Recommendation Letter

Supplementary Clarification No. 2 - Recommendation for Exemption from Locking Period for Social-Mined Tokens (ST+) under STO+ Classification

Refer to:

1. Request Letter No. 250301 - 250305 (Proposal to the US Security and Exchange Commission (SEC) : Introduction of the "STO+ Token" Classification), Date 03/05/2025

2. Recommendation Letter Supplementary Clarification No. 1 - on STO+ Token's Platform-based Transfer and Payment Mechanism, 03/23/2025.

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Securities and Exchange Commission (SEC)
Crypto Task Force
100 F Street NE
Washington, DC 20549

Dear Ms. Hester Peirce,

On behalf of **Knowpia Inc.**, a SocialFi platform dedicated to pioneering compliant and sustainable blockchain innovation, I respectfully submit this letter to recommend a future-forward classification and treatment of blockchain-based incentive tokens — specifically those created through **Social Mining** — which we refer to as **ST+ tokens**. Our goal is to support the Commission's ongoing commitment to innovation, investor protection, and regulatory clarity.

1. Definition of Social Mining

Social Mining refers to a protocol-driven mechanism by which users earn platform-native tokens (ST+) in exchange for **non-financial contributions** such as content creation, social engagement and governance participation. These activities mirror the contribution logic of Proof-of-Work or Proof-of-Stake systems, but rely on **human engagement and content creation** rather than computational power.

Unlike traditional investment schemes, Social Mining does **not involve capital contribution** or the expectation of profits from others. It is a **decentralized, voluntary mechanism** of network growth and token issuance.

2. Advantages of Social Mining Compared to Computational Mining

Aspect	Computational Mining	Social Mining

⚡ **Energy Consumption**	High energy usage, relies on mining rigs and data centers	Virtually zero energy consumption, only needs user engagement
💰 **Participation Barrier**	Requires expensive equipment, technical skills, stable electricity	Zero barrier, anyone can participate with a phone or computer
🌍 **Decentralization**	Most computing power is concentrated in a few mining pools	Widely distributed users, promotes real user-driven decentralization
👥 **Value Creation**	Maintains blockchain security but doesn't generate content or community value	User activities (posts, likes, comments) directly grow the platform
🛠️ **Real-World Application**	Mainly used to verify transactions, limited user interaction	Can be applied to incentives, content curation, reputation, DAO governance
📈 **Economic Model**	Driven by token price and mining power monopoly	Driven by contribution behavior, incentivizing active participation
♻️ **Sustainability**	Dependent on rising token price to remain profitable	Platform value growth enhances token utility and ecosystem stickiness
🔐 **Security Risk**	Susceptible to mining pool centralization	Behavior-based token rewards are algorithmically determined and tamper-proof
🧠 **Incentive Mechanism**	Rewards "hash power," not necessarily meaningful contribution	Rewards real, measurable contribution like quality content and engagement

3. Definition of ST and ST+

We propose the following distinctions:

- **ST (Security Token)**: A token issued to investors in exchange for capital under traditional security token offerings (STOs), governed by applicable SEC exemptions (e.g., Reg D, Reg A+). These tokens may represent equity, debt, or profit participation.

- **ST+ (Social Mining Token)**: A token issued *not in exchange for capital*, but rather as a **utility-driven reward** for platform participation through Social Mining. ST+ tokens do not reflect any ownership, dividend, or investor rights. They originate through **user actions**, not fundraising.

4. Relationship Between ST, ST+, and STO+ Tokens

Refer to Request Letter No. 250301 - 250305 (Proposal to the US Security and Exchange Commission (SEC) : Introduction of the "STO+ Token" Classification), Date 03/05/2025.

Within the STO+ Token framework, both ST (Security Tokens) and ST+ (Social Mining Tokens) coexist under a unified classification that balances regulatory compliance with productivity-based token issuance.

ST Tokens are issued through direct investment and represent securitized ownership interests, subject to standard security regulations, including lock-up periods and investor disclosures. In contrast, ST+ Tokens are created via a transparent, algorithmic Social Mining mechanism that rewards users for their measurable contributions to the platform—such as content creation, engagement, and governance participation—without requiring capital investment.

While both ST and ST+ Tokens are backed by preferred stock and share legal alignment under securities regulations, ST+ Tokens function as utility tokens within the platform ecosystem prior to reaching a secondary trading venue. As long as ST+ Tokens are used solely for platform

activities, they retain their utility status and should not be subject to Rule 144 lock-up restrictions. Only upon entering the secondary market and becoming tradable assets do ST+ Tokens transition into full ST classification.

This dual-path structure within the STO+ model ensures that investment-grade oversight is applied where appropriate, while simultaneously empowering user participation through a compliant, utility-driven incentive system.

5. ST and ST+ used as Utility Tokens within the Platform

ST tokens may function as investment instruments when sold to investors; however, once these tokens are introduced into the SocialFi platform, they transition into ST+ tokens, which are used exclusively as utility tokens for transfers, payments, and participation in community-driven governance within the platform ecosystem.

This means that platform usage, not investment speculation, defines their primary purpose during ecosystem participation.

Please refer to: ***Recommendation Letter Supplementary Clarification No. 1 - on STO+ Token's Platform-based Transfer and Payment Mechanism, 03/23/2025.***

6. Recommendation Regarding Locking Period for ST+ Tokens

We propose that **ST+ tokens** (issued via Social Mining):

- Maintain **pure utility function** until voluntarily transferred or listed on a secondary market.
- Should therefore **not be subject to Rule 144 or Reg CF/Reg D 1-year resale lock-up periods**.
- **Only convert into ST status** upon market listing or active trading on a secondary platform.

Thus, we recommend that the SEC allow a regulatory distinction where:

> ST+ tokens retain a utility-only classification throughout their non-tradable, in-platform phase, during which they are used exclusively for accessing platform features, transferring value within the ecosystem, and participating in governance. As such, they should not be considered "restricted securities" and should be exempt from resale lock-up periods typically applied to securities offerings. Upon entering a secondary trading environment, ST+ tokens transition into ST tokens, acquiring the characteristics of traditional security tokens, including rights to preferred stock and eligibility to receive dividends in accordance with the terms of the underlying securitized structure.

This policy would align with the SEC's principles of **facts-and-circumstances analysis** and support responsible token innovation while maintaining safeguards for public investors.

Conclusion

By acknowledging the unique origin and utility-bound lifecycle of ST+ tokens, the SEC can offer clarity and fairness for Web3 platforms engaging in **non-investment-based growth models**. We appreciate the Commission's leadership in shaping digital asset regulation and respectfully request consideration of this proposed classification framework.

We welcome any opportunity to further collaborate or provide materials supporting this recommendation.

Respectfully submitted,

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