Block Transfer

99 Wall Street #4640
New York, NY 10005

June 13, 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 communication related to the examination initiated on April 30, 2025 (our “PREV” reply sent on May 8). It responds to staff’s additional document request list dated June 9. As communicated on June 10, it is the first of two response Items.

Namely, this document responds to the Request at pp. 4–6, explaining both additional Lost Securityholder Searches and Anti-Money Laundering (“AML”) methodologies. We use these policies when opening investor accounts and servicing such securityholders. Notably, individuals hold securities across all issuers we will service with one blockchain address.

I further explaind the ownership functionality of our custom-designed open-source direct holding system in a meeting yesterday with David Martin and Steven Vitulano. The next Item will further explain how TAD3 accounts without central trust. It will also detail balances.

In good faith,
John Wooten
Chief Compliance Officer

I. Lost Securityholder Searches

A. Laylor Common Stock Par Value

Staff correctly identified a discrepancy between the original communicated capitalization table[1] and existing current public information released through our disclosure platform.[2] Information displayed to investors is correct. The private agreement contained an oversight from the issuer.

1. Corrective Action

Briefly, I've manually ascertained correct information about the issuer during onboarding and over the years thereafter.[3] While not a direct action, we plan to automate this process in future interface designs through IssuerLink.[4] By streamlining the uptake of material issuer materials, we eliminate possible review errors exemplified here and PREV Supplement 16.2.5 slide 12.[5]

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[1] Referenced in the Request at point a.

[2] *Id.* at point b.

[3] *See, e.g.,* Supplement 1.1, a dismissed confirmation of the issuer's principal office after USPS returned mailed materials as undeliverable. Rule 15c2-11(b)(5)(i)(J) disclosures account for the issuer's remote-first model. *See also* discussion from comment in Kiteworks email sent Apr 30.

[4] *See* Preliminary Figma designs are pending integration with EDGAR Next to automate filings, *available at* https://github.com/blocktransfer/issuerlink.

[5] I would like to clarify what happened in this particular mistake before our next response item responding to the Commission's request for additional information about the 2023 Revocation Report. Our onboarding process involves migrating old securityholder details into a uniform TAD3 representation. I made an error in processing the document *infra* § I.A.2.a, whereby information encoded in Supplement 1.2 did not associate [redacted] with their email. Accordingly, I sent [redacted] the same email sequence as others, delayed 41 days.

2. Pimary Sources

Laylor provided us with two capitalization tables, both of which claim to be revised on 10/30/22. Both of these PDFs list “Each share valued at $-----” in the heading, which could imply that the common stock has no par value. However, I affirmed in multiple calls after onboarding Laylor that this was the executive team attempting to price their stock for private sales not yet done.

a) Final Cap Table

[redacted] emailed me the final rendition communication in PREV Ex. 17.1 on 11 Sep 2023.

b) Early Cap Table

Approximately eight months prior, before the systems update in PREV n.3, Laylor sent me an early capitalization table well before assigning us as their transfer agent. *See* Supplement 1.3. Given the growth in securityholders from this early snapshot to the final rendition, I was not surprised when many investors did not “claim their shares” by providing a physical address.

c) Corporate Bylaws

Six days before communicating the final cap table, Laylor emailed us their founding resolutions, *available at* Supplement 1.4. On p. 3, the document authorizes the issuer’s officers “to issue and sell shares of common stock of the Corporation, $0.01 par value.” The document goes on to discuss the initial capital contributions further detailed in Supplement 1.5’s tax bases.

d) Original Incorporation

Upon reviewing this information, I recognized a discrepancy given prior statements that the shares had no par value. Relevantly, I specifically asked about this point on a sales call in December 2022—a call where the President’s assistant seemed unfamiliar with par value. Thus, I took the word of [redacted] when she signed the service agreement,[6] after providing the issuer's Articles of Incorporation, which made no mention of any par value, *available at* Supplement 1.6.

3. Record Update

My first priority during this time period was creating new accounts from the final capitalization table through welcome email campaign details *infra* § I.E. After responding to the influx of new account applications, I turned my attention to the new issuer Bylaws. It was at this point I realized the discrepancy and reached out to the issuer's current CFO, [redacted].

In this call on 28 Sep 2023, [redacted] affirmed the shares actually had a one cent par value, as stated in the Bylaws. Accordingly, I updated the issuer page[7] and our `stellar.toml` desiption page[8] for public dissemination about securities deployed through TAD3.[9]

B. Securityholder Correspondances

Our correspondences so far have only related to onboarding original investors and a revocation, both provided by the issuer. I wrote these messages to simply get across the main points of items while communicating relevant matters like original share counts. In the longer term, we plan to have interactive notifications and push interfaces for exchanges like shareholder voting.

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[6] *See* Agreement for Transfer Agent Services, *available at* PREV Ex. 7.

[7] *See* GitHub commit amending issuers.info page par value for Laylor, *available at* https://github.com/blocktransfer/issuer-disclosures/commit/a4f92315ab15a4c338965d94c2765573e2a5427b.

[8] *See* GitHub commit amending asset information page for Stellar network, *available at* https://github.com/blocktransfer/website/commit/30cbf79c37d54f6ffd2f32f5467cfed63ce92ab0.

[9] *See* network issuer specifications page, used throughout systems as a reference, *available at* https://blocktransfer.com/.well-known/stellar.toml.

1. Communication Methods

We've corresponded with securityholders through a combination of USPS mail and email.[10] *See, e.g.*, the new investor beta welcome letter to open an account, *available at* Supplement 2.1. If provided a physical address but no digital point of contact, we will send this communication.

Generally, we prefer email or notification delivery options for their efficiency to issuers. Moreover, the planner interface, supra note 4, can have a direct input field to craft shareholder communications. Lastly, one of the original Laylor investors used a family member's address given lack of a permanent physical domicile, but email avoids this familiar challenge.

2. Email Undeliverability

We use an undeliverable/bounced message to determine if email correspondences are "returned as undeliverable."[11] *See* Supplement 2.2 for a new-account welcome letter which can be modified to request a new email if bounced. It's my understanding that open rates are often overstated due to automatic malware checkers, without nuanced bot filtering such as deployed *infra* note 11.

C. Does the TA have written procedures that describe the registrant's methodology for complying with the Rule 17Ad-17(a)(1)?

I've migrated[12] the draft procedures introduced in PREV § XVII.B, pictured *infra* note 16, and contemplated in PREV n.24 before the helpful written clarity. Staff can now find the current

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[10] Thankfully, we have not needed to deal with international postage since the one foreign investor referenced in PREV Ex. 6 opened an account through our website, including an email in their beta submission form, further detailed *infra* note 15.

[11] *See infra* § I.H for a more comprehensive lost investor process, which details treatment of hard or soft bounces.

[12] *See* page creation and web styling commit, with an added last paragraph at line 132 based on response concerns over comprehensive search report documentation and formatting, *available at* https://github.com/blocktransfer/website/commit/4275f77083045f62c7862d34cbe77435ff167587

procedures permissionlessly on our compliance site.[13]

D. Laylor's Capitalization Table (rev. 10/30/22) contained 6 securityholders with no email addresses, including: [redacted],[14] [redacted], and [redacted]. At what point were these individuals classified as "lost securityholders" by BlockTrans?

These investors were at risk of being classified as "lost securityholders" on 10 Dec 2023.[15] In preparation for this event, we made the communication efforts with the issuer to ascertain these individuals which led up to the Revocation. Since the revocation removed these shares not duly entitled before this date, the securityholders were only missing from issuer records during search.

1. Basis for Lost Date

We started the clock on when investors were lost upon receiving the final capitalization table from the Issuer, 73 days after the effective date of our service agreement. The policy specifically classifies securityholders as lost if they are missing a physical or wallet address for 90 days. Accordingly, we need any information about the final securityholders to start the timer.

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[13] *See* public page, *available at* https://blocktransfer.com/compliance/team/lost-investor-searches

[14] I appreciate staff noticing that I referred to [redacted] with a different first name in materials like the revocation results presentation. While this error lays squarely on my shoulders, I'll clarify that the official spelling and records come only from the PII databases used with on-chain data to construct shareholding records. While the full details pertain to Item 2, which will be duly communicated, it is this master record which defines account registration.

[15] Per the 90-day lost-account policy *supra* note 13, given receipt of the final capitalization table on 11 Sep 2023. As detailed, it did not reach 90 days before the revocation effectiveness on November 19 in PREV Supplement 16.2.1. The on-chain revocation transaction was delayed into December to give [redacted] an initial week to respond to outreach given *supra* note 5.

2. Other Securityholders

While not directly asked, the December 10 date was applied to other lost investors, at which point the clock began for the two database searches. They were deemed lost due to lack of physical address (and ownership of shares) despite an email address. Generally, this showed us the need for more onboarding securityholder identification data despite issuer size.

E. Welcome Emails

For clarity, there were two internal campaigns sent in relation to welcoming the Laylor investors, *available at* Supplements 5.1–2. Collectively, these campaigns sent 17 emails, none of which (soft) bounced. Also, both campaigns proactively filtered for real human interaction.[16]

As it relates to lost investors, Supplement 5.3 is an initial welcome email to [redacted], showcasing the initial messaging before requesting more explicit personal information. Because the revocation extension was applied, this account was marked lost on 11 Dec 2023 before the reissuance authorized on 26 Feb 2024 in Supplement 5.4 for the original amount.

1. Were 17 sent because the other two securityholders were BlockTrans and [redacted], the CEO of Laylor?

The two security holders who were not emailed were:

- [redacted], as suggested given she signed the agreemnnt in *supra* note 6;
- [redacted], because of a personal clerifacal error made in *supra* note 5.

[redacted] was emailed the same content 13 days after these campaigns.

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[16] *See* key details about this software filtering technology, applied by default now, *available at* https://help.zoho.com/portal/en/kb/campaigns/user-guide/settings/general/articles/bot-filter-in-zoho-campaigns. I appreciated the presence of this feature as a means to affirm the quality of open rates for investors. In past work with email marketing software, I noticed a disconnect in click-through rates from open rates not seen in these or other results.

2. **Of the 17 emails sent only 12 were opened. What conclusion, if any, does the TA make with respect to unopened emails?**

One of the unopened opens was for a minor, according to the issuer. This individual was not included in the Revocation, and they have not opened an account or provided a parent. While they have stayed as a legacy securityholder, I understand property and privacy laws treat those under the age of consent differently in regards to ownership and online data-disclosure rights.

[redacted] also failed to open the welcome email, but they later reached out to the issuer and provided a physical address. They are the investor referenced in the last sentence of *supra* § I.B.1. Given the business of inboxes, [redacted] could have easily missed one email.

[redacted] and [redacted] failed to open any of the Revocation notice emails. [redacted] was the only organizational welcome not opened. They were not included in the Revocation, as a securityholder listed on the issuer's Articles of Incorporation.

I am not entirely surprised that some of the investor emails did not generate email opens or replies. The final capitalization table contained many new securityholders despite the issuer's lack of any private placement.[17] Accordingly, I presumed that some connections to proclaimed securityholders could be strenuous, but I was surprised to see [redacted] never respond.

F. Based on the TA's responses, the searches performed in April and November 2024 were for [redacted], and [redacted]? When did these securityholder's become classified as "lost". Provide the date each was classified as "lost".

The securityholders were classified as lost on 10 Dec 2023, using the same logic in *supra* § D.

[17] In various oral discussions, leadership made it clear that the Issuer wanted to acknowledge those who helped the company early on. When pressed, they said they only remembered the full names of some contributors. However, they said that those with their chance could take it or leave it in accordance with final outreach to known contact points, seeming reasonable.

G. Comprehensive Searching

1. Relevant Background

a) Personal Experience

I started learning about online marketing after I wrote my first book on finance.[18] I wrote it to explain the trading and investing strategies that revealed so much to me, even though they're so commonly kept secret or misunderstood. But, after initial local sales, "the algorithm" never picked the book up to new readers over time, leaving my educational contributions unknown.

For over two years thereafter, I searched endlessly for tools to help spread my message. So many online teachers showed me strategies to market and digitally connect. And the core of these approaches revolved around finding email for people who needed help learning.

I ran countless advertising campaigns that taught me how to explain my ideas through trial and error.[19] And these approaches taught me the nuances of communicating simply to increase open rates and action results. It's the ad strategy later used to discover Laylor.

b) Mass Broadcasts

My common ritual in these experiments was writing email newsletters. They brought students through an educational journey I've now made permissionless. I could see and test day-by-day how email recipients interacted and responded to outreach, including by phone.

This gave me a lot of experience working with acquired emails, known referrals, and paid lists. The sponsored placements helped grow, but I learned the most sending to my own small email community. I saw the different stages of the inbox relationship, sometimes ending in bounces.

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[18] *See* Amazon information page with content and reviews, *available at* https://a.co/d/9cEZh0E.

[19] *See, e.g.*, a result of these efforts in the early stages of bootstrapping the Syndicate. I gave a panel pitch explaining the concepts of an early blockchain TA in much the same condensed timeframe as virtual commercials for books, *available at* https://youtu.be/22AgJp744Go.

I put this into use early on reaching out to public CFOs for issuer comments.[20] Particularly from the broader reach of these efforts, I thoroughly explored tools which knew individual email addresses. I searched when we couldn't find someone interesting or their contact changed.

2. What information database service was used in the April and November 2024 searches? Footnote 18 references a possible provider.

This experimentation led me to uncover RocketReach as a particularly effective service. Where other providers couldn't find a contact, RocketReach landed strongly with associated contact information, social profiles, and (later) physical whereabouts. That is why I used it in the April and November 2024 searches when working only with names and email addresses.

a) How does RocketReach meet the definition under paragraph (b)(1) of the Rule for an information data base service:

We do not maintain a written agreement with the provider, relying instead on "SaaS-style" credit card billing akin to our commercial arrangement for virtual mailbox services.[21] When pricing the arrangement with Laylor, I estimated annual expected costs to comply with the Rule, and charged the issuer a rate just above that expense.[22]

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[20] *See* discussion of wide cold outreach campaigns which helped shape the solutions within TAD3, *available at* https://youtu.be/fG_Yf0wAOVE?t=496. This educational aggregation was continued with greater interaction and delivery under recommendation by mentors met from *Id.*

[21] PHYSICALADDRESS.COM, LLC is a Nevada LLC. Its Secretary of State entity number is E0498372016-5, and it is a commercial registered agent. Staff may reach managing members [redacted] or [redacted] for inquiries at 304 S Jones Blvd, Las Vegas, NV, 89107.

[22] Laylor is chiefly used as an example of TAD3's accounting powers for staff to examine across the public blockchain. But my thoughts were based on the belief that the issuer would deliver a final capitalization table with completed addresses. Discussions before onboarding indicated about a dozen investors, and I estimated a cost around a couple hundred dollars for each of about four lost investors. With their full information, I thought I could submit a costlier but comprehensive individual background search through a provider covered by the first prong.

But the lack of practically any information about the securityholders brought me to believe the cost to find these investors would significantly exceed any reasonable resources. Particularly, I noticed sentiments at the end of 2023 which hinted at the lack of knowledge as to even general investor whereabouts, communicated in PREV after the second search, when [redacted] did not know the state of top investors.

When preliminarily searching, each name or email address routinely surfaced a dozen or more pages of results. Given the sheer amount of matches, it seemed quite improbable that the issuer could identify their particular securityholder. This would be even more the case with a larger dataset under the first prong.

When I brought this up to the issuer, the conversation naturally tended towards the revocation action as a reasonable means to identify the holders, which was reported on our 2023 TA-2. After this removed so many investor names, we as a TA lost confidence in the chance of finding anyone regardless of provider. After scouring for options, I found the second prong applied given lacking likely (accurate) results from any provider.

b) Neither Supplements 16.3 nor 16.4 references the date when the search was made. Does the TA not maintain documentation, such as screenshots or reports generated from RocketReach, that evidence the search date, search terms and search results?

There weren't dates in the documents because I included them in the parent folders' names.[23] I designed the structure this way for findable search processing archives. I believed this digital encoding would make them easy to reference here and in future efforts.

Notwithstanding, I completely understand staff concerns and will have the future documents include much more contextual information to evidence work. In these cases, despite hundreds of potential matches, none shared the exact email or even phonetical name spelling as the securityholders. I didn't feel comfortable screenshotting big swaths of incomplete personal data summaries.

In exporting the results, Supplement 7.2 highlights the puny limits for non-annual plans. Without matches, the full documentation of all non-results would easily exceed our essential

[23] *See* lost investor searching team folder in Supplement 7.1, with the procedures draft migrated.

access basics. I didn't realize that the statute wanted the records to make terms[24] or anything other than the provider clear in the report.

II. Private Onboarding Supplement

Staff shared that they want to discuss more about our intake of new clients. I've included Ex. 8, the application Laylor submitted before our agreement, explaining how:

> We only had meetings with smaller investors. We have multiple bigger investors reaching out. We just rather have a legitimate transfer agent before we start meeting with these larger investors, accept any funding, or close on any investments. Also we have accounts with Invstor, StartEngine, and Askforfunding.

The last sentence of these remarks particularly irked me given the requisite of capital formation to productive enterprise. I sincerely hope we can move past a definition of markets through the nomenclature of entrenched intermediaries.

III. AML Grievances Specified

This section dives into some AML questions posed by Commission staff. I'm happy to explore the relevant disclosure and process items here for the review. Notwithstanding, many of my questions and concerns for wallet laundering tend towards programmatic solutions.

Accordingly, I find that those familiar with Treasury Department operations may provide necessary future input into system engineering. I am not sure if such perspective presently exists in the reviewing staff. I have a lot of thoughts here which I'll segue into the next Item.

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[24] Name and email.

A. Persona

Staff are correct that the Persona platform was used to verify the identities of all clients.[25] Securityholders are specifically included in screenings given the importance of identity verification. This is the chief means used to create an internal PII record registration.

1. Securityholer Uses

Should an investor lose their private key,[26] I believe they need recourse. I do not agree with the prevailing view that all transactions need to be completely immutable, and a loss of one's keys means a loss of one's life savings. We can achieve this through identity verification processes.

Presently, investors submit through a form after providing personal info and wallet address.[27] Ideally, this will be integrated into a streamlined app like a self-custodial personal "broker."[28] This concept works alongside automated ledger activity reviews and user keys.[29]

b. If so, how does the firm evidence the verification process?

2. Issuer Authentication

Moreover, the investor app can be used to log in to IssuerLink by signing a login snippet of random data. This connects an executive's phone with the web app to communicate plaintext

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[25] *See* Ex. 9, a collection of processing records exported from the platform's management portal.

[26] Generally, they could break their phone, have documents destroyed, or misconfigure multisig.

[27] *See* onboarding identity verification page, completed once after personal account formation submitted, *available at* https://www.blocktransfer.com/beta/verify.

[28] *See* See Figma design file and preliminary implementation of portfolio wallet, *available at* https://github.com/blocktransfer/investor-app.

[29] Cryptographic signing secrets which are both portable between wallets according to cryptographic standards like BIP44 and completely self-custodied by the securityholder.

messages ready for signature and broadcast to the network.[30]

For clarity, we used to evidence the verification process by using an internal reference to the Persona account number within the securityholder's PII. Within the Persona dashboard, team members could see the litany of automated checks and human approvals surrounding submissions.[31] However, I find material problems with changes to the platform this year related to their ownership structure and software licensing philosophy, which leads me to desire a new open-source verification standard.[32]

B. A review of the Capitalization Table as of 5/8/24 disclosed that of the 19 securityholders listed, only 9 had their identities verified.

Only a subset of the securityholders have verified their identity because only a subset of the securityholders have created a wallet. Of the web-form submissions to open an investor account, all of the listed securityholders followed on to complete identity verification. Additionally, [redacted] provided verification documents affirming the age of her dependents.[33]

1. What if any, follow-up steps will the firm take when identity verification is not possible?

For clarity, I have concerns about the infrastructure developed within Persona and certain other human monitoring systems. For these and other reasons, I'll attempt to segue into Item 2. The present integration ceased functioning after the platform removed their free tier for infrequent users.[34] Without identity verification connected to a wallet, users cannot hold TAD3 assets.

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[30] Such as issuance distributions after a duly-authorized registration statement filed.

[31] *See* Supplement 9.11 for a preview of the many checks performed during document and face verification. *See also* Supplements 9.1–9.10 for principal photographic securityholder evidence.

[32] *See* early designs in Supplement 9.12, now integrating into new community standards.

[33] *See* this and other diligence documentation included in bulk for time in Supplement 9.13.

[34] *See* nonfunctional popup *supra* note 27. Since the verification disabling early this year, no new investors have submitted the account opening form on our (centralized) site.

Notwithstanding, any duly-authorized owners of legacy assets maintain ownership. This is recorded through the legacy database, which I'll discuss more in the next item. The only follow-up items for non-verified investors pertain to their search processing if lost.

As for the "not possible" circumstance, I see two potential options. First is nonsupport of a certain geographic government identity form. I appreciated that Persona functioned for documents in over 200 governmental jurisdictions, and I plan to emulate this broadness.

As for the second case, it is possible that verification cannot happen because someone is a known terrorist. This becomes quandarious if they have legacy assets from a prior issuer or agent. Treasury input would assist greatly here, because the logic is much harder than simply blocking a bad actor from accessing the platform in the first place.

2. What are the consequences for those securityholders whose identity could not be verified?

They will not be able to effect a transfer of securities, hold such assets on-chain, or continue interacting with the shares if initially verified but later found on a sanctions list.[35]

C. The TA's AML procedures state that the TA will conduct periodic scans against lists of Politically Exposed Person and known money launders.

1. Does the TA use Persona to perform this function?

We did, but I would like to bring this into the permissionless industry standard referenced earlier.

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[35] I have significantly more to say about this point which I hope we can discuss in future remarks. Generally, anyone cannot just hold the securities without authorization. *See, e.g.*, a wallet which attempted to interact with Laylor without going through the verification process, *available at* https://stellar.expert/explorer/public/tx/5cb9a1396c73d2723f3879c49822067605cccabc4aca692102b1d7e3b5e53098.

2. Is this how the TA monitors for compliance with OFAC requirements and/or against other applicable government lists?

It was, but I believe certain nonapplicable OFAC requirement objectives would be better achieved through on-chain monitoring.

D. A review of the Persona website disclosed that a user can choose which lists to screen individuals against and define what counts as a match.

1. What specific lists did the TA choose to screen individuals against?

We only had the (deprecated) basic starter plan which ran against the U.S. list. Given the unanimous need for consolidated international lists, I find an industry platform quite needed.

2. How often is screening performed and what is screened? For example, new securityholders are screened when onboarded and all securityholders are screened on a monthly basis.

For time I will not supplement with the specific pricing proposals shared “confidentially” from Persona staff. Briefly from memory, the charges scaled linearly based on number of screens per year. During our interactions, the plan screened only during onboarding.[36]

3. How does the TA document its screening searches?

This was done through the aforementioned web platform, whereby admins could scroll through the records and review comprehensive information. However, I believe the Treasury should deploy a more active query-based search publication method with public keys. Namely, screening continuously duplicates and delays the efforts of law enforcement staff.

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[36] There were no issues with any of the securityholders.

4. Would any securityholder accounts be blocked, as a result of the searches? Have any securityholder accounts been blocked?

Yes, the securityholder accounts would be blocked as a result of the searches, at least temporarily if not longer, based on involvement with enforcement personnel at the Treasury. The PII records have a nuanced encoding scheme to rectify frozen accounts under review from recognized authorities.[37]

[37] *See* `"restrictions": { "status": n {...} }` in construction of the registration record, *available at* https://www.tad3.dev/en/latest/transfers.html#specific-agent-database-structure.