FEES: Issuer Concession Fees, Investor Administration Fees & Investor Commission Fees

Q. Can we charge investors some of the offering fees?

A. Yes, FundAmerica technology enables the issuer or the investor… or both… to pay brokerage fees, funds transfer fees, administrative fees, etc.

Q. Does it matter if this is a 506(c) offering? What about Reg A? Or 4(a)(6) crowdfunding? Or Reg S? Or something else?

A. It doesn't matter at all, you can add fees to any type of offering.

Q. Can I offset the transaction fees I'm charged by FundAmerica and the escrow agent?

A. Yes, FundAmerica's technology has an option to offset the transactions fees in which case FundAmerica's system will automatically calculate what the transaction fees will be and then charge that amount as the fee to the investor.

Offering & Investor Fees

Introduction:

In addition to the funds being sent by an investor to make an investment, additional fees can be added at the issuer's (or portals) option. FundAmerica's technology supports three types of fees, which are as follows:

- ✓ Issuer Paid - Concession Fees
- ✓ Investor Paid - Administration Fees
- ✓ Investor Paid - Commission Fees

Discussion:

Investor Administration Fees

Administration fees are non-contingent fees generally used by the issuer to pass some of the cost of the capital raise to the investor. In offerings that might allow for small investor commitments, such as Reg A and Reg CF, this can be particularly important. In a Reg D, covering the cost of a wire fee generally isn't an issue for the company if only a handful of large investors are participating. But when it's hundreds, or even thousands of investors each only investing tens or hundreds of dollars then this can become a significant expense for the issuer; who may want to pass that on to the investor.

Adding an administration fee to an investor can really help an issuer (caution, as it can also hinder an investor). These fees are available once investor funds clear, whether or not escrow minimums are met, and are not refunded to the investor should they opt to cancel their commitment (the definition of 'non-contingent').

Administration fees, set by the issuer (or portal) at their discretion on an offering, are added to the total of the investment, as such an investment of $100 with, for example, a $15 administration fee would not be considered received in full until the investor sent $115. The $15 does not count against the escrow minimum.

It is important to note that the proceeds from these fees are available to the issuer as soon as the investors funds clear, triggered via escrow disbursement requests, so if you are running a platform you'll need to make proper arrangements with your issuers. Also note, these are <<not>> variable fees as non-contingent charges cannot be based upon the amount or success of any investment. Furthermore, keep in mind that this means if the offering isn't successful or the investor's investment is canceled before securities are sold then the investor will <<not>> be getting this amount returned to them (they would just get their capital, e.g. $100, not the full amount they originally sent, e.g. $115.

Investor Commissions:

Investor commission fees are 'contingent fees' that are calculated in addition to the total investment amount. For an investment of $10,000 where the broker-dealer is charging a 5% brokerage fee, $500 would be due to the broker-dealer and $9,500 would go to the issuer. The investor would be purchasing $10,000 worth of securities.

Since a fee can be charged in addition to the investment total, the $500 fee does not count toward reaching the escrow minimum, nor does it count toward individual investor caps, and the investor would remit $10,500 to purchase $10,000 worth of securities. In this case, $500 would still go to the broker-dealer, and now $10,000 goes to the company.

As contingent fees, if the offering doesn't succeed or the investor cancels their investment before the securities have been sold, then they get their full amount (e.g. $10,500) returned to them.

Issuer Concession Fees

Issuer concession fees are 'contingent fees' that are calculated as part of the total investment amount. For an investment of $10,000 where the broker-dealer is charging a 5% brokerage fee, $500 would go to the broker-dealer and $9,500 would go to the issuer. The investor would still be purchasing $10,000 worth of securities.

Since the fee is taken out of the issuer's net offering amount, the means that the full $10,000 counts against reaching an escrow minimum and the investor is only sending $10,000. Concession fees tend to simplify the process for the investor since they only need to be concerned with the exact capital amount they are investing.

Special Note for Reg CF (crowdfunding) Offerings

Reg CF offerings are by regulation capped at maximum of $1,000,000 gross from investors. While we believe that administration and commission fees do not count against individual investor caps, they do count against the gross total (confirm with your attorney before using these tools).

Combining Fees

Sometimes a broker or portal may want to charge both an issuer and the investor. This might occur, for instance, in a situation where an issuer only agrees to, say, a 3% fee; necessitating the broker/portal to then also charge investors some sort of commission in order to cover their costs and turn a profit.

Thus FundAmerica's systems make It easy to attach any combination of contingent and non-contingent fee defaults in an offering, which are then applied to each investment. Contingent fees require that the offering is paired to a broker-dealer or funding portal in our system. Non-contingent administration fees can be accessed and collected by anyone, including direct issuers and investment adviser platforms even if not associated with a broker or funding portal.