Block Transfer

99 Wall Street #4640
New York, NY 10005

June 17, 2025

Ms. Donna Gallagher
c/o U.S. Securities and Exchange Commission
100 Pearl Street, Suite 20-100
New York, NY 10004-2616

via secure email

Dear Ms. Gallagher,

This letter extends our previous Response #3 related to the second document request[1] (our "PREV" reply sent on June 9 at 11:50 PM ET). This PREV communication explained questions regarding MSF construction and maintenance of control books for TAD3 issues through public blockchain information. Again, this is the first of two rolling Responses.

While that response introduced the primary sources and high-level assets, this letter explains more information to the actual technical implementations within the protocol. It also provides the requested simplified user documentation showing basic ledger activities. Anyone can review this information permissionlessly through the plethora of connections to the network.

Our first discussion brought up experiences from years ago, first learning about programmatic interfacing with the legacy stock market. As an investor who's greatly enjoyed the Commission's protection for so long, I yearn to imagine an investing environment where the artificial lines between "professional" and "retail" data subscriptions exist no more. Decentralized, distributed, and declassified access through an inter-agent depository standard could interest the world in our evolving markets with innovative, growing assets.

In good faith,
John Wooten
Chief Compliance Officer

[1] Communicated on June 9, 2025.

I. Three New Securityholders

A. [redacted][2]

[redacted] to help during early fundraising efforts. For some time she [redacted] in official title,[3] although it was not clear to me what her daily duties entailed.[4] Given [redacted],[5] I was surprised to see her excluded from the final capitalization table [redacted].

1. Screenshot(s) or pdf(s) of the transaction(s) on Stellar showing the newly issued shares being sent in by Issuer or TA on behalf of the Issuer. If the number of newly issued shares represents more than one securityholder, please indicate for each securityholder the intended number of shares

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[2] Account ID [redacted], which resolves to the address introduced *infra* note 8. Aside from internal records, users can retrieve the full public key of this account through a standardized format, *available at* https://github.com/stellar/stellar-protocol/blob/master/ecosystem/sep-0002.md. *See also* standard implementation through open registration query, *available at* https://api.blocktransfer.com/federation?type=name&q=[redacted]*blocktransfer.com.

[3] *See* Issuers.info data change in responsibilities communicated five months after the issuance, delegating financial responsibilities to the issuer's President and Chairwoman, *available at* https://github.com/blocktransfer/issuer-disclosures/commit/ec291edba087442a2db99eec78ee950b980ff870.

[4] At the time of her arrival and oversight [redacted], the issuer was winding together potential mobile application development deals, intended to be financed through a private placement. The issuer shared some of their progress in this regard with us, as we provided supportive guidance to help them craft an effective pitching story. *See, e.g.*, discussion affirming sentiments, *available at* https://meet.blocktransfer.com/meeting/public/videoprv?recordingId=07a97ba156186fd418f34368aad26aef72be01fc92dc0f347c5d4f7a5c5af128.

[5] After receiving her stock grant, I worked closely with [redacted] for months as we got the issuer's affairs in order for investors. Much of these combined interests stemmed from the stock grant shared with the Syndicate as additional consideration. This came as a hesitantly welcomed surprise after presenting the issuer with a proposal solely for the dollar component charged.

See Supplement 1.1, a screenshot of the issuance transaction.[6] The 300,000 shares allocated to [redacted] in PREV Supplement 2.1 are evidenced through the hash memo, the result of running the beta issuance PDF through SHA256.[7] These shares were only issued to [redacted], as evidenced by the claimant being only [redacted].[8]

2. Screenshot(s) or pdf(s) of the transaction(s) on Stellar showing the newly issued shares of the digital asset being created (minted) for these securityholders.

Shares are "sent in" to the ledger at the same time the issuance is effected, since the ledger is the master record of account balances for fully verified users. Accordingly, Supplement 1.1 also acts as the minting transaction of these shares to the security holder wallet. This is evidenced through the block-explorer interface, which describes the assets as being "minted" in the same transaction.

In this instance, the creation was performed directly through a claimable balance[9] from the TA's asset issuing account.[10] Ideally, issuances would come from items registered with the Commission, even if exempt, such as through Form D for 701 options or a full S-8 plan. This allows the TA's issuer to simply send a specified Plan account the number of shares on file.

However, because this was not available in this instance, the simplest solution was to create the shares directly from the TA's issuer account. This allowed us to follow the issuer's direction to create new outstanding shares from the pool of authorized stock for a specific user.

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[6] *See* source of blockchain records analysis from block explorer page for operation, *available at* https://stellar.expert/explorer/public/tx/24a054a5f885875732ac1732c93e6172721ffaa061816f74130722063e5e291e.

[7] *See* cryptography/hash function discussion, *available at* https://youtu.be/LBumDi31tAc?t=103.

[8] The security holder independently opened the Stellar wallet GARPQFPLBYY2ML3PHOHXRAELOKQ2B3ZRCE4RKNIG3WLQB6PWYO5WUCDR.

[9] The exact claimable balance ID was 4af8416c4cb7e48c1c77efcc6dbc8a4b167b16252470b599bbbe7e5651b001bb.

[10] *See* network documentation describing the issuer-distributor relationship previously discussed, *available at* https://developers.stellar.org/docs/tokens/how-to-issue-an-asset.

The distinction between this transaction and normal distributions was made in our internal record of claimable balance distributions communicated in PREV Exhibit 3.[11] The different issuance type of the balance aligns with internal tooling to separate pools of stock maintained for offerings from account holdings. The table also tracks one store of tax bases.

3. Screenshot(s) or pdf(s) of the transaction(s) on Stellar showing to what account(s) these newly issued shares were credited.

See supra § I.A.1. We previously discussed some limitations of this particular block explorer in conveying the meaning of TAD3 transactions given its unique use of claimable balances.[12] Notwithstanding, staff can review the comprehensive record details of the transaction's balance through Horizon, the different interface with validator data show during our last call.[13]

4. Screenshot(s) or pdf(s) of account information page/screen for each account without PII.

See Supplement 1.2, a printout of the live account data available in the blockchain.[14] For the direct blockchain data, staff or the public can reference a similar Horizon page.

TAD3 relies on this live information to provide reports.

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[11] I have done significant work clarifying the process for claimable balances throughout network documentation so that staff may fully understand our use of Stellar. *See, e.g.*, update clarifying precomputated ID formula, *available at* https://github.com/stellar/stellar-protocol/pull/1516.

[12] *Id. See also* development discussion detailing extensive usage and efficiency improvement recommendations across network, *available at* https://github.com/orgs/stellar/discussions/1504.

[13] *See, e.g.*, the issuance of *supra* note 9 as displayed by the instance provider from PREV n.19 link 2, *available at* https://horizon.stellar.org/claimable_balances/000000004af8416c4cb7e48c1c77efcc6dbc8a4b167b16252470b599bbbe7e5651b001bb.

[14] *See* block explorer page, *available at* https://stellar.expert/explorer/public/account/GARPQFPLBYY2ML3PHOHXRAELOKQ2B3ZRCE4RKNIG3WLQB6PWYO5WUCDR.

B. [redacted]

For reasoning specified in PREV § II.B.7, [redacted] was not issued any shares yet. Since the ledger is the master authority of balances, no Stellar records reflect the creation of shares for [redacted]. I've included them in the capitalization table reports previously to prompt Laylor to communicate identifying shareholder information, and I wanted the Commission to know.

C. [redacted][15]

After receiving the issuance instructions in PREV Supplement 2.2, we reached out to [redacted][16] and let the issuer know we were contacting them for personal information.[17]Once [redacted] submitted the new account creation form, they verified their identity through the AML procedures, validating the provided wallet public key. I onboarded this information into the PII database on 3 Oct 2023 at 12:51 PM ET, a day after the issuance instructions.

> **1. Screenshot(s) or pdf(s) of the transaction(s) on Stellar showing the newly issued shares being sent in by Issuer or TA on behalf of the Issuer. If the number of newly issued shares represents more than one securityholder, please indicate for each securityholder the intended number of shares.**

See Supplement 3.1, with a balance ID matching the other issuance in PREV Exhibit 3. All these lockups last a year given the issuer did not report under Section 13 or 15(d) of the Exchange Act. Staff can audit these restricted shares directly from the account-entry Horizon data (as claimant).

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[15] Account ID [redacted], which is also associated with the user's internal PII record. For staff convenience, I've included snapshots of these current entries for both securityholders in Supplements 1.3 and 3.3. The account types pictured serve as material additive modifiers to the ID for reconciling entities or exceptions featured in TAD3 classifiers, *available at* https://github.com/blocktransfer/py-TAD3-horizon/blob/main/globals.py#L53.

[16] *See* Supplement 2.1.

[17] *See* Supplement 2.2.

2. Screenshot(s) or pdf(s) of the transaction(s) on Stellar showing the newly issued shares of the digital asset being created (minted) for these securityholders.

Similar to the earlier issuance to [redacted], the minting occurred at the moment of distribution to the investor account by means of their wallet's public key. It was in the aforementioned transaction that the TA's issuer account created the shares used to fulfill the balance.

3. Screenshot(s) or pdf(s) of the transaction(s) on Stellar showing to what account(s) these newly issued shares were credited.

Again, the new shares were credited to the account which was the claimant of the balance. This is the investor's wallet, which we provide initial "gas" funding balance for in the form of account creation fees. *See* Supplement 3.4 for a screenshot of the creation transaction allowing transfers.[18]

4. Screenshot(s) or pdf(s) of account information page/screen for each account without PII.

See Supplement 2.2, which also indicates that the account was "created by" the Syndicate's treasury account used to fund new security holder wallets. As an aside, this meaningfully simplifies the securityholder onboarding flow into our transfer standards agreement.[19]

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[18] *See also* on-chain representation of the operation used to fund [redacted]'s account so that she can perform operations like transfers with minimal blockchain network charges, *available at* https://stellar.expert/explorer/public/tx/8ce6ad623c9e891d789d64039d90ffe30cf9dfb5652f279f7b09fcbb2b72404c.

[19] *See* description of investor-facing warranties related to use of unrestricted assets based on the issuer identified internally from the TAD3 encoding, *available at* https://blocktransfer.com/compliance/user/transfer-standards.

II. Design Methodology Statements

A. Minor Relationships

The issuer had five entries on the provided capitalization table which I learned over time to be minors. As shown in the present rendition communicated at the start of the Exam, two of these minors still do not have authoritative guardianship relationships from the issuer or security holders themselves. Three of these minors were related to [redacted].[20]

I was delighted to find such young investors involved with the issuer because I care very deeply about youth market participation given growth of compounding assets.[21] However, I experienced material challenges accessing the capital markets growing up despite personal savings from early employment. Accordingly, and in observance with age-of-majority transfer authorization, these minors cannot presently control a full TAD3 wallet.

Additionally, there exists internal logic in the open-source code which prevents dissemination of the public keys associated with these dependent records, for child privacy. The wallets generated for these minor users in particular come from the Syndicate. The claimable balances associated with these addresses on the ledger are only temporary public holding records which need to be migrated into a full account once reaching adulthood.[22]

B. Combined Transactions

Staff asked about certain ledger activity which could represent more than one security holder, whereby a subset of the transaction represented different users. Whenever possible, we split

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[20] [redacted], and [redacted].

[21] For instance, I promptly sent the family a copy of my investing book.

[22] *See, e.g.,* balance for [redacted], which has a claimant neither funded nor active, *available at* https://horizon.stellar.org/claimable_balances?claimant=GB5C6BBPZ6DYO2VVGYNVR3DMT5IROIFQVQP2IWNICB6D24YZOWDQWQNP.

different investor actions into unique operations referencing specific accounts and amounts.[23] As a general rule, legacy onboarding and pre-funding of registered (or filed) offering inventory generates the only transaction which combines multiple records into a single transfer.[24]

C. Public PII

Lastly, staff placed emphasis on excluding PII from Stellar account information screenshots. No personal information such as full names gets posted on the ledger, with the exception of offers made pursuant to 17 CFR § 240.15c2-11(b)(5)(i)(P).

[23] *See, e.g.*, the funding transaction in Supplement 3.4, which sent native tokens to two investor accounts (the other was [redacted]). The single transaction can contain up to 100 independent operations which uniquely identify the participant in a transparent and public manner. This is practically the only way to construct transfers since the investors all have their own wallet.

[24] When first issuing the entirety of the standing shares outstanding in accordance with *supra* note 10. Staff can see this for Laylor in the third transaction for their securities, *available at* https://stellar.expert/explorer/public/tx/37be2f6976bf0fc8ca9c716e49e970a2271dd6574feda80df8377530eb88b80a.