Karen E. Ubell
+1 650 843 5246
kubell@cooley.com

Via Email & FedEx

September 30, 2019

Elizabeth Murphy
Associate Director
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549
Attn: Erin Wilson

Re: *In the Matter of Block.one*

Dear Ms. Murphy:

We write on behalf of Block.one ("***Block.one***" or the "***Company***") in connection with the proposed settlement of the above-captioned administrative proceeding with the U.S. Securities and Exchange Commission (the "***SEC***" or "***Commission***"). The staff of the Division of Enforcement proposed a settlement of the above referenced order to Block.one, and, once mutually agreed, will propose a settlement to the Commission. It is anticipated that the settlement will result in an Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order (the "***Proposed Order***"). Block.one understands that the entry of the Proposed Order would disqualify it from relying on certain exemptions under Regulation A and Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended (the "***Securities Act***"). On behalf of Block.one, we hereby respectfully request, pursuant to Rule 262(b)(2) of Regulation A and Rule 506(d)(2)(ii) of Regulation D, a waiver of any disqualification that will arise under Regulation A and Regulation D with respect to Block.one or any of its affiliates as a result of the entry of the Proposed Order.

BACKGROUND[1]

The staff of the Division of Enforcement conducted the above-captioned investigation of possible violations by Block.one of Section 5(a) and Section 5(c) of the Securities Act in connection with the sale of 900 million digital assets ("***ERC-20 Tokens***") in exchange for Ether, a digital asset (the "***ERC-20 Token Distribution***") to the general public from June 26, 2017 through June 1, 2018, and thereafter has engaged in settlement discussions with Block.one. As a result of these discussions, Block.one and the staff of the Division of Enforcement have reached a settlement in principle with respect to the Proposed Order, subject to and including this request for waiver.

[1] As stated in the order, Block.one neither admits nor denies the activities described in the Proposed Order. Factual statements in this section are restatements of those included in or described in the Proposed Order only.

The Proposed Order states that Block.one sold and distributed the ERC-20 Tokens in Dutch-style auctions on the following schedule: 200 million ERC-20 Tokens were sold and distributed during the first five days of the ERC-20 Token Distribution, and thereafter, 700 million EC-20 Tokens were split evenly into 350 consecutive 23-hour "distribution periods" of 2 million tokens each. The ERC-20 Tokens contained no restrictions on transfer following their initial sale and distribution, and the tokens began trading through online trading platforms as early as July 1, 2017.

As set forth in the Token Purchase Agreement, which was posted on the EOS.IO Website, and in other public statements, the ERC-20 Token was not the same token that eventually would be used on any anticipated EOSIO-based blockchains. Rather, the ERC-20 Token was designed to become fixed and nontransferable on the Ethereum blockchain (a different blockchain platform) at the close of the ERC-20 Token sale, meaning that while a record of past transactions could be confirmed on the Ethereum blockchain, new transfers of the ERC-20 Token could not occur on the Ethereum blockchain and the smart contract would have no further functionality at that point.

On June 1, 2018, the smart contract terminated the ERC-20 Token Distribution, and the ERC-20 Token became fixed and nontransferable. In addition to the EOSIO software, Block.one developed a "snapshot tool" that when used in conjunction with EOSIO, would allow any developer to launch a blockchain that, upon the developer's election, could contain all or part the final ERC-20 Token register of accounts, in each case at the discretion of the developer. Block.one advised that ERC-20 Token holders would need to register their token ownership via the ERC-20 Token Distribution smart contract in order to be eligible to receive any native EOSIO-based blockchain tokens utilizing the snapshot tool, if and when those blockchains launched. The ERC-20 Tokens sold in the ERC-20 Token Distribution remain fixed on the Ethereum blockchain, and the ERC-20 Tokens cannot be transferred.

The Proposed Order concludes that from June 26, 2017 through June 1, 2018, Block.one offered and sold securities that were required to be registered with the Commission pursuant to Section 5 of the Securities Act. As currently described in the Proposed Order, Block.one's activities violated Sections 5(a) and 5(c) of the Securities Act by offering and selling these securities to U.S.-based persons, among others, without a registration statement filed or in effect with the Commission and without qualifying for exemption from registration.

The Proposed Order requires Block.one to cease and desist from committing or causing any violations and any future violations of Section 5(a) and (c) of the Securities Act and requires that Block.one pay $24,000,000 in civil penalties to the Commission.

Block.one understands that, absent a waiver, the entry of the Proposed Order will disqualify Block.one and its affiliates from relying on both Regulation D and Regulation A. Block.one is concerned that if it or any of its affiliates are deemed to be an issuer, predecessor of an issuer, affiliated issuer, general partner or managing member of an issuer or promoter, underwriter of securities, or if it is deemed to be acting in any other capacity described in Rule

262 for purposes of Rule 262(a)(2) or Rule 506 for purposes of Rule 506(d)(1) (a "***Covered Person***"), then Block.one, its affiliates and third parties with which it is associated in one of those listed capacities that may seek to rely on Regulation A or Regulation D in connection with their securities offerings, would be prohibited from doing so.

The Commission, or the Division of Corporation Finance ("***Division***"), acting pursuant to its delegated authority, has the authority to waive this disqualification upon a showing of good cause that such disqualification is not necessary under the circumstances.[2] The Division's statement on Waivers of Disqualification under Regulation A and Rules 505 and 506 of Regulation D[3] provides that the Division will "consider whether the conduct involved a criminal conviction or scienter based violation, as opposed to a civil or administrative non-scienter based violation." That statement also provides that "where there is a ... scienter based violation involving the offer and sale of securities, the burden on the party seeking the waiver to show good cause that a waiver is justified would be significantly greater."

The Proposed Order describes activities that involve the offer and sale of a security, but do not involve a criminal conviction or a violation of any antifraud statutes - scienter or non-scienter based. Thus, Block.one will not be held to a "greater" burden under the Division's waiver policy.

Based on the factors set forth by the Division for considering waiver requests and the facts and circumstances set forth below, Block.one respectfully submits that there is good cause that such disqualification is not necessary and therefore requests that the Division, on behalf of the Commission, or the Commission waive any disqualifying effects that the Order will have under Regulation A or under Regulation D.

1. Responsibility for the Conduct

Block.one undertook affirmative measures intended to block U.S.-based purchasers from buying ERC-20 Tokens such as the use of a "geoblock" designed to prevent anyone with a U.S.-based IP address from accessing the EOS.IO Website to purchase ERC-20 Tokens, it made clear in the purchase agreement governing the purchase of the ERC-20 Token and on the EOSIO Website that U.S.-based persons were prohibited from participation in the ERC-20 Token Distribution and the Purchase Agreement governing the purchase and sale of the ERC-20 Token required the purchasers to make clear representations that they were not U.S. residents. Nonetheless, some U.S.-based persons purchased ERC-20 Tokens.

Certain of the executive officers of Block.one at the time of the launch of the ERC-20 Token Distribution and the activities described in the Proposed Order continue to serve as executive officers of Block.one. As of the date of this letter, however, the majority of the senior

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[2] *See* Rule 506(d)(2)(ii).
[3] *See* Division of Corporation Finance, *Waivers of Disqualification under Regulation A and Rules 505 and 506 of Regulation D,* available at: https://www.sec.gov/divisions/corpfin/guidance/disqualification- waivers.shtml.

executive officers that comprise the Executive Committee of Block.one (five of nine) joined Block.one after the completion of the ERC-20 Token Distribution. The new Chief Legal Officer, Chief Financial Officer and current General Counsel are primarily responsible for ensuring compliance with securities laws generally and Regulation D or Regulation A specifically, as well as implementation of procedures regarding the same. Members of the Executive Committee, including those that were executive officers at Block.one at the time of the ERC-20 Token Distribution, have been educated by experienced outside securities counsel on procedures required for compliance with securities regulations generally and Regulation D specifically.[4] They will continue to be advised on such matters by outside counsel as well as by Block.one's Chief Legal Officer, Chief Financial Officer and its General Counsel.

Block.one's executive officers that would be involved in any future Regulation D or Regulation A offering have also been educated by Block.one's Chief Legal Officer and its General Counsel, as well as Block.one's outside counsel, on the types of activities that may constitute "directed selling efforts" or "general solicitation" in connection with the offer and sale of a security, and they will be directly advised on such matters by outside counsel as well as Block.one's Chief Legal Officer and its General Counsel in advance of and during any Regulation D or Regulation A offering. From the initial point in time in which Block.one contemplates the offer and sale, in the future, of a security pursuant to Regulation D or Regulation A, the Chief Legal Officer, General Counsel, advised by experienced outside securities counsel, will be primarily responsible for securities law compliance matters, in particular, establishing and communicating clear guidelines regarding communications regarding the offering such as who may communicate on behalf of Block.one regarding the offering, what may be communicated and how or prohibiting any statements regarding the offering in any forum.

2. Duration of the Violations

The Proposed Order describes violations in connection with the offer and sale of ERC-20 Tokens during the period from June 26, 2017 through June 1, 2018.

3. Block.one Has Taken Remedial Steps and Will Continue to Take Remedial Steps

In preparation for the launch of the ERC-20 Token Distribution Block.one retained leading U.S. and international legal counsel. As of the initiation of the ERC-20 Token Distribution on June 26, 2017, regulators had not yet provided any guidance regarding application of the U.S. securities laws to the offer and sale of digital assets in connection with the launch of new blockchain networks. The first statement and guidance from the Commission regarding tokens, digital assets and securities laws applicable to the offer and sale of digital assets and cryptocurrencies was in July 2017 with publication of the *Report of Investigation Pursuant to*

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[4] Note that one of the executive officers that was also an executive officer during the activities described in the Proposed Order is unlikely to have a role in any future offering of securities, but has also been educated by outside counsel on procedures required for compliance with securities laws.

Section 21(a) of the Securities Exchange Act of 1934: The DAO, Exchange Act Release No. 81207 (July 25, 2017). The Commission released the DAO Report one month after the smart contract for the ERC-20 Token Distribution had been activated on Ethereum (at which time more than 25% of the ERC-20 Tokens had been sold pursuant to the smart contract).

The Commission has made its role in regulating digital assets and cryptocurrencies clear over the period since publication of the *DAO Report*, and securities compliance is now a paramount consideration for Block.one as discussed below. Block.one is incorporating recent guidance from the Staff of the Division into its business and is focused on compliance with applicable securities laws including Regulation D.

Beginning in May 2018, Block.one significantly enhanced its internal expertise with respect to legal, regulatory and compliance matters through key strategic hires in these areas as well as growth of overall headcount focused on these areas.

- Legal and compliance personnel now number 16 staff as of September 2019, spread across Hong Kong and the United States. Block.one added a Chief Legal Officer with over 20 years of experience in international corporate compliance and governance matters, and a General Counsel with deep expertise in U.S. financial regulations including securities laws, particularly their application to cryptocurrencies and blockchain-based assets. The Chief Legal Officer and General Counsel are primarily responsible for ensuring compliance with securities laws generally as well as implementation of procedures regarding the same. They are also working with technologists at Block.one to develop technology tools that may achieve programmatic identity verification and transfer restrictions that could be used to support compliance with securities laws. In addition, the General Counsel leads a policy unit designed to ensure that Block.one achieves the best standards of international regulatory compliance. Block.one is also building out a separate and independent compliance function that reports into the Chief Legal Officer.

- Finance and risk personnel now number 16 staff as of September 2019, including a Chief Financial Officer whose previous roles include manager of the strategic investment portfolio of one of the world's largest international banks including overseeing its financial and risk management operations.

- Block.one is continuing to grow its cybersecurity and data protection function which currently includes, among others, a Chief Information Security Officer who is a former member of the Executive Committee of the Banking Industry Technology Secretariat of the U.S. Financial Services Roundtable and is responsible for the strategy and daily direction of Block.one's global cybersecurity program.

- Block.one's venture capital team is comprised of multiple individuals with extensive background and experience in regulated industries including at registered broker-dealers and international trading desks. For example, the Chief Executive Officer and Chief

Operating Officer of the EOS VC business unit most recently served as Asia Chief Executive Officer and Asia Chief Operating Officer of a leading US financial services company for eight and five years, respectively. Their roles oversaw the equities operations from front to back including compliance. These individuals lead Block.one's direct investment activities and bring their compliance focus to the operation of the venture capital business unit.

Additionally, Block.one has engaged a number of leading international and U.S.-based law, accounting and consulting firms to further develop its compliance policies and procedures, and such firms are in close counsel with Block.one's executive officers regarding compliance with applicable securities laws, including, if applicable, Regulation D and Regulation A.

Block.one has incorporated its legal and compliance team into its development of new technologies and launch of potential new projects in order to include, from the earliest stage, design features or restrictions that will support the design of a true digital currency, or, where determined to be necessary, ensure compliance with securities laws generally as well as other regulatory regimes. On June 1, 2019, Block.one announced the launch of Voice, a social media platform to be developed and launched using Block.one's EOSIO blockchain software. The new platform currently contemplates utilizing a cryptographic token that will serve as a digital currency within the blockchain-based application.[5] The General Counsel and Chief Legal Officer, as well as outside counsel, have been essential to, and deeply involved in, the development discussions and decisions around Voice and have been working to identify and analyze the applicability of securities laws in the U.S. and other jurisdictions where Voice is expected to launch.

With respect to Voice tokens or any future token developed and launched by Block.one, Block.one is aware of guidance provided by staff of the Division with respect to considerations applicable to a determination of whether a digital asset is an investment contract and subject to the U.S. securities laws, specifically the April 3, 2019 *Framework for 'Investment Contract' Analysis of Digital Assets*.[6] If the Voice tokens or any future digital asset developed by Block.one are made available to U.S.-based individuals by Block.one, or if Block.one allows for distribution or transfer of any such digital asset to U.S.-based individuals, Block.one has engaged and will continue to engage experienced U.S. securities counsel to work with its internal legal and compliance team to consider and apply such guidance in structuring the Voice platform, designing any distribution of the Voice token and managing public statements by Block.one. It is Block.one's intention to design digital assets that are true cryptocurrencies, or, as applicable, to comply fully with the requirements of the U.S. securities laws upon any determination that such digital asset may be deemed an investment contract upon application of the *Framework* or other applicable guidance. In such an event, certain features of a proposed digital asset, such as the Voice platform's identity verification features used to link real human beings to their online, social media

[5] The design, implementation, distribution, features, function and structure of Voice and the related Voice token are an ongoing project and significant development decisions remain.
[6] Available at https://www.sec.gov/corpfin/framework-investment-contract-analysis-digital-assets.

identity and the content that they produce, could be used to support compliance with Regulation D and/or the safe harbor for offshore offerings provided by Rule 903/Regulation S. For example, Block.one is considering whether there are technological mechanisms (such as geo-based IP blockers or blockchain-based multi-point identity verification) through which it or its potential partners may programmatically achieve identity verification and transfer restrictions that could be used to support compliance with securities laws in connection with the offer and sale of digital securities in the future in addition to compliance checks and controls under other regulatory regimes such as Bank Secrecy Act and "know your customer" procedures. Similarly, such mechanisms may be able to be used to ensure that future tokens are only provided to individuals in jurisdictions where it has been confirmed that implementation of such token will be fully compliant with all applicable regulations.[7] Block.one is initiating a process of consultation and discussion with staff of the Division, including the SEC's Strategic Hub for Innovation and Financial Technology (FinHub) in connection with the Voice token. Block.one will continue to engage with staff of the Division and FinHub on its future projects, as appropriate.

In connection with any offerings relying on Regulation D, Block.one intends to work closely with its securities counsel to ensure compliance with Regulation D generally and will continue to engage experienced U.S. securities counsel for such purposes. Executive officers of Block.one are well-educated in the application of U.S. securities laws to the offer and sale of any securities including certain digital assets, and dedicated compliance and legal personnel are focused on ongoing compliance efforts. If, during the five-year period following the date of entry of the Proposed Order or such shorter period as may be agreed by the Division and Block.one, Block.one or any of its affiliates intends to distribute a digital asset[8] other than on a registered basis or pursuant to an exemption from registration,[9] it will consult with the Division[10] prior to initial distribution of such digital asset.[11]

In the event that the Division, on behalf of the Commission, or the Commission, grants the requested waivers, for a period of five years from the date of the date of entry of the order, Block.one will furnish (or cause to be furnished), a reasonable time prior to sale by Block.one of any securities, to each purchaser in an offering under Regulation A or Regulation D which would

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[7] Any such mechanisms are in idea or development phase only as of the date of this letter, and this statement should not be considered a representation that such mechanisms can or will be developed or implemented.
[8] This is not intended to apply to any distribution made solely for testing or engineering purposes.
[9] "Pursuant to an exemption" will be deemed to include, with respect to a non-security digital asset, if distributed in a manner that would comply with an available exemption or safe harbor if it were a security.
[10] Block.one will email or call the FinHub Chief Legal Advisor and provide a brief description of the digital asset, its proposed key features and the proposed distribution.
[11] This provision is intended to provide that Block.one will not be required to consult with the Division with respect to subsequent distributions of a digital asset in circumstances where the digital asset and the method of distribution of such digital asset have not changed.

otherwise be subject to disqualification under Rule 262(a)(2) or Rule 506(d)(1)(ii) as a result of the final order, a description in writing of the final order.

4. Impact on Issuer and Third Parties if Waiver Were Denied

In January 2018 and on certain occasions since, Block.one announced that it would deploy $1 billion from the ERC-20 Token Distribution proceeds to "offer developers and entrepreneurs the funding they need to create community driven businesses leveraging EOSIO software." Block.one remains committed to this strategy and has deployed a significant portion of the revenues of the ERC-20 Token Distribution pursuant thereto. Block.one has developed its own venture capital team and through its wholly owned group subsidiary makes direct and indirect investments. This includes committed funds to a number of investment funds which will independently invest, resulting in indirect investments by Block.one, in each case with an investment strategy and mandate to identify a diverse portfolio of growth stage emerging companies as well as established technology projects across the globe. One of the funds is focused on investment opportunities in the U.S. specifically, and certain of the other funds in which Block.one has invested have also made investments in U.S. incorporated companies. To the extent that any of the funds are captured under Rule 506(d)(1) due to their relationship with Block.one's subsidiary, upon entry of the Proposed Order without the waiver requested herein, an affected fund may also be prohibited from using Regulation D for sales of its own securities, and also will be significantly limited in its ability to invest in small businesses, startups and early stage companies in the U.S.

An inability to deploy capital for investment in securities issued by U.S.-based small businesses and growth stage companies would harm Block.one's shareholders, as capital may be forced to sit idle rather than being deployed to growth stage technology companies across the globe. Precluding Block.one and its affiliated funds (if any are deemed a Covered Person under Rule 506(d)(1)) from U.S.-based capital raising transactions that seek to rely on Regulation D we believe could also be to the detriment of innovation focused startups in the U.S. or worldwide seeking to continue to expand the use, utilization, adoption and operability of the EOSIO blockchain software by potentially limiting available investment capital as companies may limit or even refuse investment from Block.one or its affiliated funds. Even where potential investment opportunities are not based in the U.S. or currently seeking funds via U.S. capital markets pursuant to Regulation D, if a company may access U.S. markets in the future via a private offering relying on Regulation D, it may reject Block.one and the affiliated funds as partners and investors to preserve future optionality. Amounts raised in unregistered securities offerings in the U.S. totaled more than $3 trillion in 2017,[12] for example, and as a result of the disqualification, Block.one would be precluded from or significantly limited from participating in and contributing

[12] *Capital Raising in the U.S.: An Analysis of the Market for Unregistered Securities Offerings, 2009-2017,* Scott Bauguess, Rachita Gullapalli, and Vladimir Ivanov, Division of Economic and Risk Analysis (DERA), U.S. Securities and Exchange Commission (August 2018), *available at* https://www.sec.gov/files/DERA%20white%20paper_Regulation%20D_082018.pdf

capital to such investment activity. Without the waiver requested herein, companies seeking to preserve access to the highly desirable U.S. private capital markets are unlikely to partner with Block.one or its affiliated funds, and this will have a significant blocking effect of Block.one's ability to deploy capital consistent with its investment pledge and support promising innovation with funding, experience and technological support. For those companies that opt to partner with Block.one or its affiliated funds, access to U.S. private capital markets and U.S. strategic, sophisticated investors may also be precluded unless or until the company can bear the expense of a registered offering, to the potential detriment of such companies and investors.

Block.one is a growth stage company focused on developing novel, innovative technology. Block.one has spent and will spend large amounts of capital to invest in the research and development of new technology, but as in any R&D program, it is possible that many of these efforts may never be deemed viable for deployment. Blockchain technology development, social media applications and other areas in which Block.one may develop new technologies are extremely competitive, and any new technologies or applications developed by Block.one may be rendered obsolete by competitors in the industry. Alternatively, since much of the software code in the blockchain industry is open-sourced, new software may be adopted by competitors in a way that attracts more users and is more successful. Block.one is challenging dominant incumbents in a number of industries, and will require significant capital and resources to successfully compete for users, blockchain engineers, technologists and community contributors. It is most likely that such investments will be through private securities offerings in reliance on Rule 506 of Regulation D. The additional flexibility and expediency afforded by Regulation D, including the allowance of general solicitation and advertising as well as certain preemptive effects on state securities laws, will be critically important for Block.one to raise private capital and respond to market and industry shifts and respond to competitive pressures. Block.one may need to work with strategic partners and create partnerships that align incentives and promote shared long term value creation through equity investments. Notwithstanding the proceeds from the ERC-20 Token Distribution, Block.one may therefore need to find investment partners for strategic and competitive development purposes and its business and development activities. It is most likely that such investments will be through private securities offerings in reliance on Rule 506 of Regulation D rather than simple commercial agreements exchanging cash for services as partners seek to align long-term value and incentives through an equity investment in Block.one. This potential limitation on fundraising options as a result of the disqualification from reliance on Regulation D may create a meaningful competitive disadvantage to Block.one by deterring strategic growth partners, technology partners or acquisition targets that are essential to Block.one continuing to innovate, grow, support the EOSIO blockchain software and create value for its shareholders. The additional flexibility and expediency afforded by Regulation D, including certain preemptive effects on state securities laws, will be essential for Block.one to raise additional funds or efficiently capitalize on long-term strategic partnership opportunities in reliance on Rule 506 of Regulation D.

Additionally, if Block.one seeks to distribute a digital asset token in the U.S., such as the Voice token or a token associated with an application or project built on the EOSIO blockchain

software, it may seek regulatory certainty by relying on Regulation D or Regulation A (utilizing a U.S. based subsidiary) to distribute the token. Alternatively, in light of future guidance or Commission actions, Block.one may determine, with the advice of outside counsel, that a future digital asset is likely to be viewed as an investment contract by the Commission. In either case, if Block.one is prevented from utilizing these Regulations, it may be unable to include U.S.-based individuals or entities in its future applications. For example, Voice will utilize stringent identity verification mechanisms to ensure that all of its social media platform participants are natural persons rather than robots, fake accounts or Internet "trolls". Content on Voice will be created by these verified individuals, and will be "upvoted" or given high visibility within the platform based on blockchain verified "tipping" transactions from accounts linked to real persons, rather than as a result of advertising payments to the platform operator or manipulation of undisclosed algorithms. If successful, it would be unfortunate for U.S.-based individuals to be prohibited from participating in such an application and platform. Registering such a distribution on Form F-1 could be time and resource intensive, and Block.one believes that it is critical to have the lower cost, reduced disclosure option and the flexibility of Regulation A for a token that will be novel and possibly experimental. If Block.one is unable to distribute a digital asset that it has determined with counsel may constitute an investment contract under the April 3, 2019 *Framework* in reliance on Regulation D or Regulation A, it may be unable to identify a viable option in the U.S. through which to allow U.S.-based entities or individuals to participate in transformative and unique technologies that may have broad and equally transformative benefits.

Block.one anticipates that private blockchain-based enterprise solutions may also be developed using the EOSIO blockchain software, and Block.one or its affiliated funds may participate in the development or deployment of such private blockchains. In some cases, the tokens used within such a private blockchain may have security like features, though their primary features relate to utilization and implementation of the enterprise solution. Given regulatory uncertainties around utilization of digital assets, Block.one and other participants in a private blockchain-based enterprise solution may seek to rely upon Regulation D to ensure compliance rather than risk non-compliance with securities laws. In such a case, since Block.one and all of the participants would likely be accredited or institutional investors, Block.one or other participants may seek to rely on Regulation D to achieve regulatory certainty in order to facilitate an expedited launch of the new technology during a testing phase as well as later in the development life cycle or to utilize a security token. Disqualification from the use of Regulation D in this circumstance could prevent Block.one, its affiliates or the subsidiary funds from participating in and contributing to such private networks if other participants or developers seek to exclude Block.one in order to preserve the ability to rely on Regulation D or may result in new enterprise solutions or other efficiencies or innovations of blockchain-based private networks being unavailable to U.S. companies. This may also deprive U.S. enterprises of all types from accessing potentially transformative and unique technologies on the basis that Block.one cannot participate in or partner with others in developing, launching and offering these new technologies to U.S.-based entities as a result of its inability, and the inability of the other stakeholders on such private blockchains, to rely upon Regulation D.

REQUEST FOR WAIVER

Pursuant to the Proposed Order, Block.one would be required to pay $24,000,000 in civil penalties. In light of the non-fraud, non-scienter nature of the violations in the Proposed Order, the enforcement remedies to be obtained by the entry of the Proposed Order, Block.one's commitment to ongoing compliance and engagement with respect to applicable securities laws and regulations, and the material impact of a Regulation A and/or Rule 506 disqualification on Block.one and its affiliates as well as users and potential participants of its new technologies and applications, we respectfully submit that disqualification of Block.one from relying on Regulation A and Rule 506 of Regulation D is not necessary. Under the circumstances, Block.one respectfully submits that it has shown good cause that relief should be granted.

Accordingly, we respectfully urge the Division, on behalf of the Commission, or the Commission, pursuant to Rule 262(b)(2) of Regulation A and 506(d)(2)(ii) of Regulation D, to waive the disqualification provisions in Regulation A and Rule 506 of Regulation D under the Securities Act to the extent they may be applicable to Block.one as a result of the entry of the Order, effective as of the date of the Order.

We appreciate your consideration of this request. Please contact me at (650) 843-5246 with any questions.

Sincerely,

Karen E. Ubell

cc: Alex Erasmus, Chief Legal Officer, Block.one
Brian Klein, Baker Marquart LLP
Robert Rice, Clifford Chance US LLP