



Recommendation Letter - *Supplementary Clarification No. 5: Comparative Analysis and Final Recommendation on Dual-Nature vs Conversional Dual-Token Models under STO+ Framework*

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. The Future is Here, Now!, Date 04/08/2025

Chapter 3: Benefits of Unified Dual-Nature Tokens

Chapter 4: Inapplicability of SEC Rule 144 to STO+

Chapter 6: Comparative Analysis of ST and ST+ Dual-Nature Token vs Dual-Token Model

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Date: 04/16/2025



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

Dear Ms. Hester Peirce,

On behalf of Knowpia Inc., we are pleased to provide this memorandum which presents a comparative analysis between two regulatory-compliant token conversion models proposed under the STO+ token framework. These models aim to reconcile blockchain-based community incentive systems with U.S. securities law through dual-purpose token architecture.

Specifically, we evaluate:

1. A Unified Dual-Nature Token Model, in which a single token operates under two legal and functional natures (ST+ and ST) with dynamic transitions.
2. A Separated Dual-Token Model, in which two distinct tokens exist — ST+ (utility) for in-platform use and ST (security) for investment markets — with controlled two-way conversion mechanisms.

The objective is to support the SEC's innovation mandate by offering regulatory clarity while promoting legitimate digital asset utility and investor protections.

1. Context and Background

The STO+ token classification, proposed by Knowpia Inc. in prior filings, introduces a hybrid token architecture in which utility-driven platform participation (Social Mining) coexists with traditional security token offering (STO) principles. This dual-layer structure recognizes that blockchain-based community ecosystems increasingly require flexible yet compliant instruments for both incentive distribution and capital formation.

Two viable technical and legal pathways have emerged to operationalize the STO+ concept:



- A unified token that dynamically transforms between utility and security states based on context and user action;
- Two separated tokens, with explicit structural and regulatory boundaries, where conversion between utility and security is smart-contract-governed and externally observable.

2. Model Comparison Summary

Criteria	Unified Dual-Nature Token	Conversional Dual-Token
Structure	One token with two legal natures (ST+ and ST).	Two separate tokens: ST+ (utility), ST (security).
Conversion	Bi-directional. Context triggers automatic status change.	Bi-directional. Smart contracts control conversion logic.
SEC Classification	ST+ treated as utility token until secondary market listing. ST classification triggered by tradability.	ST and ST+ classified independently. Conversion must be disclosed and KYC-supported.
Rule 144 Compliance	Proposes dynamic classification — ST+ as utility while in-platform, transitions to ST only upon secondary trading, potentially exempt from Rule 144 lock-up until that point.	Rule 144 lock-up clearly applies to ST; ST+ never enters secondary markets without conversion.



Investor Protection	Smart contracts enforce daily/monthly cap on conversion, protecting early ST holders.	Conversion pathway prevents unexpected dilution. Separation ensures investment logic is preserved.
Platform Utility	Seamless contributor participation and value feedback loop.	Contribution utility is restricted to ST+ domain; investors only interact via ST.
Complexity	Medium (stateful contract, on-chain identity logic).	Higher (dual contracts, inter-token accounting).
Regulatory Transparency	Requires SEC recognition of "state-based" token function.	Easier to regulate via existing security token precedents.

3. Conclusion

Based on the analysis in Chapter 6 of *The Future is Here, Now!* for Dual-Nature Token vs Dual-Token Model, and above Dual-Nature Token vs [Conversional Dual-Token](#), we respectfully recommend that the SEC consider the Unified Dual-Nature Token Model as the primary foundational structure for STO+ implementation, with the following justifications:

A. Dynamic Classification Preserves Compliance Without Hindering Innovation:

The model aligns with the SEC's principles of "facts and circumstances" by conditioning token classification on actual function, use, and market behavior rather than issuance intent alone.



B. Platform Growth Through Social Mining with Investor Protection:

Conversion caps and full on-chain transparency ensure that ST+ tokens earned through community contribution do not dilute investor equity in an uncontrolled manner.

C. Technological Integrity and Auditable Conversion:

Smart contracts predefine conversion logic and enforce all constraints algorithmically. All token transitions are publicly verifiable.

D. Rule 144 Compatibility through Phased Status Recognition:

We propose that ST+ tokens used strictly in-platform are not subject to Rule 144 resale restrictions until voluntarily transferred or listed in secondary markets. This phased approach ensures legal alignment without imposing undue burdens on utility-based platforms.

The evolving digital economy requires flexible frameworks that accommodate real-world innovation while safeguarding investor rights. The STO+ architecture — particularly the Unified Dual-Nature Token — offers an opportunity for the SEC to set precedent in regulating functionally hybrid tokens that bridge economic value and community participation.

We welcome further dialogue and are ready to provide technical walkthroughs, smart contract simulations, or testnet implementations at your request.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kecheng Lai".

Kecheng Lai



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