



Block Transfer

99 Wall Street #4640
New York, NY 10005

June 20, 2025

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,

I'd like the record to reflect that I submitted this response well before the market opens. How we can still live in a world where that sentence makes sense baffles me. We have the most incredible exchange technology the world's ever seen, but today's intermediaries have vested interests deep enough to keep the investing public—to keep us—excluded from sufficiency.

The stalwart staff critically fended off the conflicted rent-seekers of yesteryear who've come to dominate every facet of our most key investments. They decide who gets access to the best deals, be them outside market hours, block trades “within NBBO,” or in secret Sand Hills. What if we could be rid of their unending bad actors, leading conflicts into corruption?¹

I sincerely appreciate everyone's efforts helping me along this odyssey these last years. It means so much to see the agency generously disseminate quality information informing the world how we need, for instance, greater secondary liquidity in “smaller public companies” through “market structure” innovation and a “modernized regulatory framework” for transfer agents.² Together we can solve today's broken triple witching, the imminent depository failure, and coming black-swan days painting me a picture of recovery.

In good faith,
John Wooten

¹ See, e.g., Exhibit 2, demonstrating a broker which erroneously labelled me “accredited” to participate in private deals three times, despite internally noting that I did not qualify as such.

² See remarks from Commissioner Crenshaw at one of the timely inspiring Small Business Forums, available at <https://www.youtube.com/clip/UgkxXmd78BMGq6Mu5FU9BU-625WOIGurWtWh>. *Infra* note 6 link 1 consoles with “substantially lowering liquidity.”

I. Staff PDF³ Asset Holders

Staff have asked quite a few questions which materially relate to our use of claimable balances.⁴ Claimable balances are an important, unique feature which provide layer-one blockchain operations not seen on other chains. Namely, the protocol operations ingeniously enable time-locked asset distributions, in line with Rule 144 which was graciously clarified by your help.⁵

I should preface the following discussion with a statement on underwriters. I do not like underwriters. I believe they introduce extremely large conflicts of interest.⁶ Rule 144 is extremely important to me, as I see it as the most direct means of effecting the market benefits suggested by Commissioner Crenshaw.⁷ These are necessary innovations which I've seen masses of investors vocally support these last few years, as more and more comprehend the scale

³ Filename 1984803ORD by GDRM3B Stellar Expert , a page commented on in PREV n.6.

⁴ See [network documentation for this operation type](https://developers.stellar.org/docs/learn/encyclopedia/transactions-specialized/claimable-balances), available at <https://developers.stellar.org/docs/learn/encyclopedia/transactions-specialized/claimable-balances>. I am presently working on material updates to this webpage so as to ease staff interpretations of the unique operation. See also *infra* note 10.

⁵ See Supplement 1.2, notes from a staff attorney who helped us in a most direct way to understand the position-specific implementation of control securities scoped out in Supplement 1.1 based on exceptional permissionless documentation, available at https://www.sec.gov/interp/telephone/cftelinterp_rule144.pdf#page=2.

⁶ Given my condensed review timeframe, I cannot even begin to get into the immeasurable number of problems with underwriters. See generally the Syndicate's whitepaper, espousing that, inter alia, "underwriter fees define traditional secondary offerings. However, blockchain introduces a new path for investors to efficiently buy new shares. Namely, blockchain eliminates the need for intermediary book-building by creating a secure collection of live book-entry bids[,]” available at <https://blocktransfer.com/.well-known/whitepaper.pdf>. See also generally profits from such activity fueling markets which actively harm investors, available at <https://youtu.be/o2yXCKU4Kmk?t=1284>. Relevantly, I have spoken to a material number of companies entrenched with the refreshed VSE, albeit quite a considerable time ago.

⁷ As an aside, one of my chief ambitions is to decentralize capitalism, namely away from the massive financial institutions of yesteryear's centralized Wall Street middlemen. By reforming the structure of capital formation into a system accessible to all, I deeply believe we will open the incredible nation we share today to the boundless ideas of innovators everywhere.

of fraud perpetuated by the indirect holding system (“IHS”). The IHS has a notable crack in its treatment of control securities.

Briefly, I see many conflicts of interest in the distribution scheme followed by brokers, transfer agents, and law firms processing 144 opinion letters for the sake of legend removal into Cede. More to the point, this process unduly burdens non-affiliated investors with arcane manual systems which hinder the efficient allocation of capital. New primary issuances across the industry ought greatly expand should firms remedy this growing fossil.

Much of the problem stems from a lack of reliable information about the reporting status of corporate entities. With the trivial public or private distinction out of the way, we can apply the statutory holding period to new issuances so that investors automatically attain unrestricted stock. Our particular implementation with these initial investors perfectly aligns with this jurisprudence given the actions of the initial investors.⁸

A. Why does Stellar reflect only one Asset Holder, “GAQK...N4N6”?

I estimate there are roughly 100,000 Stellar community members involved in development (“lumenauts” herein to differentiate from WhyDRS community members defined in Response #1). A good chunk of this group likely only actively uses technical self-hosted software created by open-source developers. But, collectively, I’d say they are all generally familiar with claimable balances.

As with any standardized piece of technology, claimable balances can be leveraged according to the whims of a creator, entrepreneur, or artist. I’ve seen network projects use them for voting, NFTs, and even security credentials. As an engineer tackling the challenge of

⁸ None of the securityholders have shown any signs of engaging with the issuer for purposes of underwriting. They have done more than follow the Rule to the tee by continuing to hold their restricted shares beyond the claimable date established by the Commission for private securities. Not one of the owners has asked us about how to sell their shares for profits.

inefficient DRS systems, the first thing they reminded me of was restricted securities.⁹

Just to reiterate the basic functionality of claimable balances, they were introduced to solve the challenge of sending payments to a new wallet. In Stellar and other chains, accounts can only hold assets which the user explicitly adds to their wallet. This helps prevent spam, show trust, and minimize storage; easing down the validation cost of peers.

At this point, I would recommend staff read an article I wrote last year which reiterates our usage while responding to certain less-valuable applications deployed by other permissionless peers.¹⁰ The point of all this is that the many different uses of this feature lead to many different interpretations of what a claimable balance *is*. This is why I discussed creating our own block explorer in the future to make it very clear to investors what’s happening here and in other uses.

Such a service could explain transactions from all TAs using TAD3, taking into account material other nuanced implementation interpretations such as certain smart contracting. Today, block explorers on other chains detailing trades have nonstandardized reporting schemes for trades, as one example. I have spoken with developers of certain DEXes deployed on legacy chains to ascertain chief concerns with examination staff and past governmental inquiries into the compliance of such systems, much of which I see clearly.

The good news is claimable balances are extremely easy to audit through open-source libraries which interface with the Stellar network. That said, claimable balances are used for so many different purposes that there’s no single central interpretation for general block explorers. Thus, many frontends such as Stellar Expert choose to not display accounts with pending assets claimable as explicit asset holders, even if such assets are of material value.

⁹ From early on, it’s been clear that any kind of TAD system needed a clear differentiation between restricted and unrestricted stock. In our first discussion, I mentioned the “TAD2” alpha version of the protocol, *available at* <https://github.com/blocktransfer/TAD2>. In the `BlockTransfer.sol` file, staff can find an early implementation which spurred an implementation of this concept through segregated share counts for restricted and unrestricted stock. One of the challenges I faced, as communicated in person, was securityholder self-custody while scaling the contract through certain L2 platforms. Programmatically distributing shares under Rule 144 was my chief concern.

¹⁰ See discussion on claimable balances, their ingenious features, and other community sentiments, *available at* <https://github.com/orgs/stellar/discussions/1504> §§ 2–3.

As an example, staff can review the account referenced in the distribution of an issuance from PREV n.4. By clicking the transaction link and following the pages to the account GARPQFPLBYY2ML3PHOHXRAELOKQ2B3ZRCE4RKNIG3WLQB6PWYO5WUCDR , staff will find a page which shows restricted shares in the form of a pending claimable balance, even though such account does not show up in the asset holders tab of this particular frontend. Additionally, this user has not originated any transfer activities of any network assets, leading to no payments or trades in the helpful summary section:

Account

GARPQFPLBYY2ML3PHOHXRAELOKQ2B3ZRCE4RKNIG3WLQB6PWYO5WUCDR

Summary

Total payments: 0

Total trades: 0

Created: 2023-09-18 19:43:16 UTC

Created by: GD20...PRCY

Last year activity: none

Last month activity: none

Account lock status: unlocked

Operation thresholds: 0 / 0 / 0

Asset authorization flags: none

Account Signers

GARP...UCDR (w:1)

Pending Claimable Balances

available 300,000 1984803ORD blocktransfer.com (>0.01 USD) 2023-10-02

B. As “GAQK...N4N6” is reflected as having an account balance of 72.35 million shares, where do the remaining 8.55 million shares (80.9 million less 72.35 million shares) of “1984803ORD” reside?

Staff might also imagine claimable balances as a check written but not yet cashed. In order to “deposit” the credit into the wallet, the user must open their software and “accept” payment of their shares, converting them to unrestricted shares if not an affiliate. Different interfaces express

this data in different ways, but not the underlying ledger.

If staff review PREV n.19 link 2, they will find the other 8,550,000 shares in the ["claimable_balances_amount"] so commonly used throughout TAD3, material parts of the code otherwise referenced also adjust ledger records by offering holding accounts to calculate the total shares outstanding, which staff have observed in public webpages. This is also the basis for the <https://api.blocktransfer.com/assets/1984803ORD> endpoint, as one example already shared.

Much of this dissemination comes from important asset publication information shared through the SEP-1 standard, a staple of network interoperability which staff have observed through the block explorer interface which incorporates information about TAD3, available at <https://github.com/stellar/stellar-protocol/blob/master/ecosystem/sep-0001.md>. Our deployment thereof, available at <https://blocktransfer.com/.well-known/stellar.toml>, has a public GitHub audit log previously referenced which ensures clear, accountable, and transparent updates about critical issue data. It can also act as a reference point for Syndicate information which could be used to run a validator.

II. Staff PDF¹¹ Token History

I've appreciated much staff diligence over the years deploying standards for global securities disclosures designed to protect all investors in all companies. I'd particularly like to call attention to the S7-03-21 final rule at n.85, *available at* <https://www.sec.gov/files/rules/final/2021/34-93701.pdf#page=28>. Staff write that:

While the HFCA Act does not address the delisting of securities from a national securities exchange, the existing rules of national securities exchanges that list issuers that are subject to an initial trading prohibition are applicable to delisting of such issuers' securities, as appropriate.

DEXes in TAD3's context have particularly nuanced governance aspects, which I was happy to discuss with staff in our first examination call on 12 Jun 2025 at 2pm ET. In this last oral interaction, we contemplated the effectiveness of an SRO overlaid on such a system. Or at least I brought it up and we had further items to move onto, but the point I'd like to make is that I've made these material design choices under this light of a guiding protective standard.

A. Confirm that "1984803ORD" is the designation for the digital asset representing Laylor's common stock on the distributed ledger on Stellar.

This is true, and staff can find a regex to separate CIKs from class designations in TAD3. It's a frequent distinction after pulling data from the ledger because practically all the Syndicate API services, including issuer disclosures,¹² also index by CIK. Given the Apostille provisions made

¹¹ Filename 1984803ORD by GDRM3C Stellar Expert , the asset summary at PREV § II.B.8.2.

¹² See, e.g., PREV Ex. 1 at
issuers_info , used to create the <https://api.issuers.info/1984803> endpoint
he ["

in adopting EDGAR Next and my other Comments, I think CIKs work well for all issuers.

Much of the design choice to use this form stemmed from the character limitation of Stellar asset names. While a name with a hyphen in it would be more visually appealing, it could risk bumping against the 12-character max for asset names. With only up to ten digits in a CIK, and us pretty far away from reaching nine, I figure three letters will suffice for different issues.

While I have written other communicated documentation detesting CUSIPs, I would like to highlight that CIK identifiers generally are much more durable. In the event of a corporate action, the underlying parent can retain their equity identification without freezing accounts and recalling all the shares. While this is implemented in TAD3 under the trustline management functions, I find comfort knowing it should be used less frequently than, say, an opportunistic brand-name change where the filer retains the same SEC identification.

B. Confirm that “Issued by GDRM3M...ECFW07” means that the account ending in FWO7 created the asset “1984803ORD” on the distributed ledger.

Yes, this is our issuer account authoritatively cited in the Stellar Info File. Also meaningfully, staff asked questions about the general clawback provision available through trustline management for the digital asset which is Laylor’s common stock. This is one of three flags we use to compliantly manage the network accounts which can hold TAD3 assets such as 1984803ORD (albeit the issuer has asked us to reference their securities using the \$LAYLOR ticker not otherwise in American use).

Staff can find the technical documentation for these management flags in a simplified introduction, available at <https://developers.stellar.org/docs/tokens/control-asset-access#flag-types>. The technology requires the asset issuer (account ending in FWO7, by the TA) to approve each new request to hold the securities. This approval can be revoked at any time, and such a revocation cancels all outstanding offers, withdraws all securities deployed in liquidity pools, and freezes all shares from further transfer.¹³

¹³ See also community pitch discussion on clawback functionality questions brought up by staff, available at <https://youtu.be/1Lq51IJDHI0?t=477>.

C. Confirm that “GDRM3M...ECFW07” is an account created and owned by the TA on behalf of the Issuer and is used to establish the asset and increase/decrease the issued (supply).

This is true. However, any changes in supply must come from issuer actions, ideally activity which is of notice to the Commission. The principal design inspiration for this comes from code and documentation previously referenced, which I will repeat to help explain the corporate keys.

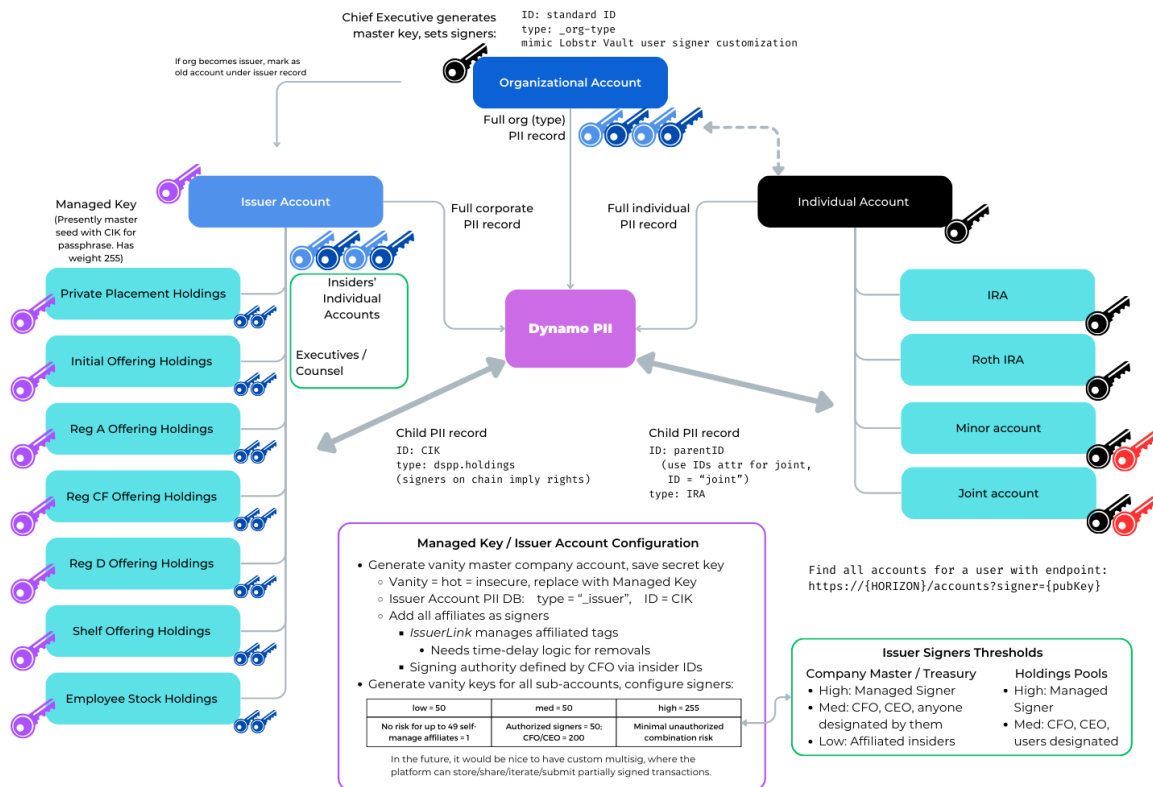
Much of this detail likely mimics previous review work undertaken by staff for the approval of a unique and thriving open-end mutual fund.¹⁴ A later report¹⁵ by the innovator said:

Stellar is a decentralized, fast, scalable, and uniquely sustainable network for financial products and services. It is both a cross-currency transaction system and a platform for digital asset issuance, designed to connect the world’s financial infrastructure. Financial institutions worldwide issue assets and settle payments on the Stellar network, which has grown to over 7 million accounts.

Our TAD3 and IssuerLink work extends this decentralized finance to integrate holding accounts directly on-chain for the distribution of approved offerings through the network DEX discussed:

¹⁴ See early offering circular which described how securities “recorded on the Stellar network’s blockchain” represented ownership of Fund shares, *available at* <https://www.sec.gov/Archives/edgar/data/1786958/000137949121001250/filing222856581.htm>.

¹⁵ See statement from two years ago about the first registered mutual fund deployed using technology later publicly asserted as significantly more efficient than legacy systems, *available at* <https://investors.franklinresources.com/news-center/press-releases/press-release-details/2023/Franklin-Templeton-Announces-the-Franklin-OnChain-U.S.-Government-Money-Fund-Surpasses-270-Million-in-Assets-Under-Management/default.aspx>. See also recent expansion discussion based on individual control of exchange interface through standard securityholder wallet application, *available at* <https://youtu.be/ItPWtqnD-dU?t=1652>.



This further separation across different issuers allows us as the TA to place assets into the wallets of the company to directly issue through distribution or sale from an isolated offering pool separated from treasury shares. Take a Reg A offering as an example, whereby the issuer declares how many shares are available for sale and files the proper notice. The asset issuer allocates these securities to a pooled wallet, at which point they are authorized and known.

TAD3's current global Python implementation includes the functionality to calculate total float, among other details. This Reg A pool is published on behalf of the issuer and subtracted from outstanding shares when compared to the number available on the network. Only once the holdings are issued to investors does the software recognize new supply of the asset.

D. Confirm that "GAQK...N4N6" is the account owned by the TA from which distributions of shares are made to securityholders who established accounts on Stellar and in which undistributed shares are

held for securityholders without accounts on Stellar.

Yes, this is the omnibus holdings for legacy shares not yet claimed on the ledger. Perhaps crucially, this would not include Cede for the DTC position since all investors need an account to effect securities transfers. All securityholders go through the onboarding process, which has been more fully described in our response to AML questions and oral wallet ID communications.

I understand staff had questions about onboarding not yet communicated, which have policy implications at scale. I care greatly about onboarding because the point of all this is for the investors to have their own shares in their own wallets. Matching identities to previous record holdings is the direct means to distribute these shares for use between users.

Staff can reference infrastructure to distribute shares used after affirming the public key for an investor (moving a legacy entry to PII), *available at* <https://github.com/blocktransfer/py-TAD3-horizon/blob/main/investors/legacy/distributeLegacyShares.py>. It can use the current time, a known vesting schedule, or custom logic as a basis for the holding-period calculation. Custom implementations presume inclusion of modifier claimant flags specified in globals, which defines identifiers for compensation, *available at* <https://github.com/blocktransfer/py-TAD3-horizon/blob/def8aaa17338073afe871de5881a30e406ba3d3c/globals.py#L32-L33>.

E. What is meant by “Total payments count”?

This is a summary of ledger activity provided by the block explorer. It has tracked operations transferring value to valid Stellar addresses. The calculation of the number shown is not a standardized network process, although it can be found by analyzing wanted ledger data.

While not directly asked, I’d like to clarify based on guidance from the 1990s that issuances are not reported as transfer items. Moreover, the legacy onboarding transactions, including their incorporated timebounds, are not transfers since registration does not change. Lastly, the PII database segments internal accounts (Issuer and Distributor) from securityholder records.

F. What is meant by “Overall payments volume”?

In similar sentiments, this is a custom summation of on-chain activity. While I’m happy to reach out to the site provider with more time, this also appears to ignore the transactions to unfunded accounts. A past response explains how these are generated for minors during onboarding.

As a rule, TAD3 refers only to actual ledger data, not proprietary aggregations which may be offered through some interfaces for convenience. Albeit even this characterization isn’t completely fair because the whole explorer is open-source, available at <https://github.com/stellar-expert/stellar-expert-explorer>. We are all building our practical applications on top of the base network, which remains the unchanging steady backend.

G. For the transaction processed on 2023-09-19 09:05:19 UTC:¹⁶

1. Confirm that the 5 million shares were part of the original 90 million minted.

Yes, the issuer allocated these shares to the Syndicate in our service agreement prior to communicating the final capitalization table which included such registration. Because the transaction originated from the established Distributor account, it can only come from existing shares already minted. Only the asset issuer can mint new shares, no matter how they are stored.

2. Confirm that Account Ending in “N4N6” is the Distribution Account used by the TA.

Yes, especially for the beta period. Ideally, IssuerLink will directly manage the corporate-controlled ownership model described *supra* § II.C. In these cases, there will be a more direct

¹⁶ See claimable balance from distributor share-pool pending wallet verification, *available at* <https://stellar.expert/explorer/public/tx/a22b7fa63af4f45cdbab94170d3349f9d5cf4a3df58dacd5704a92ee136a2379>. This is the second item listed in the internal caching table communicated with a status type of “legacy,” based on the source of the transaction as the Distributor account rather than a new issue.

line in the ledger separating us as agent from the issuer and specifically their overarching Treasury account (which Laylor does not have now due to a lack of treasury shares).¹⁷

3. Confirm that Account Ending in “N4N6” created a claimable balance for a securityholder that had established an account on Stellar (Accounting ending in “PRCY”).

Yes, this is the Syndicate’s treasury account. It is used for operations and ledger configurations. Internally, it follows standard corporate diligence through uptake of true Articles and a CP 575.

4. Confirm that these 5 million shares were “restricted”, and this is why they are reflected as “claimable by GD20...PRCY (after 2030-07-01 00:00:00)”.

Yes, the shares have a custom restrictive legend in the form of a restriction from claiming until the end of a holding period specified in the service agreement. I added this as a show of good faith, and hence the date extends past the 144 timeframe. Because the shares are owned completely without stipulation of services, they bear no additional plan identifiers.

Managing incentive compensation this way from the Syndicate accounts themselves presents manual involvement complications which ought to be remedied through the IssuerLink directness. Moreover, custom performance obligations previously required an interim escrow account to hold whether or not conditions had been satisfied, originally designed to scale with legacy Turrets, *available at* <https://github.com/stellar/stellar-turrets>. However, the network introduced Rust contracting in Soroban, which allows these smart customized groups directly on-chain.

¹⁷ For clarity, we have internally generated a vanity wallet for the issuer in accordance with the design diagram. This is largely to simplify the integration process whereby the account’s signers are configured as corporate insiders. Our starting “master” signer is then removed, and the whole resulting account structure gets treated just like any other wallet where we maintain no custody interference, with an understanding that we can help should securityholders need assistance, especially for technical help not in frontend apps.

Staff can find comments on early implementing plans for smart contracts on our blog, available at <https://www.blocktransfer.com/blog/post/private-placement-startup-fundraising>. Generally, all developments on this front will follow the foundational vision shared with staff and first outlined in our thesis regarding market structure, custody chains, and best execution, available at <https://blocktransfer.com/.well-known/thesis.pdf>. I believe this form of early fundraising automation will bring back the surge of successful IPOs presently dwindling, detrimental trends to American diversification and innovation shown by a study of our great national competitiveness compared to certain other nation-state-segmented capital markets, available at <https://site.warrington.ufl.edu/ritter/files/IPO-Statistics.pdf#page=87>.¹⁸

5. What limitations does “claimable after” a specific date put on the securityholder with respect to the digital asset?

As more thoroughly documented *supra* note 4, the claimable balance contains a crucial `Claim_Predicate` which will allow claimants to take delivery of the assets in question. Simplified, the protocol focuses on (a) logic and (b) time, a common claim restriction. Algorithmic functions like AND, OR, and NOT let users create more nuanced rules.

The main functions in TAD3 rely on absolute time, as opposed to relative time after the close of a ledger with the creation of a new balance. Broadly, most distributions revolve around an agent-known event such as onboarding or a corporate action. Because these are defined moments in time which could also come from past agent data, they’ve been the basis for the manual beta balances.

¹⁸ See also considered discussion of protecting the public while expanding access to the private market, available at <https://journals.library.columbia.edu/index.php/CBLR/article/view/8637> § III.A.3. This sort of oversight work only grows in importance as the IHS showcases its stark inability to confer more value than reasonable registration disclosures. Compare 2023 OASB highlighting \$8,800 billion in registered funds flow with the 2024 report showcasing \$9,300 billion, available at <https://www.sec.gov/files/2023-oasb-annual-report.pdf#page=18> and <https://www.sec.gov/files/2024-oasb-annual-report.pdf#page=19>, respectively.

6. The transaction contains a line indicating that the 5 million shares were debited from the Account Ending in "N4N6". Were these shares credited to the Account Ending in "PRCY"? If not, where do they reside?

Yes, they were credited to the PRCY account (pending as only claimant) according to reconciliation functions previously detailed. TAD3 recognizes them as restricted shares even though they are not yet claimable. Technically speaking, each `ClaimableBalanceEntry` exists as an independent data entry on the ledger, which I've also been working to update in the developer documentation for clarity.