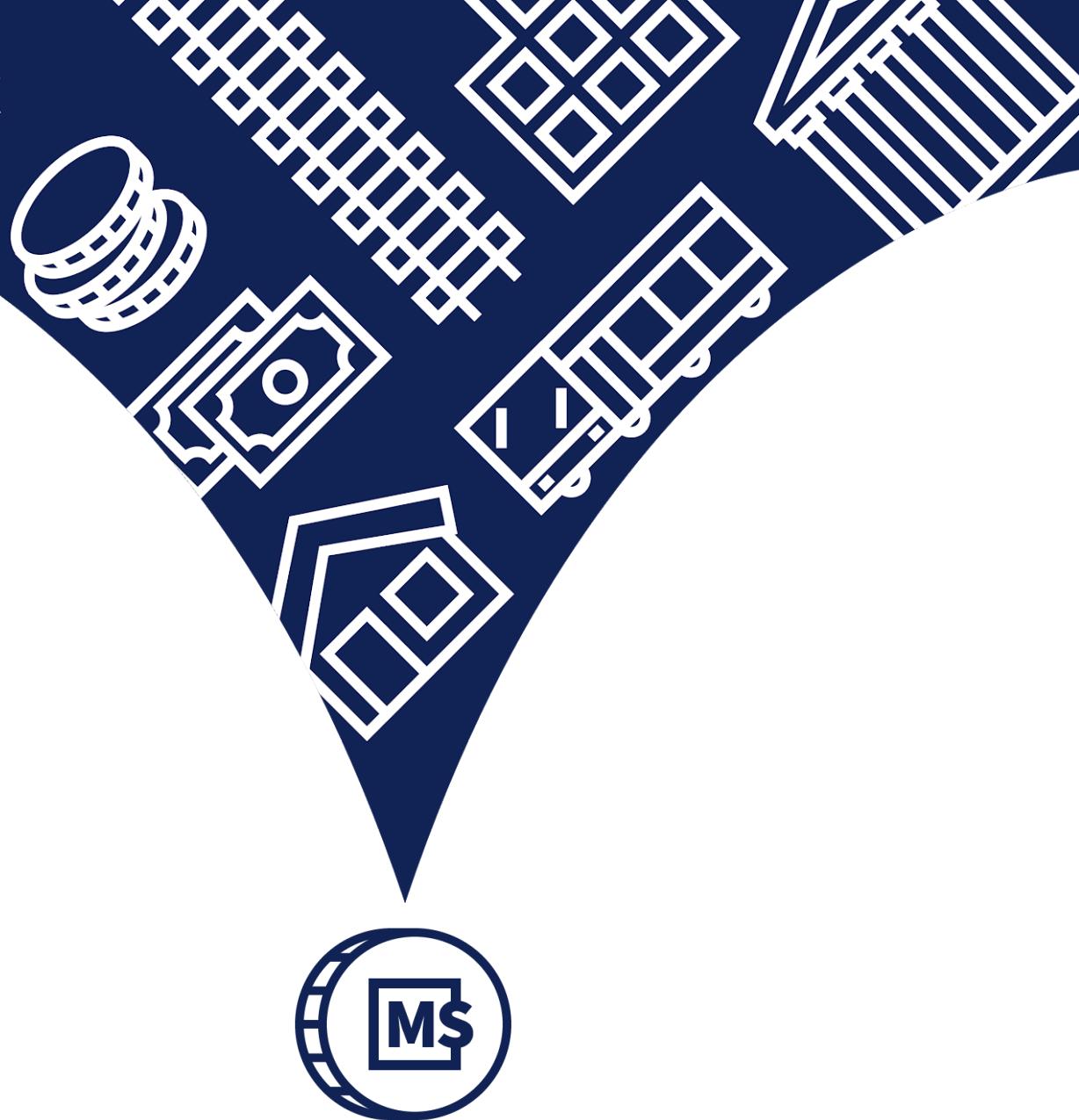




FLUX



A Coin for the Revolution

Berkeley Bucks: A proposal to reinvent City finance, lower costs and empower the Berkeley community.



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Executive Summary

Flux is excited to respond to the Berkeley Minibond RFP because we have built a solution which meets the long term needs of Berkeley and its stakeholders.

From a regulatory view, the Municipal Bond market (issuing, administration, secondary market trading) is divided into two parts:

1. the Municipal Entities, which are federally exempt sovereign issuers and
2. Broker Dealers and Investors, which are subject to the rules and regulations of FINRA and the MSRB, with the SEC as the ultimate regulatory entity.

The only exception to this sharp division is in the case of municipal fraud where the SEC does have agency over the municipal entity.

So, as a result:

- Offering Statements are not the same as Prospectuses.
- Voluntary Continuous Disclosure is not the same as the mandatory regular reporting practices demanded of corporate issuers of debt and equity.

In practice, this means that FINRA and the MSRB can only regulate the municipal bond market by controlling procedures and practices of the Broker Dealers who act as underwriters and executors of the secondary market.

Given the content of the RFP and this regulatory reality, there are two paths Berkeley can take.

Option 1: Broker-Dealer as the lead financial entity

This is the most intuitive structure that comes to mind when responding to the Berkeley RFP. By retrofitting the traditional underwriting and secondary market procedures into a wallet and token structure, the result would be a Proof of Concept (POC) that successfully demonstrates a municipal bond can be tokenized.

Selecting the Broker Dealer as the lead financial entity introduces a significant regulatory burden to the POC. The POC must ensure that all processes, down to software touchpoints, will have to follow existing FINRA/MSRB rules and procedures. So, while the bonds may be “tokenized” at issuance, therefore living on a blockchain accessible through wallets rather than at the DTCC accessible through boxes, secondary market trading will be limited to trades between wallets that have been opened and operate through registered Broker Dealers. This structure limits the investment universe to those signed up to use it. Other potential investors will either be restricted from participating (general Ethereum wallet holders without brokerage accounts) or will not be able to comply primarily for custody reasons (institutional investors).



What will a successful POC mean for Berkeley?

Berkeley will conclude that while there are buyers and a limited market place, the result is not scalable. Bonds issued in this manner would cost more than a traditional financing; the lack of market acceptance means that it will result in an inferior product for the end investor.

The most likely outcome of this path is that Berkeley will execute a series of POCs every two to five years in order to keep up with the technology and position the City at the forefront of securities tokenization. Real economic viability will come when tokenization becomes broadly adopted by others in the municipal market.

For the POC runner, the calculation will be similar. Each deal will be a loss leading demonstration of capability but turning it into a business will have to wait for broader adoption.

Option 2: Berkeley as the lead financial entity

The other path available is to take advantage of the freedom available to the City through the Securities and Exchange Act of 1933. By appointing a Transfer Agent to work on its behalf, Berkeley has the flexibility to design a financial program – each step of which is regulated at the appropriate level for the activity envisioned. It also allows for the type of innovation that will make the program valuable to the City of Berkeley, its voters, vendors, grantees, non-profits, retail operators, investors, savers and other stakeholders.

In this path, there is still an important but secondary role for the Broker Dealer. The regulatory environment that the Broker Dealer introduces to the system will ensure that the secondary market is properly served and policed. The Broker Dealer and the Transfer Agent will be able to work out the critical procedures and connections between the City, the Blockchain(s), and the DTC on the one hand and the investors that will exist and move between each of those three environments on the other.

By combining the capabilities of the Transfer Agent, Broker Dealer and Blockchain technologies, the City has an opportunity to use the underlying debt securities to encourage the creation of:

- An electronic currency for retail payments and/or payments of taxes, fines, and fees to the City as well as a store of value for the underbanked
- A stable coin that can be used for online payments, store of value or as an anchor for online financial products
- A store of value for savers who prefer a direct obligation from the City of Berkeley to an obligation from a fractional reserve financial institution
- A system which will allow Berkeley to effectively push out a portion of its accounts payable terms to net-365 plus
- A financial instrument whose value is pinned to the good faith and credit of the City of Berkeley through its convertibility into traditional, zero-coupon, short term municipal paper that can be custodied and cleared through the DTC system as necessary.



The result of the POC which we will outline in the body of this response will be:

- A low cost, sustainable system for issuing, trading and redeeming debt securities which will drive efficiencies in all of Berkeley's financial operations
- A financial product which will have appeal to voters, consumers, taxpayers, vendors, grantees, non-profits, retail operators, investors, savers and institutional investors
- A financial product that will promote local economic integration and is designed so that most of the costs are recycled back into the local economy
- The opportunity for Berkeley to drive scale and adoption rather than wait for "the market" to do so.
- An unprecedented level of transparency to the City, regulators and holders.

We therefore see the POC resulting in a viable financing option which will revolutionize municipal finance for Berkeley as the program grows to become a critical component of the local economy.

Choosing between the two options

The choice between the Broker Dealer led model vs. the Berkeley led model ultimately comes down to the desired outcome for the City:

- If the goal is to demonstrate that municipal bonds can be tokenized, both Option 1 and Option 2 will work.
- If the goal is to use tokenization to build the critical next step towards modernizing and improving the current municipal finance system, then only Option 2: the Berkeley led model allows the City to drive that change and reap the first mover advantages for its voters, taxpayers and stakeholders.

Thought Process in the Flux Response

In the Request for Proposal, we note that the City is looking for something more comprehensive than a one off or a series of small denomination municipal bonds marketed exclusively to residents.

We note that the City would like to have a program that:

1. Raises funds for City projects
2. Lowers cost and complexity for City administration
3. Empowers local participation both financially and politically
4. Harnesses the tokenization available from existing blockchains
5. Uses existing regulatory structures

While developing the response, we also took into account the desirability of "right sizing" the level of financial services that are "purchased" in a conventional bond issue.



Flux Holdings Inc. proposes to develop an ongoing system for the City of Berkeley that will:

1. Streamline the issuance process for the city, reducing costs and complexity,
2. Create a security which can be easily transferred between users and denominated in pennies, thereby making it available to be used as a currency,
3. Use convertibility into short term municipal paper as the primary value anchor,
4. And, create a financing program that is designed to promote local economic activity which can be driven by the policy goals of the City of Berkeley.

Our program is called the Munidollar program. Flux Holdings Inc. will create two subsidiaries to help with the management of the program (Flux Registry LLC, an SEC-registered transfer agent) and secondary market activities (Flux Securities LLC, a FINRA-registered broker-dealer). Flux Registry LLC's TA-1 application was approved on February 6th, 2020.

The **Munidollar** is defined as:

A US dollar-denominated municipal IOU redeemable for tax credits and convertible into 12-15 Month zero-coupon bonds.

Using Flux Registry LLC, Munidollars may be held as directly registered certificates or tokenized certificates. Directly registered certificates may be converted, into a short term, zero coupon bond in accordance with a schedule to be agreed in the Issuer Agreement. Converted bonds may be held as directly registered certificates, may be transferred into the DTC system (subject to \$1000 face value minimum denominations) or held as tokenized certificates. Payment upon maturity will be handled through Flux Registry as payment agent.

In order to promote the successful adoption of the Berkeley Munidollar Program, referred to as "Berkeley Bucks", the City of Berkeley will:

1. Recruit vendors to the City and grantees (including non-profits) of the City who are willing to accept Berkeley Bucks for payment or grants.
2. Assist Flux Registry with onboarding procedures for Vendors, Grantees and other recipients.
3. Inform tax, fee and fine payers that the City of Berkeley will accept Berkeley Bucks at face value to pay outstanding taxes, fees or fines due to the City of Berkeley.

Flux Holdings and its subsidiaries will:

1. Recruit Money Market Fund Managers to bid for short term municipal paper created from the conversion of Berkeley Bucks. (through Flux Securities)
2. Maintain and publish markets (through Flux Securities) for Berkeley Bucks and short-term municipal paper so that all participants can achieve US dollar liquidity when needed.
3. Develop cryptographic systems for the creation, maintenance and trading of Berkeley Bucks. (built by Flux Holdings, operated by Flux Registry)
4. Build, maintain and update dashboard systems for City of Berkeley staff that will afford near real time updates on the Berkeley Bucks program and give them the ability to create reports quickly and easily from the data. (operated by Flux Registry)



5. Recruit Decentralized Finance, or DeFi, developers to use tokenized Berkeley Bucks as a stable coin.
6. Recruit Family Offices, Corporate Treasury and Oversees Investment Funds who would view Berkeley Bucks as a stable, non-bank asset for holding US dollar obligations either as directly registered or tokenized certificates.
7. Hold training sessions and outreach seminars with City of Berkeley staff, vendors and grantees, and individual savers and investors.

We think Berkeley Bucks will have the following benefits for each of the participants:

For the City

The Berkeley Bucks program will allow the city to spend expected tax, fee and fine revenue before those funds are received. The loop will be closed in one of two ways. Either by taxpayers returning the Berkeley Bucks to the City or by short term bonds maturing a year later which would effectively give the City net365 terms on its account payables.

For the Vendors

Vendors receive payment more quickly and, because of convertibility, can sell Berkeley Bucks at a discount equivalent to the City's 1 year borrowing rate. The ability to sell to taxpayers means that there is an opportunity for Berkeley Bucks to trade at an even smaller discount in the secondary market, thus lowering overall costs for the initial recipients of Berkeley Bucks.

For Holders

Berkeley Bucks allows holders to choose. If they want a store of value, or a medium of exchange, the Berkeley Buck can be held directly with the City or in an electronic wallet as a token. If a holder elects to pay taxes, there is the financial benefit of a discount and the civic feel good benefit of helping their City. If they want to earn tax free interest, they can convert to one year municipal paper on a rolling schedule that will be determined in the Issuer Agreement between the City and Flux Registry.



Flux Holdings Solution

Flux Holdings intends to make Flux Registry LLC, an SEC regulated Transfer Agent, the core administrative vehicle of the Berkeley Bucks Program.

The first step will be to sign an Issuer Agreement between the City of Berkeley and Flux Registry LLC. The terms of the agreement are:

- The City of Berkeley agrees to appoint Flux Registry LLC as the transfer agent for the Berkeley Munidollar Program, known as Berkeley Bucks.
- The City of Berkeley agrees to demonstrate to Flux Registry that it has allocated bonding authority to the Berkeley Bucks Program and open an account.
- Flux will upon demonstration of bonding authority and account opening, credit a certificate to the City's account in the amount specified by the City.
- The City of Berkeley agrees to the conversion schedule that regulates how a Berkeley Buck holder can convert into short term, zero-coupon Municipal paper.
- The City of Berkeley agrees to accept Berkeley Bucks at face value to settle outstanding taxes, fees and fines owing to the City of Berkeley.
- The City of Berkeley may spend any or all of the Berkeley Bucks registered in its account by authorizing a transfer to a vendor and/or grantee's account. If the vendor /grantee does not have an account, Flux will facilitate the vendor to open an account and then effect the transfer of the Berkeley Bucks.
- Any registered holder of Berkeley Bucks may elect to certificate any or all Berkeley Bucks as a tokenized asset. Initially, Flux will support the ERC-20 protocol on Ethereum.
- Flux will charge The City of Berkeley a quarterly fee of 0.25% on the peak external balance of Berkeley Bucks in the quarter. The fee will be paid to Flux in Berkeley Bucks by the City of Berkeley.

Flux Holdings intends to register Flux Securities LLC, an MSRB and FINRA regulated Broker-Dealer, the initial market-making vehicle of the Berkeley Bucks Program.

There is no need for Berkeley to engage Flux Securities LLC as a Municipal Advisor or designate it as a market maker. Flux Securities plans to advertise bid-offer prices for Berkeley Bucks and any active securities that arise from the conversion of those Berkeley Bucks into short term municipal paper. As Flux Registry will be open to all broker-dealers, Flux Securities will operate as a separate entity and will not seek to maintain exclusivity in secondary market activities.

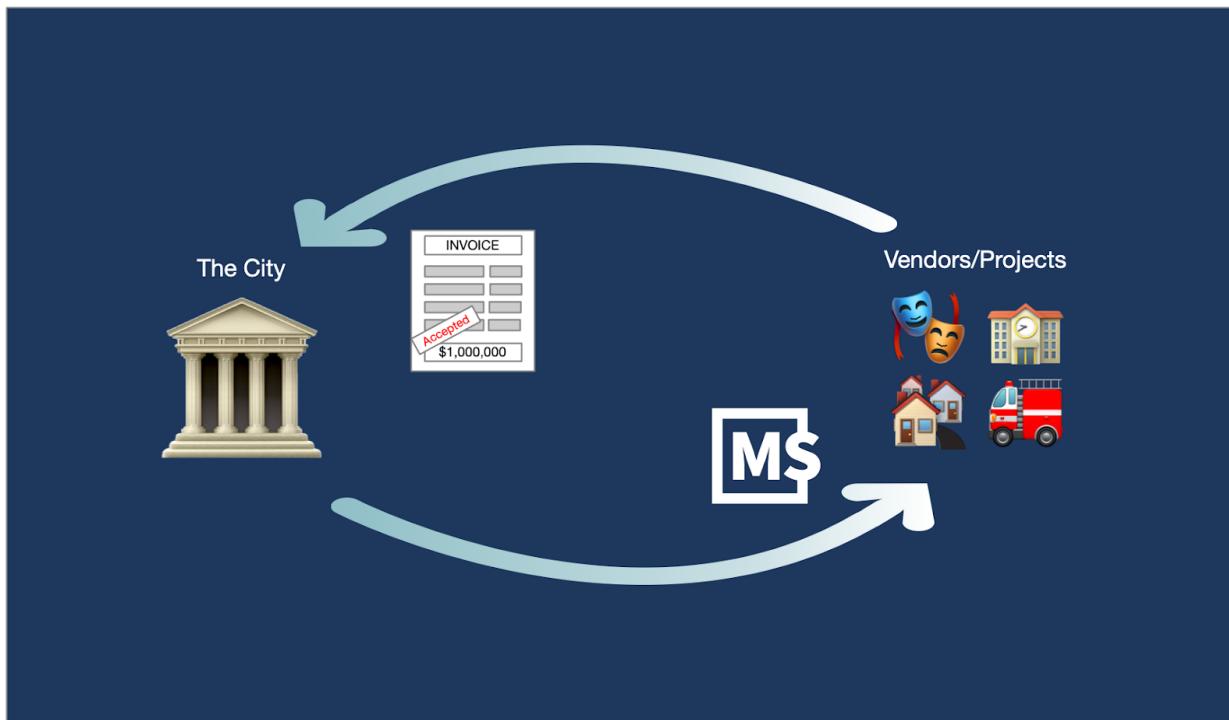
If Berkeley chooses to auction some or all of its Berkeley Bucks directly to investors (as opposed to spending it through vendors), Flux Securities will be available to arrange an auction in accordance with Berkeley's parameters (which may include zip code restrictions, types of investors and/or maximum allocations) and deliver all the necessary instructions to Flux Registry to effect settlement of the auction. Alternatively, the City of Berkeley is free to sell the Berkeley Bucks in the City's account



at any time for US dollars to Flux Securities or any other broker-dealer making a market in Berkeley Bucks.

To illustrate the progress of Berkeley Bucks in the local economy, we have included a simplified flow below.

Step 1: City of Berkeley pays Berkeley Bucks

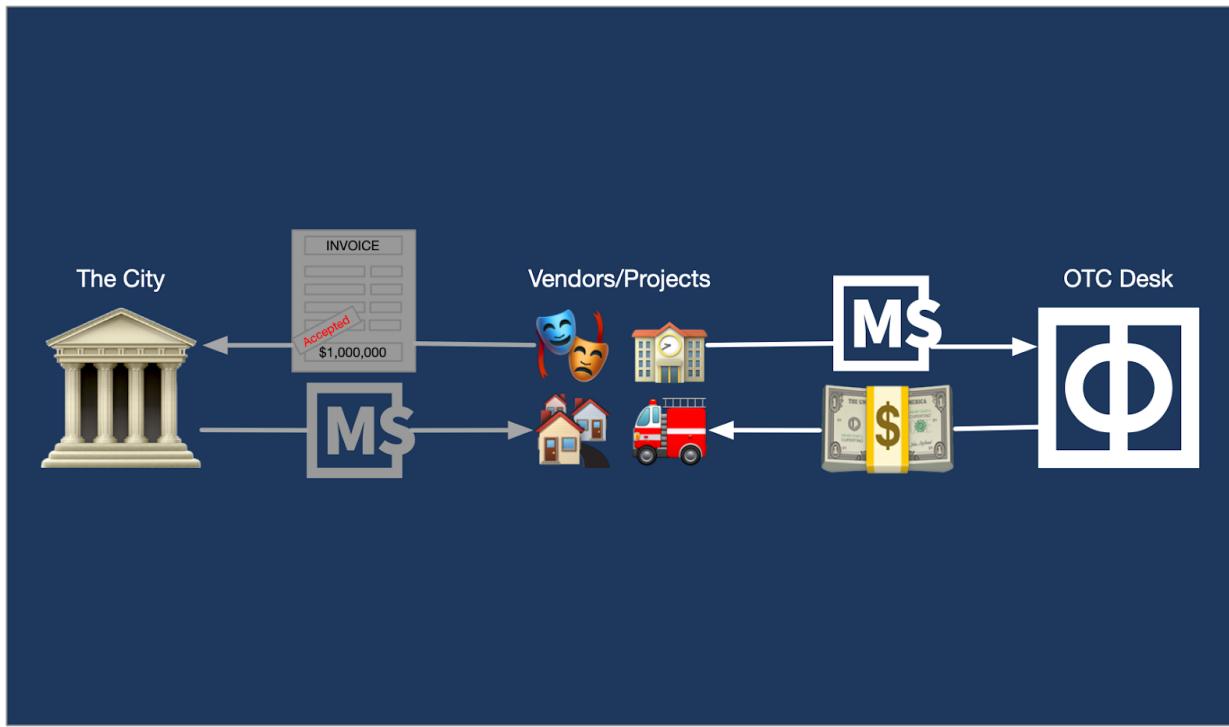


Once an invoice is received and approved, the City transfers Berkeley Bucks to the Vendor or Non-Profit. The Berkeley Bucks would settle the invoice on a 1 USD : 1 Berkeley Buck basis so that the City is effectively paying out an IOU.

Unlike previous IOUs issued by the State of California, this IOU is a Munidollar and is therefore redeemable for tax credits to the City or convertible into a one year (12-15 months) zero coupon bond on a 1:1 basis. Because we are using Flux Registry as a transfer agent, Berkeley Bucks can also be transferred into token format (Ethereum ERC-20, for starters).



Step 2: The Vendor sells Berkeley Bucks for US dollars to a Broker Dealer



Flux Securities plans to make a two way market in Berkeley Bucks. Any Broker Dealer licensed to deal in Municipal Securities can also make markets. All broker dealers will have equal access to the window at Flux Registry LLC through APIs.

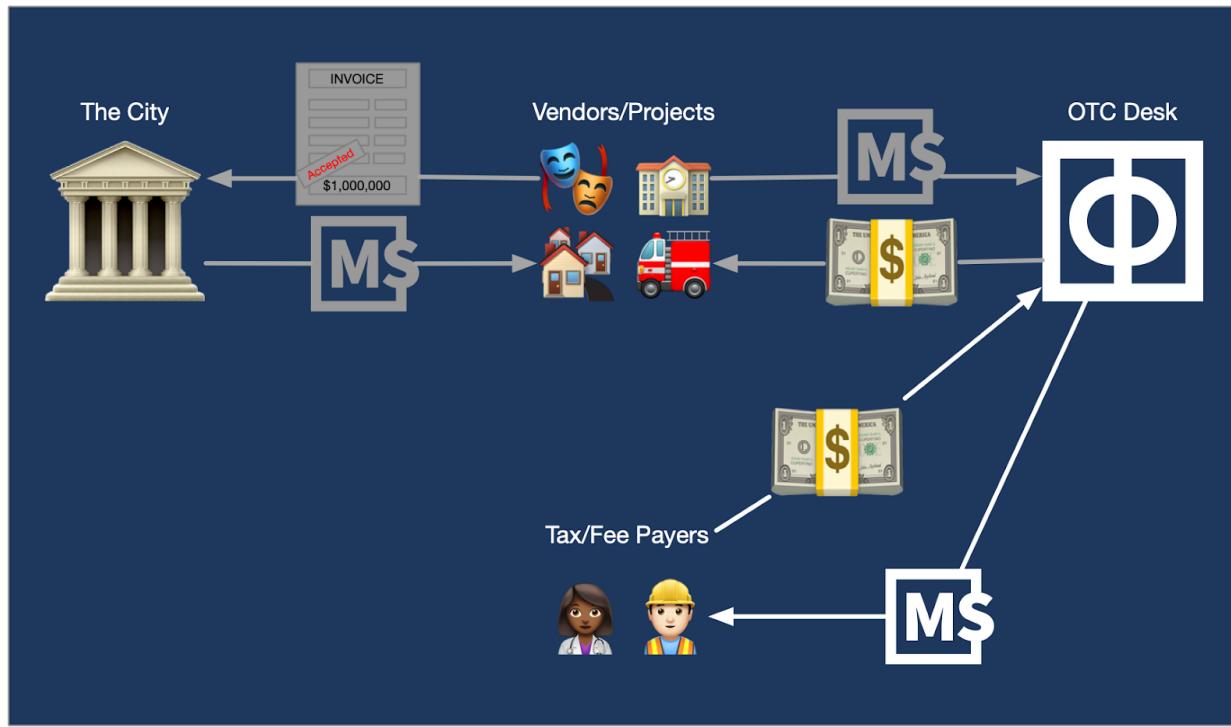
The Broker Dealer will likely quote a discount which very closely resembles the 12-15 month interest rate on Berkeley short term municipal paper (Tax Anticipation Notes or TANs, for example). In effect, the vendor will be financing their business with the City very close to the discount rate available to Berkeley when it issues TANs. The actual discount will depend on market demand from the three groups of natural buyers and the general level of interest rates.

From here, there are three natural buyers of Berkeley Bucks from the Broker Dealer:

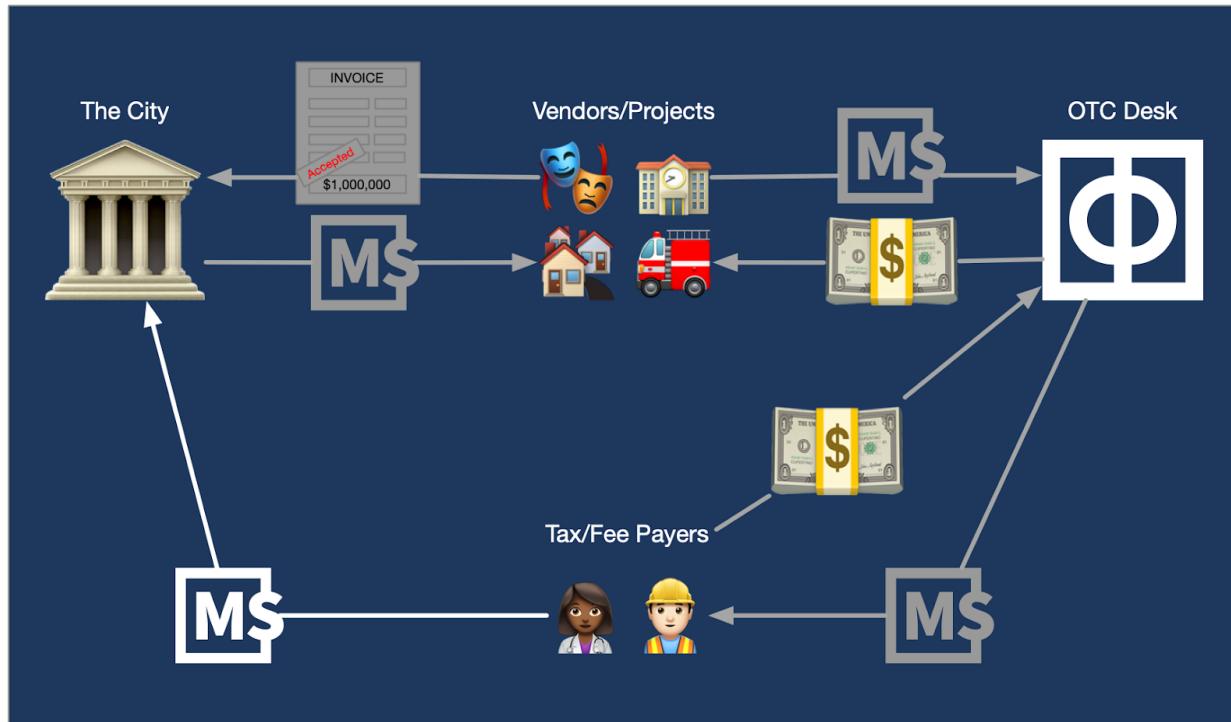
- Tax, fee and fine payers to the City
- Investors in short term municipal paper
- Holders of Stable Coins



Step 3a: A tax, fee or fine payer buys Berkeley Bucks

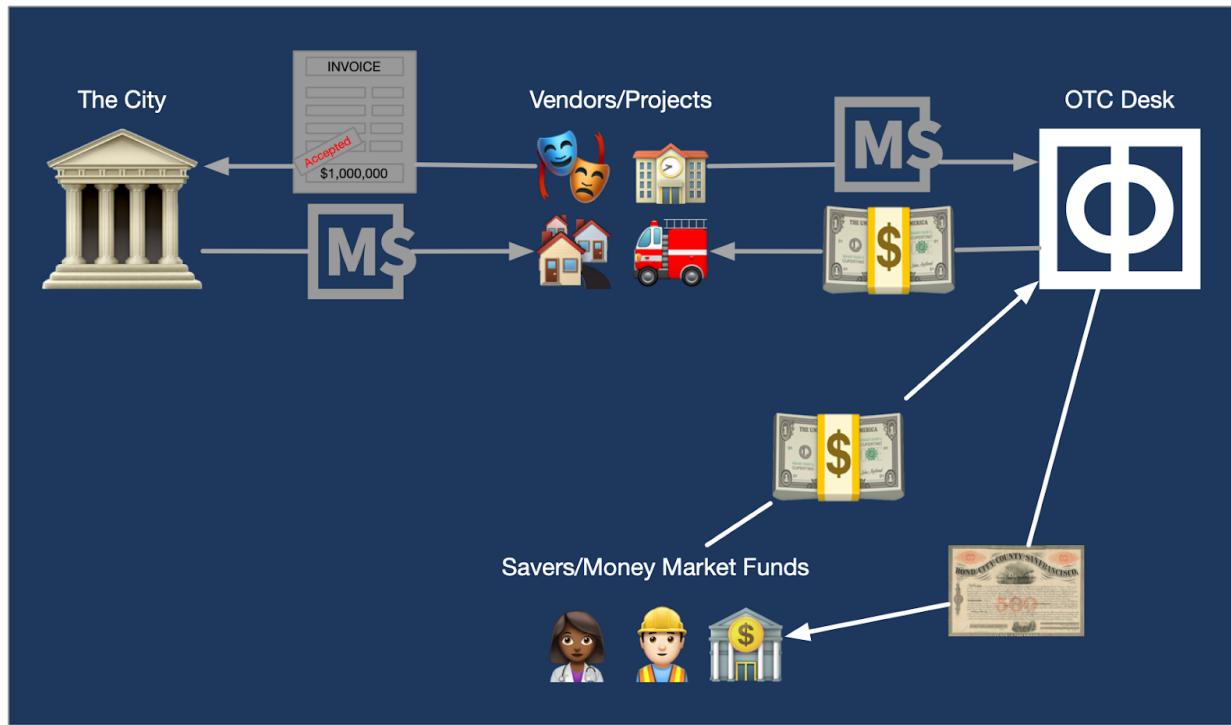


And settles a tax fee or fine payment with the City using Berkeley Bucks

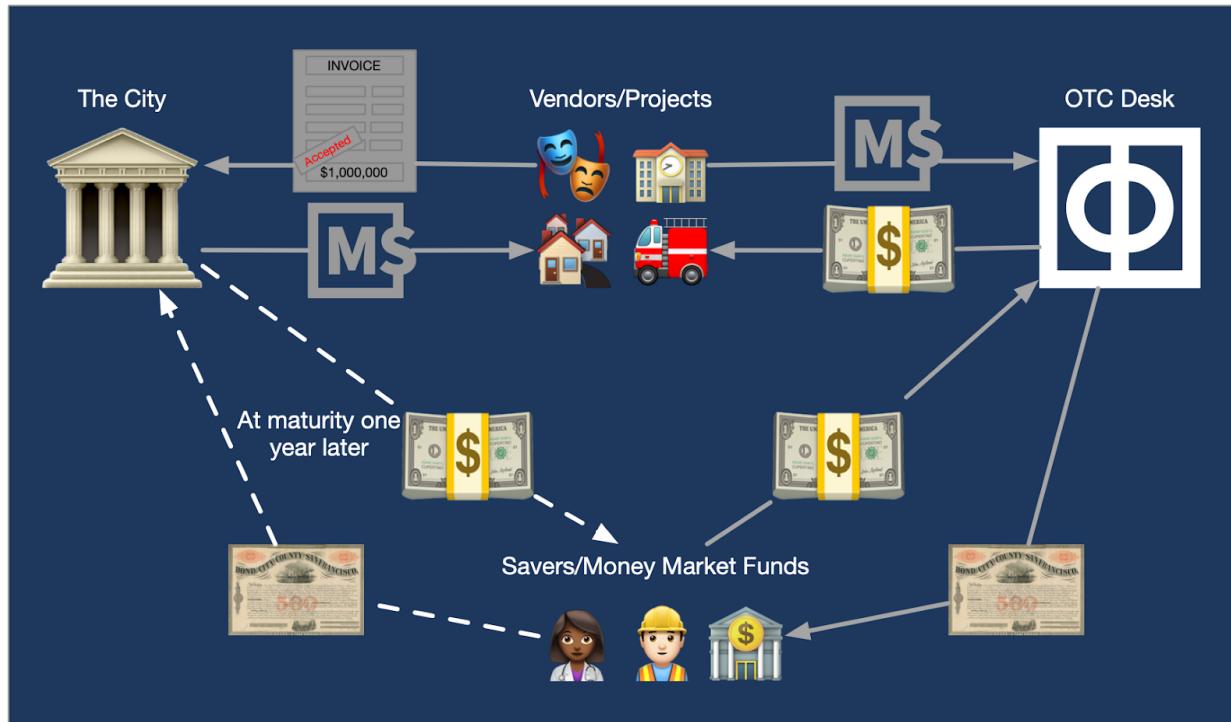




Step 3b: An investor buys one year municipal paper

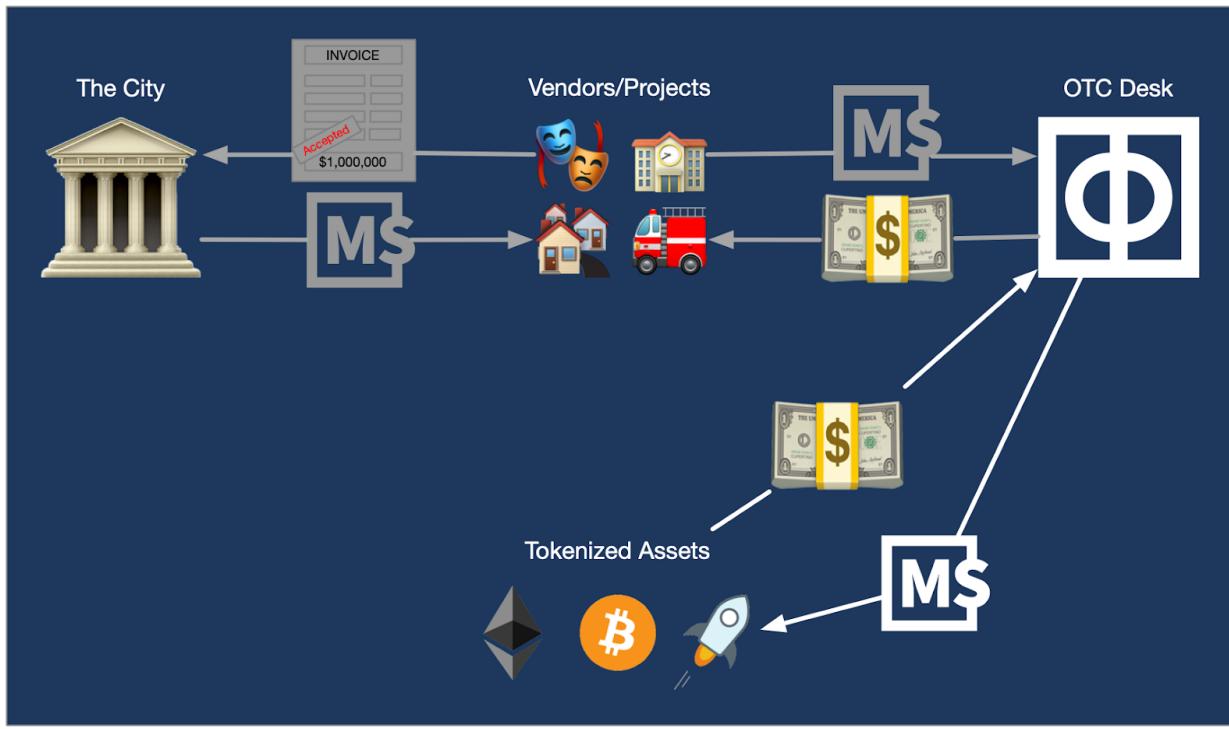


And redeems it with the City at maturity





Step 3c: An investor buys Berkeley Bucks and convert them into a token



The return path for Tokens is back through Flux Registry LLC into directly registered form. At that point, a holder could choose to convert to the next available maturity, pay obligations owed to the City or sell it to a party who is interested in either of those two paths (outlined in 3a and 3b).

Note that we will be starting with Ethereum's ERC-20 token format in the initial rollout. We do plan to support other blockchains in the future as holders demand other token formats.



Changes to City Workflow

In order to successfully execute the proposed Berkeley Bucks Program, we have assembled a checklist of new City Processes.

1. Report changes to TAN and/or Bonding Authority to Flux Registry

The City of Berkeley will immediately inform Flux Registry of any changes to the amount of Berkeley Bucks that are authorized. The change in authorization may result from an addition or subtraction of the City's authority to issue TANs and/or Bonding Authority, it may result from an addition or subtraction of the amount the City wishes to maintain in the Berkeley Bucks program or some combination of the two. Changes can be initiated through the City Manager dashboard that Flux will supply to help the City manage, observe and create reports related to the Berkeley Bucks Program.

2. Onboard Vendors with Flux Registry

When the City of Berkeley pays a new Vendor or Grantee, it will assist Flux Registry in the onboarding process so that the transferred Berkeley Bucks can be properly registered in the name of the new owner. Payments made to the vendor or grantee are immediately credited to the new holder of Berkeley Bucks but in order to properly receive the Berkeley Bucks, the vendor or grantee will have to open an account with Flux Registry. Flux has built a period of seminars and onboarding activities into the implementation schedule so that the initial cohort of vendors and grantees can be ready at the same time as the City.

3. Update and integrate payment systems

The City of Berkeley will need to integrate payments of Berkeley Bucks into its normal accounts payable systems. In its consultations with Flux about the dashboard functionality required, Flux anticipates that some of the integration can be extended through API calls between the dashboard and existing City systems.

4. Accept Berkeley Bucks for taxes, fines and fees

The City of Berkeley will need to develop a system for recognizing and crediting Berkeley Buck payments of taxes, fines and fees to the accounts of the entities seeking to meet their obligations to the City with Berkeley Bucks.



Response to items in Section II, SCOPE OF SERVICES

Item 1

Assist the City in Developing Innovative, Community-Supported Financing Platform Utilizing Emerging and/or Established Technologies.

Item 1(a)

Use of an emerging technology platform as a means to crowdsource participation, sell the bonds, and help administer the Program.

Response

The Berkeley Bucks program will take advantage of the latest in distributed ledger technology which will allow Berkeley an unprecedented level of transparency into the day to day operations of the program.

Item 1(b)

Use of an emerging technology platform as a means to crowdsource participation, sell the bonds, and help administer the Program.

Response

The Berkeley Bucks program will naturally draw participants into a closer relationship with both the community and the government agenda with a positive “Buy Local” message that offers cost savings and efficiencies to the local economy.

Item 1(c)

Exploring potential additional microbond functionality beyond its use as an investment product

Response

The Berkeley Bucks Program puts the choice of savings/investment vs. currency utility into the hands of the user. The owner of a Berkeley Bucks position can hold it as a directly registered obligation of the City on the transfer agent books or in a tokenized format on the network of their choice. Changing the holding format will be facilitated by a simple software interface. In either format, the user will have opportunities to convert Berkeley Bucks into US dollars through market-making activities. Alternatively, a user may choose to convert Berkeley Bucks from its non-maturing state to a municipal paper with a maturity.



We think a number of agencies and businesses could benefit from using Berkeley Bucks in some or all of its operations. For those segments of the population which are underbanked, the Berkeley Buck could serve as a viable replacement for cash US dollars which are subject to a higher theft/loss risk.

Item 2

Design and Create Bond Sale and Administration Platform

Design and create a secure, online platform(s) for marketing, bond sale, and ongoing bond administration. This phase will require multiple communications and meetings with City staff and other consultants. The online platform(s) should have the following capabilities:

Item 2(a)

Market the City's Program and microbonds as outlined in Item 2 of this Scope of Services

Response

Flux will market the City of Berkeley Munidollars and the associated minibonds daily through its OTC desk. This will include online advertisements and daily calls as needed to bond funds and their associated trading desks as well as participation in existing Muni Alternative Trading Systems (ATS).

Item 2(b)

Facilitate sale of the bonds as outlined in Item 3 of this Scope of Services

Response

Unlike a traditional “minibond program” which is a scaled-down retail offering of a more traditional underwriting, the Berkeley Muni dollar Program starts with the City “issuing” Berkeley Bucks to vendors and grantees. The sales facilitation that Flux provides is a market-based price discovery mechanism through market making to buyers and sellers. Because the various market participants have differing objectives, we believe that this approach will lead to a healthy secondary market.

Item 2(b)(i)

Ability to work with bonds in very small denominations

Response

Berkeley Bucks will be denominated and tradeable in pennies. Converted Minibonds can be held and traded in registered format in penny denominations but will need to be bundled into \$1000 denominations in order to be transferred into the DTC system’s Cede & Co. (for institutional participation).



Item 2(c)

Administer the bonds on an ongoing basis utilizing the blockchain or another digital ledger technology as outlined in an Item 4 of this Scope of Services.

Response

Berkeley Bucks that exist directly registered with the Transfer Agent will be visible to Berkeley at all times on the Master Securities Holder File. Berkeley Bucks that have been tokenized will be trackable publicly by both Berkeley and anyone else with a browser.

Item 2(d)

Facilitate secondary market trading among investors

Response

Flux Registry will partner with Broker-Dealers who will make markets in Berkeley Bucks and any bonds which result from the conversion of Berkeley Bucks. In addition, any Berkeley Bucks that become tokenized will be tradeable on exchanges that list them and any bonds that are acceptable for DTC deposit (ie. in \$1000 increments) will be available for trading in traditional Wall Street market fashion. Flux will encourage other brokerage firms to make markets in Berkeley Bucks and the converted Municipal Bonds by offering equal access and APIs to any brokerage firm that can deliver and receive from Flux Registry. Flux Registry's parent company is in the process of registering Flux Securities LLC as a FINRA Broker Dealer dedicated to making markets in Munidollars and related securities.

Item 2(e)

Ability to provide on-demand audits and reports detailing various metrics including (number of bond investors, secondary market trading activity, geographical location of current bond owners, etc.)

Response

Berkeley will receive a monthly report of all activities and have the ability to access the information at any time through a dashboard interface that Flux will build for Berkeley. The Flux dashboard will have the ability to generate reports and Flux will work with Finance Department Staff to ensure that the reports meet business requirements.



Item 2(f)

Ability to communicate easily with investors to facilitate reporting of significant events and annual disclosure requirements

Response

Flux will supply tools that will allow for all the electronic communication needs of Berkeley to registered holders of Berkeley Bucks and the resulting bonds that arise from conversion. The specific methodologies will be spelled out in the Issuer Agreement.

Item 2(e)

Ability to ensure all relevant laws and rules are adhered to and all legal and reporting requirements are met.

Response

Flux will make monthly reports to the SEC for the transfer agent operations and monthly updates to FINRA for the securities firm operations. Both subsidiaries are subject to regular and spot audits by their respective regulators. In addition, Flux will commit to a regular update schedule to the City and the City's municipal advisor to be spelled out in the Issuer Agreement.

Item 3

Pre-Sale Marketing

Item 3(a)

Work with City staff and consultants to develop marketing pitch and material for the Program

Response

Flux will prepare several stand-alone documents that we have put together to explain and market the Berkeley Mundiollar Program, which we refer to as the Berkeley Bucks Program. Each of these documents is designed to address the specific concerns of the different stakeholders to the Berkeley Bucks program.

Item 3(a)(i)

Tailor marketing material to increase buy-in from investors who do not typically participate or have not participated in a traditional bond offering

Response

Flux's co-founders started from the premise that the investing public is not ready to support repeated offerings that result in a series of traditional bonds, no matter how low the denomination. The lack of



flexibility implicit in a traditional municipal bond, the longer maturity compared to other savings vehicles, the opaque secondary market, the complexity of coupons and the pricing complexity at a Point of Sale device all argue against a traditional structure meeting the needs of the City of Berkeley.

A Berkeley Buck program supports those who want minibonds in dollar and cent denominations as well as institutional investors who will want to package them in \$1000 lots for delivery to the DTC system. The Berkeley Buck Program will also support those who want to use Berkeley Bucks as a currency with the City and local merchants, reducing swipe and other interchange fees. It can also serve as a savings vehicle and stable coin token through tokenization, which potentially opens up a very wide audience for Berkeley paper. And finally, it can help address some of the issues of the unbanked, whether those are homeless people or dispensaries that have trouble opening bank accounts, removing the risk of relying primarily on cash-only transactions.

Item 3(b)

Distribute marketing materials, targeting Berkeley residents

Response

For Berkeley Bucks, we will help the City design a program to target two initial groups of constituents to start the MuniDollar program: *Vendors to the City* and *Taxpayers to the City*.

Item 3(c)

Provide on-demand feedback of marketing campaigns (e.g. responses, views, or other metrics)

Response

In addition to traditional marketing metrics, such as views and click-through rates, Flux also intends to help the City understand conversion rates for vendors and taxpayers who express interest, daily changes in liquidity and price, and other useful metrics. Most of these metrics will be supplied on a near real-time basis through the dashboard that Flux will supply and maintain for the City.



Item 4

Bond Sale

Item 4(a)

Assist in the preparation and review of legal and financing documents in coordination with the City Attorney, bond counsel, underwriter's counsel (if any), disclosure counsel, City staff, and other relevant parties. These documents shall include regulations, rules, proposed legislation, and other documents relating to the City's financing program.

Response

The Berkeley Bucks Program starts with the signing of the Issuer Agreement with Flux Registry and the allocation of bonding authority to the Berkeley Bucks Program. Flux Registry will provide a draft agreement and work with the City's legal and regulatory representatives to ensure that the agreement is compliant and in accordance with the City's objectives.

Item 4(b)

Assist in preparation of preliminary and final official statements, notices of sale, and other disclosure documents as necessary

Response

As the issuer of Berkeley Bucks, the City does not need to produce an official statement. The City may choose to produce an official statement and Flux will assist the City's legal and regulatory representatives to ensure that such a document accurately reflects the main points of the Berkeley Bucks program. If the City chooses to produce an official statement, Flux recommends that it be updated regularly (once a year) and will assist in that effort.

Item 4(c)

Assist City staff, bond/disclosure counsel and the municipal advisor in structuring the microbonds

Response

Flux Holdings and its two subsidiaries, Flux Registry and Flux Securities will work with bond counsel and the municipal advisor to ensure that the schedule for conversion is in accordance with the City's long-term objectives and compliance requirements.



Item 4(d)

| As necessary, work with the City's municipal advisor to resolve issues communicated from prospective purchasers, rating agencies, or public officials regarding the sale and issuance of bonds

Response

All issues pertaining to the registration of Berkeley Bucks, the converted zero-coupon municipal paper, maturities, payments, lost and stolen certificates will be handled by Flux Registry as the Transfer and Payment Agent of the City of Berkeley's Munidollar program.

All issues pertaining to the secondary market, which may include secondary offerings of Berkeley Bucks, will be handled by Broker Dealers who contract with Flux Registry, including potentially Flux Securities.

Flux Registry will work with the City's municipal advisor and legal counsel to help resolve any issues that arise from the Berkeley Munidollar program.

Item 4(e)

| Serve as broker-dealer for the bond sale, managing the bond sale process

Response

Flux Registry's solution does not envision a traditional primary offering bond sale. Because the City would be issuing Munidollars directly to its creditors, there is no need for a Broker Dealer at the issuance. Secondary markets will be made by Broker Dealers who are independent from the City.

Item 4(e)(i)

| At this time, the City desires to limit the bond offering to Berkeley residents

Response

The ability to geographically limit Berkeley Bucks is entirely within the control of the City of Berkeley at the time of spending those Berkeley Bucks with vendors or granting them to non-profit organizations. New Berkeley Bucks are created in accordance with the Issuer Agreement and subject to the City's limits on TAN issuance or any other restrictions on indebtedness.



Item 4(f)

| Provide other customary underwriting services

Response

Flux Registry can work with any underwriter including, potentially, Flux Securities. The Munidollar program does not require customary underwriting services.

Item 4(g)

| Prepare comprehensive after-bond-sale report detailing key metrics of the sale

Response

In the case of normal Munidollar creation, Berkeley Bucks will enter the market at the sole direction of the City of Berkeley in the form of vendor payments or grants made to non-profit organizations. As such, the dashboard and the City of Berkeley's Finance Department records will provide sufficient metrics.

Much of the source for that information will be available in near real-time from the City of Berkeley's dashboard which will have read access to the Master Securities Holder File as part of the Issuers Agreement

Item 4(h)

| After bond sale, continue to provide secondary market liquidity for the microbonds

Response

Flux Registry will maintain an open policy towards third party broker-dealers which will allow them to maintain markets at no disadvantage to Flux Securities access to Flux Registry. We anticipate that Flux Securities will start with a dominant position in secondary trading given the novel structure that Flux is proposing. However, that position is likely to erode quickly as other financial institutions seek to gain market share in this exciting new emerging asset class which will likely count as one of the few innovations that the Municipal Bond market has seen in the last decade or two.



Item 5

Ongoing Bond Administration

Item 5(a)

Monitor secondary market trades and maintain an up-to-date database of current bond owners

Response

This is the core function of Flux Registry which the City will nominate to provide transfer agent services in the Issuer Agreement.

Item 5(b)

Serve as the City's paying agent and ensure that interest and principal payments to bond owners are made on time

Response

This is the core function of Flux Registry which the City will nominate to provide payment agent services in the Issuer Agreement.

Item 5(c)

As necessary, resolve issues raised by bond owners and maintain methods of communication with bond owners

Response

This is the core function of Flux Registry which the City will nominate to provide transfer agent services in the Issuer Agreement.

Item 5(d)

Prepare detailed reports – upon request – including details on secondary market activity, make-up of current bond owners, etc.

Response

As the Issuer, the City of Berkeley will have unimpeded access to the Master Security Holder Files for Berkeley Bucks and any converted municipal paper maturities. Flux will work with City employees to design and deliver reports that meet their requirements.



Item 5(e)

Work with the City's dissemination agent to distribute significant events' notices, when necessary, and annual disclosure reports to bond owners

Response

This is a core function of Flux Registry which the City will nominate to provide transfer agent services in the Issuer Agreement.

Item 5(f)

Undertake any steps necessary to ensure ongoing security and integrity of the online platform

Response

Flux will use Information Security best practices including:

- All user sessions will be cryptographically secured with TLS or SSH
- Users will be authenticated by email access, device keys, and WebAuthn authenticators; no passwords or API tokens to be stolen
- All user data will be encrypted at rest, and any data not needed for online operations will be kept on computers that are not publicly addressable on the internet
- Flux will, from time to time, review security policies and procedures for the platform and upgrade to new industry best practices

Item 5(g)

Develop platform to provide secondary market sales and purchases (investor liquidity)

Response

Registered Owners with their securities registered directly with Flux Registry will be able to buy and sell through Flux Securities through the Flux Financial website. Tokenized owners will be able to trade their securities through the wallets they choose (ERC-20) and the exchanges that they choose. Broker Dealers, including potentially Flux Securities, will maintain a traditional market-making operation for holders of securities that are transferable into the DTC system and will regard such holdings and take transfer instructions from the DTC's designated nominee Cede & Co.



Response to Items in Section III. SUBMISSION REQUIREMENTS

All proposals shall include the following information, organized as separate sections of the proposal. The proposal should be concise and to the point.

Item 1

Firm Overview and Staffing

Item 1.1

Provide the name of the firm, the firm's principal place of business, the name and telephone number of the contact person and company tax identification number

Response

Flux Holdings Inc's principal place of business is San Jose, California.

The Contact person for Flux Holdings is Ryan Singer

The Contact person for Flux Registry and Flux Securities is John Crossman

Flux Holdings Inc, a Delaware Corporation, EIN: 84-2803977

Flux Registry LLC, a California Corporation, EIN: 84-4019736

Flux Securities LLC, a California Corporation, is still in the process of setting up

411 Park Avenue #122

San Jose, CA 95110

(415) 695-4458

Item 1.2

Discuss the structure of your firm and identify any related subsidiaries

Response

Flux Holdings Inc will develop and own all the intellectual property, systems and software and wholly owns two regulated subsidiaries:

1. Flux Registry LLC, TA-1 accepted on February 6th, 2020
2. Flux Securities LLC, in process



Item 1.3

Identify the members of the firm who will be primarily responsible for providing the services outlined in Section II of this RFP and provide short bios for those staff members

Response

John Crossman will be responsible for the regulated businesses. John has been involved in the securities industry in the US, Asia and Australia since 1979. John most recently served as the President of Neighborly Securities as it rolled out its minibond program.

Ryan Singer will be responsible for coordinating the software and operations of the business as well as the strategy for tokenization. Ryan has been involved in enterprise software since 2000, the Bitcoin world since 2012, was a co-founder of the first institutional bitcoin exchange, Tradehill, and helped launch Chia, a next generation crypto currency.

Ryan Klaus will be responsible for sales and marketing. Ryan was successful in developing Neighborly's minibond campaign, the lessons of which will be critical to the successful completion of the Berkeley Bucks Program.

Item 1.4

Disclose any bankruptcy proceedings your firm may have been a party to in the last 5 years

Response

Not Applicable

Item 2

Approach to Services:

Discuss your approach to fulfilling the Scope of Services outlined in Section II of this RFP. Alternative approaches and/or methodologies to accomplish the desired or intended results of this RFP will also be considered. Please note that responses which depart from or materially alter the terms, requirements, or Scope of Services defined by this RFP may be rejected at the sole discretion of the City as being non-responsive. Discuss any unique or innovative methods your team utilized to execute similar projects. In addition, please address the following items:

Response

Flux has designed the Berkeley Bucks program to take advantage of the existing legal, regulatory and market environment to allow the City of Berkeley and its citizens to create innovative new payment and savings options that can arise organically from the day to day budgetary activities of the City.



Item 2.1

Compare your approach to a traditional public financing approach, identify key areas where your approach differs from and improves upon a traditional public financing approach. Include a self-assessment of the potential weaknesses in your approach compared to traditional financing technologies.

Response

The biggest differences between our approach and the traditional one is the point of issuance and the initial form of the obligation.

Point of issuance - In the case of the City of Berkeley, there is really no particular need for much of the administrative superstructure that has built up around the issuance of Tax Anticipation Notes or other short-term municipal paper. The City has a well-established budget process that has been recognized and endorsed positively in its credit rating. In addition, there is no particular need for batching financing to accord with the needs of the regular underwriting procedures currently in place on Wall Street. Simply put, with the Berkeley Bucks program, the City of Berkeley can authorize an amount for spending and have it available for spending as and when it deems fit. The obligation to repay does not commence until the Berkeley Bucks are transferred from the City's account as a result of a payment or other transfer (sale, auction) of the Berkeley Bucks.

Form of obligation - The municipal paper which the City of Berkeley creates currently is used primarily to supply institutions offering California Tax-Free money market funds. The demand for high-quality municipal paper is well established and deep. However, it does not leave room for other uses of short term, high-quality municipal obligations. The first observation that we made is that there is significant demand for high-quality cash stores that are not subject to the intermediation of the fractional reserve banking system. This is why the demand for sovereign bonds has been so strong as to drive \$15 trillion in outstanding debt to trade at negative interest rates. In this case, the option to convert to a given maturity is more valuable than setting a maturity at the start. The cash nature of a municipal security without a specified maturity could also form the basis of a local currency which could benefit from low transaction costs and a high level of data capture. Such a currency could also be useful as a currency or an anchor for other financial products on various blockchains using well established ERC-20, Omni, Stellar or other protocols as driven by market demand.

Item 2.2

Discuss the technical core of how you will implement a blockchain (or similar distributed ledger technology) platform for the marketing, sale, and ongoing administration of the microbonds, including the following:

Response

The intention of Flux Holdings is to use the blockchain in areas where it is most likely to achieve the goals of the Berkeley Bucks Program.



Item 2.2.1

Specific technology to be used (e.g. Hyperledger, Ethereum, etc. for blockchain platforms or other proprietary distributed ledger technology)

Response

Flux will facilitate Berkeley Bucks transfer primarily on Ethereum. Ethereum has the largest install base of active wallets, Distributed Finance Applications, and digital money exchanges. Flux's process is well suited to any public blockchain, and Flux will evaluate expanding the program to Stellar, Ripple, EOS and other platforms after the pilot is complete.

Item 2.2.2

How the Platform will be anchored to integrate with any global, public blockchain

Response

At the registered holder's option, any quantity of Berkeley Bucks (down to penny denominations) can be transferred to tokenized form. The choice of blockchain format is dependent on the registered holder but we anticipate and will make preparations to support the ERC-20 (Ethereum) standard, the Omni (Bitcoin) Protocol and Stellar. As other global, public blockchain formats gain popularity, Flux Holdings will develop integration plans to accommodate the wishes of the registered holders.

Owners of tokenized Berkeley Bucks can easily transfer any quantity of Berkeley Bucks (down to penny denominations) into directly registered form by sending their balance and request to Flux Registry. If an account does not exist, Flux Registry will run the tokenized holder through a KYC-AML (Know Your Client - Anti Money Laundering) process to allow for a rapid account opening process and transfer of value to a directly registered format. One reason for doing this might be in order to convert the Berkeley Bucks to the next available municipal paper maturity.

Item 2.2.3

Transaction computation complexity on your proposed technology

Response

Berkeley Bucks are a simple "tokenized security certificate"; a format which is not computationally complex. Ethereum, Stellar, Ripple, Omni and EOS can all support Berkeley Bucks without software changes.



Item 2.2.4

Platform scalability for any future, additional financing projects

Response

Berkeley Bucks can be issued as Tax Anticipation Notes, and thus only require voter approval if the float exceeds 80% of expected 12-month tax Revenue. With voter approval, any project could be financed with Berkeley Bucks instead of, or in addition to, traditional bond sales.

Item 2.2.5

Any front-end application for use by bond investors and/or City staff (include screenshots if available)

Response

Mockups for city dashboard and user views.

City Dashboards

The screenshot displays the Berkeley Bucks City Admin dashboard with the following sections:

- Authorized Munidollars:** Shows Authorized (\$5,000,000) and Issued (\$3,800,000) amounts with "Add +" and "Subtract -" buttons.
- Market:** Displays Bid (\$0.9709), Offer (\$0.9721), Volume (5,201 last 24 hours), and a "Markets →" button.
- City Wallet:** Shows Balance (\$1,200,000.00) and a "View wallet →" button.
- Reporting:** Includes a message about the last report filed in Q4 2020, the next report due in 1 month, 21 days, and buttons for "Create Quarterly Report →", "Past Reports →", and "Annual Report →".
- Munidollars Accounts:** A table listing accounts with columns for Account Number, Holder, and Balance. Examples include "jDjd92KShwpP+Va\" City of Berkeley" with \$1,200,000 and "omRvGZhRPVBY5zSw Flux Securities LLC" with \$1,200.
- Outstanding TANS:** A table showing quarterly data from Q1 2021 to Q4 2021, including Total Converted, Balance, Maturity, and a "More info →" button for each row.

Main dashboard



The screenshot shows a dashboard for Berkeley Bucks City Admin. At the top left is the logo 'Berkely Bucks City Admin'. At the top right are links for 'City of Berkeley' and a user profile icon. Below the header is a back arrow and a 'Dashboard' button. The main title 'Bonds due Q1 2021' is centered above a blue callout box. The callout box contains the text 'Maturing on April 1, 2021'. To the left of the main content area is a white box labeled 'Overview' containing the total amount '\$1,200,000'. The main content area features a table titled 'Accounts' with columns for 'Account Number', 'Holder', and 'Balance'. The table lists six entries, all held by 'John Smith' with a balance of '\$1,200', except for one entry held by 'CEDE & Co.' with a balance of '\$960,000'. A 'Total' row shows a balance of '\$3,800,000'. A blue button at the bottom right of the table says 'View accounts →'.

Account Number	Holder	Balance
jHqb99ls7lxU7LP1	CEDE & Co.	\$960,000
omRvGZhRPVBY5zSw	Flux Securities LLC	\$1,200
N6n191vmF+X9j5Lp	John Smith	\$1,200
Total		\$3,800,000

Individual bond page

Flux Response to the Berkeley Request for Proposal



Specification No. 20-11365-C Microbond Financing Program

User dashboard

The screenshot shows the User dashboard with three main sections:

- Berkeley Bucks - Berkeley, California:** Total balance \$680.20. Includes a Market section with Bid (\$0.9909) and Offer (\$0.9920) for \$60,201 in the last 24 hours. Buttons for "Buy" and "Sell". A "Convert to Bond" button (green) and a "Convert to Token" button (yellow) are also present.
- Santa Clara Dollars - Santa Clara County, California:** Total balance \$100.00. Includes a Market section with Bid (\$0.9502) and Offer (\$0.9610) for \$2,510 in the last 24 hours. Buttons for "Buy" and "Sell". A "Convert to Bond" button (green) and a "Convert to Token" button (yellow) are also present.
- San Francisco Dollars - San Francisco, California:** Total balance \$100.00. Includes a Market section with Bid (\$0.9909) and Offer (\$0.9920) for \$60,201 in the last 24 hours. Buttons for "Buy" and "Sell". A "Convert to Bond" button (green) and a "Convert to Token" button (yellow) are also present.

Ryan Klaus is logged in at the top right.

User dashboard - desktop

The desktop dashboard is shown in three panels:

- Balance:** Shows a large balance of \$680.20.
- Wallets:** Shows three wallet sections: Berkeley Bucks (\$480.20), Santa Clara Dollars (\$100.00), and San Francisco Dollars (\$100.00). Each section has "Send" and "Receive" buttons.
- Berkeley Bucks:** Shows the Berkeley Bucks section in more detail, including a Market section with Bid (\$0.9909) and Offer (\$0.9920) for \$60,201 in the last 24 hours, and "Buy" and "Sell" buttons.

User dashboard - mobile



Merchant dashboard

9:35

Berkeley Bucks Merchant

Coffee House

New transaction

\$0.00

9	8	7
6	5	4
3	2	1
00	0	

Submit

Transactions

Time	Amount
TODAY	
10:32 am	\$1,500,500.00
9:47 am	\$254,000.23
9:01 am	\$104,550.50
YESTERDAY	
3:58 pm	\$300,000.00
3:36 pm	\$256,000.00
3:05 pm	\$98,000.00
2:42 pm	\$740,000.00
2:33 pm	\$304,000.00
2:20 pm	\$110,052.95

Statements

Q1 2021
...	
Q2 2021	
...	

9:35

Preview

Amount due
\$27.25
Berkeley Bucks

Overview

Sales	\$25.00
Sales tax (9%)	\$2.25
Subtotal	\$27.25

Tipping

15%
\$123.45
20%
\$123.45
25%
\$123.45

30%
\$123.45
Custom
No tip

Cancel

9:35

Pay now

Amount due
\$32.70
Berkeley Bucks

Overview

Sales	\$25.00
Sales tax (9%)	\$2.25
Subtotal	\$27.25
Tip	\$5.45
Total	\$32.70

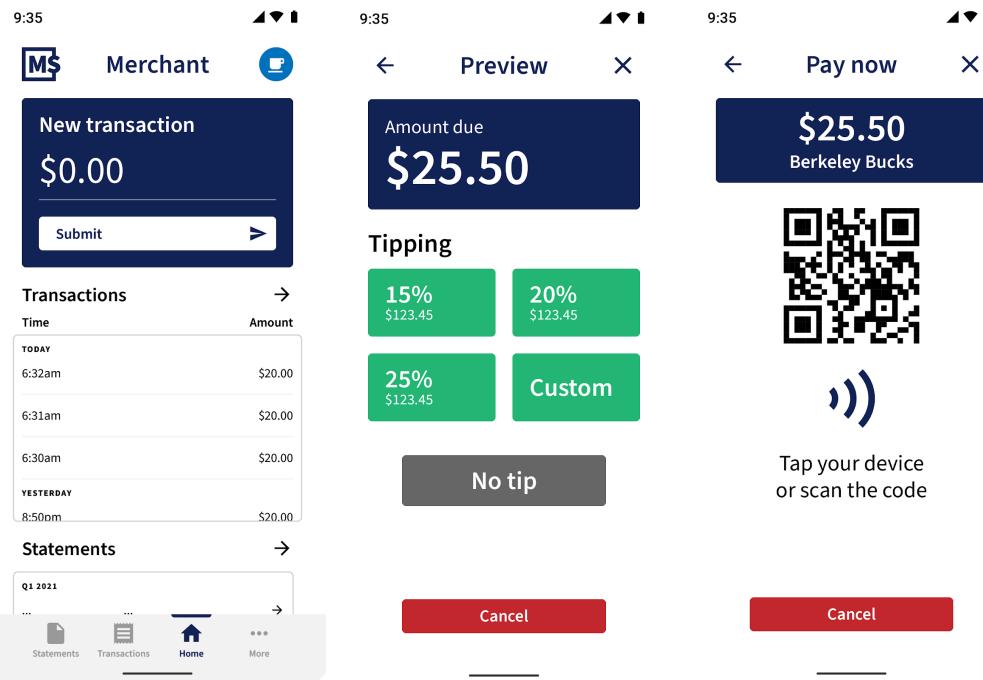
Scan the code above

OR

Tap your device

Cancel

Merchant dashboard and flow - tablet or desktop



Merchant dashboard and flow - mobile

Item 2.2.6

Identify any infrastructure the City must provide for the proper functioning of the Platform

Response

- The City will need to provide Vendors the ability to elect for payment in Berkeley Bucks at invoice approval.
- The City will need to provide the facility to apply a Berkeley Buck receipt as a credit to City accounts receivable
- The City may desire to do direct mailings to educate vendors and taxpayers about the Berkeley Bucks Program to encourage adoption.

Item 2.3

Outline your creative vision for local engagement and strengthening the local economy through benefits to local stakeholders. Discuss your firm's ability to market the offering to retail investors.

Response

Berkeley Bucks create an economy between vendors invoicing the City desiring better terms of payment, and taxpayers looking for small discounts and tax credits. This drives deeper Civic engagement for both groups.

The City has underbanked merchants that have cash-heavy businesses. When a business is forced to do all payments in cash, risk of robbery goes up, tax and accounting fraud become harder to detect,



and tax payments using cash create unnecessary processing and security costs. Merchants could accept Berkeley Bucks at the point of sale. This provides more accurate accounting, a subsidy to the City's financing program, and an easy way to ensure merchant payouts: tax refunds.

Item 2.4

Highlight your firm's ability to issue microbonds in very small denominations, reissue if lost or stolen, and track micro-payments on demand

Response

As a transfer agent administering directly registered securities on behalf of the City, Flux will be able to offer penny denominations, allowing any value in dollars and cents to be reflected in Berkeley Bucks.

Berkeley Bucks reported lost or stolen could be recovered when presented to conversion. In addition, Flux will be able to assist law enforcement in detecting and fighting the resale of stolen Berkeley Bucks.

All Berkeley Buck payments and transfers will be done on public blockchains, allowing the City and its stakeholders a transparent view of the entire Berkeley Bucks program.

Item 2.5

Your firm's ability to administer the Program with on-demand real-time audit functionality

Response

Flux's systems are being designed to be continually audited, with daily reconciliation with other custody providers and monthly reporting to regulators. In addition, the public blockchain functionality allows for continuous audit between Flux's systems and user wallets with or without Flux's participation.

Item 2.6

Identify your firm's capability to monitor trades in the secondary market and ensure ongoing liquidity for the microbonds

Response

For Berkeley Bucks that are traded in certificated form (directly registered), all transfers will be registered at Flux Registry and visible to the authorized representatives of the City of Berkeley. For Berkeley Bucks that are traded in tokenized form, the trading will be viewable in the appropriate public blockchain browser. For converted municipal paper that is directly registered, all transfers will be registered at Flux Registry and visible to the authorized representatives of the City of Berkeley. For converted municipal paper that is transferred into the DTC system through Cede & Co, the normal reporting system via MSRB's EMMA will report transactions as they occur. Flux Securities will make markets in the City of Berkeley Munidollars and in any bonds that arise from the conversion of



Berkeley Bucks. Flux Registry will be open to any FINRA registered Broker-Dealer to facilitate the transfer of any market-making activity on a non-discriminatory basis and provide software integration as required.

Item 2.7

Discuss current federal and state regulatory compliance and a strategy for maintaining ongoing compliance

Response

Flux Registry is required to provide monthly statistics of inquiries (both routine and non-routine) as well as transfers to the SEC to ensure that a sufficient percentage (90%) of regular business is conducted within three business days. The SEC has broad auditing and investigative powers which include, but are not limited to, inspecting Flux Registry's Index with or without Flux Registry's knowledge. Flux Registry will provide a dashboard and other tools to the SEC to facilitate and streamline their efforts. All activities will be outlined in Flux Registry's TA Manual.

Flux Securities will be operated in accordance with its Written Supervisory Procedures which will be overseen by an experienced compliance officer. Flux Securities is required to file monthly and quarterly FOCUS reports to FINRA, have annual audits and inspections and remain open to FINRA requests for information and adherence to compliance standards at any time.

Item 2.8

Identify any partnerships with local technology providers and community organizations that will enable your firm to complete the Scope of Services

Response

Flux Holdings will seek to cooperate with local exchanges and wallet providers to build choice in terms of secure wallets, secure tap and pay cards, and a number of venues on which to trade Berkeley Bucks in cryptographic form. Flux Holdings will also seek to include the underbanked in Berkeley by joining with organizations that assist the homeless and dispensaries that are not able to establish proper bank accounts. Both groups are vulnerable because of their reliance on cash. Both groups are also somewhat opaque because of their reliance on cash. In the case of homeless people, valuable data on their spending habits are lost. In the case of the dispensaries, not only is the opportunity for tax evasion increased but the need to handle cash for tax payment is a burden to the City as well.



Item 2.9

Discuss any social benefit elements of your firm's approach to providing the services requested in this RFP.

Response

The main social benefit to the Munidollar Program is that it allows the City of Berkeley to extend its excellent credit umbrella over vendors and grantees of the City budget, giving the City unparalleled data on the effectiveness of spending. A side benefit is that it can recapture much of the money spent on financing back into the local economy and potentially increase the impact and velocity of money in the local economy.

Item 2.10

Discuss your firm's thoughts on the possibility of instrument functionality beyond its use as an investment product

Response

The Munidollar was designed from inception to extend beyond a simple investment product. The program we propose will allow the City of Berkeley to take advantage of its excellent credit rating and authorization from its voters to develop a local economy more closely tailored to achieving the community's long term objectives.

The Berkeley Buck can be a temporary or long-term store of value. It can become the basis of new financial products that are just starting to evolve from the Decentralized Finance (DeFi) community. It can be used to incentivize taxpayers to accelerate payments. It can be converted into short term tax-free zero-coupon municipal paper. It can be used as a currency both locally and globally. It can encourage new sources of investment flows. It can take advantage of emerging cryptographic techniques and technologies to increase security and reduce the risk of loss or theft.

Item 2.11

Discuss actions and procedures your firm will implement to ensure cybersecurity for the bond issuance and ongoing administration platforms

Response

- Increasing the authorized size of the Munidollar Program or spending them from the City will require both secure physical hardware and current access to the official email accounts of the appointed City executive.
- All client data including KYC documentation will be stored encrypted in a separate database from production systems that process user requests.



- Security will be at the device level, not the account level, and reporting a device lost or stolen will require an account to be locked until strong legal verification of identity is possible.

Item 3

Related Experience:

Item 3.1

Detail your firm's experience providing some or all of the services identified in the Scope of Services

- o Include experience providing those services to local government entities

Response

Transfer Agency - John Crossman developed and managed Neighborly Registry LLC.

Broker Dealer operations - John Crossman was the President of Neighborly Securities Inc, where he ran the underwriting, sales and trading operations. Those operations included a number of competitive and negotiated municipal bond deals. John Crossman has also led desks in SVP roles and served as Managing Director at a number of firms over the past 35 years. Ryan Singer successfully designed and shipped blockchain software platforms and services at Tradehill (an institutional bitcoin exchange).

RegTech - Both John Crossman and Ryan Singer has extensive experience in applying blockchain technology to regulated financial and health care processes, for example Blockchain Clearing (securities clearing platform), Blockchain Health (blockchain platform for securing clinical trial data) and BaseZero (Custody tools for Digital Assets)

Custody and Transactional Systems - Ryan Singer has extensive experience in developing and managing complex, highly transactional custodian systems over the last 15 years.

Item 3.2

Discuss systems or platforms your firm has developed that have some or all of the functionality identified in Item 1 of the Scope of Services

Response

Flux has supporting systems in place to facilitate the issuance and redemption of 'Berkeley Bucks' IOU's using ERC-20 standards on the Ethereum blockchain. Flux also has systems and processes in place to manage the conversion of Berkeley Bucks into City of Berkeley short term bonds, and the delivery of those bonds to normal brokerage accounts. These systems and processes will be subject to yearly audits and spot audits by the SEC as part of Transfer Agent operations. Flux Registry also supports Cash on Demand (COD) transfers that can be used to settle Broker Dealer trades on the secondary market.



Item 3.3

Discuss successes your firm has had in increasing participation in bond offerings from demographic groups who typically do not purchase bonds

Response

At Neighborly Securities, the founders participated in the following issues that were underwritten with zip code delimited distribution and maximum subscriptions to ensure broad retail distribution. Representative issues include Lawrence Kansas, Cambridge Massachusetts, Somerville Massachusetts, and Burlington Vermont. In all these issuances the founders worked hand in hand with the City council and residents through a series of town hall meetings. By speaking extensively with residents and City council members, the founders experienced first-hand how impactful cost effect issuances can be for a City and its residents.

Item 4

Legal Issues, Licenses, and Potential Conflicts of Interest:

Item 4.1

Your response must disclose any current or pending investigations of the firm and any enforcement, settlement, or disciplinary actions taken within the last five years against the firm or any proposed key personnel

Response

Nothing to report

Item 4.2

Provide a summary of the company's licenses and registration with the appropriate federal and state regulators

Response

TA - 1	Securities and Exchange Commission (SEC)	Feb 6 2020
Form BD	Financial Regulatory Authority (FINRA)	In process
Series 24	Registered Securities Principal	John Crossman
Series 53	Registered Municipal Securities Principal	John Crossman
Series 52	Registered Municipal Representative	John Crossman
		Ryan Klaus



Series 7	Registered Representative	John Crossman
Series 63	State Securities Registration	John Crossman

Item 4.3

Identify any potential conflicts of interest or relationships that may present a perception of a conflict of interest in accordance with Section VI.E below

Response

The company warrants that it does not have any conflicts, or perception of conflicts of interest in accordance with Section VI E.

Item 5

Client References:

Provide up to five (5) client references for projects similar to that outlined in this Scope. If available, provide local government references, preferably California cities or other large public sector entities. Provide the designated person's name, title, organization, address, telephone number, and the project(s) that were completed under that client's direction.

Response

The firm has been set up specifically to promote the use of Munidollars. However, all three principals worked on the following Minibond issues which made use of retail restriction, zip code bounding, low denomination and online onboarding and client service at Neighborly Securities.

[City of Cambridge Massachusetts](#)

Louis DePasquale, City Manager

David Kale, Assistant City Manager for Fiscal Affairs

[City of Somerville, Massachusetts](#)

Edward Bean, Auditing (617) 625-6600 3210

Joseph Curtatone, Mayor's Office (617) 625-6600 2100



Item 6

Price Proposal:

Provide your compensation structure based on the Scope of Services (Section II).

Response

The City of Berkeley will pay Flux Registry LLC a setup fee of \$25,000 and a quarterly fee of 0.25% of the maximum outstanding balance of Berkeley Bucks in the quarter. Quarterly fees are payable in Berkeley Bucks by transfer at Flux Registry.

Item 7

Contract Terminations:

If your organization has had a contract terminated in the last five (5) years, describe such incident.

Termination for default is defined as notice to stop performance due to the vendor's non-performance or poor performance and the issue of performance was either (a) not litigated due to inaction on the part of the vendor, or (b) litigated and such litigation determined that the vendor was in default.

Submit full details of the terms for default including the other party's name, address, and phone number. Present the vendor's position on the matter. The City will evaluate the facts and may, at its sole discretion, reject the proposal on the grounds of the past experience.

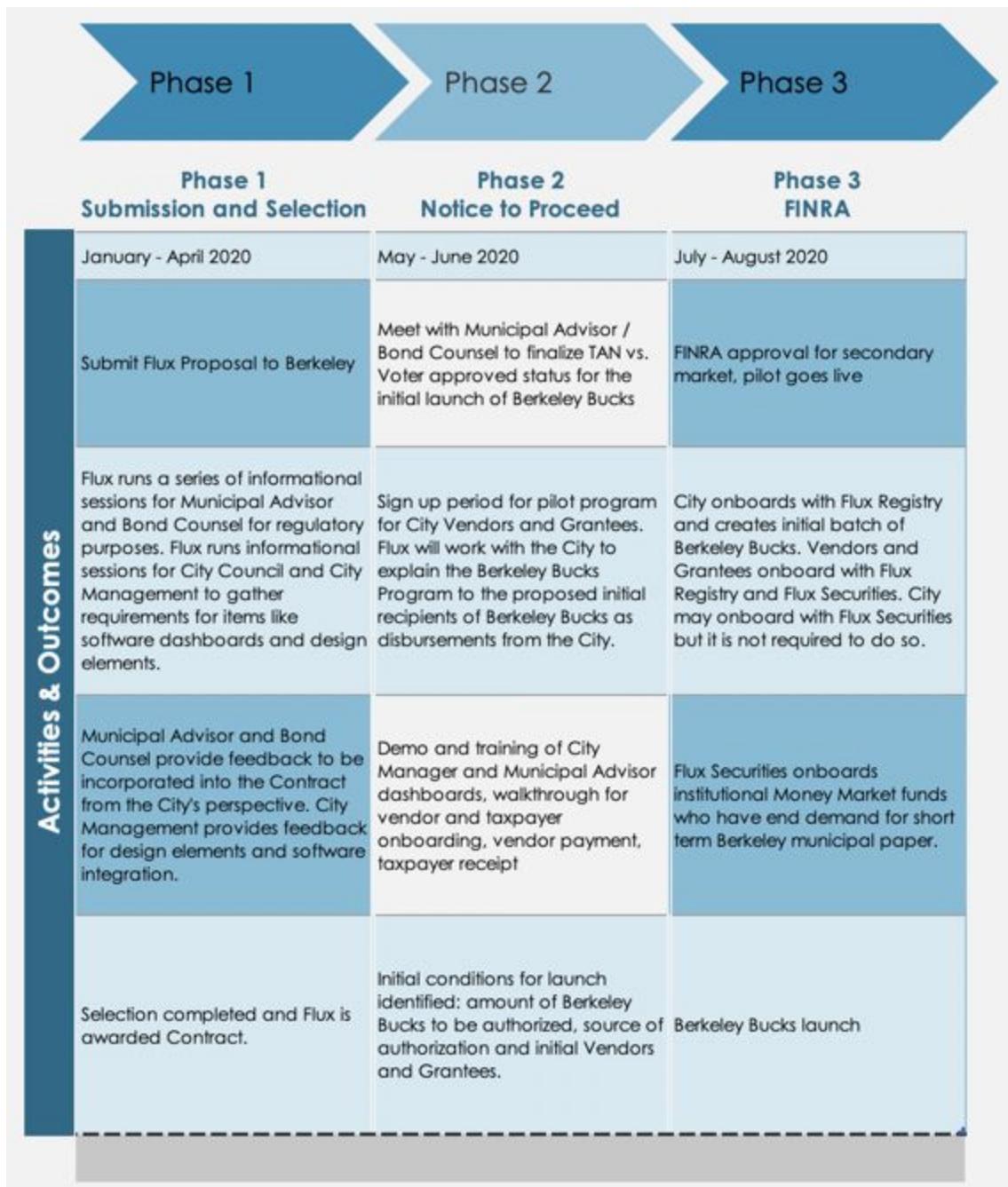
If the firm has not experienced any such termination for default or early termination in the past five (5) years, so indicate.

Response

The firm has not experienced any contract termination.



Schedule for Implementation





Conclusion

Although the RFP is simply titled “Microbond Financing Program,” the contents of the RFP clearly indicate that the City of Berkeley is looking to achieve much more than a series of low denomination municipal bonds issued with geographical restrictions.

This proposal is an opportunity for the City of Berkeley to “right size” the services it requires from the traditional institutional market, colloquially referred to as Wall Street. For short term cash flow considerations such as the regular City budget, much of the need to balance inflows and outflows can be managed with the resources available in the local economy. The Berkeley Bucks program is the tool which channels market forces to ensure that any imbalances are efficiently dealt to the liquidity provider best placed to rebalance the system at any given time.

The tools to initiate, manage and control the Berkeley Bucks program are available today. And similar tools are available to all potential users so that a transparent and efficient market can develop that can be tailored to the specific needs of the City and its stakeholders.

In this proposal, we sought to capture the broad ambition that we feel the City of Berkeley has demonstrated by pioneering Berkeley Bucks and PACE financing in the past. We recognize that the City wants to benefit its stakeholders, take full advantage of blockchain technology and lower costs for all.

The City of Berkeley may issue Berkeley Bucks on its own bonding authority. By using a Transfer Agent, the City can track the movements of Berkeley Bucks. Users of Berkeley Bucks can use the Transfer Agent to change the form of Berkeley Bucks to suit their purposes:

- By offering the ability to transform a directly registered Berkeley Buck position into a tokenized form, users can leverage existing wallet structures to set up sophisticated payment systems at a fraction of the cost of legacy credit/debit payment systems.
- By offering a convertibility option into short term municipal paper, users can become bond holders and institutions can participate in the secondary market, underpinning the demand for and value of Berkeley Bucks.
- By accepting Berkeley Bucks as payment for taxes, fines and fees due, the City creates an extra layer of demand for Berkeley Bucks from those payers. And, since any discount will be realized immediately, those payers have a natural incentive to outbid the money market funds and potentially lower the overall funding costs for the City in the long run.
- And finally, for those who choose to use Berkeley Bucks as the foundation of other financial products, the Berkeley Buck becomes a stable coin backed by the sovereign taxing power of the City. The advantage to the City is lower overall cost as the average duration of the program extends beyond the short term paper range.

The Berkeley Bucks program has been constructed to offer real economic incentives at every level to all participants in order to drive natural market adoption.



We feel that the Berkeley Bucks Program can serve as a template for other progressive cities and counties in California all the way up to the State Government itself. We are very excited to take the first step of that exciting journey with Berkeley.

Thank you for taking the time to review our proposal. If you have any questions, please do not hesitate to contact Ryan Singer on (650) 924-2785, John Crossman on (415) 695-4458 or Ryan Klaus on (650) 793-7749. We look forward to hearing from you and working together to make Berkeley Bucks a reality.