



**Silicon Prairie Online
Investment Crowdfunding**

Is Investment Crowdfunding right for you?

WHAT IS IT?

Investment crowdfunding is a new way for businesses to raise money using technology. A company sells shares of their business via a special website to a crowd of investors. It's similar to Kickstarter but the backers get real STOCK instead of items like T-shirts.

WHAT DOES THIS MEAN?

You can skip traditional gatekeepers to pursue investment from the people that have a real interest in your success. The average person doesn't have a large pile of cash laying around, so you need a way to combine many small investments together to reach the same fundraising goals – that's Crowdfunding!

Transactions must occur on special websites called a portal, to ensure the investment is handled legally. Now your friends, family & fans can help make the dream a reality AND they are protected by owning REAL shares.

WHAT CAN IT DO FOR YOU?

Regulation crowdfunding provides a legal way for small to mid-sized businesses to raise \$50,000 to \$2 Million dollars of capital for operating expenses or expansion (additional tools may allow up to \$5 Million). This program bridges the gap between the SBA/ bank loans and formal Angel/ Venture Capital investment. Previously, issuing shares required a banker, lawyer, and accountant – now technology does the heavy lifting to reduce the cost by approximately 80% compared to the old manual process.

WHAT ARE SOME OF THE BENEFITS?

- ▶ Unlock a new way to raise money for your business
- ▶ Democratic access to a broad range of people, ideas, and businesses
- ▶ Online platform streamlines the process to issue shares AND invest
- ▶ Cost to issue shares is under \$10,000 (compared to \$50,000 manually)
- ▶ Engaged and excited investors

AM I READY FOR INVESTMENT CROWDFUNDING?

This new format is a great way for ANY TYPE of businesses to raise capital. It's useful for Brick-and-mortar business like Breweries and Franchises, Real Estate ventures, AND High Tech companies like mobile applications.

Here are a few guiding thoughts:

- ▶ Is your goal to raise between \$50,000 and \$5 Million dollars?
- ▶ Is your business in a location we cover?
State-based campaigns allowed in Minnesota, Wisconsin, Iowa, and Michigan (see website for updated list).
Also, National Campaigns are supported anywhere in the USA under Regulation Crowdfunding (REG-CF)
- ▶ Do you have a legitimate business need for the capital such as product development, facilities, sales team, etc? (Investors want to see a return on their investment – not to pay for your debts or lifestyle.)
- ▶ Do you have the math to support your business plan, for example do you know when you will break even and generate a profit?
- ▶ Are you confident you can focus on selling the BUSINESS to a crowd of investors, not just the product to a consumer?

Is THIS LEGAL – AREN'T STOCKS REGULATED?

Yes, completely! The JOBS act of 2012 paved the way for State Legislation like MNvest to function as an exemption from the Federal SEC regulations. This means small businesses can issue shares using this format instead of having an IPO like a large corporation. For example, under MNvest the regulatory burden moves from the Securities Exchange Commission (SEC) to the Minnesota State Department of Commerce.

These exemptions work to allow public solicitation of investment from regular people AND wealthy people, but the transactions must occur within a legally regulated marketplace (Portal) and the Regulator must formally review the Issuers paperwork before the Campaign company can begin advertising. In order to protect the consumer there are mandatory risk disclosures, caps on the total amount of the raise, and caps on the amount an individual may invest.

Without this type of exemption, it is NOT LEGAL to ask for INVESTMENT publicly i.e. on Facebook or by holding an event. To clarify, rewards crowdfunding on Kickstarter is legal because those campaigns ask for a DONATION in exchange for a product. However if you sell an INVESTMENT (including Shares, Notes, Loans) those are financial security products and they must go through this exemption process or the Founder is breaking federal securities law. This also applies to Initial Coin Offerings.

REGULATIONS AND LAWS

MNvest is the state exemption that allows Minnesota companies to raise money from the public, by issuing stock or selling debt, to any investor in MN, by promoting it publically via an approved website. Other States have their own exemptions too.

Reg CF is the federal exemption that allows for national campaigns under SEC & FINRA oversight. We have been approved for Reg CF Portal Operations, we also support SCOR and 506(c) campaigns. These regulatory buckets have different rules – we are the experts who help you determine which one is right for your business.

WHY HAVEN'T I HEARD OF THIS?

This legislation is very new, previously this format has been illegal since the Stock Market crash in the 1920's. The freeze was intended to protect investors, but created a valley-of-death in small business funding. The JOBS act of 2012 opened the door, but it took several years for additional laws to be written and passed to clarify proper use. The first Software Portals were approved here in late 2016.

Since then we have been working hard to make a practical software tool that allows small businesses to leverage these laws. Now, several Minnesota companies have met their crowdfunding goals: In fact Silicon Prairie used investment crowdfunding in 2017 to raise ~ \$256,000 to convert our passionate supporters into investors in our business! We're Silicon Prairie Online or SPPX.

DOES IT WORK?

Yes!

"Silicon Prairie made our dream possible. Their portal, deep knowledge and support made reaching our investors easy. We opened Rustech Brewing Company in April 2018 and are already looking at another raise to expand!"

Bill Burt
Rustechbrewing.com

WHO CAN OFFER STOCK?

Businesses that want to sell shares are called issuers, we can help you decide which type offering is best for your needs. Depending on the format, slightly different rules will apply to your issue. For example, the State-based exemption called MNvest requires that the business is mostly within Minnesota. This means 80% of the business assets, revenue, proceeds, or employees are in that state. They may raise up to \$1 million with financial statements written by the founder, or up to \$2 million with professionally audited or reviewed documents. Other States, and the National Reg CF format have slightly different guidelines.

WHO CAN INVEST IN AN OFFERING?

The allowed investors depends on the format used to issue shares. A state exemption such as MNvest is open to investors from that State and has maximums for regular people that may be separate from wealthy people. For example, MNvest allows regular people to invest up to \$10,000 per deal and professional investors are not limited to a dollar amount (up to the maximum of the entire campaign). Other States or the National Reg CF rules have different maximums that may be related to net worth.

STEPS TOWARD AN INVESTMENT CROWDFUNDING CAMPAIGN

1. Sign a contract with us, we help you gather the appropriate documents
2. Complete the state application, on hold during a 10 day review period
3. We upload the campaign and you begin marketing
4. Accept investor pledges and encourage them to complete transactions
5. Investment funds go into your campaign's escrow account
6. Reach your minimum goal to unlock funds from escrow
7. Investor e-signs their documents and disbursement occurs per the offering
8. Close the raise or choose to keep it open for up to 12 months
9. If Minimum goal is not reached, investments unwind back to their owners

WILL YOU FIND ME WEALTHY INVESTORS?

No – unfortunately, no method will pour easy money on your business. Yes, some websites make good revenue by selling the IDEA that they have exclusive access to pool of wealthy people, but the logic doesn't hold up. The wealthy already have money managers or brokers working on their behalf – they don't want to be shoe-horned into a party where desperate entrepreneurs have paid to meet them. Be careful that you don't accidentally poison your cap table with funds from an unlicensed "finder".

WHAT DOES B.Y.O.C. MEAN?

It stands for 'Bring Your Own Crowd' we use it as shorthand for the goal of converting your supporters into your share-holders. Once you have an active exemption we encourage you to talk to everyone including; your friends, family, neighbors, faith community, interest group, vendors, suppliers, previous supervisors, coworkers, and direct reports. Ask them, "What return on investment & perks would it take for you to invest in this business immediately?" These people already know you're trustworthy and credible so they are the best ones to ask for funds - now you're on the right track!

If you don't have one person to write a check for \$100,000 - then you need 100 people to write a check for \$1,000 each, plus a plan for handling the paperwork.

CAN WE ADVERTISE OUR OFFERING?

Yes. Once your offering has been filed and made effective, you can advertise your offer through public channels such as social media, paid ads and events subject to required regulator caveats and disclosures. We can help keep your campaign compliant!

WHAT ARE THE COSTS?

Silicon Prairie (SPPX) charges a \$2,500 fee that includes up to 10 hours of onboarding consulting. This includes a digital copy of our 50 page workbook to help you get started.

Where permitted, we collect either a fixed fee or a commission of between 5 and 7 percent after the campaign achieves the minimum goal amount. Fees are collected as they are disbursed instead of paid out of pocket.

You'll also need to budget for other professional services to support your campaign. Lawyer fees as low as \$5,000 and Accountant fees as low as \$3,000 may apply.

Successful campaigns will include marketing costs to tell the story behind the raise and help spur investment. Video production, copywriting, online ads, and project management are common marketing budget items within a campaign. We're happy to discuss what others have found helpful in reaching their goals.

WHO IS SILICON PRAIRIE PORTAL AND EXCHANGE?

We are a financial technology (Fintech) company in Minnesota that operates investment crowdfunding portals in MN, WI, IA, MI and nationally under REG-CF.



Next steps and how to get started

If you'd like to find out more about equity crowdfunding, please feel free to contact us.

Visit us at: <https://sppx.io>

Email -- info@sppx.io

Phone: 651-645-7550



Silicon Prairie Online
Where Good Ideas Grow™

Information provided by www.sppx.io
(Approved in MN, WI and IA & Federally as a REG CF Portal).

This is not legal advice, please consult your lawyer.