



FORM C-AR ANNUAL REPORTS FREQUENTLY ASKED QUESTIONS

What is Form C-AR?

Form C-AR is the annual report issuers are required to file with the SEC after selling securities in an exempt transaction pursuant to a Regulation Crowdfunding (Reg CF) crowdfunding campaign. Required disclosures are like those provided in Form C except you do not need to discuss the securities being sold.

Form C-AR also requires updated financials prepared according to generally accepted accounting principles in the United States (U.S. GAAP). GAAP financials include balance sheets, statements of comprehensive income, statements of cash flows, statements of changes in owners' equity, and notes to the financial statements. Financials do not need to be reviewed or audited by an independent public accountant, but if such are available, you are required to provide them; otherwise, they must be certified by the principal executive officer of the issuer to be true and complete in all material respects.

The sample table of contents below outlines possible components of a typical Form C-AR. Note that not all areas listed may apply to a particular company and there may be others that do. In any case, one must make sure the annual report is up to date and accurately describes and discloses everything material to your company.

- SEC Filing Data - includes information such as issuer's name, legal status, address, website, portal, offering details, and financial highlights
- Cover
 - Table of Contents
 - Additional Information
 - Reporting Requirements Compliance (disclose whether the company or any of its predecessors previously failed to comply with ongoing reporting requirements)
 - Bad Actor Disclosure
 - Forward Looking Statements
- The Company
 - Overview
 - Recent Third Party News Reports
- Risk Factors
 - Risks Related to the Company's Business & Industry
- Business
 - Overview
 - Business Plan
 - History
 - Products & Services
 - Customers
 - Sales & Marketing
 - Vendors & Suppliers
 - Employees
 - Properties
 - Competition
 - Intellectual Property



- Regulatory Matters
- Litigation
- Management
 - Directors & Executive Officers
 - Key Advisors
 - Compensation Policies
 - Director Compensation
 - Potential Payments Upon Termination or Change of Control
 - Equity Incentive Plan
 - Employment Agreements
 - Limitation of Liability & Indemnification
- Capitalization & Ownership:
 - Capitalization
 - Indebtedness (description of the material terms of any indebtedness including amounts, interest rates, maturity dates, and any other material terms)
 - Ownership (description of ownership, including all beneficial owners of 20% or more)
 - Exempt Offerings (description of exempt offerings conducted within the past three years)
 - Previous SEC Filings
 - Restrictions on Transfer
- Financial Information
 - Recent Tax Return Information
 - Results of Operations
 - Liquidity & Capital Resources
 - Capital Expenditures & Other Obligations
- Related Party Transactions
 - Related Person Transactions
 - Conflicts of Interest
- Signatures
- Financial Statements
 - See below.

Why do I need to file Form C-AR?

Because it is a regulatory requirement, and in addition, failure to timely file Form C-AR could prevent you from:

- Crowdfunding again;
- Using other registration exemptions like Reg D; and
- Keeping your promises to your investors.

What is the deadline for filing Form C-AR?

Form C-AR must be filed no later than 120 days after the end of the fiscal year. For those with a fiscal year ending December 31, the C-AR is due by April 30.

Can I stop doing this and terminate my reporting requirements?

Not until one of the following occurs:

- You become a public reporting company;



- You have made a Form C-AR filing already and have less than 300 holders of record;
- You have filed three Form C-ARs and have total assets less than \$10 million;
- You repurchased all outstanding securities issued through your crowdfunding offering; or
- You liquidate or dissolve your business in accordance with state law.

However, to be exempt from future reporting requirements, you will need to file a Form C-TR. We can help you with this critical filing as well. Form C-TR must be filed within 5 days of filing a Form C-AR.

What are the financial information rules for Form C-AR?

Reg CF requires a description of the finances of the issuer, including historical results of operations and liquidity and capital resources.

The discussion should focus on whether historical results and cash flows are representative of what investors should expect in the future and must cover each year for which statements are provided, including those for the year most recently concluded. Any known material changes or trends in the results of operations and financial condition of the issuer during any time period subsequent to the period for which financial statements are provided should also be discussed.

The liquidity and capital resources section should consider the proceeds of any offerings conducted during the year and any other known or pending sources of capital such as lines of credit or required contributions by shareholders. The way in which proceeds have affected liquidity and how quickly the issuer anticipates using its available cash should also be discussed.

Reg CF requires that an annual report on Form C-AR must include financial statements for the last two years, including the one most recently completed, prepared in accordance with U.S. generally accepted accounting principles (US GAAP). The required statements must include: (1) balance sheets; (2) statements of comprehensive income; (3) statements of cash flows; (4) statements of changes in stockholders' equity; and (5) notes to the financial statements.

An issuer may elect to delay complying with any new or revised financial accounting standard under GAAP until the date that a company that is not an issuer as defined under Section 2(a) of the Sarbanes-Oxley Act of 2002 is required to comply with such standard, if it also applies to companies that are not issuers. Issuers electing such extension of time to comply must disclose it at the time it files its offering statement and apply the election to all standards. Issuers electing not to use this accommodation must forgo it for all financial accounting standards and may not elect to rely on it in any future filings.

If the financial statements are not audited, they must be labeled as "unaudited". However, they must be certified as true and complete in all material respects¹ by the principal executive officer of the issuer. However, if statements are available that have been reviewed or audited by an independent public accountant, the issuer must provide such along with a signed audit

¹ Intentional misstatements or omissions of facts constitute federal criminal violations. See 18 U.S.C. 1001.



or review report. In this case, the issuer need not include the certification of the principal executive officer.

Is help with Form C-AR available?

Silicon Prairie can help you prepare and file your Form C-AR via our MarketBuilder™ service, making this potentially complicated process as simple as possible. As a user, here is what you can expect:

- 1) Subscribe to our MarketBuilder™ service. See [sample engagement letter](#).
- 2) Once you have signed up, we will download your most recent Form C from EDGAR and convert it to Word. Alternatively, you can send a Word version to us. You will also need to provide us with your current financial statements, which we will convert to Excel for ease of incorporation into Form C-AR.
- 3) In a week or ten days, we will send you the first draft of Form C-AR for your review and comment. After you have given us your comments and we have incorporated them, we will send you a second draft. We recommend that you have this second draft reviewed by your attorney and independent accountant. After these reviews, we can incorporate their comments into the third, and hopefully final draft.
- 4) Once the drafting process is complete, we convert it to PDF for your SEC attorney to Edgarize and file with the SEC and for you to post on your website.

What other help is available?

While not required by Reg CF, to help you manage your business and facilitate a secondary market in your securities, we can help with certain optional reports. These include:

- Current reports to disclose material items of interest to investors such as fundamental changes in the business, bankruptcy or receivership, material modification to rights of security holders, changes in accountants, sales of unregistered equity securities, changes in control, and the departure or appointment of key personnel such as directors and officers;
- Quarterly financial press releases; and
- Mini-valuations and §409 valuations to comply the Internal Revenue Code.

For additional information, contact Cedric Long at 612-889-3419 (cedric.long@spcp.io) or Wiley Sharp at 612-801-1601 (wiley.sharp@spcp.io).