



Recommendation Letter

Supplementary Clarification No. 1 - on STO+ Token's Platform-based Transfer and Payment Mechanism

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

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

Dear Ms. Hester Peirce,

Following our prior communications, we would like to provide additional clarification regarding the design, application, and regulatory compliance of the STO+ tokens, specifically addressing the rationale behind enabling token transfers and payments exclusively within the designated platform ecosystem.

The STO+ token structure has been explicitly designed to mirror characteristics akin to preferred stock, carrying no direct ownership of the company's common equity or operational management rights. Instead, the token primarily entitles holders to dividend distributions from company profits. However, the unique integration of STO+ tokens within a decentralized blockchain framework enables us to realize additional economic benefits and operational efficiencies while ensuring stringent regulatory compliance.

Key points supporting the rationale for permitting internal transfers and payments of STO+ tokens are as follows:

1. Economic and Operational Distinction:

The STO+ tokens designated for transfer and payment functions are generated independently via decentralized blockchain mechanisms (Proof-of-Work), granting token holders limited platform governance rights that do not conflict with nor dilute traditional investor rights. Therefore, internal token transactions do not negatively impact STO+ investors' claims or rights.

2. Promotion of Platform Economy:

Allowing free-flowing internal transactions (transfer and payment) of STO+ tokens stimulates user engagement and platform utilization, significantly enhancing the growth of the platform's economic ecosystem. This increased activity directly supports overall



investor returns by strengthening the platform's economic sustainability and profitability.

3. Enhanced Transparency and Regulatory Compliance:

All token transactions executed via the platform are recorded transparently and immutably on decentralized blockchain smart contracts. This system ensures a fully auditable, secure, and traceable transaction history, significantly lowering the administrative and regulatory oversight costs, while ensuring efficiency and compliance with applicable regulations.

To ensure compliance and safeguard investor interests, we emphasize the following governance parameters for STO+ tokens:

- STO+ tokens will reserve a significant small portion only (typically under 20%) of the total security tokens for primary private investment.
- Transfers and payments utilizing STO+ tokens are strictly confined to the authorized platform, validated through rigorous due diligence underwriting procedures.
- Trading of STO+ tokens will occur exclusively on U.S.-based, SEC-compliant token exchanges to ensure ongoing regulatory adherence and oversight.

In summary, enabling internal transfers and payments of STO+ tokens is integral to creating a robust, transparent, and compliant economic environment. It supports investor interests by promoting platform growth and efficiency, without infringing upon the rights or diminishing the value proposition of traditional security token investors.

We appreciate your consideration and are available to discuss this further should you have any questions or require additional information.

Respectfully submitted,

Kecheng Lai

CEO of Knowpia Inc.

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