Ms. Vanessa Countryman **May 31, 2020**
Secretary Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Securities and Exchange Commission Proposed Rules Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets; File No. S7-05-20

Before providing specific comments, we would like to express our deep appreciation to the U.S. Securities and Exchange Commission (the "Commission") for the careful consideration of the responses to its Concept Release on Harmonization of Securities Offerings Exemptions (the "Concept Release"). We were delighted to see that not only had our prior feedback been reviewed we are honored that it was cited a number of times in this proposition. We understand that the process of incorporating the multitudes of opinions and perspectives is an arduous one and we are grateful for the Commission's efforts to ensure that the regulations it promulgates provide economic value to both entrepreneurs and investors.

Silicon Prairie Holdings, Inc ("SPHI") owns a number of affiliate entities whose collective mission is nothing short of "The Democratization of Capital." The Commission's goal of Harmonization will dramatically help us simplify our operations, which today include:

- Intrastate funding portals serving Minnesota, Wisconsin, Iowa and Michigan
- A FINRA reporting Funding Portal in support of REG-CF
- An SEC reporting Transfer Agency

Also of note, we recently acquired an SEC and FINRA reporting Broker-Dealer and are in the Continuing Membership Application ("CMA") process, under a "fast path" offered by FINRA. Our intention is to fold our existing intrastate and REG-CF portals into a successor entity named Silicon Prairie Capital Partners.

Lastly, we anticipate filing an Alternative Trading System ("ATS") registration under a low-volume exemption with the Commission later this year. Investors in the securities we help place have a right to liquidity on their terms under what we envision as a bulletin board style marketplace. See our attached "MNtrade" model for more information on our planned approach.

1. We support raising the REG-CF limit to $5 Million Dollars

This would in a lot of ways eliminate for us the need to operate separate intrastate portals. Today under the Rule 147A inspired "MNvest" exemption in Minnesota, issuers can raise up to $1M dollars on self-reported financials and up to $2M if they have been reviewed or audited. Non-accredited investors are limited to $10,000 per person per deal per year. Wisconsin and Michigan are similar. Iowa allows capital formation up to $5M but places a restriction of $5,000 per family per deal per year, included in the count are all residents with the same address. We did operate a portal as a service to a Colorado operator where the rules were slightly different and explored opening operations in Nebraska, but their rules are so restrictive as to make any offering there wholly unviable.

To this end, we strongly encourage the Commission to relax the rules on the need for reviewed or audited financials for raises below the $1M threshold as we have direct first hand experience with potential issuers who were unable to afford the professional service fees required for raises over $107,000 under the current rules. We're certain the Commission is cognizant of the fact that a number of REG-CF offerings hosted on other platforms have initiated raises under the current $107,000 threshold only to file an amended Form C-U once they approach that limit to raise their ceiling.

We draw attention to a 2016 study by JPMorgan Chase & Co[1] of 600,000 small businesses that revealed the median cash balance of a small business was only $12,000 with sufficient funds on hand to support 27 days of cash outflow. That universe includes companies from one (1) to five-hundred (500) employees, with an actual average balance for the types of business we help much closer to the $5,000 level cited by the report. I hope the Commission can appreciate the burden having to engage a CPA at an average cost range of $7,500 - $20,000 to provide a thin veneer of attestation on the financials that offers no certainty of being able to raise the minimum amount of funds in an offering to cover those costs in addition to legal and marketing fees let alone be able to execute on their reported use of proceeds.

We think that there is a better mechanism to provide a higher degree of assurance to the offerings through the use of an insurance product, namely the "TigerMark[2]" service sold by Assurely, Inc which is paid for from the proceeds of the offering once it hits its minimum goal.

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[1] https://www.jpmorganchase.com/corporate/institute/document/jpmc-institute-small-business-report-exec-summary.pdf

[2] https://www.assurely.com/tigermark2

2. Non-Accredited Investor Limits

We applaud the Commission's proposal to align the min/max amounts permitted to non-accredited investors to be “the greater of” the income or net-worth test.

We hope that it will be simplified further to the 10% threshold for all investors regardless of the means test; unlike the current 5% and 10% thresholds at the $107,000 level.

Furthermore we encourage the Commission to clarify that the amounts are “per deal per year” and does not encompass all activity on all portals as there is no practical mechanism for oversight other than self-attestation by investors.

The reality is that we rarely see any cross-investment activity by investors on our own platform. This is due in part to what we have observed as three phases of funding under what we call “Bring Your Own Crowd” (“BYOC”):

1. The first phase are from investors who personally know the founders
2. The second phase shows indications of interest from “friends of friends”. These are investors who do not know the founders but rather know someone who does. They also tend to be the most critical of the business plan and financials. And lastly,
3. The third phase includes random investors who neither know the founders but tend to be “momentum investors” who may be investing from a fear of missing out. Very few offerings ever achieve this.

Issuers who “post and pray” rarely ever achieve their minimum funding goal unless it is artificially low and potentially partially pre-funded by the issuers themselves.

Even though the average investment amount is well below $1,000 for most non-real estate offerings we think that allowing for a “certified investor” designation as we had previously cited from the Wisconsin Intrastate exemption definition[3] would be more inclusive for those investors who have domain knowledge and risk appetite for investing in things like real estate.

We encourage the Commission to consider inserting the “certified investor” definition between non-accredited and accredited investors, and also to begin deemphasizing the use of the pejorative term “sophisticated” as wealth (often gained through inheritance) is no measure of a person's “financial fitness.” There are countless spendthrift stories out there to support our plea.

Lastly, if certain tests or certifications could provide a path to demonstrating “financial fitness” we suggest that FINRA’s Securities Industry Essentials (“SIE”) would be worth considering as it does not require a member firm sponsorship and is open to anyone.

[3] https://www.wdfi.org/fi/securities/crowdfunding/default.htm

3. Regulation Crowdfunding Should Remain a "SAFE" Sandbox

We are opposed to the Commission's proposal to limit the types of securities that can be sold using the exemption as we believe that Regulation Crowdfunding should be preserved as a kind of financial technology "sandbox".

While we are aware of the grievances of many so-called "sophisticated" investors such as those who self identify as being "angel investors[4]" *the* primary complaint we have heard to date is that a Simple Agreement for Future Equity ("SAFE") is in their words "too founder friendly." What that reveals to us, especially after reviewing hundreds of term-sheets is that many of these investors delight in creating grand fictions that favor them over the issuers. In several cases we know of founders fired by their boards within a month of taking the "angel investor" money and several that are being choked out for their IP through restrictive covenants.

Fundamentally a SAFE is NOTHING MORE than a convertible note at a zero percent interest rate, often sold with an attractive discount to a subsequent priced round. Even if a SAFE in name only was prohibited, we believe issuers would still circumvent it by calling it a zero percent convertible note. Even the US Treasury offers a "Zero Percent Certificate of Indebtedness!"[5]

Furthermore, forcing issuers to have priced rounds at the "friends and family" or seed-stage sets a dangerous precedent in that it could force companies into "down-rounds" on subsequent financing events especially if the company needs to pivot.

We believe that with the advent of additional Alternative Trading Systems ("ATS") that even a SAFE security could enjoy liquidity. We ourselves raised capital using MNvest and sold a SAFE to our investors and have every intention of making it available on our ATS prior to our next round if possible and are cautiously optimistic that it could provide pricing support to help inform our priced round. After all, "The worth of a thing is the price it will bring."

Lastly, we would like to draw the Commission's attention to a study titled "Crowdfunding via Revenue-Sharing Contracts", by Soraya Fatehi and Michael R. Wagner[6] prepared at the Information Systems and Operations Management, Michael G. Foster School of Business, University of Washington, Seattle, Washington 98195.

The summary of the research showed a high correlation of companies who used Revenue-Share Agreements over fixed-debt instruments in avoiding bankruptcy.

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4 https://techcrunch.com/2012/09/30/why-angel-investors-dont-make-money-and-advice-for-people-who-are-going-to-become-angels-anyway/

5 https://www.treasurydirect.gov/indiv/help/TDHelp/help_ug_152-CofILearnMore.htm#:~:text=The%20Zero%2DPercent%20Certificate%20of,in%20your%20C%20of%20I.

6 https://faculty.washington.edu/mrwagner/FatehiWagner_18.pdf

We believe that actual investor harm happens in the operating agreements which are typically signed off on at the time of most subscription agreements. We have first hand experience and knowledge of several investors in both Preferred and Common Stocks who are essentially locked-out of liquidating their interests because of prohibitive restrictions within said operating agreements such as rights of first refusal clauses often drafted without any objective means to value the transaction and usually at management's sole (sometimes arbitrary and capricious) discretion.

Therefore we encourage the Commission to not place any additional restrictions on the types of securities that can be sold under Regulation Crowdfunding and to treat it as a kind of financial technology sandbox.

4. We Support a 90-Day Integration Window

We appreciate that the Commission is open to reviewing the generally accepted gap of six months between offerings to avoid questions of integration. We are of the opinion that a 30 day window is simply too narrow of a time for investors to:

1. Become aware of an offering
2. Review the offering materials
3. Potentially seek to understand or clarify with an issuer outstanding questions
4. Make a positive determination that an investment is suitable
5. Fund their investment commitment
6. Execute a subscription agreement

If an issuer needs to materially change the terms of their offering it is likely that the market did not deem it investment grade and therefore all investor commitments should require a positive affirmation that they are willing to accept the material changes or be refunded.

We appreciate the spirit and role of a break between materially similar offerings to protect investors who ought to be given the same beneficial terms as other investors in the same class of securities. The example we think of is where an issuer initially raises equity capital at $1.00 per unit and then shortly thereafter raises more equity capital again at a higher or lower valuation thus potentially disenfranchising the collective class of investors.

Therefore we ask the Commission to consider lowering the integration window to no fewer than 90 days for materially similar offerings as a good compromise and then re-evaluate any velocity gained as well as feedback from any one who believes they have been harmed by not lowering it further in a subsequent review.

5. Funding Portals Should Not Be Prohibited From Using Regulation Crowdfunding

As noted above, our company launched our Minnesota based intrastate crowdfunding portal in 2016 and opened operations by hosting a small raise for ourselves on our own portal, something specifically permitted under the MNvest exemption. While the majority of the funds raised could have potentially been obtained quietly using a 504 or the U-7 Small Corporate Offering Registration ("SCOR") we found that 506(B) would not be sufficient as we ended up with more than 35 non-accredited investors.

The prohibition on funding portals from using the exemption themselves is without merit from our perspective. FINRA already has the means to surveil portals and in a lot of ways has more influence and ability to assure compliance than they do over the non-affiliated issuers.

Plus the optics of trying to use another portal to raise money for a competitor portal seems untenable.

For us we refer to our initial MNvest funding event as "eating our own dog food" -- and in a lot of ways demonstrates that we were not going to ask others to do something we ourselves were unwilling to do. Through that process we paid for professional services that included a Private Placement Memorandum of nearly $15,000 and in fact formed the inspiration for our Geppetto Smart Document System that now dramatically slashes the cost of preparation for others to a range of $2,500 - 7,500.

Therefore, we ask the Commission to consider allowing funding portals the opportunity to use the exemption themselves to raise capital. After all, we're small businesses too and building compliant systems is capital intensive.

6. Test The Waters Should be Permitted for Regulation Crowdfunding

Given the uncertainty of raising minimum funds sufficient to cover the costs of even trying to raise capital combined with the current approximate 50% success rate makes the cost of capital under Regulation Crowdfunding among the most expensive options available to entrepreneurs and startups.

We support the idea of allowing potential issuers the ability to seek “Indications of Interest” along with fully filed offerings on funding portals. We envision that a tombstone type of notice along with minimal value proposition and use of funds information should be permitted to be socialized in advance of a filing. A funding portal could collect indications of interest as well as offer a survey-like experience to help issuers determine what type of security and range of possible interest rates would be attractive to potential issuers.

We believe that trying to control how securities are socialized or solicited is the wrong place to apply leverage so long as all advertisements comply with notices and the directions to send interested parties to the funding portal to see the actual offering circular.

Therefore we encourage the Commission to consider allowing a de minimis “stub” FORM-C filing that would identify the issuer and funding portal to allow solicitation of indications of interest as well as feedback on security type preferred, interest rates sought and funding level support. These stub offerings should also provide for the public message board feature to allow a kind of Q&A function or Request for Comments capability to help the issuers refine their offering and value proposition.

7. Consider Phasing Out Rule 504 and Rule 506(B)

It is our opinion that by allowing for simultaneous REG-CF and REG-D 506(C) offerings would fulfill the space currently contemplated by the proposed increase in limit from $5M to $10M for Rule 504.

In Rule 504's defense we have seen good utility of the exemption for real estate crowdfunding where there is no hard limit on the amount a non-accredited investor is permitted to invest. This could be achieved under REG-CF through the introduction of the "certified investor" proposal we've made during the last comment period and again here[7].

Rule 506(B) materially requires essentially the same level of disclosures as REG-CF but with a restrictive limit on 35 non-accredited investors and no ability to broadly advertise. We never thought it made a lot of sense since the level of effort to produce a REG-D 506(C) co-offering to a REG-CF was negligible and in a lot of ways provides MORE disclosure to accredited investors.

Therefore if the Commission is open to further harmonization, we encourage considering the actual utility of Rule 504 in the light of covered securities status that REG-CF and REG-D 506(C) offer as it also removes the Blue Sky costs and friction. It may also be of value to study whether Rule 506(B) maintains its popularity among issues after raising the ceiling on REG-CF.

[7] https://www.wdfi.org/fi/securities/crowdfunding/default.htm

8. It's Time for "Clear Skies"

We are hereby asking the Commission to do a study, if within its authority, on what we are calling "Clear Skies" which is essentially the sunsetting of all Blue Sky laws.

In a post Internet era any leverage once enjoyed through information asymmetry has largely evaporated. Furthermore the application of the Uniform Securities Act ("USA") is inconsistently applied and can cause unnecessary delays, costs and friction and in our own case, actually harmed the formation of capital.

In our own state of Minnesota we have been subjected to arbitrary and capricious treatment by our administrator, the Department of Commerce, who to this day still believes they have the authority to "approve" registrations -- as opposed to the simple recognition that they either make things "effective" or not. This is in part likely due to the fact that those in positions of authority appear to have very little actual knowledge, experience or training in the business of securities. We doubt many of them have even passed the Series 63 for which they require of agents and broker-dealers operating in this state.

Furthermore they seem to be of the opinion that they can "weaponize" their attention, and during the run up to a planned administrative hearing regarding an intrastate Broker-Dealer we formed in part to lower the cost of capital under the MNvest exemption, we discovered through exhibits filed that department staff had taken 500-600 screen shots of our social media. To what end or purpose we may never know, but can only surmise that they were trying to intimidate us.

For background information, we approached the Minnesota Department of Commerce in early April of 2018 with a request for no-action on a proposed "MNtrade" Intrastate Exchange. See attachment of letter dated 2018.04.09 to Daniel Bryden for additional details of the proposal. In late Fall of 2018, the Department encouraged our attorney to have us withdraw the request as they would like to see us registered as a Broker-Dealer first. We subsequently withdrew the request and began researching the requirements to register as a Broker-Dealer.

In December of 2018 we met with the Department of Commerce staff to seek a waiver on a "fixed fee requirement" that exists in the Rule 147A inspired "MNvest" law that restricts non Broker-Dealers from charging a sliding fee scale ("commissions") on offerings hosted on their portals. Once again they declined to offer a no-action letter and suggested we register as a Broker-Dealer. We asked if it would be possible to register as an SEC and FINRA exempt purely state based Broker-Dealer. They in turn asked us to draft a letter asking the Department for an Interpretive Opinion. We subsequently did in January of 2019 and by March we received positive affirmation that it was possible to register in the state and they confirmed that if we did successfully register we would be permitted to charge variable fees.

We also worked with our local state Senator Eric Pratt to draft our “MNtrade” legislation that got as far as getting “jacketed” by the Revisor's Office, but sadly was never introduced in committee.

In April of 2019 we attempted to file our Form BD in the FINRA gateway but encountered problems with submission as it appears their implementation does not faithfully support the actual form. We noted in a support request to FINRA that Section 2 checkbox is not functional and that we were required to select at least one of 2A-2D. In order to push the registration through we had to opt for 2D as the most honest answer in order for the form to move forward. We were subsequently informed by Department staff after they consulted with FINRA that we would need to supply Form BD in paper form to the Department. We did so on April 26th, 2019.

Forty-Five (45) days later, despite weekly status updates with Department staff on our registration and were informed that no additional information was required, at noon on June 10th, 2019 our registration became “statutorily effective.” The Department staff immediately tried to claim that they had not “approved” our registration, despite the clear and distinct language within the Uniform Securities Act (“USA”) that admonishes anyone from claiming use of the word “approval”. What followed was not only an abuse of process, resources, goodwill and significant legal fees on our part but the eventual suspension of our registration and our demand for an Administrative Hearing. The Department's only complaint was that in their words we lacked “knowledge, training or experience” in the business of securities, primarily because no one on our staff at the time had taken a FINRA principal exam. They also demanded that our Written Supervisory Procedures (“WSP”) were in their words “not enough pages long” and included a demand that we update them to show compliance with FINRA 3170 (“Tape Recording of Registered Persons”) -- this all despite the fact that we tried to impress upon them that it was inapplicable to our business and that FINRA accepted our WSP’s for our affiliate Federal Funding Portal conducting the exact same business model as sufficient.

I and some of my staff immediately were able to register and pass both the Series 63 and the SIE but were barred from registering for any FINRA exams by the Department who at first denied they had the authority to register us as our SRO and later dangled it as a carrot for more “compliant” behavior.

On Monday December 23rd, 2019 we appealed to the Minnesota Legislative Auditor for a “special purpose investigation” in our abuse claims against the Department (see attached) and were informed in January of 2020 that we would need to proceed with an Administrative Hearing first before they would take a look at our grievance. See attached letter to Jim Nobles, MN Office of the Legislative Auditor for more details.

Ultimately as we prepared for an Administrative Hearing (MN OAH File No. 8-1005-36599) we decided to move forward by acquiring an existing SEC and FINRA reporting Broker-Dealer which had been our plan all along. Recall the ONLY reason we decided to try the intrastate route was so that we could lower the cost of capital for small offerings and charge a

proportionate fee schedule, something we are able to do LITERALLY everywhere else we operate today.

The day FINRA recognized our Continuing Membership Application ("CMA"), we offered to withdraw our state based registration through Form BDW on the condition that the Department vacate its suspension order without prejudice and finally provide us a written memorandum confirming our effective registration (see attached 2020-03-26 Letter from Maxwell Zappia).

We doubt many small startup companies could endure this kind of mistreatment and we are considering moving our entire enterprise to another state because of it. We are certain other companies here and in other states have had to deal with officious red-tape created by bureaucrats that likely does little more than justify their payrolls and actually harms the formation of capital. Certainly in our case it generated well over $50,000 in legal fees, damaged goodwill and nearly killed our startup.

Once the ceiling on REG-CF is raised to $5M we will likely cease offering all support for MNvest as well as end our registrations in other states.

Therefore we humbly ask the Commission to consider a study, if appropriate and within its jurisdiction to do so, on the potential to either sunset Blue Sky laws entirely or create covered securities opportunities including clarity on secondary market operations that completely supersede individual state authority. In an Internet connected commerce world that does not recognize state boundaries we believe that the democratization of capital depends on it.

Respectfully,

David V Duccini
Founder & CEO
Silicon Prairie Holdings, Inc and its wholly owned affiliates

email: [redacted]
web: https://sppx.io
tel: [redacted]

The Silicon Prairie: "Where Good Ideas Grow"

2018.04.09

Daniel Bryden, Director of Enforcement
Minnesota Department of Commerce
Securities Division
85 E. 7 d , Place, Suite 500
St Paul, MN 55101-2198

RE: Silicon Prairie Portal & Exchange's Proposal for a "MNtrade" Intrastate Exchange

Mr. Bryden,

Silicon Prairie Portal & Exchange ("SPPX"), a wholly owned subsidiary of Silicon Prairie Holdings, Inc ("SPHI") is a registered MNvest crowdfunding portal operator with the Minnesota Department of Commerce ("Commerce") as well as a federal funding portal operator registered with both the Securities Exchange Commission ("SEC") and FINRA as "Silicon Prairie Online" a dba of SPHI. On March 30, 2018 Silicon Prairie Registrar & Transfer ("SPRT") registered with the SEC as a Stock Transfer Agent.

We are hereby formally asking Commerce for a "no action" letter with respect to a business model that would permit for the establishment and operation of an intra-state securities exchange ("secondary market") whereby securities sold under intrastate exemptions could be bought and sold.

Background

The 2012 Jumpstart Our Business Startups ("JOBS") act resulted in several key changes to national securities registration rules that created Regulation Crowdfunding ("REG-CF") nationally. In 2016, SEC modifications to Rule 147A provided a clearer path for individual states to permit and maintain oversight of intrastate crowdfunding offerings via exemption from SEC registration.

Here in Minnesota the exemption is known as "MNvest" and is administered according to:

- Minnesota Statute 80A.461
- Minnesota Rules 2876.3050 – 2876.3060

Through a collaboration of registered and approved portal operators, Commerce and independent escrow agents, issuers are able to raise capital from the public directly, including socializing and advertising the fact (subject to restrictions) to BOTH accredited and non accredited investors.

Total capital that can be raised is restricted under law and regulation and investors may be subject to limitations depending on exemption used and accreditation status.

To date there have been about a dozen offerings registered with Commerce including an offering by SPHI that closed on February 16th, 2018.

The MNvest rules with regard to resale as informed by Rule 147A state:

FOR A PERIOD OF SIX MONTHS FROM THE DATE OF THE SALE BY THE ISSUER OF THE SECURITIES, ANY RESALE OF THE SECURITIES (OR THE UNDERLYING SECURITIES IN THE CASE OF CONVERTIBLE SECURITIES) SHALL BE MADE ONLY TO PERSONS RESIDENT WITHIN MINNESOTA. ANY RESALE OF THESE SECURITIES MUST BE REGISTERED OR EXEMPT PURSUANT TO THIS CHAPTER.

Proposed Business Model

SPPX desires to build and operate an intra-state securities exchange service under a bulletin board system (“BBS”) listing model. In a BBS, there is no “market maker” per se, with the exception of an issuer that has a preemption buy-back option (such as a right of first refusal) that was a component of its organization documents. Current securities holders could post offers of sale (“SELL”) and interested investors could post offers of purchase (“BUY”) of a given security on a non-preferential first in first out (“FIFO”) basis maintained by SPPX in a pool by price and timestamp.

The SPPX exchange would act as a private marketplace for the securities and all investors would be subject to the same level of scrutiny regarding identity and address verification, acceptance of investor representations, and anti-money laundering (“AML”) as well as know your customer (“KYC”) monitoring. Additionally background and Office of Foreign Accounts (“OFAC”) checks on investors could be implemented for transactions over a certain amount.

For the purposes of exchange, an issuer would be required to enter into a contract with SPPX and designate Silicon Prairie Registrar & Transfer (“SPRT”) as its sole authoritative stock transfer agent (“STA”) by board resolution. The issuer would be required to provide SPRT with its complete shareholder registry including all contact information and any documents that demonstrate beneficial ownership including but not limited to:

- Formation documents
- Written actions
- Employee Stock Option agreements or incentive plans
- Signed subscription agreements
- Bona fide stock certificates or
- Certificates of indebtedness et al

Investors holding paper certificates would be required to surrender them to SPRT where they would be subject to scrutiny and verification with the issuer as well as compared to the authoritative transaction ledger. Verified and validated paper certificates would be converted to electronic book entry accounts for the benefit of ("FBO") the investor. Paper certificates would be subsequently destroyed in support of the industry best practice known as "de-materialization". Additionally, SPRT has the ability to produce new serialized paper stock certificates should a investor desire to withdraw its shares from the electronic book entry. The system contemplated would use a blockchain based distributed ledger.

Insiders such as directors and officers ("DNO") or beneficial owners ("BO") as defined by rules or regulations would be publicly identified and on-going percent of ownership and transaction information would be maintained by SPPX and provided to investors.

SPPX would only accept regular "non-short sales" offers from bonafide investors including allowing for defined "good til canceled" and time-boxed offers as well as "or best offer" ("OBO") that would allow potential investors the ability to negotiate a lower price via mediated communication managed by the exchange.

Funds from purchasers would be required to be placed on deposit and held in escrow under a model similar to MNvest whereby SPPX would direct the funds from investors to be deposited via ACH, check or wire transfer into an issuer specific account and then dispersed solely via ACH to the seller. This would assure the seller of receiving only bonafide offers to purchase and confidence of completion of the sale.

Benefits and Consequences Contemplated

SPPX contemplates the following benefits and consequences for issuers, investors and regulators:

For Issuers

1. By having a designated Stock Transfer Agent, an issuer could benefit from having a independent third-party managed authoritative system of record that assures transparency as well as acts as a detective and preventive control against fraud.
2. Enforcement of pre-emptive buyback rights
3. Independent market pricing and historical transaction data critical for valuations
4. Establish minimum lot size rules and maximum investor counts

For Investors

1. Transparent ownership including that of Directors, Officers and Beneficial Owners
2. Access to liquidity in the event a need to exit an ownership interest arises
3. Ability to transact in a secondary market to acquire an interest in a prior offering

4. Mark to market and historical pricing information
5. Bonafide offers for purchase based on deposited funds
6. Disbursement payment via ACH with funds held in escrow by SPPX

For Regulators

1. Unprecedented visibility into transaction data for privately held companies
2. A single point of contact to aid in investigations and enforcement actions

SPRT & SPPX Fee Simple Schedule Contemplated

For Issuers

SPRT contemplates an on-boarding fee for the issuer on a per subscriber basis as well as a monthly fee for managing the registry, communications channels, voting recording and other dividend related activity.

Go to market pricing (subject to discounts) would be:

$2,500	On-boarding fee for up to 100 investors
$25	Per investor over 100 investors
$1	Per investor per month registry fee*

Other fees may be assessed on a cost-plus basis for any mailing, postage or handling charges incurred for documentation, voting event management, customized marketing materials, consulting et al.

**** Monthly fee could be offset by investor activity***

For Investors

There would be no fee to investors to establish accounts or to insert offers to buy or sell or use the communications channels. SPPX contemplates charging up to 2.5% to sellers for settlement. This fee structure is in line with below market costs for credit card processing as well as competitive with fixed fee charges of so called “discount brokers”.

Additional Considerations

1. SPPX already has a mature and an established robust relationship with Sunrise Banks, our current exclusive escrow agent for MNvest offerings. We have a very sophisticated automated ACH banking system in place coupled with a vetted Customer Identification Program (“CIP”) that assures compliance with AML and KYC requirements.

2. Silicon Prairie Holdings, Inc (“SPHI”) the parent company of SPPX is registered with FINCEN and has the ability to file Suspicious Activity Reports (“SAR”) directly.

3. Silicon Prairie Registrar & Transfer (“SPRT”) a wholly owned subsidiary of SPHI is registered with SEC as a Transfer Agent as of 03/30/2018.

4. Michigan has laws related to intrastate exchange of crowdfunded issues, however to date no company has established an exchange there.

5. Rule 230.147A specifically provides for certificate legend requirements related to the six month intrastate exchange only, but is as far as we can tell, silent on inter-state sales thereafter, see:

   (e) Limitation on Resales
   (f) Precautions against interstate sales
   (g) Integration with other offerings, (2)(vii) regarding lapse of six month period

6. Some consideration and guidance might be required regarding the management of out of state residents after the six month holding period and the restriction on intra-state sales ends. Rule 144 seems to be instructive and in fact calls out the role of a Transfer Agent as the only entity permitted to remove the restrictive legend on a certificate.

7. Under Rule 144, “What must a non-reporting company do to comply with the current public information requirement?” A non-reporting company satisfies the current public information requirement by making "publicly available" the information specified in Rule 15c2-11(a)(5)(i) to (xiv) and (xvi). This information is similar to the information required to be included in an annual report to shareholders.

8. Rule 15c2-11 with respect to Rule 144 “information” can be satisfied by providing “16 items” of information. See Addendum A

Request for Approval via “No Action” Letter

SPPX hereby formally requests of Commerce an approval for the foregoing business model via a “No Action” letter. SPPX agrees that any material “deviation” in the business model could require prior approval from Commerce.

If you have any comments or questions, please do not hesitate to contact me or our attorney Mr. Zach Robins via email at [redacted] or by phone [redacted].

Sincerely,

David V Duccini
Founder and CEO
Silicon Prairie Holdings, Inc.
including its wholly owned subsidiaries

Addendum A

Source: https://www.law.cornell.edu/cfr/text/17/240.15c2-11

Rule 15c2-11 with respect to Rule 144 “information” can be satisfied by providing “16 items” of information including but not limited to:

(i) The exact name of the issuer and its predecessor (if any);

(ii) The address of its principal executive offices;

(iii) The state of incorporation, if it is a corporation;

(iv) The exact title and class of the security;

(v) The par or stated value of the security;

(vi) The number of shares or total amount of the securities outstanding as of the end of the issuer's most recent fiscal year;

(vii) The name and address of the transfer agent;

(viii) The nature of the issuer's business;

(ix) The nature of products or services offered;

(x) The nature and extent of the issuer's facilities;

(xi) The name of the chief executive officer and members of the board of directors;

(xii) The issuer's most recent balance sheet and profit and loss and retained earnings statements;

(xiii) Similar financial information for such part of the 2 preceding fiscal years as the issuer or its predecessor has been in existence;

(xiv) Whether the broker or dealer or any associated person is affiliated, directly or indirectly with the issuer;

(xv) Whether the quotation is being published or submitted on behalf of any other broker or dealer, and, if so, the name of such broker or dealer; and

(xvi) Whether the quotation is being submitted or published directly or indirectly on behalf of the issuer, or any director, officer or any person, directly or indirectly the beneficial owner of more than 10 percent of the outstanding units or shares of any equity security of the issuer, and, if so, the name of such person, and the basis for any exemption under the federal securities laws for any sales of such securities on behalf of such person.

Monday December 23rd, 2019

To: The Minnesota Legislative Auditor
From: David V Duccini
Founder and CEO, Silicon Prairie Holdings, Inc & Affiliates
Re: MN Department of Commerce, Securities Division

Mr. Jim Nobles:

A year ago I approached the Minnesota Department of Commerce with a very simple request for relief from the onerous terms within the MNvest law that prevents a non Broker-Dealer portal operator from charging its clients, the issuers seeking to raise capital, a proportionate or sliding fee scale for our services in an attempt to lower the cost of capital for small businesses located in Minnesota who seek to raise modest amounts of funds using the MNvest exemption.

We met with Deputy Commissioner Max Zappia and staff in December of 2018 to review our options. He told us, in no uncertain terms, that he would NOT support a "no action" letter and that we should work with the Legislature to change the law. When we said that we would likely not survive as a going venture to see that through and the uncertainty it would even make it to the floor for a vote, he suggested that we consider registering as a Broker-Dealer and asked us to request an Interpretive Opinion of his department. We subsequently did file and received encouraging support for proceeding.

On June 10th, 2019 at noon, 45 days after our application was filed our registration became statutorily effective. Since that date, Mr. Zappia and his staff have taken an increasingly adversarial approach to our registration including conducting clandestine surveillance of our staff, a disproportionate use of department resources in an attempt to malign our character by suggesting we have no experience in the business of securities, all of which culminated in an unwarranted suspension and an arbitrary and capricious cease and desist order regarding the legal name our entity was formed under.

We will be brief in our request for relief: It would seem that the Minnesota Department of Commerce staff has not learned any lessons since the 2017 "Safelite" case that resulted in the department being ordered to pay over $1M in fines for not "acting objectively or in strict accordance with the law."

Today

Silicon Prairie Holdings, Inc which owns and operates several affiliates in support of an intra-state MNvest crowdfunding portal, an SEC and FINRA registered inter-state investment Funding Portal, as well as an SEC registered Transfer Agency, hereby asks your office to immediately convene a "special purpose investigation" of certain MN DOC staff, to determine:

1. Did Deputy Commissioner Max Zappia act in a way that could be construed as arbitrary and capricious when he:

a. **Refused** to issue a written memorandum memorializing the effective registration of Silicon Prairie Investment Bank's registration on June 10th 2019, despite doing so verbally on several occasions, acknowledging that Silicon Prairie Investment Bank's registration was indeed effective, and/or

b. **Granted** himself the authority, though no such power exists either in statute or administrative rules, to withhold the SPIB registration until he personally "approved" of it despite over 65 years of model legislation under the Uniform Securities Act ("USA") that specifically states that an Administrator *only* has the power to make a registration effective or not.

   Furthermore, the NASAA Series 63 exam to this day still admonishes Broker-Dealers, Agents, Investment Advisors and Investment Advisor Representatives from EVER socializing that their registration has been "approved" by the Administrator and/or

c. **Ignored** the statutes that directed him to consider a waiver of FINRA exams based in part on the vast knowledge and experience of the applicant and by the Deputy's own admission that, "Mr. Duccini has the most experience of any natural person in Minnesota in the supervision of operating an intra-state investment crowdfunding portal", and/or

d. **Admitted** that "taking tests for the sole purpose of checking an administrative box was not in the best interests of Minnesota investors" and yet cited absence thereof and subsequent requirement thereto that principal David V Duccini take and pass the NASAA Series 63 (which Mr. Duccini did without delay). And/Or

e. Misconstrued the law to attempt to force a Broker-Dealer to employ an Agent where none is required by either statute or administrative procedures. The department ignores the fact that a Broker-Dealer may have non-agent owners and ministerial staff. And/or

f. **Failed** to show ANY correlation that a contract between an investment crowdfunding portal operator and its issuer customer that is based on a sliding fee scale could lead in any way to harming Minnesota investors.

   Point of fact, Silicon Prairie's affiliates are permitted to charge variable, commission or sliding fees in literally every other jurisdiction it operates in including Iowa, Wisconsin, Michigan and federally under REG-CF which preempts state level oversight.

g. **Refused** on multiple occasions to cite his authority in either statute or administrative procedures for his rationales, or demonstrating any harm or public interest in attempting to block our registration, and/or

h. **Withheld** access from Mr. Duccini to take FINRA principal exams DESPITE citing them as a prerequisite to granting relief from Mr. Zappia's authority to "approve" of the registration. And/or

i. **Issued** a Cease and Desist order, based on MN 47.03, a 114 year old statute that the Department appears to have NEVER enforced before in recorded history, demanding that Silicon Prairie Investment Bank change it's legally compliant entity name, duly formed and accepted by the Minnesota Secretary of State, the Internal Revenue Service ("IRS") and accepted for reservation by FINRA?

NOTE: Through various Data Requests we have direct evidence that the Department has not issued "certificates of authority to operate as a bank" to:

i. Jos A Bank, a clothing retailer with five branch locations who's website offers "bank account rewards" and "bank notes"

ii. Piper Jaffray, a Broker-Dealer that cites the purportedly prohibited words too many times to count on its website, office locations, advertising material, employee business cards et al

j. **Imperiled** Minnesota MNvest investors in Silicon Prairie Holdings Inc by casting aspersion upon its founder, staff and service providers resulting in a material harm to the firm's profitability and its viability due to an unnecessary cloud of regulatory uncertainty

k. **Denied** a reasonable request to extend the stay order after our lawyers answered every single request for additional information and we made requested changes to our Written Supervisory Procedures and employment agreement with supervisory staff.

l. **Accused** our entities of being in violation of FINRA rules despite the fact that as an intrastate broker-dealer our firm is not required to be a member of FINRA.

2. Did Deputy Commissioner Max Zappia's actions compromise the <u>integrity and neutrality</u> of the Department when he:

a. **Opined** about the legality of an affiliates business dealings when its MN Secretary of State registration accidentally lapsed and yet became immediately retroactively in good standing the moment he brought it to SPIB management attention and the fee had been paid pursuant to… and/or

b. Suggested that our advertising of offering MNvest in jurisdictions outside of Minnesota might be illegal, despite the fact that he can offer no evidence that we have ever suggested such a thing. In fact our persistent landing page of our website simply states that Silicon Prairie offers:

We help companies raise up to $5M in capital from both accredited and non-accredited investors using regulation crowdfunding exemptions <u>such as</u> MNvest or SCOR.

(underline added for emphasis)

c. **Directed** staff attorney Sara Payne, who on the face of it, was empowered to "stop at nothing" to try and find some material deficiency with the SPIB Form BD application including repeatedly reviewing SPIB staff social media profiles, and/or

d. **Approved** staff attorney Sara Payne's time and materials report to expend Department resources to engage in what can only be referred to as an obsessive "cyber-stalking" of SPIP employees, contractors, advisors and investors as well as researching SPIB SEC filings and contacting other state Administrators in an effort to discredit principal Duccini's experience, and/or

e. **Declared** that despite admitting that "no other natural person in Minnesota has more experience than principal Duccini in the area of supervising an intrastate investment crowdfunding portal" that Deputy Commissioner Zappia personally does not believe that principal Duccini has sufficient "knowledge or experience in the securities business" and therefore should be barred from operating a business that he is permitted to operate in every other geographical boundary outside of Minnesota.

f. Discriminated against people of color, women, minority-owned businesses and the LGBQT community by forcing classes of Minnesota entrepreneurs and small business owners, especially those located in Greater Minnesota, to pay a HIGHER cost of capital than is necessary under statute in the face of SPIP's effective registration as a Broker-Dealer that would be permitted to charge a sliding fee commensurate with the actual money raised if indeed any was raised at all.

3. Did Commissioner Steven Kelley abdicate his duties when he:

a. **Refused** to meet with Senator Eric Pratt, chair of the commerce committee and Silicon Prairie staff and our attorney at the time Brian Edstrom a former regulator at Commerce when we raised our concern and asked for a meeting?

These are serious charges and must be investigated fully and is in line with the public interest.

Any one of these charges, if found to be potential violations of legislative code alone, could certainly clear the way for Silicon Prairie to pursue a civil case to recover legal expenses incurred to date, and we pray, to seek punitive “treble damages” for the willful and repetitive nature of the Departments pattern of behavior in order to remediate the situation and hopefully prevent this administration from further arbitrary and capricious execution of our laws.

Taken in aggregate however we believe it is in the public’s best interest to sanction the Department by recommending the termination of specific staff’s employment and preventing them from further employment within any agency of the Minnesota executive, judicial or legislative branch including working for firms who are engaged in or support legal or lobbying activities of same.

We have asked and have been granted a hearing before an Administrative Law Judge. A telephonic pretrial hearing hearing has been scheduled for Monday, January 13th at 10:00AM. I believe it is in the public interest to have a representative of your office on the call.

I would be more than happy to submit to your staff’s interview in support of our position. I can be reached via phone at [redacted] or by email to [redacted]

Sincerely,

David V Duccini
Founder & CEO
Silicon Prairie Holdings, Inc. and its affiliates.

COMMERCE DEPARTMENT

March 26, 2020

David Duccini
Silicon Prairie Intrastate Portal
475 Cleveland Ave North, Ste 315
Saint Paul, MN 55104

Dear Mr. Duccini,

This letter confirms that Silicon Prairie's broker-dealer registration became statutorily effective at noon on June 10, 2019.

Sincerely,

Maxwell Zappia
Deputy Commissioner