

MEMORANDUM

To: Crypto Task Force Meeting Log
From: Crypto Task Force Staff
Re: Meeting with Representatives of Hiro Systems PBC and Wilson Sonsini Goodrich & Rosati

On May 13, 2025, Crypto Task Force Staff met with representatives from Hiro Systems PBC and Wilson Sonsini Goodrich & Rosati.

The topic discussed was approaches to addressing issues related to regulation of crypto assets. Hiro Systems PBC and Wilson Sonsini Goodrich & Rosati representatives provided the attached document, which was discussed during the meeting.



May 6, 2025

Via Email

Richard Gabbert
Chief of Staff, Crypto Task Force
Senior Advisor to the Acting Chairman
Securities Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Meeting Agenda

Hiro Systems PBC (formerly known as Blockstack PBC) completed one of the first Regulation A+ token offerings qualified by the Commission in 2019 and continued semi-annual reporting through 2025. We wanted to share our feedback in the digital asset space based on our commitment to compliance and unique experience as a reporting token issuer.

The proposed attendees include:

- Alex Miller, Chief Executive Officer
- Ezinne Okpo, General Counsel
- Amy Caiazza, Partner, Wilson Sonsini Goodrich & Rosati

We appreciate the leadership and interest of the Task Force in engaging with market participants as the industry strives to make meaningful change. The following topics serve as the agenda for the meeting:

(i) **Definition of Decentralization & ‘Mature’ Blockchain Systems**

The uncertain and broad boundaries of what constitutes “sufficient decentralization” (such that holders would not look to a specific company or person to drive the value of a token) under the SEC’s 2019 Framework for Digital Assets materially constrain token issuers from fully aligning a platform with the purpose of the original blockchain project. Uncertainties about the standard of decentralization mean there is high potential for the erosion of trust and network value, due to developers who are cautious to engage in projects (even when they have unique and critical subject matter expertise). Moreover, users or investors are not well served by developers who effectively

renounce their project in the name of decentralization. We recommend focusing on parameters for decentralization that limit that misalignment between developers and users, while also testing the diffusion of influence over a protocol, such as mining, stacking or governance power, and ownership of circulating and total supply across affiliates. Lastly, we looked forward to discussing the parameters for mature blockchain systems under the recently released Digital Asset Market Structure discussion draft.

(ii) **Regulation A**

(a) Disclosures

We have seen commentary from users across projects over the years expressing a desire to understand in more detail certain ecosystem dynamics, including project roadmaps and key network metrics on some measured cadence, though we believed many such items to be outside of our purview during the latter stages of our reporting period. The absence of bespoke crypto disclosures means the substance of existing disclosures may not include key network commentary expected by users and investors. To align expectations and increase the utility of the filings, we recommend a revision of disclosures to incorporate network activities and metrics.

(b) Off-Ramp / Exiting the Regime

As the Commission is aware, the existing Regulation A structure does not contemplate a token issuer exiting the securities regime following network maturity and decentralization. We recommend a change to the 1-Z or exit report for token issuers that would permit commentary from the issuer as to the status of the blockchain project and clarification that the issuer has no remaining obligations pursuant to the investment contract under Regulation A once its responsibilities via token delivery and network maturity have been achieved.

(c) Costs of Disclosures and Audited Financials

The requirement of audited financials is incredibly burdensome to an upstart company without the significant infrastructure or resources, particularly when the organization is focused on capital preservation and achieving product-market fit. We have spent approximately \$450,000 annually on external finance and legal costs related to audit obligations and semi-annual disclosures and an additional \$500,000 as it relates to internal finance and legal personnel necessary to maintain our compliance as a reporting entity, representing upwards of 7% of our total annual expenses. We believe unaudited financials with a signed attestation as to their accuracy, should be sufficient.