

APPENDIX 1

Maryland Crowdfunding Exemption

A. Scope.

1. The Maryland Crowdfunding Exemption ("MDCF") creates under the Maryland Securities Act, Corporations and Associations Article, § 11-602(17), Annotated Code of Maryland ("Maryland Securities Act"), an exemption from the registration requirements of the Maryland Securities Act.
2. This Order sets forth requirements that the issuer, the offering, and the transaction must meet in order to rely on the exemption from registration under the MDCF.
3. The MDCF and the Maryland Securities Act do not provide an exemption from the antifraud provisions of Subtitles 3 and 7 of the Maryland Securities Act.
4. An issuer may use the MDCF to offer and sell securities on an intrastate basis in this State.
5. An issuer may convert an intrastate offering under the MDCF to an interstate offering by modifying the offering to comply with the Securities and Exchange Commission's Regulation Crowdfunding ("SEC Reg CF"), 17 CFR § 227.100 et seq., which is incorporated by reference throughout this exemption, provided that compliance with SEC Reg CF is possible at the time of conversion.

B. General Requirements.

1. Transactions by an issuer involving the offer or sale of securities of the issuer that are part of an offering that satisfies the terms of the MDCF are exempt under section 11-602(17) of the Maryland Securities Act.
2. Notwithstanding the failure of a proposed transaction to satisfy one or more of the terms of the MDCF, upon application, the Commissioner may order that the transaction is exempt under section 11-602(17) of the Maryland Securities Act, if the Commissioner finds that:
 - a. The transaction demonstrates substantial compliance in good faith with the conditions of the MDCF; and
 - b. The order would be consistent with the public interest.
3. The burden of proving an exemption under the MDCF is on the person claiming the exemption.

4. Offers, offers to sell, offers for sale, and sales under the MDCF shall be made only within the State and only to residents of the State.
 5. Under the MDCF, an issuer may, but is not required to, conduct an offering of the issuer's securities through the platform of an intermediary (i.e., a registered funding portal or a registered broker-dealer), as that term is defined in SEC Reg CF, 17 CFR §227.300(c).
 6.
 - a. Under the MDCF, an issuer that does not conduct an offering through the platform of an intermediary as provided in subsection 5 of this section may conduct the offering solely through the issuer's own website.
 - b. Pursuant to this subsection, the issuer may:
 - i. Use electronic or first class mail for ministerial actions and to forward to potential investors the required offering statement and related documents; and
 - ii. Use the facilities of a financial institution or third party payment processor to facilitate investors' payment of the purchase price for the securities sold.
 7. Under the MDCF, an issuer may not pay a sales commission or other sales-related compensation to any person who is not properly registered under the Act.
 8. The aggregate price raised by an issuer under the MDCF and SEC Reg CF during any twelve (12) month period may not exceed \$1 million.
- C. Nature of Issuer. An exemption under the MDCF is available only to an entity that:
1. Is organized or is qualified to do business under the laws of the State;
 2. Has its principal place of business in the State;
 3. Has a specific business plan that does not anticipate a merger with or acquisition by an unidentified company;
 4. Is not subject to the requirement to file reports pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d));
 5. Is not an investment company, as defined in section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a-3), or excluded from the definition of investment

company by section 3(b) or section 3(c) of that Act (15 U.S.C. 80a-(b) or 80a-3(c));

6. Is not disqualified as specified in section K of this Order; and
7. If it has previously sold securities in reliance on SEC Reg CF or the MDCF, has filed with the SEC any annual reports required by SEC Reg CF, 17 CFR 227.203(b), and filed with the Division and posted on the issuer's website any annual reports required by section L.3 of this Order.

D. Nature of Offerees and Investors.

1. For purposes of determining the residence of an offeree or a purchaser:
 - a. An individual is considered to be a resident of the State if, at the time of the offer and sale to the individual, the individual's principal residence is in the State.
 - b. A corporation, partnership, trust, limited liability company, or other form of business organization is considered to be a resident of the State if, at the time of the offer and sale to it, the entity's principal office is in the State.
 - c. A corporation, partnership, trust, limited liability company, or other business organization that is organized for the specific purpose of acquiring part of an issue offered under this Order is not considered to be a resident of the State unless all of the beneficial owners of the entity are residents of the State.
2. The aggregate amount of securities sold to any investor by all issuers relying on the MDCF and SEC Reg CF during the 12-month period preceding the date of the sale to that investor of securities in an offering conducted under the MDCF, including the securities sold to the investor in that offering, shall not exceed:
 - a. For an investor with an annual income or net worth of less than \$100,000, the greater of \$2,000 or 5% of the lesser of the investor's annual income or net worth; and
 - b. For an investor with an annual income and net worth of \$100,000 or more, up to 10% of the lesser of the investor's annual income and net worth, up to a maximum of \$100,000.
3. Provided that the issuer does not know that any part of the representation is untrue, the issuer may rely on a representation from the investor, whether obtained

directly by the issuer or from an intermediary in compliance with SEC Reg CF, of:

- a. The investor's annual income and net worth; and
 - b. The investor's compliance with the investment limitations set forth in section 2 above.
4. For purposes of calculations made for this subsection, the issuer should use the provisions applicable under SEC Regulation D, Rule 501, 17 CFR § 230.501, for accredited investors.
- E. Offering Logistics.
1. An offering under the MDCF must remain open for 21 days.
 2. Until 48 hours before the deadline to reach the target amount identified in the issuer's offering materials, an investor may cancel its investment for any reason.
 3. Within the 48 hours before the deadline to reach the target amount identified in the issuer's offering materials, an investor may cancel its investment only if there is a material change in the offering.
 4. If the issuer makes a material change in an offering under the MDCF, the issuer shall follow the procedures set forth in SEC Reg CF, 17 CFR § 227.304(c). If the issuer is not using an intermediary, the issuer shall perform the obligations of the intermediary set forth in those procedures.
 5. An offering under the MDCF may be closed early if the issuer follows the procedures set forth in SEC Reg CF, 17 CFR § 227.304(b). If the issuer is not using an intermediary, the issuer shall perform the obligations of the intermediary set forth in those procedures.
- F. Disclosure. In an offering under the MDCF, at least four (4) business days before a sale to an offeree, an issuer shall provide to the offeree a completed Form MDCF-1 or Form MDCF-2.
- G. Financial Statements. In an offering under the MDCF, an issuer shall provide financial statements to potential investors as set forth in SEC Reg CF, 17 CFR § 227.201(t).
- H. Resales. A person who purchases securities in an offering under the MDCF may not resell or otherwise transfer the securities during the one-year period beginning on the date the securities were issued other than in accordance with SEC Reg CF, 17 CFR §

227.501(a) (1), (3), and (4).

I. Notice Filing.

1. An issuer that intends to offer or sell securities under the MDCF shall, at least fifteen (15) days prior to the intended commencement date for the offering in the State, submit a notice filing to the Division.
2. An issuer may not offer or sell securities under the MDCF until its notice filing is accepted by the Division.
3. The notice filing shall consist of the following:
 - a. A completed Form MDCF-1 or Form MDCF-2;
 - b. The name and CRD number, if any, of each funding portal or other intermediary, as those terms are defined in SEC Reg CF, 17 CFR § 227.300(c), or any broker-dealer, that will participate in the offering;
 - c. The financial statements required by section G of this Order;
 - d. Any other information the Commissioner may reasonably require; and
 - e. The \$400 filing fee required by section 11-506 of the Maryland Securities Act.
4. Response to the Notice Filing.
 - a. Following receipt of a notice filing, the Division shall notify the issuer that its notice filing is either accepted or deficient.
 - b. A notice filing shall be accepted by the Division if:
 - 1) The notice filing is complete; and
 - 2) No stop order is in effect and no proceeding is pending under sections 11-503.1 and 11-513 of the Maryland Securities Act.
 - c. If a notice filing is incomplete, the Commissioner, before issuing a stop order under sections 11-503.1 and 11-511 of the Maryland Securities Act, shall notify the issuer of the deficiencies in its notice filing that must be corrected in order to complete the notice filing.

- d. If an issuer cures the deficiencies in its notice filing and no stop order is in effect and no proceeding is pending under sections 11-503.1 and 11-513 of the Maryland Securities Act, the Commissioner shall notify the issuer that the notice filing is accepted.
 - e. If an issuer fails to cure the deficiencies in its notice filing within fifteen (15) calendar days of notification of the deficiencies, the Commissioner may issue a stop order suspending the offer or sale of the securities in the State under sections 11-503.1 and 11-513 of the Maryland Securities Act.
 - f. If, after the Commissioner issues a stop order, the issuer completes the notice filing, the Commissioner may vacate or otherwise modify the stop order and declare the filing accepted.
- J. Integration. In connection with an offering under the MDCF, integration of offerings of an issuer's securities is assessed as set forth in COMAR 02.02.04.10B.
- K. Disqualification events.
- 1. The exemption from registration under the MDCF is not available to an issuer under the circumstances set forth in SEC Reg CF, 17 CFR § 227.503(a).
 - 2. The disqualification provisions of this section apply to each person identified in SEC Reg CF, 17 CFR § 227.503(a), and to any beneficial owner of 10 percent or more of a class of the issuer's equity interests.
 - 3. The limitations set forth in SEC Reg CF, 17 CFR § 227.503(b)(1) – (3) do not apply to any disqualification covered by subsections 1 or 2 of this section and SEC Reg CF, 17 CFR § 227.503(a).
 - 4. The reasonable care exception set forth in SEC Reg CF, 17 CFR § 227.503(b)(4) will apply with respect to a disqualification covered by subsections 1 or 2 of this section.
- L. Reporting Requirements.
- 1. Form MDCF/Amendment.
 - a. An issuer that is offering or selling securities under the MDCF in an offering that has not yet been completed or terminated is required to file an amendment when the offering statement contains any material change or any inaccurate or misleading information. The issuer shall:

- 1) File the issuer's Form MDCF/Amendment (Form MDCF/A) with the Division;
 - 2) Provide the issuer's Form MDCF/A to investors to disclose any material changes, additions, or updates to information that the issuer provides to investors; and
 - 3) Check the box on the Form MDCF/A indicating that investors must reconfirm an investment commitment within five (5) business days or the investor's commitment will be considered cancelled.
 - b. The filing with the Division of an amendment for an offering document containing inaccurate or misleading information does not cure any violation of law relating to an issuer's disclosure obligation to a potential investor or an investor.
2. Form MDCF/Progress Update. An issuer that has offered or sold securities under the MDCF shall:
- a. No later than five (5) business days after reaching the target amounts identified in subsection 2.b of this section, file with the Division and provide to investors progress updates on Form MDCF/Progress Update (Form MDCF/P) to disclose the issuer's progress in meeting the target offering amount.
 - b. Comply with subsection 2.a of this section after each of the dates when the issuer reaches 50 percent and 100 percent of the target offering amount.
 - c. If the issuer accepts proceeds in excess of the target offering amount, within five business (5) days of the completion of the offering, disclose the total amount of securities sold in the offering by filing with the Division and providing to investors the issuer's final Form MDCF/P indicating the amount.
3. Form MDCF/Annual Report. An issuer that has offered and sold securities under the MDCF shall:
- a. Within 120 days after the end of the fiscal year covered by the report, file with the Division and post on the issuer's website an annual report on Form MDCF/Annual Report (Form MDCF/AR) and financial statements prepared as set forth in SEC Reg CF, 17 CFR § 227.202(a).

- b. As soon as practicable after discovery that its most recent annual report on Form MDCF/AR as filed with the Division and posted on its website contains a material inaccuracy or is materially incomplete or misleading, file with the Division and post on its website an amendment to the Form MDCF/AR to provide the information necessary to make such Form MDCF/AR not materially inaccurate, incomplete or misleading.
 - c. Cease complying with subsections 3.a and 3.b of this section upon the occurrence of an event described in SEC Reg CF, 17 CFR § 227.202(b).
- 4. Form MDCF/TR: Termination of Reporting. An issuer that has offered and sold securities under the MDCF and intends to cease reporting as provided in subsection 3.c of this section shall, within five business days following the date on which the issuer becomes eligible to cease reporting, file with the Division and post on its website a completed Form MDCF/TR to provide notice that the issuer will cease reporting.
- M. Advertising. An issuer that wishes to promote or advertise its offering under the MDCF may do so only on its website. Any advertising shall prominently display the following legend on each page of the issuer's website where advertising appears and on the front page of advertising material posted on the issuer's website:

“THIS SALES AND ADVERTISING LITERATURE MUST BE READ IN CONJUNCTION WITH THE OFFERING STATEMENT IN ORDER TO UNDERSTAND FULLY ALL OF THE IMPLICATIONS AND RISKS OF THE OFFERING OF SECURITIES TO WHICH IT RELATES. A COPY OF THE OFFERING STATEMENT MUST BE MADE AVAILABLE TO YOU IN CONNECTION WITH THIS OFFERING.”