GrowthFountain currently allows issuers to choose between two securities:

COMMON EQUITY

Equity traditionally represents a form of ownership in a Company. As owners, equity investors can theoretically sell that ownership interest when the overall value of the Company has increased. Alternately, if someone buys the Company, equity investors generally will receive a share of the proceeds from such sale. Any shares of common stock purchased in a crowdfunding transaction would have certain holding restrictions which are described in greater detail in our educational material.

Investing in equity is considered high risk because the shares of stock representing such equity could lose all of their value. There is also a perceived risk because if a Company has both equity and debt investors and the Company goes out of business, then the debt holders get paid before the equity holders from any liquidation proceeds.

Common stock is the basic stock that all corporations have. Common stock traditionally has voting rights where one share counts as one vote, but the common stock offered by issuers listing on GrowthFountain is all non-voting common stock. In general, common stock holders have the rights as set forth in the Company's Articles of Incorporation, and you can review such governing document for a better understanding of the rights attributable to the common stock of any issuer listed through GrowthFountain.

You should read the risk factors to better understand the risks associated with minority ownership.

The following chart can assist in distinguishing between different types of securities:

	Donation	**Bank Debt**	**Common Equity**	**Revenue Sharing**
Upside Potential	None	None, except interest payments	Unlimited	Capped at 2x
Voting Rights	None	None	Yes, unless non-voting	None
Required Payments	None	Yes, interest and principal	No, only if distributions declared	Yes, annual payment of revenue share
Collateral or Personal Guarantee	None	Yes	None	None
Liquidation Preference	N/A	Yes, debtholders paid first as creditors	No, common equity is usually paid last	Yes, if the promise to pay is deemed debt
Reporting Burden	None, but often have to deliver perk	Depends on covenants	Depends on shareholder agreement	Financial reports to confirm accuracy of payments
Enforceability	N/A	Event of default allows investors to become creditors	No events of default	Event of default allows investors to become creditors

A REVENUE SHARE AGREEMENT

A Revenue Share Agreement is a form of investment contract in which the Company shares 5% of its revenue annually with investors.

Here's how it works:

1. Investors earn 5% of the company's revenue annually;
2. No distributions are required until the second full calendar year and the company is allowed one year of forbearance as needed;
3. Distributions are capped at two times the invested amount (2x);
4. In the event of default, investors become general unsecured creditors (senior to equity).

The advantage of revenue sharing from an investor's perspective is that it offers annual cash payments so that the investor is not dependent on a Company exit to have some form of liquidity.

This can be an attractive option for some Companies since it allows them to keep more of their equity, makes repayment flexible to accommodate any fluctuations in the Company's business and takes pressure off of the Company to achieve an "exit" for investors, will often result in no loss of control for the entrepreneur and does not require collateral or personal guarantees.

A form of the revenue sharing agreement used by GrowthFountain can be reviewed <here>.

The following chart can assist in distinguishing between different types of securities:

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