



INVESTMENT PREVIEW

INTRODUCTION

Trace Orthopedics is a startup medical device company, developing a new treatment method and product to perform tendon reattachment without surgery. The company was established in April 2019 by co-founders and inventors Dr. William Morrison and Adam Greenspan, the company president and first employee. We are currently raising funds from accredited investors in our professional and social networks in order to achieve critical milestones. We will subsequently close a round of *future qualified financing* as we continue product development and FDA clearance.

REGULATION COMPLIANCE

In accordance with [Rule 506\(b\)](#), a “safe harbor” under [Section 4\(a\)\(2\)](#) of the Securities Act¹, Trace Orthopedics shall complete private placements resulting in the transfer of restricted company securities in the future. Investing in private securities transactions bears risk, and accredited investors capable of evaluating the merits and risks of the prospective investment shall be pursued for participation. This shall be accomplished without performing activities associated with general solicitation. Therefore, the company shall take proactive steps to ensure appropriate restrictions on the participation of non-accredited investors. This includes but is not limited to requesting completion of a questionnaire to affirm accredited investor status and directly administer funding placements with individual investors and special purpose vehicles.

FUNDING STRUCTURE

The company will enter into a Simple Agreement for Future Equity with accredited investors individually. Commonly referred to as a “SAFE note”, this structure is practiced widely among angel investor groups. Upon closing the next qualified financing, the SAFE investor shall receive his or her pro rata share of company stock at a discounted price of 80%. We are seeking investment from accredited investors according to the levels in the following table.

Investment Levels	
Special Purpose Vehicle entry for SAFE note, 20% discount	\$5,000
Special Purpose Vehicle entry for SAFE note, 20% discount	\$10,000
Direct SAFE note, 20% discount	\$25,000
Direct SAFE note, 20% discount and valuation cap	\$50,000
Direct SAFE note, 20% discount, valuation cap, and MFN	\$100,000

¹ <https://www.sec.gov/smallbusiness/exemptofferings/rule506b>

An outline of the first \$25,000 raised and corresponding budget allocations are presented below. Trace Orthopedics intends to procure up to \$500,000 in similar private placements and convertible debt.

Use of Funds (projected 6-month runway of \$250,000)	
Video production using animation modeling and live demo	\$7,500
Office and maker space monthly fees	\$7,500
Prototype 1 updates	\$5,000
New patent application and examination of first	\$10,000
Prototypes 2 & 3 design and production	\$60,000
Performance and failure standard testing	\$25,000
FDA and ISO consulting	\$25,000
Large animal testing, small group	\$150,000
Operating costs (e.g. insurance, legal, regulatory, VC fees)	\$50,000