COMMENT LETTER REGARDING THE PROPOSED PLAN OF DISTRIBUTION
In the Matter of Tai Mo Shan Limited
Administrative Proceeding File No. 3-22382

Dear Securities and Exchange Commission:

I respectfully submit this comment regarding the Proposed Plan of Distribution (the “Proposed Plan”) in the above-captioned administrative proceeding.

I support the Commission’s objective of returning the Fair Fund to investors who were harmed by the conduct described in the Commission’s Order against Tai Mo Shan Limited (“Tai Mo Shan”). However, I respectfully submit that several aspects of the Proposed Plan may define the compensable harm too narrowly and may fail to capture the full economic consequences of the conduct described in the Order.

In particular, I respectfully request that the Commission reconsider:

1. the definition of the Relevant Period;
2. the definition of Security and the limitation of compensable losses exclusively to UST;
3. the methodology for calculating Recognized Loss;
4. the treatment of Prior Recoveries;
5. the requirement that claimants reconstruct and submit a second, substantially duplicative set of transaction records; and
6. the possibility of coordinating the Fair Fund claims process with the existing Terraform bankruptcy claims administration process.

I respectfully request that the Commission consider the following modifications.

I. The Proposed Plan's Definition of the Relevant Period May Be Too Narrow

A. Proposed Plan Paragraph 23 and Exhibit A

Paragraph 23 defines the “Relevant Period” as:

> “the period of time beginning on May 23, 2021 through May 8, 2022, inclusive.”

The Proposed Plan further states that investors are compensated for UST purchased or acquired during this period because Tai Mo Shan allegedly deceived investors regarding the efficacy of Terraform's arbitrage mechanism to maintain UST's price at $1.00.

Exhibit A similarly states that the methodology compensates investors for UST acquired during this period and concludes that on May 9, 2022 UST's value fell, harming investors who purchased

UST at values allegedly inflated by Tai Mo Shan's actions.

I respectfully submit that the May 8, 2022 cutoff should not operate as an absolute bar where an investor can demonstrate that the subsequent loss was causally connected to the market expectations created by the conduct described in the Order.

B. The May 2021 conduct could have continuing effects on investor expectations

The Proposed Plan itself recognizes that Tai Mo Shan's conduct in May 2021 misled the investing public regarding the efficacy of Terraform's purported algorithmic mechanism.

The Proposed Plan describes the alleged conduct as follows:

* UST had previously deviated from its $1 peg;
* Terraform had represented that its algorithmic mechanism would maintain the peg;
* Tai Mo Shan traded UST in a manner that allegedly created the appearance that the mechanism was working as intended; and
* the conduct therefore misled the market concerning the effectiveness of that mechanism.

This finding is important because the economic effect of misleading conduct does not necessarily terminate on the date on which the conduct occurs.

An investor who observed the apparent recovery of UST from the May 2021 deviation could reasonably have concluded that:

1. the Terra stabilization mechanism was effective;
2. future deviations from the peg could similarly be corrected;
3. UST therefore presented less systemic risk than it otherwise would have appeared to present; and
4. the broader Terra ecosystem was correspondingly more stable.

Thus, an investor's subsequent decision to purchase or retain UST during a later period could have been materially influenced by the earlier misleading conduct.

C. Requested modification

I respectfully request that the Commission modify Paragraph 23 and the corresponding provisions of Exhibit A so that the Relevant Period does not operate as an absolute cutoff where a claimant can establish a reasonable causal connection between the loss and the conduct described in the Order.

At minimum, the Commission should permit a claimant to submit evidence demonstrating that a later acquisition or loss was materially affected by the continuing market expectations created by the conduct described in the Order.

The relevant inquiry should therefore not be exclusively:

> “Was the asset acquired before May 8, 2022?”

but also:

> “Was the investor's subsequent loss reasonably connected to the investment expectations affected by the conduct described in the Order?”

II. The Definition of “Security” May Be Too Narrow

A. Proposed Plan Paragraph 24

Paragraph 24 defines “Security” exclusively as:

> “the stablecoin token TerraUSD (the ‘Security’ or ‘UST’).”

I respectfully submit that this definition may fail to capture the economic consequences of the conduct described in the Order.

B. The Order itself recognizes the relationship between UST and the broader Terra ecosystem

The Proposed Plan states that Tai Mo Shan's conduct concerned the perceived efficacy of Terraform's algorithmic mechanism for maintaining UST at $1.00.

UST, however, did not exist as an economically isolated asset.

The Terra ecosystem was interconnected. The perceived stability of UST affected the perceived stability, utility, and economic viability of the broader Terra ecosystem.

Accordingly, misleading investors concerning the effectiveness of the mechanism supporting UST could reasonably affect investment decisions involving other Terra ecosystem assets.

For example, an investor could reasonably have concluded:

> UST previously recovered from a deviation from its peg; therefore the Terra stabilization mechanism appears effective; therefore the Terra ecosystem is more resilient than it otherwise appears; therefore LUNA and other Terra ecosystem assets carry less systemic risk than they otherwise would.

If that chain of reasoning was materially influenced by the conduct described in the Order, the resulting economic harm should not necessarily be limited to the UST position itself.

C. Tai Mo Shan's conduct also concerned LUNA

The Proposed Plan itself states that the Commission found Tai Mo Shan acted as a statutory underwriter with respect to certain offers and sales of LUNA, which the Commission treated as a crypto asset issued by Terraform and offered and sold as a security.

This makes the exclusive treatment of UST particularly worthy of reconsideration.

The Commission's Order and the Proposed Plan recognize conduct involving both:

* UST-related market conduct; and
* LUNA-related securities activity.

A distribution framework limited exclusively to UST may therefore underrepresent the full economic consequences of the conduct described in the Order.

D. Requested modification

I respectfully request that Paragraph 24 and the corresponding provisions of Exhibit A be modified to permit consideration of losses in other Terra ecosystem assets where a claimant can establish:

1. that the asset was economically connected to the Terra ecosystem;
2. that the investor's decision was materially influenced by the perceived stability of UST or the Terra ecosystem;
3. that the loss occurred within a period reasonably connected to the conduct described in the Order; and
4. that sufficient transaction evidence exists to establish the loss.

This would not require every Terra ecosystem loss to be automatically compensable. Instead, it would permit a claimant-specific causation analysis.

III. The Recognized Loss Methodology Should Account for the Economic Relationship Between the 2021 Conduct and the 2022 Collapse

A. Exhibit A — Plan of Allocation

Exhibit A states that the Fund Administrator will calculate a Recognized Loss for each UST token purchased or acquired between May 23, 2021 and May 8, 2022.

It then applies a FIFO methodology to match purchases and sales.

I respectfully submit that this methodology may be administratively convenient but does not necessarily capture the economic causation underlying the conduct described in the Order.

The relevant conduct concerned investor expectations about the ability of the Terra ecosystem to maintain UST's peg.

Those expectations could have influenced investor behavior over an extended period.

Accordingly, a loss calculation should, where supported by evidence, permit consideration of the continuing economic effects of the alleged deception rather than mechanically terminating eligibility at a single date.

IV. The Commission Should Reconsider the Exclusive UST Limitation Where the Claimant Can Demonstrate Causation

The Proposed Plan states that investors who did not purchase or acquire UST during the Relevant Period are ineligible.

I respectfully submit that this creates a potentially artificial distinction between economically interconnected investments.

Consider two investors:

Investor A

Purchased UST because he believed the Terra stabilization mechanism was effective.

Investor B

Purchased LUNA because he believed the Terra ecosystem was stable and that the mechanism supporting UST had been demonstrated to work.

If both investment decisions were materially influenced by the same misleading information concerning the efficacy of Terraform's stabilization mechanism, it is difficult to justify categorically treating Investor A's loss as potentially compensable while treating Investor B's loss as categorically irrelevant solely because Investor B held a different Terra ecosystem token.

I therefore respectfully request that the Commission permit evidence-based causation analysis rather than an absolute token-level exclusion.

V. Prior Recovery Should Be Defined and Allocated More Precisely

A. Proposed Plan — Paragraph 16 and Paragraph 60 / Section on Distribution Methodology

The Proposed Plan defines the Net Available Fair Fund as the Fair Fund plus interest or earnings less Administrative Costs.

The distribution provisions further provide that a claimant's payment will be subject to an "Offset for Prior Recovery."

The Plan states that the claimant's distribution cannot exceed:

> Recognized Loss minus compensation for the loss resulting from the conduct described in the Order that was received from another source, to the extent known by the Fund Administrator.

I support the principle of preventing double recovery.

However, the proposed provision requires additional clarification.

A. Terraform bankruptcy recoveries are aggregate recoveries

A claimant's Terraform bankruptcy claim may cover multiple assets, transactions, and periods.

For example, a claimant may have an Allowed Crypto Loss Claim involving:

* UST;
* LUNA;
* LUNC;
* ANC;
* MIR;
* other Terra ecosystem assets; and
* transactions occurring over a period extending substantially beyond the SEC Fair Fund's Relevant Period.

A subsequent bankruptcy distribution is therefore not necessarily compensation for the specific UST loss recognized under this Fair Fund.

A bankruptcy distribution may instead represent a pro-rata recovery against an aggregate allowed claim.

B. The entire bankruptcy distribution should not automatically be treated as Prior Recovery

For example, assume:

* Terraform Allowed Crypto Loss Claim: $20,000;
* SEC Recognized Loss: $5,000;
* Terraform bankruptcy distribution: $1,200.

It would not necessarily follow that the entire $1,200 constitutes Prior Recovery against the $5,000 SEC Recognized Loss.

The $1,200 distribution may represent a pro-rata recovery of an aggregate $20,000 claim involving multiple assets and loss periods.

The Commission should therefore establish an allocation methodology that determines what portion, if any, of an external recovery actually compensates the loss resulting from the conduct described in the Tai Mo Shan Order.

C. Requested modification

I respectfully request that the Prior Recovery provision be modified to require the Fund Administrator to determine:

1. the source of the recovery;
2. the legal basis for the recovery;
3. the assets and transactions underlying the recovery;
4. the time period underlying the recovery;
5. the amount of the recovery attributable to the loss recognized under this Fair Fund; and
6. only that attributable amount be treated as Prior Recovery.

The Plan should expressly state that an aggregate bankruptcy distribution is not automatically equivalent to compensation for the specific loss recognized under the Tai Mo Shan Fair Fund.

VI. The Commission Should Coordinate With the Existing Terraform/Kroll Claims Administration Process

A. Proposed Plan Paragraph 21

Paragraph 21 defines a Preliminary Claimant as a person identified by the Fund Administrator as having a possible claim, or a person asserting a possible claim before the Claims Bar Date, resulting from transactions in the Security during the Relevant Period.

B. Proposed Plan Paragraph 7

Paragraph 7 requires the Claim Form to contain sufficient documentation reflecting purchases and dispositions of the Security during the Relevant Period.

Paragraph 43 similarly permits the Fund Administrator to require supporting documentation, including verification of wallet control and purchases and dispositions of UST.

I respectfully submit that requiring investors who have already undergone a detailed Terraform bankruptcy claims process to reconstruct substantially the same historical transaction information creates unnecessary duplication.

C. The existing Terraform/Kroll process could provide valuable evidentiary information

The Terraform bankruptcy claims process has already required claimants to reconstruct Terra-related transaction histories and provide supporting evidence.

Therefore, where a claimant has an Allowed or Final Terraform Crypto Loss Claim, that determination should be treated as highly probative evidence of:

* the claimant's identity;
* the claimant's relevant transaction history;
* the claimant's Terra-related holdings;
* the claimant's calculated economic loss; and
* the evidence supporting that loss.

I am not requesting that the Commission blindly adopt every Terraform/Kroll determination.

Rather, I respectfully request that the Commission create a presumption that an existing Allowed or Final Terraform claim constitutes prima facie evidence, subject to independent SEC review.

VII. The Claims Process Should Avoid Requiring Claimants to Reconstruct the Same Transactions Twice

The Proposed Plan requires claimants to submit a Claim Form by the Claims Bar Date, which is generally 120 days after the initial provision of the Plan Notice.

The Fund Administrator may also require additional supporting documentation.

I respectfully request that the Commission consider an alternative process:

Step 1 — Existing Terraform/Kroll records

The claimant's existing Allowed or Final Terraform claim is used as the starting evidentiary record.

Step 2 — SEC eligibility filter

The Fund Administrator determines which transactions satisfy the SEC's legal eligibility requirements.

Step 3 — SEC-specific loss calculation

The Fund Administrator calculates the Recognized Loss under the SEC-approved methodology.

Step 4 — Claimant verification

The claimant is given an opportunity to correct or supplement the transaction record.

Step 5 — Prior Recovery reconciliation

The Fund Administrator determines whether the claimant has received compensation for the same loss and calculates the appropriate offset.

This would preserve SEC control over the Fair Fund while substantially reducing duplicative administrative work.

VIII. The Proposed Plan Already Gives the Fund Administrator Broad Access to Information

The Proposed Plan gives the Fund Administrator authority to obtain information from sources that maintain records concerning the Security and transactions during the Relevant Period.

The Plan also establishes a dedicated Fair Fund website and requires the Fund Administrator to provide information concerning eligibility and the claims process.

This provides a foundation for a coordinated data-driven claims process.

Rather than requiring every investor to manually reconstruct transactions that may already have been verified through another proceeding, the Commission could use existing records as an evidentiary resource while retaining independent review authority.

This would likely:

* reduce administrative costs;
* reduce errors;
* reduce fraudulent reconstruction of historical transactions;
* reduce duplicate claims;

* improve consistency;
* and increase the amount of the Fair Fund ultimately available to injured investors.

IX. Requested Modification to the Claims Process

I respectfully request that the Commission add a provision substantially as follows:

> ** “Where a Preliminary Claimant has an Allowed or Final Claim in the Terraform bankruptcy proceedings relating to losses in Terra ecosystem assets, the Fund Administrator may, with the claimant's authorization and subject to applicable privacy and confidentiality requirements, obtain and use the relevant claims and transaction records as evidence in determining eligibility and Recognized Loss under this Plan. Such records shall be treated as presumptive evidence but shall not prevent the Fund Administrator from independently determining eligibility and Recognized Loss under the Plan.” **

This approach would preserve the Commission's authority while reducing unnecessary duplication.

X. The Commission Should Consider Coordinating the Fair Fund With the Terraform Claims Administration Infrastructure

I respectfully request that, to the extent legally permissible, the Commission consider coordinating the Fair Fund distribution with the existing Terraform bankruptcy claims administration infrastructure.

I do not suggest that the Commission relinquish its legal authority over the Fair Fund.

Rather, the Commission could use an existing claims administration infrastructure to:

* identify claimants;
* verify transaction records;
* reconcile duplicate claims;
* identify prior distributions;
* calculate offsets;
* and distribute funds to verified claimants.

This would be particularly appropriate because the Terraform bankruptcy claims process already concerns many of the same investors and substantially overlapping Terra-related transactions.

Such coordination could reduce the risk of inconsistent determinations between two separate claims systems.

XI. Proposed Alternative Definition of “Eligible Loss”

I respectfully request that the Commission consider modifying the definition of Eligible Loss to provide:

> ** “Eligible Loss shall include losses arising from UST and, where supported by evidence of causation, other Terra ecosystem crypto assets, where the claimant demonstrates that the investment decision or resulting loss was materially affected by the conduct described in the Commission's Order.” **

The Commission could impose appropriate safeguards, including:

* transaction-level documentation;
* causation requirements;
* exclusion of unrelated market losses;
* exclusion of speculative damages;
* and independent review by the Fund Administrator.

This would preserve the remedial purpose of the Fair Fund without automatically compensating every loss in every Terra ecosystem asset.

XII. Proposed Alternative Definition of the Relevant Period

I respectfully request that Paragraph 23 be modified to provide a rebuttable rather than absolute cutoff.

For example:

> ** “The Relevant Period shall presumptively begin on May 23, 2021 and extend through May 8, 2022. A claimant may establish eligibility for a later transaction or loss where the claimant demonstrates that the transaction or loss was materially and causally connected to the conduct described in the Order and the market expectations created by that conduct.” **

This would preserve the Commission's existing methodology for the ordinary case while allowing exceptional cases involving demonstrable causation.

XIII. Why the Requested Modifications Are Consistent With the Remedial Purpose of a Fair Fund

The Fair Fund was established for the benefit of investors harmed by the Respondent's violations described in the Order. The Proposed Plan itself states that the Fair Fund is intended to benefit investors harmed by those violations.

The purpose of the distribution should therefore be to approximate the economic harm caused by the conduct as accurately as reasonably possible.

A methodology that:

* uses an absolute date cutoff;
* excludes economically interconnected Terra assets categorically;
* requires investors to reconstruct transaction records already examined in another proceeding;
* and potentially treats aggregate bankruptcy distributions as direct compensation for a specific SEC loss

may produce results that are administratively simple but economically inaccurate.

A coordinated and evidence-based methodology would better balance:

* accuracy;
* administrative efficiency;
* investor protection;
* prevention of double recovery;
* and preservation of the Commission's independent authority.

XIV. Requested Clarification Regarding Prior Recoveries

I respectfully request that the Commission expressly clarify in the final Plan:

1. whether a Terraform bankruptcy distribution will constitute a Prior Recovery;
2. whether the entire distribution or only the portion attributable to the SEC Recognized Loss will be deducted;
3. how the Fund Administrator will allocate an aggregate Terraform distribution across different tokens and loss periods;
4. how future Terraform distributions occurring after the SEC Fair Fund distribution will be treated;
5. what evidence a claimant must provide regarding a Terraform distribution;
6. whether the Fund Administrator will obtain information directly from the Terraform claims administrator; and
7. whether a claimant must report a future Terraform distribution after receiving a Fair Fund

payment.

These questions are particularly important because the Terraform bankruptcy recovery may occur before, during, or after the Fair Fund distribution process.

XV. Requested Final Relief

For the reasons above, I respectfully request that the Commission modify the Proposed Plan as follows:

1. Relevant Period

Modify Paragraph 23 and Exhibit A to permit consideration of losses occurring after May 8, 2022 where the claimant establishes a reasonable causal connection to the conduct described in the Order.

2. Security / Eligible Assets

Modify Paragraph 24 and Exhibit A to permit consideration of losses in other Terra ecosystem assets where the claimant establishes a sufficient causal connection.

3. Recognized Loss

Permit a claimant-specific causation analysis rather than relying exclusively upon a rigid token and date-based exclusion.

4. Prior Recovery

Clarify that only compensation actually attributable to the loss resulting from the conduct described in the Order should constitute Prior Recovery.

5. Terraform/Kroll Claims

Treat existing Allowed or Final Terraform/Kroll claims as presumptive evidentiary records subject to independent SEC review.

6. Claims Administration

Permit coordination with the existing Terraform bankruptcy claims administration infrastructure to reduce duplicative verification and administrative costs.

7. Double Recovery

Establish a transparent methodology for allocating aggregate Terraform bankruptcy distributions to determine what portion, if any, represents compensation for the specific SEC Recognized Loss.

8. Future Recoveries

Clarify how future Terraform bankruptcy distributions will be treated if they occur after Fair Fund payments have already been made.

XVI. Conclusion

I respectfully support the Commission's effort to return the Fair Fund to investors.

My concern is not that the Commission should compensate investors for losses unrelated to Tai Mo Shan's conduct. Rather, my concern is that the Proposed Plan may define the relevant harm too narrowly by treating UST, a particular acquisition period, and a particular loss calculation as if they completely capture the economic consequences of the conduct described in the Order.

The Commission's own Proposed Plan recognizes that Tai Mo Shan's conduct concerned the efficacy of Terraform's mechanism for maintaining UST's $1 peg and that the conduct affected market perceptions of that mechanism.

Those market perceptions could reasonably have affected investment decisions involving UST as well as other economically interconnected Terra ecosystem assets.

I therefore respectfully request that the Commission adopt a more flexible, evidence-based approach that:

* considers the continuing causal effects of the conduct;
* permits appropriate consideration of other Terra ecosystem assets;
* uses existing Terraform/Kroll claims information where appropriate;
* avoids duplicative claims administration;
* establishes a transparent Prior Recovery methodology; and
* ensures that investors receive the maximum fair recovery consistent with the Commission's statutory authority and the prohibition against double recovery.

Thank you for considering this comment.

Respectfully submitted