sheet and Income Statement in an annual report, the Company must also present the Statement of Cash Flows and the Statement of Retained Earnings for the financial statements to be in accordance with generally accepted accounting principles.

SIGNATURES:

The Company’s Chief Executive Officer, Chief Financial Officer, and its Directors or Managers must sign this Offering Circular. When they sign this Offering Circular, they represent that they have diligently attempted to confirm the accuracy and completeness of the information in the Document.

When the Chief Financial Officer signs this Offering Circular, he or she represents that the financial statements in the Document have been prepared in accordance with generally accepted accounting principles which have been consistently applied, except where explained in the notes to the financial statements. He or she represents that the financial statements fairly state the Company’s financial position and results of operations, or receipts and disbursements, as of the dates and periods indicated. He or she also represents that year-end figures include all adjustments necessary for a fair presentation under the circumstances.

Chief Executive Officer:

Directors or Managers:

<i>Title:</i> _____	
<i>Chief Financial Officer:</i>	
<i>Title:</i>	

Appendix A – Business Plan

Please provide a copy of your Business Plan as **Appendix A**.

In addition to describing the Company's products or services, you should explain the context in which the Company provides the products or services. Include information on how the Company produces the products or provides the services and on the Company's competitive strategy and marketing strategy. You should also cover why you are trying to raise capital for the Company and how that capital will be used to implement the Company's **Business Plan**. The **Business Plan** should be consistent with your responses to **Milestones** and **Use of Proceeds**.

In describing your Company's business, you should answer these questions:

- How and to whom does the Company sell its products or services?
- Why are customers using the Company's products or services?
- Is the Company's business retail or wholesale?
- Are products made to customer specifications or mass-produced?

Describe the Company's present v. future operations:

- What products or services does the Company currently produce or offer; and
- What products or services does the Company propose to produce or offer in the future.

If the Company plans to engage in activities using money from sources other than the proceeds from this offering of securities, you should disclose this fact.

Multiple products or services. If the Company plans to manufacture a number of products or provide more than one service, you should emphasize the product(s) or service(s) for which you are trying to raise proceeds through this offering.

Additional areas to cover. If applicable to your Company's business, the following areas should be discussed in the **Business Plan**. Remember to include the related risks in your response to **Risk Factors**.

- Suppliers – Major supply contracts? Is the Company dependent on a limited number of suppliers? What happens if you lose your ability to obtain essential raw materials, supplies, or services? What if a supplier drastically raises prices, or supply is interrupted or discontinued?
- Sales orders or contracts – Major sales contracts? Limited number? Performance dates? Firm commitments or subject to cancellation? Impact on the Company if any of these contracts are cancelled?

- Seasonal or cyclical business?
- Competition – Is your marketplace local, national, or international? Any competition in the marketplace? If yes, on what basis will the Company compete? Price? Service? Other (for example, unique product or service, more favorable warranty provisions)?
- Marketing strategy – How will you reach out to potential customers and/or increase your customer base? How will the Company fund marketing activities? If the Company plans to use proceeds raised by this offering to fund marketing activities, say how much in **Milestones** and in **Use of Proceeds**. If there is no marketing plan, this should be disclosed in **Risk Factors**.
- Employees – The **Business Plan** should discuss the existing employees, their roles (clerical, management, operations, consultant), and how many employees, if any, the Company would seek to hire with proceeds from the offering.
- If important to the **Business Plan**, property owned or leased by the Company, such as:
 - Real estate
 - Facilities
 - Equipment
 - Vehicles
 - Intellectual property (patent, copyright, trade secret, know how, trademark, service mark, trade name)
 - License agreements

Below is a list of resources you may find helpful:

- www.score.org
 - SCORE is a nonprofit association dedicated to helping small businesses get off the ground, grow and achieve their goals through education and mentorship. Its website includes free business plan templates, business plan samples and examples, and links to business plan software.
 - There are also six chapters in Maine that can provide face-to-face mentoring.
- www.sba.gov/writing-business-plan
 - U.S. Small Business Administration (“SBA”) provides loans, loan guarantees, contracts, counseling sessions, online trainings and other forms of assistance to small businesses. The SBA website includes a number of articles about how to write a business plan as well as a business plan tool that provides a step-by-step guide to help you build your business plan.

- www.mainesbdc.org
 - The Maine Small Business Development Centers (“Maine SBDC”) provides comprehensive business management advice and education, including a network of professional counselors that meet individually with business owners and offer workshops and seminars. There are a number of service centers and outreach offices throughout the state.
- www.ceimaine.org
 - Coastal Enterprises, Inc. (“CEI”) provides financing and technical assistance for small- and medium-sized rural businesses including business counseling. In addition to providing general business assistance, CEI has programs targeted to women, marine-related businesses, farms, child care providers, and refugees and immigrants.
- www.emdc.org
 - Eastern Maine Development Corporation (“EMDC”) serves Maine businesses in advancing economic development by providing businesses in eastern Maine a number of services including business consultation, financing and loans, seminars and workshops.
- <http://www.maineangels.org/resources-for-entrepreneurs/resources/>
 - A list of additional resources for entrepreneurs compiled by Maine Angels.

Appendix B – Financial Statements

Please provide a copy of the required financial statements. Pages 11, 12, 41, and 42 of this User's Manual provide information on how to determine which type of financial statements are required. Below is a list of additional resources you may find helpful:

- www.score.org
- www.sba.gov
- www.mainesbdc.org
- www.maineangels.org/resources-for-entrepreneurs/resources/

Appendix C – Capitalization Table

Below is a sample “capitalization table” followed by a description of some key terms.

FULLY-DILUTED CAPITALIZATION as of [DATE] - Post Closing		[company name]		
% of			% of	
# of Shares	Class/Group	Outstanding		Fully-Diluted
COMMON STOCK				
[Principal 1]				
[Principal 2]				
[Holder 3]				
[Holder 4]				
Other Current Holders				
Subtotal		100.000%		
RESERVED COMMON STOCK				
Options Granted to [Principal 1]		n/a		
Options Granted to [Principal 2]		n/a		
Other Granted Stock Options		n/a		
Remaining Stock Option Pool		n/a		
Convertible Debt Outstanding		n/a		
Warrants Outstanding		n/a		
Contemplated ConvDebt/Warrants		n/a		
Subtotal	100.000%		n/a	
SERIES A PREFERRED				
[Holder 5]				
[Holder 6]				
Other Current Holders				
Pre-converted Total		0.00		
Conversion Ratio		1.00		
Converted Subtotal	0.00		100.000%	
PRE-MONEY SHARES / VALUE				
SERIES B PREFERRED				
[Co-Investor 7]				
[Co-Investor 8]				
Pre-converted Total				
Conversion Ratio		1.00		
Converted Subtotal		100.000%		
TOTAL OUTSTANDING SHARES				
FULLY-DILUTED SHARES				

Capitalization table. Use the above format as a guide to disclose the short and long term debts owed by the Company, equity of the shareholders, paid-in capital for common and preferred shares, earnings retained or earnings deficits, and the number of preferred and common shares authorized. You may want to ask your accountant to help you complete this section.

Comparison to financial statements. The figures in the capitalization table must be consistent with those in the Company's most recent financial statements. If the Company has mandatory redeemable preferred stock, include the amount of the redemption in “long term debt” instead of under the preferred stock heading and so indicate by a footnote to that category in the capitalization table.

Analysis of financial statements. In addition to comparing the figures in the capitalization table to the financial statements, you should check whether the Company's balance sheet accurately reflects the

Company's capitalization in accordance with generally accepted accounting principles. You or your accountant should consider whether debt is correctly classified as short-term or long-term, whether leases should be capitalized, and whether a corporate combination should be treated as a pooling of interest or as a purchase.

Review of authorized capital. To answer the portion of this item concerning the number of shares authorized, you should refer to the articles of incorporation or organization of the Company, and any amendments to the articles. Make sure your answer to this item is consistent with the Company's governing documents.

Appendix D – Biographical Information

The following information should be provided for each of the Company's executive officers and management personnel, including Directors, Partners, Officers, Managers, and key persons. See the end of this appendix for definitions.

You can use the format below to provide background information on the Company's executive officers and management personnel. Repeat the format as often as necessary for each person.

Name:

Age:

Title at Company:

Office Street Address:

Telephone Number:

Role(s) and responsibilities at Company:

Names of employers, titles, and dates of positions held during the past five years, with a brief summary of job responsibilities at each position. Be sure to include enough information to show whether previous work experience and abilities are relevant to the role(s) and responsibilities with the Company.

Education (degrees, schools, and dates):

Also a Director of the Company Yes No

Indicate amount of time to be spent on Company matters if less than full time.

Directors. Indicate which Officers also serve as Directors of the Company. You should disclose whether they have been elected for a specific term and whether they are serving under any special circumstances or arrangements. Identify their term of office and the period of time that they have already served. Describe their business experience for the past five years and identify other directorships they hold, naming each company and any affiliation with the Company. If a Director holds a special title or serves in a special capacity, such as a member of a committee of the Board of Directors to review employee compensation or internal controls of the Company, briefly describe his or her responsibilities.

Part-time executive officers, managers, and key persons. Indicate whether any of the Company's Executive Officers, Managers, and key persons work less than full time. Disclose the approximate amount of time each part-time Officer, Manager, or key person devotes to Company matters. In addition, if management personnel spend less than full time on Company matters, disclose why. Does the Company lack resources to pay his or her salary? Is that person involved in other enterprises that demand his or her time? Is the person engaged in another activity that is a conflict of interest?

If management personnel are part-time for reasons that could have a negative impact on Company operations, disclose that information in detail in the **Biographical Information** appendix and summarize it in the section on **Risk Factors**.

Employment history. Describe all employment for the past five years, including each position held and the type of business involved. Include a complete five-year history of all prior occupations. Do not omit past ventures, successful or not. Securities laws require full disclosure of all material information.

Executive officers and key persons defined. When completing this Item, the following definitions may be helpful:

The “Chief Executive Officer” has the overall authority to run the Company. In the small business context, the Chief Executive Officer usually is the Company’s president or general manager and is often the owner or majority shareholder.

The “Chief Operating Officer” supervises the day-to-day business of the Company. Depending on the Company’s size and structure, the Chief Executive Officer may also be the Chief Operating Officer.

The “Chief Financial Officer” is usually the Company’s “treasurer” and is the person who keeps the Company’s financial records and handles the Company’s funds/assets.

If the Company does not have individuals with these titles, identify who performs the functions of Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer.

The term “key person” means a person, other than your Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer, who makes a significant contribution to the business of the Company. Examples of key persons are vice presidents, production managers, sales managers, and research scientists. A key person may be an employee, independent contractor, or consultant.

Attachment I – Sample Risk Factors

These examples are intended to help the Company develop risk factor disclosure for your Company's Fund-ME Offering Circular. Risk factors should be specific to your Company; these examples should not be copied word-for-word and they will not apply to every offering. Your Company's business may require risk factor disclosure for which an example is not included in this list. In addition to describing a risk, risk factor disclosure should summarize the potential impact of the risk on the investor.

For a company with a limited operating history

We have a limited operating history. We were incorporated on xx/xx/xx and have been operating only since xx/xx/xx. Because we have been operating for only a short period of time, we have not produced a profit. There is no assurance that we will ever produce a profit. As a new enterprise, we are likely to be subject to risks our management has not anticipated. We have limited resources and will not be able to continue operating without the proceeds from this offering. It is possible that the proceeds from this offering and our other resources may not be sufficient for us to continue to finance our operations.

For a company that has a history of losses with no expectation for immediate profits

We have incurred losses since inception and may incur future losses. We have not yet generated a profit from operations. As of the date of our most recent financial statements, we had an accumulated deficit of \$_____. We expect to continue to experience losses from operations and we cannot predict when or if we will become profitable. If we achieve profitability, we may not be able to sustain it.

For a company competing in a highly technical area where products rapidly become obsolete

The (insert description) business is highly technical and our failure to introduce new products to the market may harm our business. We operate in a highly technical industry, which is characterized by frequent introductions of new products and services into the market. Our success will depend, in part, on our ability to improve our present products, to develop new products and to provide necessary services and support. The proceeds of this offering may not provide us with sufficient funds to finance our research and development needs.

For a company that competes against larger and better financed companies in a competitive business

We may not have sufficient financial resources to successfully compete in the (insert description) business. A large number of enterprises provide products or services similar to ours. We will be competing with established businesses that have an operating history, and greater financial resources, management experience, and market share than we have. There can be no assurance that we will be able to compete or capture adequate market share. We will not be profitable if we cannot compete successfully with other businesses.

For a company that depends on the services of a limited number of key persons

We depend on the services of key employees, whose knowledge of (insert description) would be difficult to replace. Our success depends substantially on the services of (insert names and titles of key

persons). Our business may be harmed if we lose the services of these people and we are not able to attract and retain qualified replacements.

For a company with inexperienced management

Our Officers and Directors have no experience managing a company in the (insert description) business. None of our Officers and Directors has managed a company in the (insert description) business nor has experience in managing a development stage enterprise. Our ability to operate successfully may depend on our ability to attract and retain qualified technical personnel, who may be in great demand.

For a company whose management has been involved in other business ventures that have not been successful

Our Officers and Directors have been involved in other business ventures that have not been successful. Prior to organizing the Company, (insert name of appropriate Officers and Directors) operated a business similar to ours in which shareholders lost part or all of their investment. (Insert name of appropriate Officers and Directors) operated a company in the (insert description) business, which, while not similar to our business, also resulted in losses to investors. Our ability to operate successfully may be determined by the ability of our Officers and Directors to succeed where they have failed before.

For a company whose business is highly regulated

Our failure to comply with government rules and regulations may harm our business. Our business must comply with local, state, and federal rules and regulations. (BRIEFLY identify the types of regulations, e.g., taxation, environmental, licenses.) We believe that we comply with the rules and regulations with which we are required to comply. If we fail to comply with a rule or regulation, we may be subject to fines or other penalties, or our permit or license may be lost or suspended. We may have to stop operating and our investors may lose their entire investment.

For a company whose Officers, Directors or key persons own a substantial number of promotional shares and options

Our Officers, Directors and key persons will continue to have substantial control over the Company after the offering. Officers, Directors and key persons own (insert number) shares of common stock, which will represent (insert number) percent of outstanding common stock. Consequently, they will be able to elect all of the Directors and control the direction of the Company. They paid an average price of \$_____ per share as compared with the public offering price of \$_____ per share. In addition, they own (insert number) options or warrants that are exercisable to purchase additional shares of common stock at an average price of \$_____ during the next (insert number) years.

For a Company that has significant dilution between the offering price and book value

The price of a share in this offering is significantly higher than the book value of the stock. If we sell only the minimum number of shares in this offering, the book value per share will be \$____. This is (insert number) percent of the offering price. As a result, investors participating in this offering will incur immediate and substantial dilution. To the extent outstanding options or warrants to purchase

our shares are exercised, new investors will incur further dilution. Book value is determined by subtracting liabilities from tangible assets and dividing the answer by the number of outstanding shares.

For shares that have no existing market

Because there is no market for our common stock, you may not be able to sell your shares. You may never be able to sell your shares and recover any part of your investment, unless we are able to complete a subsequent public offering or we are able to sell the Company for cash or merge with a public company.

For an arbitrary offering price

The offering price of our shares is arbitrary. The offering price of \$___ per share bears no relationship to established value criteria such as net tangible assets or a multiple of earnings per share and accordingly should not be considered an indication of the actual value of the Company.

For a debt offering where no sinking fund will be established

We have not established a sinking fund for the purpose of accumulating funds for retiring the (insert name of debt instrument). A sinking fund provides for periodic accumulation of funds over the life of the obligation with an independent trustee for the purpose of retiring the (insert name of debt instrument) at maturity. We will not maintain a sinking fund for the retirement of the (insert name of debt instrument) offered here and may not have the ability to retire the obligations when they mature.

For a debt offering where there will be no independent trustee

We have not retained an independent trustee to act on investors' behalf in the event of default of our obligation to repay the (insert name of debt instrument). We have not retained an independent trustee to act on investors' behalf in the event of default. Therefore, there is no independent third-party to protect investors' interests in the event the Company fails to meet any of the agreements contained in the trust indenture.

For an offering to be sold by company employees

We have not retained an independent party to sell the offering and the failure of our Officers to sell the offering may result in a shortage of operating funds. Officers of the Company are offering our shares on a "best-efforts" basis. We have not contracted with an underwriter, placement agent, or other person to purchase or sell all, or a portion of, our shares and there is no assurance that we can sell all or any of the shares. Further, if we had hired an underwriter, placement agent, or other independent person to sell the offering, that person would have conducted an independent due diligence examination into our business.

Attachment II – Accounting Terms

The following is a description of some of the more important terms and concepts used in accounting.

Financial statements

General purpose financial statements. The term “financial statements” refers to a presentation of financial data, including accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in conformity with a comprehensive basis of accounting. Financial statements are the means by which the information accumulated and processed in financial accounting is periodically communicated to those who use it. Although financial statements come in a wide variety of forms that serve various purposes, there are four basic general purpose statements. These are:

- Balance Sheet;
- Statement of Income or Statement of Operations;
- Statement of Retained Earnings or Statement of Changes in Shareholders' Equity; and
- Statement of Cash Flows.

A **Balance Sheet** is a statement that presents (as of a moment in time, unlike the other three statements that cover a time period) the assets, liabilities, and net worth of an entity. Sometimes this statement is titled **Statement of Assets and Liabilities**, **Statement of Financial Position**, or a similar title.

The **Statement of Income** or **Statement of Operations** presents, for a period of time, an entity's revenues, costs, expenses, and net income or loss for the period involved. Other titles that are used include **Profit and Loss Statement**. An analogous statement for a cash basis entity could be a **Statement of Receipts and Disbursements**.

A **Statement of Changes in Shareholders' Equity** presents the changes that occurred during a given period affecting the company's capital accounts, including retained earnings. If the only changes resulted from earnings, losses, or dividends, a company may simply present a **Statement of Retained Earnings**, or may combine the **Statement of Changes in Retained Earnings** with the **Statement of Income**. For partnerships, the analogous statement would be a **Statement of Changes in Partners' Capital**; for not-for-profit organizations, the corresponding statement would be a **Statement of Changes in Fund Balances**.

The **Statement of Cash Flows** is a statement that presents cash inflows and outflows from operating, financing, and investing activities for a given period.

Prospective financial statement. Prospective financial information refers to any financial information about the future. The information may be presented as complete financial information or limited to one or more elements, items, or accounts. A prospective financial statement may be either a **Financial Forecast** or a **Financial Projection**.

A **Financial Forecast** is a prospective financial statement that presents, to the best of the responsible party's knowledge and belief, an entity's expected financial position, results of operations, and changes in financial position. In contrast, a **Financial Projection** is a prospective financial statement that presents, given one or more hypothetical assumptions, an entity's expected financial position, results of operations, and changes in financial position.

Classification of Financial Statements

Financial statements may be classified by the kind of third party involvement. In this context, there are two classes of financial statements: **Audited** and **Unaudited**. Audited financial statements include only those statements that have been audited by independent certified public accountants (CPAs) and, in some states, independent public accountants (PAs). **Unaudited** financial statements include those reviewed or compiled by CPAs or PAs, but also include financial statements prepared by management without any service performed by an independent CPA or PA.

Audited statements. The term audit, audited, or auditing refers to an examination of the books and records of an entity by an independent CPA or independent PA intended to serve as a basis for the expression of opinion on the fairness with which the entity's financial statements present financial position, results of operations, and cash flows in conformity with generally accepted accounting principles (GAAP). The auditor's report is the medium through which the accountant expresses an opinion or, if circumstances dictate, disclaims an opinion. Also, if circumstances require it, the auditor's report may contain an explanatory paragraph describing an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time.

The terms "certified" or "examined" are sometimes used synonymously with the term "audited."

Sometimes, an independent accountant may audit financial statements that are not prepared in accordance with GAAP, but rather are prepared on another comprehensive basis of accounting (OCBOA). Such statements include cash basis, tax basis, regulatory basis, and other non-GAAP bases. Such statements are generally titled differently from the equivalent GAAP statements. For example, a cash basis financial statement reflecting financial position might be titled **Statement of Assets and Liabilities Arising from Cash Transactions** instead of **Balance Sheet**.

Unaudited statements. The term "unaudited" refers to all statements that have not been audited. Four classes of unaudited statements are discussed in this Attachment. These are:

- **Management prepared** statements without any third party involvement.
- **Compilations** pursuant to AICPA's Statement on Standards for Accounting and Review Service (SSARS).
- **Reviews** pursuant to SSARS of a nonpublic entity (although under certain circumstances, a review of a public entity may be made under SSARS).

- **Reviews** of interim financial statements of public entities pursuant to the auditing standards promulgated by the auditing standards board of the AICPA in a series of releases titled Statements on Auditing Standards (SAS).

The following is a brief description of the four classes of unaudited statements:

Statements prepared by management only. These are statements in which no third party accounting service by an independent CPA or PA is involved. Such statements may have been prepared by an in-house accountant or other qualified individuals or may have been prepared by someone with a very limited accounting background.

Statements prepared by management would not necessarily be in accordance with GAAP. Often such statements are prepared on an OCBOA basis.

Compilations. A compilation is a service by a CPA or a PA that involves reading compiled statements and considering whether they appear to be appropriate in form and free from obvious material errors.

Compiled financial statements are accompanied by a report that states that:

- A compilation has been performed.
- A compilation is limited to presenting in the form of financial statements information that is the representation of management.
- The statements have not been audited or reviewed and no opinion or any other form of assurance is expressed on them.

A compiled financial statement would not necessarily be in accordance with GAAP.

Reviews pursuant to SSARS. A review under SSARS is a service performed by a CPA or PA that includes making inquiries of the entity's personnel and applying analytical procedures, and reading statements to consider, on the basis of information known, whether the statements appear to conform with generally accepted accounting principles.

Financial statements reviewed under SSARS are accompanied by a report that states:

- A review was performed in accordance with SSARS issued by the AICPA.
- All information included in the statements is the representation of management.
- A review consists principally of inquiries of company personnel and analytical procedures applied to financial data.
- A review is substantially less in scope than an audit, and no opinion is expressed.
- The CPA is not aware of any material modifications that should be made to the statements for them to be in conformity with GAAP.

Generally Accepted Accounting Principles (GAAP)

GAAP is a technical accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting principles at a particular time.

The word “principle” has several definitions, one of which is “a general law or rule adopted or professed as a guide to action; a settled ground or basis of conduct or practice...” It is this definition that most accountants mean by the word principle when using the expression accounting principle. A generally accepted accounting principle is one that has substantial authoritative support.

Although there may be agreement on the existence of a body of generally accepted accounting principles, the determination of whether a particular accounting principle has substantial authoritative support may be difficult because no single reference source exists for all such principles. There is, however, a hierarchy of the various sources of GAAP, a summary of which is as follows:

- Statements and interpretations of the Financial Accounting Standards Board (“FASB”), Opinions of the Accounting Principles Board (“APB”) of the American Institute of Certified Public Accountants (“AICPA”), and AICPA Research Bulletins.
- FASB Technical Bulletins, AICPA Industry Audit and Accounting Guides, and the AICPA Statements of Position (“SOPs”).
- Consensus positions of the FASB Emerging Issues Task Force (“EITF”), and AICPA Practice Bulletins.
- AICPA accounting interpretations, “Qs and As” published by the FASB staff, as well as industry practices widely recognized and prevalent.
- Other Accounting Literature.

Accrual basis and cash basis financial statements are examples of GAAP and non-GAAP financial statements, respectively. Accrual accounting attempts to record the financial effects on an entity of transactions in the period in which such transactions occur rather than in the period in which cash is received or paid by the entity. Accrual basis accounting recognizes that the acquisition of resources needed to provide services and the rendering of service by the organization during a period often do not coincide with the cash receipts and payments of the period. Typical accruals for small business include depreciation, accounts receivable, accounts payable, and taxes payable.

Another example of a non-GAAP financial statement is one that omits some of the required disclosure or where the disclosure is inadequate. For example, the Statement of Cash Flows is required by GAAP. If such a statement were omitted, the auditor would have to qualify his or her report, which would take the form of a separate paragraph in the report drawing the reader's attention to the omission and indicating that the Statement of Cash Flows is required by GAAP. The opinion paragraph of the auditor's report would be qualified by a phrase to the effect that “except that the omission of a statement of cash flows results in an incomplete presentation...” followed by the opinion. An accountant's review report would contain an analogous qualification.

Generally Accepted Auditing Standards (GAAS) and Statements on Standards for Accounting and Review Services (SSARS)

When a CPA issues a report on the audit of the financial statements of any entity, he or she states that the examination was made in accordance with GAAS. The auditing standards referred to are those promulgated by the auditing standards board of the AICPA in a series of releases titled Statements on Auditing Standards ("SAS").

An accountant may issue a compilation or review of the financial statements of an entity in accordance with SSARS. A compilation or a review is a service that is substantially less in scope than an audit and generally may be used only with respect to nonpublic companies. However, there is an exception. When a public entity does not have its annual statements audited, the AICPA permits an accountant to review the entity's annual or interim statements in accordance with SSARS.

Interim financial statements of public or nonpublic companies may be reviewed by a CPA under standards established by the AICPA through SAS. Interim and annual financial statements of nonpublic companies as well as interim and annual financial statements of public companies that are not required to have their annual statements audited may be reviewed under the lower standards of SSARS.

Responsibility for Financial Statements

The financial statements are always management's responsibility. With respect to audited financial statements, the auditor's responsibility is to express an opinion on the financial statements.

The opinion expressed relates to whether the financial statements present fairly the financial position of the entity and the results of its operations and cash flows in conformity with GAAP.

Unaudited financial statements are also management's responsibility. When an accountant is associated (i.e., consented to the use of his or her name in a report, document, or written communications containing the statements) with the unaudited financial statements, he or she is required to disclose the degree of responsibility, if any, being taken.

Predecessor

The term "Predecessor" means an entity that has been acquired in a single succession or in a series of related successions by another entity ("Successor").

The acquisition of assets by the Successor is generally recorded as a Purchase. In some situations, if certain criteria are met, two or more businesses may be combined through a Pooling of Interest in which the ownership interests of the two or more businesses are continued (usually involving an exchange of common stock for common stock) with a new entity being formed. In such a combination, each of the original businesses are considered to be a Predecessor.

When a business combination is effected by the Purchase of assets by the Successor, the assets acquired are recorded at their fair value; where the business combination meets the criteria for a Pooling of Interest, the assets and liabilities are carried forward at the valuations reflected in the books of the Predecessor companies.

Where the Predecessor is a related party and the transaction does not meet the criteria for a Pooling of Interest, and thus the acquisition of the business and assets acquired are effected by means of a Purchase, the analyst should request documentation with respect to how the fair values of the assets acquired were reached.

Attachment III – Commonly Offered Securities with Descriptions

The following list and the related descriptions of features are not all inclusive.

Common stock. These are securities representing equity ownership of the Company. Typically, ownership of common stock entitles the holders to vote on the selection of the Company's Board of Directors and on other important matters. Common stock entitles the holder to share in the Company's success through dividends and/or capital appreciation. In the event the Company is liquidated, the claims of secured and unsecured creditors and owners of debt securities (such as bonds) and preferred stock take priority over the claims of those who own common stock.

Preferred stock. Normally, you should call stock "preferred stock" only if it has preference over all outstanding classes of stock of the company as to both liquidation and dividends. Disclose whether the dividends on preferred stock are cumulative. Dividends are cumulative if, when dividends are not paid when due, the unpaid dividends accumulate and must be paid before any dividends may be paid on shares of the Company's common stock. If the dividends are not cumulative, disclose this in **Risk Factors**.

If the stock offered has liquidation or dividend preferences over some, but not all, outstanding classes of stock, you may refer to it as "preferred stock" as long as you prominently disclose the exact nature of the preference and any restrictions on the preference granted.

Debt securities. For debt offerings, you should disclose whether the company is issuing notes, debentures, or bonds. You should also disclose all the special characteristics of the debt being offered such as interest rates (how calculated, when paid) and maturity dates (due dates or redemption dates). You should not claim that a debt security is insured or guaranteed unless you can prove such claims are accurate.

LLC membership interest. If the Company is a limited liability company (LLC), summarize the material provisions of LLC's governing agreements.

Other types of securities. If the Company is offering a security other than a stock, a debt instrument, or a membership interest (such as an interest in an LLC), disclose the special features of the security being offered.

Features, rights, preferences, restrictions. Disclose whether the security being offered by the Company has any of the following:

- cumulative voting rights;
- other special voting rights;
- preemptive rights to purchase any new issue of shares;
- preference as to dividends or interest;
- preference upon liquidation;

- anti-dilution rights; or
- other special rights or preferences (specify).

To help you respond to this Item, you, or your attorney, should review the statute under which the Company was organized, as well as the Company's corporate or governance documents. Incorporation statutes typically include default provisions for voting rights and preemptive rights. If the Company has not specified particular rights for the securities being issued, the rights will generally be those specified by statute. Disclose the rights of holders of preferred stock, notes, or other securities being offered. You may do this by summarizing the charter, bylaw, or other provision from the Company's governance documents that gives those rights.

Lack of rights. You should also disclose if the securities offered lack any rights typically granted to the type of securities offered. For example, if the securities offered are called "common stock" but lack equal voting rights, you should disclose this and also provide information about the shares that have the right to vote.

Anti-dilution. Typically, anti-dilution rights protect investors from dilution resulting from later issues of stock at a lower price than the investor originally paid or, for convertible securities, from dilution of the value of the conversion privilege if certain events occur, such as stock splits, stock dividends, reorganizations or reclassifications. If the securities being offered are protected by anti-dilution rights, describe the anti-dilution formula applied and how the rights may benefit the investor.

Restrictions on dividends. Describe any restrictions to be imposed at the termination of the offering as well as those in place at the time the offering begins. For example, the Company may intend to use all or part of the offering proceeds to acquire a business and the seller of the business may be taking a loan back. If the loan agreement includes any restrictions on dividends, disclose those restrictions in responding to this item even though the restrictions will not be in force until after the offering.

Convertible securities. Describe any security convertible into another security at the option of the investor. A typical example is a note or preferred stock that is convertible into the Company's common stock. Also describe securities convertible at the option of the Company.

The "date when conversion becomes effective" is the first date when the purchaser may convert the securities into other securities. Similarly, the "date when conversion expires" means the last date on which the purchaser may convert the securities into other securities. If the purchaser may become entitled to convert the securities or may lose the right to convert the securities under certain circumstances, describe those circumstances.

Resale restrictions. Disclose if the Company is imposing resale restrictions on the securities being offered. Resale restrictions affect an investor's ability to resell the security and, therefore, the value of the security. Be thorough and accurate when you describe the restrictions so that the investor is aware of any resale limitations before purchasing the security.

Offering to limited group. The Company may want to restrict ownership of the securities. For example, it may want to limit ownership to employees, independent contractors, or franchisees of the Company, property owners in a certain area, members of a social organization, etc. If the group that can buy the

securities is restricted, disclose this as a resale restriction because it will affect whether an investor will be able to find a member of that group when the investor wants to sell the securities.

Federal securities exemption. When you register securities with the Maine Office of Securities by filing Fund-ME, you are relying on a federal exemption from registration (Rule 504), which requires that you file a Form D with the Securities and Exchange Commission within 15 calendar days of the date of the first sale in the Fund-ME offering.

Restrictions imposed by other authorities. Laws with which the Company must comply may restrict the resale of the securities. For example, you may need to restrict transfer to meet Internal Revenue Code requirements (such as for an S corporation or a limited liability company), or to satisfy regulatory bodies governing the Company's industry.

Required resale to Company. If the Company requires that shareholders wishing to sell their shares sell the shares back to the Company, disclose the resale price or formula for determining the price along with a description of how the formula operates. If the shareholder is guaranteed a return, answer the following questions: Will the Company set aside a reserve for this purpose? What is the basis for predicting that it will have the cash to make the payment? Is this basis reasonable?

Requirement that Company consent to resale. If shareholders wishing to transfer their shares must obtain the consent of the Company to the transfer, specify the conditions under which the Company will consent to a transfer.