

To the Crypto Task force.

Input from Rivetz.

I started to respond to the list of questions published but I am sure the 35 pages will just cause reader's fatigue. I thought some simple concepts could help.

First my credentials. My name is Steven Sprague I am the CEO of Rivetz Corp. and I have been the subject of an SEC suit that concluded on March 10<sup>th</sup> 2025. I represented myself Pro SE and wrote a couple hundred pages of arguments. I am not a lawyer but an engineer and an executive. I ran Wave Systems Corp. as President from 96 to 2013 a Nasdaq traded company that raised a few hundred million dollars in the public markets over many financings. Wave was a leader in the creation and launch of trusted computing and explored digital money in the late 90's. We shipped 160 million licensed copies of software with the pc OEMs. In 2013 I founded Rivetz Corp. to develop trusted execution capabilities in mobile phones and fell into the blockchain space. We did an ICO in the summer of 2017 using a Cayman subsidiary, with Perkins and Deloitte. We built cool technology in partnership with many companies and developed joint IP with Telefonica. The company was investigated by the SEC starting in late 2018 and the company paused active operations at the start of covid in 2020.

I have built products my whole career and utility tokens are or can be products. I understand well the challenges of disclosure and risk associated with the early purchase of tokens by customer and by speculators. We attempted to build product in 2017 that did not promote speculation anymore than any other digital ecosystem product. Technologies such as game consoles and games. One of my informing experiences was delivering a 10.8 million dollar 3 year contract to GM for enterprise software. We sold 100 thousand seat licenses as tokens (32 character cryptographically unique keys hosted on our license server). These tokens however were not transferable by contract. So in 2008 when GM downsized its work force and only needed 60K licenses they just burned the rest of the product. We, using gap, accounting recognized the revenue over 3 years because the token gave them the right to upgrades and maintenance. All of this was detailed in our normal SEC filings.

When Rivetz Sold tokens there were no promises of ongoing support because we were concerned about how those promises of support might create a security under Howey. The result is that the customer received a much lower value product. **The SEC should**

**understand this detail carefully as the future value of any utility token should be open to include maintenance and support functions with out those functions creating a security.**

The Rivetz Decision

A simple summary,

- The promotion of a token being used in a potentially large ecosystem ie Cybersecurity is a big market.
- The potential that the company might invest in increasing the functional value of the token
- The potential the company might influence or contract with third parties to support an ecosystem
- The fact that the token can be transferred

These points are the basis for the court determining the offer of the token was an investment contract.

- The court highlights that contracts are of no value if there is any promotion.
- The court did not require promotion of financial value only the promotion of Functional value.
- The court determined that the fact the company did not participate in an creation, operation, support, or promotion of secondary trading was irrelevant.

I summarize these points only to say that it is a very general description of almost any utility token or any emerging product. The result is that all initial product offerings are investment contracts.

### **A Path Ahead**

I believe that there is a path ahead for all emerging software and physical products that might have ecosystems and a product that can be transferred (resold). The solution is to use REG CF to provide the sale of an investment contract for utility tokens sold from the company's inventory. Once the tokens are delivered the customers for the tokens can transfer the tokens to others outside of any regulatory oversight for use or for resale.

- A solution that is easy to define
- A solution that provides adequate disclosure based on Reg CF or even Reg A
- A solution that does not impact utility models.

- A solution that enable companies to work with other regulatory frameworks for product sales internationally. (a token sold to a foreigner is not an investment contract)
- A solution that has ongoing disclosure under REG CF and could have a framework for more detailed disclosure as the value of tokens transferred every day grows or declines.

The case law of Rivetz defines almost every emerging market product or ecosystem product as a security. NFL season tickets, Meta glasses, even a tesla with the promise of auto-drive revenue are great examples and this might become a framework that works for those products as well.

Rivetz is working to assemble this model in the market. Assuming we can wake up a disrupted company. We will only take the idea ahead with a no action letter from the commission in the future.

The task force needs to be aware of the LAW the SEC achieved in the Rivetz decision. I hope the hundreds of hours of work to create that law was executed with good intentions to provide clarity for our project and others.

As a software executive with 30 years of arrows in my back I believe that the conversation around tokens needs to have a few product lawyers and not just securities lawyers as part of the discussion. Tokens are the future of how we will operate the world as we shift from authentication to consoles to sending instructions. I have been at the forefront of using Blockchain technology to secure the origin of data and not just value. The future of peer to peer compliance, a corporate digital name to register digital products and offering, the origin of data for social media and AI, the integrity of manufactured information depends on the right guidance. America needs to lead the transformation to digital 2.0 not follow.

I hope that I can be of help, and I would happily schedule a time to meet with the task force. I know we lost our case but we did provide clarity for a path ahead we would like to either use or show others to use. In the 2000's I helped our government adopt and launch Trusted computing standards. I have a unique skill set that has been sidelined for the last 5 years while trying to argue a path ahead for digital products.

Steven Sprague