

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of: )  
 ) File No. 3-21243  
THE REGISTRATION STATEMENT OF )  
AMERICAN CRYPTOFEED DAO, LLC )

ADMINISTRATIVE PROCEEDING - HEARING, VOL. 5

PAGES: 707 through 878

PLACE: Securities and Exchange Commission  
100 F Street NE  
Washington, D.C.

DATE: Thursday, January 19, 2023

The above-entitled matter came on for hearing,  
pursuant to notice, at 10:07 a.m. Eastern Time.

BEFORE:

CAROL FOX FOELAK, ADMINISTRATIVE LAW JUDGE

Diversified Reporting Services, Inc.

(202) 467-9200

1 APPEARANCES:

2

3 On behalf of the Securities and Exchange Commission:

4 CHRISTOPHER BRUCKMANN, ESQ.

5 CHRISTOPHER CARNEY, ESQ.

6 MARTIN ZERWITZ, ESQ.

7 MICHAEL BAKER, ESQ.

8 Division of Enforcement

9 Securities and Exchange Commission

10 100 F Street, N.E.

11 Washington, D.C. 20549-5949

12 (202) 551-8617

13 bereloviche@sec.gov

14

15 On behalf of the Respondent:

16 XIAOMENG ZHOU, PRO SE

17 SCOTT MOELLER, PRO SE

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C O N T E N T S

EXHIBITS:

DIRECT

CROSS

REDIRECT

Xiaomeng Zhou

By: Mr. Zhou 721

By: Mr. Carney 812

1                   P R O C E E D I N G S

2                   JUDGE FOELAK: Let's go on the record.

3                   Okay. I just -- I just wanted to give  
4 a simple explanation concerning something that  
5 maybe didn't get through yesterday when I was  
6 talking about facts as -- okay.

7                   Facts are something -- an example of a  
8 fact is: It's raining out. An example of a  
9 legal argument is: I couldn't bring my umbrella  
10 because they don't allow umbrellas in the  
11 government buildings because they could be used  
12 as a weapon by law. Anyway. Okay.

13                  Okay. Let me just read some procedural  
14 things before we get started with your evidence  
15 or your case.

16                  Firstly, after the evidence we'll have  
17 post-hearing briefs which is, the Division will  
18 first file a paper arguing that the issues in the  
19 OIP are proven. And then, the Respondent will  
20 have an opportunity to file an opposition saying  
21 to what the Division says -- basically, I guess  
22 saying they're not proven. And then, the  
23 Division gets a reply.

24                  So, does the Division have in mind a  
25 date for its opening brief?

1                   MR. BRUCKMANN: Yes, Your Honor. We  
2 are looking at February 20th.

3                   JUDGE FOELAK: Okay. February 20th is  
4 a holiday.

5                   MR. BRUCKMANN: Oh, is it now? All  
6 right. Well, then the 21st.

7                   JUDGE FOELAK: Okay. Okay. Okay.  
8 February 21st for the Division's opening brief.  
9 And then I'll give the Respondent a month for its  
10 opposition. March 21st for the Respondent's  
11 opposition. And then, two weeks, April 4th, for  
12 the Division's reply.

13                   Is that okay with everyone?

14                   MR. BRUCKMANN: Your Honor, I have some  
15 other motions in a different matter due that we  
16 week. Could we have until April 10th on the  
17 reply?

18                   JUDGE FOELAK: Of course. You want to  
19 move everything back by a week?

20                   MR. BRUCKMANN: No. April 10th would  
21 be -- would be fine with me.

22                   JUDGE FOELAK: Okay.

23                   MR. ZHOU: Your Honor, can we --

24                   JUDGE FOELAK: Yes, sir.

25                   MR. ZHOU: Can -- can we have more time

1 for --

2 JUDGE FOELAK: You've got -- I've got a  
3 month between the Division's brief and your  
4 brief.

5 MR. ZHOU: Yeah, I know, but this is a  
6 very complicated thing. We need to do more  
7 research about legal things.

8 JUDGE FOELAK: Well, you don't know  
9 what the Division is -- all you have to do is  
10 reply to the -- the Division has to prove the  
11 issues in the proceeding, such as, whether the  
12 S-1 had no audited financials in it. You say why  
13 they're not proven. And then, they answer that,  
14 okay?

15 MR. ZHOU: We know.

16 JUDGE FOELAK: A month is -- a month is  
17 a lot of time. Normally it would be a shorter  
18 time.

19 MR. ZHOU: So, can we get additional  
20 two weeks?

21 JUDGE FOELAK: Okay, two weeks more.  
22 Two weeks more for everything.

23 Okay. You will be April 4th for your  
24 opposition.

25 MR. ZHOU: Okay.

1 JUDGE FOELAK: And the Division --  
2 April 18th okay with you, sir, Mr. Bruckmann, for  
3 your reply?

4 MR. BRUCKMANN: Yes. We can do April  
5 18th.

6 JUDGE FOELAK: Okay. Okay. Cool.

7 Okay. So, you've got those dates?

8 Okay. Okay, next topic.

9 Okay. The -- okay. The exhibits,  
10 okay. It's necessary to have a final exhibit  
11 list for the record. And so, I'm going to set a  
12 date for that exhibit list to be filed which will  
13 be February 14th, a week before the Division's  
14 opening brief. And, however, ahead of time I --  
15 I would like the parties to confer on a joint  
16 exhibit list. One of the problems being the  
17 Respondent seems to have substituted and  
18 renumbered things and it's got to be straight.

19 And -- so, how to do this, what form to  
20 provide it in and so on and what you have to do,  
21 you can confer with Ms. Kathy Shields in this  
22 office and -- and she is very knowledgeable on  
23 that and she will handle everything.

24 Okay. Okay. Okay. Does anyone have  
25 any -- anymore questions before we get started?

1                   MR. BRUCKMANN: Briefly, Your Honor. I  
2     wanted to let, Your Honor, know we -- we thought  
3     about it overnight, and for the sake of  
4     efficiency regarding exhibits, the Division can  
5     agree that our objections to Respondent's  
6     exhibits can go to their weight rather than their  
7     admissibility and, Your Honor, can allow them to  
8     be a part of the record. While many of them -- we  
9     see a lot of them are inappropriate, for  
10    efficiency sake we are willing to do that.

11                  JUDGE FOELAK: Okay, very good. Then,  
12    the exhibits as -- we want to have the dates -- I  
13    mean, excuse me, the numbers and the content and  
14    everything. So, then perhaps I should formally  
15    admit the proposed -- all the proposed exhibits  
16    after you've gotten that correct. I mean, after  
17    you've gotten that in agreement that, you know,  
18    number 32 is not the same as number 33 or it is.

19                  MR. MOELLER: Your Honor, just to -- so  
20    I can be clear. So, all of our Respondent's  
21    exhibits are admitted? We just need to re --  
22    renumber and -- and -- and clean them up?

23                  JUDGE FOELAK: Right. Right. You've  
24    got to eliminate the confusion.

25                  MR. MOELLER: Okay.



1 JUDGE FOELAK: And -- but they will be  
2 admitted, you know. Maybe when you eliminate the  
3 confusion then I'll put out an actual, you know,  
4 formal order saying they're admitted, but  
5 they're -- they're -- they're admitted for all  
6 intents and purposes.

7 MR. MOELLER: Thank you, Your Honor. I  
8 appreciate that clarification.

9 JUDGE FOELAK: Okay. Thank you that  
10 does -- Mr. Bruckmann, that does contribute to  
11 the efficiency. Okay.

12 MR. BRUCKMANN: Your Honor, I --  
13 briefly, two other items if that's all right.

14 JUDGE FOELAK: Yes.

15 MR. BRUCKMANN: The rules of practice  
16 normally provide that any corrections to the  
17 transcript need to be done before the first pre-  
18 hearing brief is filed. I would prefer that it  
19 be done by the time of the reply brief. It's  
20 just been my experience that when writing the  
21 briefs is when you discover potentially errors.  
22 And so, if there are minor errors, it's easiest  
23 for the parties to work together and get them  
24 done by the time of the reply brief filing. Some  
25 might be discovered before then, but I just, I'd

1 hate to lose the opportunity for either side to  
2 fix an error.

3 JUDGE FOELAK: Okay, that sounds --  
4 that sounds okay. You know, it's probably not  
5 necessary to pick out every missing, you know,  
6 letter or something like that.

7 MR. BRUCKMANN: The ones that always  
8 concerns me is a missing -- is a missing not is  
9 what I'm always worried about. And the  
10 transcript so far has been quite good. I don't  
11 think there are going to be a lot. I just wanted  
12 the opportunity.

13 JUDGE FOELAK: Okay. Okay, fine.

14 Yes. Yes, Mr. Moeller.

15 MR. MOELLER: Oh, I just -- I just  
16 agree with Mr. Bruckmann on that. It's --  
17 there -- there are some key errors. I -- I've  
18 noticed a couple where I said, It's possible and  
19 it was transcribed as, Impossible, but the -- the  
20 most -- the key one was a -- a reference to 8(b)  
21 which was listed as 8(d). So, small things like  
22 that.

23 JUDGE FOELAK: Okay. Okay. Right.  
24 Right. Okay. That's -- small thing. It sounds  
25 the same, but it isn't. Okay. Okay. Sounds --

1                   MR. BRUCKMANN: And then finally --  
2    finally, Your Honor, in looking at the rules of  
3    practice it's not clear to me which length  
4    limitation applies to reply briefs. What's the  
5    length limitation to all of the post-hearing  
6    brief? What's the length limitation, Your Honor,  
7    likes on post-hearing briefs?

8                   JUDGE FOELAK: Do you have an amount of  
9    pages or words that you would prefer?

10                  MR. BRUCKMANN: Considering the  
11    Division needs to do both proposed findings of  
12    facts and conclusions of law it can get, you  
13    know, quite lengthy at time to cover both of  
14    those topics which I usually do in a single  
15    brief. So, 35 pages strikes as me as reasonable  
16    for a case like this.

17                  JUDGE FOELAK: Okay, sounds good.

18                  MR. MOELLER: Zhou, are you all right  
19    with 35 pages or --

20                  MR. ZHOU: So, what's the maximum  
21    amount of pages we can have? Maximum?

22                  JUDGE FOELAK: Well, what about 35?

23                  MR. ZHOU: 35? We have a lot to cover.  
24    There are any permission to get a little bit  
25    more? 10 pages more?

1 JUDGE FOELAK: How many pages -- how  
2 many pages did you have in mind?

3 MR. ZHOU: I think if, Your Honor, can  
4 give me additional 10 pages, like, 45.

5 JUDGE FOELAK: Okay. Well, we can  
6 overlook 10 -- 10 more pages. I mean, remember,  
7 the longer it is, the less effective it is --

8 MR. ZHOU: I --

9 JUDGE FOELAK: -- but --

10 MR. ZHOU: I know, but sometimes we  
11 cover a lot.

12 JUDGE FOELAK: Well, you want to make  
13 sure you stick to the issues in the OIP or the  
14 Division's arguments, but I won't give you legal  
15 advice.

16 Okay. Does -- does anyone have  
17 anything more?

18 MR. BRUCKMANN: Not for the Division,  
19 Your Honor.

20 JUDGE FOELAK: Yes, Mr. Zhou.

21 MR. ZHOU: Your Honor, yeah, I  
22 understand what you said is we have to stick with  
23 the -- the allegations, but there -- there are  
24 some allegations extended more -- more than the  
25 scope during the hearing like a -- like a ponzi

1     scheme. There are many of those things. I  
2     mean --

3                 JUDGE FOELAK: Okay. Sir -- sir, let  
4     me -- let me explain something. This isn't --  
5     among the issues is not is crypto a good thing,  
6     is DAO a good thing, et cetera. You know, the --  
7     you don't -- okay. The issues -- okay. The  
8     issues are the issues in the OIP. Not whether --  
9     not whether your operation is a DAO or whether  
10    DAOs are a good thing or anything like that.

11                MR. ZHOU: Okay. So -- so, we can --  
12    if we -- during our draft of operation, we -- we  
13    probably can make judgment about if some  
14    questions raised by Mr. Bruckmann during the  
15    hearing, but not in OIP, I can ignore that or --  
16    or what?

17                JUDGE FOELAK: Well -- okay. Mr.  
18    Bruckmann will be -- what you're doing is  
19    responding to his opening brief. And, as you  
20    say, to evidence that he put on.

21                MR. ZHOU: Okay. That's why I thank  
22    you, Your Honor, give me more than 10 pages for  
23    the filing. I think that's good. Thank you.

24                JUDGE FOELAK: Okay. Okay. Sounds  
25    good.

1 Does anyone have anything else?

2 Okay. Mr. Zhou, would you like to  
3 proceed with your case?

4 MR. ZHOU: Yes. Yes, Your Honor. Can  
5 we start?

6 JUDGE FOELAK: Yes.

7 MR. ZHOU: Oh, do you want to put me  
8 under oath -- under oath?

9 JUDGE FOELAK: You're still under oath  
10 from yesterday.

11 MR. ZHOU: Oh, okay. Thank you. I  
12 don't need to do it every day. Okay, great.

13 Scott, can you put on the -- the  
14 script, put up -- post on the script.

15 JUDGE FOELAK: Okay. Remember --  
16 remember, don't go through the arguments. I  
17 mean, if you're just going to do that, I'll just  
18 put an end to this.

19 MR. MOELLER: Your Honor, we -- we made  
20 significant changes from -- from the way that we  
21 thought to present yesterday. And -- and really  
22 the -- the attention is really focused on -- on  
23 the facts.

24 JUDGE FOELAK: Okay. Okay. Okay.  
25 Right. You're going to the, Talk to Zhou,

1 questions.

2 MR. MOELLER: Yes, Your Honor.

3 MR. ZHOU: Yes.

4 JUDGE FOELAK: Okay. Okay. Okay. I --  
5 I apologize, Mr. Moeller. Okay.

6 MR. MOELLER: No. No. No worries,  
7 Your Honor.

8 MR. ZHOU: No worries, Your Honor. We  
9 tried to digest your suggestion yesterday and we  
10 did significant changes for today. So, hope you  
11 are satisfied with our changes.

12 Scott, are you --

13 JUDGE FOELAK: Okay. Okay. Right.  
14 We're looking now at the, Talk to Zhou,  
15 questions.

16 MR. MOELLER: Yeah.

17 DIRECT EXAMINATION BY THE RESPONDENT

18 MR. ZHOU: Yeah. Yeah.

19 Scott, can you look at the script first  
20 so that I can read the question -- tell you what  
21 the page is so that the court reporter can put  
22 this on.

23 Okay. So, this general topic is about  
24 evidence for no fundraising, no revenue, no  
25 profit and no assets. So, the first go to the

1 question -- Mr. Bruckmann's question on day one  
2 transcript 22 -- page 222 and line 11-13.

3 MR. MOELLER: Okay. And the question  
4 is: "And who determined that business model did  
5 not result in any revenue, costs or other  
6 financial information?"

7 MR. ZHOU: Yeah. That's me.

8 There is one above that: "Mr. Moeller,  
9 does American CryptoFed operate in according with  
10 Generally Accepted Accounting Principle?" I think  
11 that is 222, 11-13.

12 JUDGE FOELAK: Okay. And you're -- and  
13 you're testifying that you're the one who  
14 determined that the business model did not result  
15 in any revenues, et cetera?

16 MR. ZHOU: Yeah. So, the first  
17 question is.

18 Scott, can you read this?

19 MR. MOELLER: Yes.

20 "Okay. Mr. Moeller, does American  
21 CryptoFed operate in accordance with Generally  
22 Accepted Accounting Principles"?

23 MR. ZHOU: My answer is, yes --

24 JUDGE FOELAK: Okay.

25 MR. ZHOU: -- American CryptoFed



1 operates.

2 JUDGE FOELAK: Okay, good. Good. Good.

3 You don't have to -- okay. Your answer is yes.

4 MR. ZHOU: Okay. So, go to the next,  
5 page 208.

6 MR. MOELLER: Yes.

7 MR. ZHOU: Lines 9-11.

8 MR. MOELLER: Yes. Okay:

9 "QUESTION: And who determined that the  
10 business model did not result in any revenue,  
11 costs or other financial information?"

12 And the -- the follow-up:

13 "QUESTION: Does that mean Mr. Zhou is  
14 the one that determined that the business model  
15 did not result in revenue, costs or corresponding  
16 financial information?"

17 MR. ZHOU: Yes. I'm the person --

18 JUDGE FOELAK: Okay.

19 MR. ZHOU: -- review all the GAAP  
20 principles. I believe there is no revenue, no  
21 costs, no assets. Then I want to explain that  
22 with supporting document.

23 Scott, can you put -- post up Exhibit  
24 269.

25 MR. MOELLER: Yes.

1                   MR. ZHOU: Can you enlarge a little  
2 bit?

3                   MR. MOELLER: Yes.

4                   MR. ZHOU: Oh, it's too large.

5                   MR. MOELLER: No. I can -- I can do  
6 that certainly. There you go.

7                   MR. ZHOU: On your side is it too  
8 large? Yeah.

9                   Okay. So, can everybody see the whole  
10 picture?

11                  JUDGE FOELAK: Okay. And this is --  
12 this is something written by -- by a big four  
13 accounting firm explaining what -- explaining  
14 proper revenue recognition; is that correct?

15                  MR. ZHOU: Yes, Your Honor. It's a  
16 Deloitte --

17                  JUDGE FOELAK: Okay, good. Okay. So,  
18 you followed that guide.

19                  MR. ZHOU: Yeah. So --

20                  MR. MOELLER: So, your -- yeah.

21                  So, this -- this is from Deloitte. It  
22 is, Revenue Recognition On The Radar. I will  
23 read the first paragraph: The core principle of  
24 the revenue standard is to depict the transfer of  
25 promised goods or services to customers in an

1 amount that reflects the consideration to which  
2 an entity expects to be entitled in exchange for  
3 those goods and services. Significant judgments  
4 frequently need to be made when an entity  
5 evaluates the appropriate recognition of revenue  
6 from contracts with customers. These judgments  
7 are often required through the revenues standards  
8 five-step process that an entity applies to  
9 determine when and how much revenue should be  
10 recognized. And these steps are: Step One,  
11 Identify the contract with the customer; Step  
12 Two: Identify the performance obligations in the  
13 contract; Step Three, Determine the transaction  
14 price; Step Four: Allocate the transaction price  
15 to performance obligations; and, Step Five:  
16 Recognize revenue when or as the entity satisfies  
17 the performance obligation.

18 MR. ZHOU: Thank you, Scott.

19 So, we -- we copy/paste all of those  
20 five steps in our script so that it can be more  
21 readable, more easy for me to explain.

22 Scott, can you switch to the script?

23 MR. MOELLER: Yep.

24 Can you see the script?

25 MR. ZHOU: Yes.

1           So, Your Honor, I will like to follow  
2   the chart, apply the revenue based on this  
3   five-step process to American CryptoFed and to  
4   test whether American CryptoFed has revenue or  
5   not. I think this generally accounting should  
6   do.

7           Now, Step One: Identify the contract  
8   with a customer. Your Honor, we only have one  
9   contract. We do not have other contract. No one  
10   is authorized to sign any other contract. Only  
11   one contract, the constitution. If there are any  
12   contracts beyond the constitution, that is only  
13   authorized by the constitution to sign the  
14   contract with regulators.

15           So, because the regulators still need  
16   centralized people or identify officers, titles,  
17   to do this, except that our constitution in the  
18   section 4.4 clearly define there are no  
19   hierarchy, there are no employee, no board of  
20   director, no management. The only symbolic CEO is  
21   to handle the contact process filings with the  
22   regulators, agencies.

23           So, the only contract with customers,  
24   everything is built in in this constitution.  
25   This constitution is our bible. It's -- it's

1 a -- it's consent -- government by consent.

2 It's -- it's constituted government. So, we use  
3 constitution. That's a contract.

4 Now, we go to look step two. Step two:  
5 Identify the performance obligations in the  
6 contract. So, there -- there are multiple places  
7 define the obligations once -- once American  
8 CryptoFed received the proxy. So, what is  
9 required to do?

10 So, obligations for Locke option  
11 process must be through the following. There are  
12 a few obligations. Number one, either refund it.  
13 If -- at the discretion of the auction  
14 participants, the winner. If they say, I don't  
15 like it, I can just get refund. Or, after the  
16 refunding right expires, then what that process  
17 to do? Still have the obligation. That process  
18 in the form of U.S. dollar-pegged Stablecoin must  
19 be used to buy back Locke because --

20 JUDGE FOELAK: Okay. Sir, let me --  
21 let me ask you something. At the time you filed  
22 the S-1 none of this had actually happened in  
23 real life, right? It was just what you were  
24 going to do; am I correct?

25 MR. ZHOU: Yes, you -- you are correct,

1 Your Honor, because --

2 JUDGE FOELAK: Okay.

3 MR. ZHOU: Because if you look at our  
4 constitution section 4.1 --

5 Scott, go to section 4 point --

6 MR. MOELLER: Yeah.

7 MR. ZHOU: 4.1.

8 MR. MOELLER: Yep.

9 MR. ZHOU: We make clear cut of -- of  
10 the separation. So, this -- this 4.1 is  
11 extremely important.

12 So, Scott, can you help me read it?

13 MR. MOELLER: Yes. Section 4.1 of the  
14 constitution: As the founding organization,  
15 MShift, Incorporated, MShift, is the sole member  
16 of CryptoFed whose powers and rights will  
17 completely and irreversibly become delegated to  
18 Locke token holders as defined in this  
19 constitution. The delegation of powers and  
20 rights will become automatically effective  
21 immediately after the U.S. Securities and  
22 Exchange Commission, SEC, declares the  
23 effectiveness of CryptoFed's Form S-1 filing for  
24 Locke and Ducat token registration. For  
25 compliance purposes, MShift will discuss with the

1 SEC, incorporate their comments and future  
2 revisions to this constitution until they declare  
3 CryptoFed's Form S-1 filing effective.

4 MR. ZHOU: Your Honor, this  
5 constitution was effective on the day signed by  
6 MShift CEO, MShift COO and American CryptoFed  
7 CEO -- symbolic CEO Marian Orr. At the time I  
8 think September 15, 2021.

9 We establish this, but we still need  
10 the separation of MShift from American CryptoFed  
11 until the SEC declare the Form S-1 becomes  
12 effective. Before that, no power have been  
13 delegated, but once SEC declare that and that  
14 means SEC give the delivery of a new baby, of a  
15 new DAO, but that is a condition process we set  
16 up in this constitution.

17 So, before that --

18 JUDGE FOELAK: So -- okay. So, sir,  
19 this explanation has to do with the fact that in  
20 fact MShift might have revenues, et cetera, but  
21 CryptoFed didn't, something like that?

22 MR. ZHOU: Today because there are no  
23 operation yet.

24 JUDGE FOELAK: Exactly.

25 MR. ZHOU: Yeah. There are no

1 operation. There are no revenue, but that is  
2 what we are talking about is our plan, our -- in  
3 the future once the SEC --

4 JUDGE FOELAK: Okay. Okay. Very good.  
5 I understand.

6 MR. ZHOU: So -- okay. So -- so -- so,  
7 Your Honor, you are -- you are correct,  
8 everything in that -- I'm talking about revenue  
9 is about the future because --

10 JUDGE FOELAK: Exactly. Exactly.

11 MR. ZHOU: Yes. Because people come  
12 here is looking for the future, not looking for  
13 the past. And American CryptoFed does not have  
14 history because it's only established at the time  
15 we -- we -- we file this only a couple of months.  
16 And the DAO law was only -- I mean, become --  
17 became effective on July 1st, 2021 in Wyoming.  
18 So, that's the first time we -- we established  
19 American CryptoFed DAO.

20 However, this company -- this -- this  
21 DAO is totally different from others because  
22 without issuing any tokens we cannot build it.  
23 That's why we need come to the SEC first to  
24 register it. We are the first, probably the only  
25 one, more than 10,000 of those -- those cryptos



1 on the market. I don't think they come to the  
2 SEC for registration. Even the Chairman ask them  
3 to come. We are the first one to test the water.  
4 No matter what, we have to do this because our  
5 community, including large merchants, the banks,  
6 government, we have to 100 percent comply.

7 JUDGE FOELAK: Okay. Very good. Next.

8 MR. ZHOU: So, yeah. But we go back to  
9 the revenue recognitions to look at in the future  
10 forever we probably not have revenue. We want  
11 that confirm by together discuss with the  
12 Division, both Division and also the chief  
13 account -- accountant. If necessary, if you  
14 require, we can hire accounting firm, CPA, to  
15 always file zero filing. There are no problems,  
16 but let me go through the whole process to  
17 prove --

18 JUDGE FOELAK: Exactly. Okay, right.  
19 Okay. Okay.

20 MR. ZHOU: Okay. Scott, switch back to  
21 the script.

22 MR. MOELLER: Sure.

23 JUDGE FOELAK: Okay. Now, can you  
24 going through the steps. Okay. How about step  
25 three?

1 MR. MOELLER: Oh, we -- we -- sure.

2 MR. ZHOU: So, the step two --

3 JUDGE FOELAK: You've gotten through  
4 step two.

5 MR. ZHOU: Yeah. Step two is our  
6 obligation.

7 JUDGE FOELAK: Right.

8 MR. ZHOU: Let me finish all our  
9 obligation and you can easily understand step  
10 three. The most complex -- complexity are in the  
11 step two.

12 MR. MOELLER: Yeah.

13 MR. ZHOU: So -- so, I -- to save time,  
14 I just wrong the first one, okay. Obligation of  
15 Locke auction proceed. First, we have to refund  
16 and refund time period expire. We have a few  
17 conditions they can expire, but once it expire  
18 and the -- the U.S. dollar Stablecoin is in the  
19 reserve. What that needs to be done with all  
20 those U.S. dollar-pegged Stable tokens in the  
21 constitution is defined you must buy back the  
22 Locke.

23 Buy back the Locke means support the  
24 price of the Locke. Means Locke holders, even I  
25 cannot find who they are, is equivalent for the

1     CryptoFed to refund them. And, once the Locke  
2     token is buy -- is bought back, the next step is  
3     to immediately burn it, destroy it.

4             So, for the Division's convenience and  
5     for, Your Honor, Scott, can you go to the  
6     constitution section 16.2 page 14. This is a  
7     very important one in our constitution.

8             Scott, can you help me read it?

9             MR. MOELLER: Yes. Smart contracts  
10     will hold -- section 16.2 of the CryptoFed  
11     constitution: Smart contracts will hold the  
12     group treasury. Treasury funds can only be spent  
13     by collective group decisions through a valid  
14     vote and payments will be authorized  
15     automatically when a vote passes. All Locke and  
16     Ducat tokens will be burnt, destroyed,  
17     automatically whenever they circulate back to the  
18     group treasury, including, but not limited to,  
19     the process of open -- open market operations.

20             MR. ZHOU: Let me explain a little bit  
21     why we have to burn.

22             This constitution prohibits American  
23     CryptoFed to own its own token -- outstanding  
24     token. The -- one of the big problem today, if  
25     you look at the news, FTX, they owned their own

1 outstanding tokens. They lend that to their  
2 sister company Alameda Research. They use that  
3 as a book value and continue to do all -- all  
4 kind of things. And this -- of course, if you  
5 have the capacity to issue your own tokens and  
6 you keep it on the book value, you can have  
7 potential to create faked book value.

8           This -- this is terrible if something  
9 happens. Even we design everything well, but  
10 still someone can control it in the future  
11 unexpectedly. That can be abused. So, we just  
12 decided use this constitution. We does not allow  
13 American CryptoFed to hold its own outstanding  
14 tokens.

15           Whenever it's circulated back through  
16 all those operation needed to maintain zero  
17 inflation, zero deflation and we complete burn  
18 them, destroy them, so that there no opportunity  
19 for anybody in the future to create wrong  
20 accounting, abuse it.

21           So, Scott -- Scott, thank you for  
22 reading. Go back to the script.

23           So, Your Honor, this is the first life  
24 cycle. You can see the obligation for Locke  
25 auction proceeds. It's saying, it has to be

1     burned.

2                 So, go to step three.

3                 So, we hold the -- okay. When the U.S.  
4     dollar-pegged Stable token proceeds. So, what's  
5     the price? Determine the price and when the  
6     transaction happen. Even just one Locke token,  
7     when the U.S. -- U.S. dollar-pegged Stable token  
8     receive and that's the price. So -- so, this  
9     price we can -- we just using Stable token  
10    proceeds, okay. The price can be changed over the  
11    market and the Ducat price can change. The  
12    Locke -- Locke price, auction price can change,  
13    but the price determination is just the one  
14    criteria is, is the proceed received.

15                Then, go to step four.

16                Step four say: Allocate the  
17    transaction price to performance obligation. So,  
18    let's look at how to -- how to perform the  
19    obligations using the transaction price. It's --  
20    because the -- the -- the nature of the business.  
21    So, the Locke buy back with the U.S.  
22    dollar-pegged Stable tokens. Whenever they buy  
23    back -- okay. Whenever the Locke token buy back  
24    and the Locke token burning, that's the  
25    obligation. That obligation have been decided is

1 the constitution. Unless the constitution change,  
2 this have to be done.

3 The Ducat token, Ducat buy back will --  
4 will be used Locke token. The Locke token will  
5 buy back Ducat token, okay. The U.S. dollar --  
6 U.S. dollar-pegged Stable token buy back Locke  
7 token. And, as needed, Locke token will buy back  
8 Ducat token. But, regardless, those two tokens  
9 once they are by -- they are bought back, they  
10 have to be burned. They have to be destroyed.  
11 So, that's the obligation.

12 Okay, go to step five.

13 So, the step five say: Recognize  
14 revenue when OS, the entity, set aside a  
15 performance obligation. Okay, Your Honor, when  
16 you see all obligation have to be satisfied, but  
17 once that have been done, no value remain  
18 whatsoever after satisfy our performance  
19 obligation.

20 So, let me read -- make it clear what I  
21 said about FTX in contrast. By constitution,  
22 American CryptoFed is not allowed to hold its own  
23 outstanding tokens of Locke and Ducat.

24 One of the major issues of centralized  
25 players, such as FTX, is that they hold their own

1 outstanding tokens as asset. FTX and its sister  
2 company, Alameda Research held its own FTT tokens  
3 as asset leading to a fake book value. We  
4 prevent that from -- from happening in the  
5 constitution.

6 So, Your Honor, this is the proof --  
7 the proof we do not have revenue and we will  
8 continue to do in the same discussion. Go to the  
9 next -- next transcript day two, page 393, line  
10 3-20 and 394, 18-21.

11 Scott, read this first. I will direct  
12 it to you to the question, but not the first  
13 question. The first question will be answered  
14 later.

15 MR. MOELLER: Yes.

16 MR. ZHOU: Mr. Bruckmann asked great  
17 questions. I have to appreciate and thanks Mr.  
18 Bruckmann for asking great questions.

19 MR. MOELLER: He did. It's just my  
20 answers are not as question.

21 "QUESTION: Section three --"

22 MR. MOELLER: And this is from Mr.  
23 Bruckmann to Mr. Moeller:

24 "QUESTION: Section three on page 30  
25 says: Locke token price: Ducat tokens will not

1 launch until the price of Locke tokens reaches a  
2 minimum value of 10 cents U.S. dollar per token  
3 per a consecutive one-month period. There's no  
4 guarantee that this will happen. CryptoFed uses  
5 U.S. dollar-pegged Stablecoin proceeds held in  
6 reserve to buy back Locke whenever the Locke's  
7 price falls below three percent -- falls three  
8 percent below its previous price for a 24-hour  
9 period or falls five percent below its previous  
10 price for a one-hour period. Whenever the  
11 Locke's price falls 30 percent below its previous  
12 price for a 24-hour period, CryptoFed has the  
13 authority to use all its CryptoFed U.S. pegged  
14 Stablecoin reserves to buy back Locke tokens. If  
15 the CryptoFed U.S. dollar-pegged Stablecoin  
16 reserve is -- reserve is depleted the Locke token  
17 market price may have a risk of free fall."

18 MR. ZHOU: Stop here, Scott. Go to  
19 page 394, line 18-21.

20 MR. MOELLER: "QUESTION: And my next,  
21 Mr. Moeller, is, isn't the CryptoFed U.S.  
22 dollar-pegged Stablecoin reserve described in  
23 section three an asset?"

24 MR. ZHOU: And line 23 too.

25 MR. MOELLER: "It's not?"



1 MR. ZHOU: Thank you, Scott.

2 So, I'm going to answer these questions  
3 to use Financial Accounting Standard Board  
4 conceptual framework. That is Exhibit 277.

5 So, Scott, can you go to page five,  
6 E16.

7 MR. MOELLER: Okay. And this is --

8 MR. ZHOU: Read the title first.

9 MR. MOELLER: Sure. The title is, The  
10 Conceptual Framework For Financial Reporting,  
11 Chapter Four, Elements of Financial Statements.  
12 And this is put out by the Financial the --  
13 the -- the FASB board, Financial Accounting  
14 Standards Board.

15 Okay. So, Definition of Elements:  
16 Assets: E16: An asset is a present right of an  
17 entity to an economic benefit.

18 And, Characteristics of Assets: E17:  
19 An asset has the following two essential  
20 characteristics: A, it is as a present right;  
21 and, B, the right is to an economic benefit. The  
22 combination of those two characteristics allows  
23 an entity to obtain the economic benefit and  
24 control others access to the benefit. A present  
25 right of an entity to economic benefit entitles

1 the entity to the economic benefit and the  
2 ability to restrict others access to the benefit  
3 to which the entity is entitled.

4 MR. ZHOU: Thank you, Scott.

5 So, hold this for a while. Let me  
6 apply that to the question.

7 The question is, the dollar-pegged  
8 Stable token -- Stablecoin reserve, is that  
9 American CryptoFed's asset. The answer is, No.

10 Why not? If you look this, the  
11 Essential Characteristics, B: The right is to an  
12 economic benefit. As I already described,  
13 this -- and this Stablecoin reserve will not  
14 generate any revenue for American CryptoFed. So,  
15 there will be no economic benefit. As a result,  
16 according to the GAAP principle and described  
17 here, it cannot be booked as asset. That's my  
18 answer.

19 So, go to the script, Scott.

20 MR. MOELLER: Yep.

21 MR. ZHOU: Okay. So, help me read day  
22 two transcript page 278, 17 -- line 17-19. And  
23 page 78, 21-22. There are two questions here.  
24 So, the first question is 278, 17-19.

25 MR. MOELLER: Yes.

1                   "QUESTION: But to be clear, on  
2 multiple occasions you said that American  
3 CryptoFed doesn't have any fundraising?

4                   Correct.

5                   QUESTION: Why isn't the payment of  
6 USDC to American CryptoFed fundraising?"

7                   MR. ZHOU: Thank you, Scott. Let's go  
8 back to the script.

9                   To make it clear I jot down my answer.  
10 My answer is, as I explained, this U.S.  
11 dollar-pegged Stablecoins --

12                  MR. MOELLER: Oops. Sorry.

13                  MR. ZHOU: Good. Thank you. Let me  
14 repeat it.

15                  As I explained, the U.S. dollar-pegged  
16 Stablecoin proceed, including, USDC, can be  
17 neither revenue nor assets. As a result, no  
18 fundraising is possible in accordance with  
19 Generally Accept Accounting Principle.

20                  So, go to the next question, day one  
21 transcript, page 185, 6-9.

22                  MR. MOELLER: Okay.

23                  MR. ZHOU: Is that line 6-9?

24                  MR. MOELLER: Yes. I have it.

25                  So -- so --

1                   "QUESTION: But as president of  
2 American CryptoFed and Chief Executive Officer of  
3 MShift, do you know if any intellectual property  
4 was actually licensed from MShift to American  
5 CryptoFed?

6                   MR. ZHOU: Okay. Go to next question,  
7 page 233, line 8-10.

8                   MR. MOELLER: "QUESTION: Okay. Mr.  
9 Moeller, why isn't the exclusive ability to mint  
10 Ducat and Locke tokens an asset?

11                  MR. ZHOU: Go to next question 17, line  
12 17.

13                  MR. MOELLER: For -- okay.

14                  MR. ZHOU: For here is fine.

15                  MR. MOELLER: Yeah. "Does the brand  
16 name American CryptoFed have any value? Is it  
17 trademarked? If someone else started using the  
18 name American CryptoFed tomorrow, what would you  
19 do? If someone started selling something called  
20 a Ducat token tomorrow, what would you do?"

21                  MR. ZHOU: Go to the next page. There's  
22 still questions.

23                  MR. MOELLER: Yeah. "Would you take  
24 any actions to stop them from doing it?"

25                  And 238?

1 MR. ZHOU: Yeah.

2 MR. MOELLER: 19 through 20:

3 "QUESTION: Is it documented anywhere  
4 whether MShift or American CryptoFed owns the  
5 website?"

6 MR. ZHOU: Good. Thank you, Scott, for  
7 reading all those set of questions all pointing  
8 to IP. So, let me answer it.

9 Scroll down a little bit. Yes.

10 Okay, here. The IP still belongs to  
11 MShift according to the constitution section 4.7.  
12 Although MShift has licensed all the IP  
13 exclusively and permanently to American CryptoFed  
14 by signing the constitution. So, this have been  
15 done because constitution have been signed.

16 So, all the IP in the past MShift only  
17 have been licensed to, but does not say MShift  
18 does not own it. MShift still own it, but  
19 exclusively already licensed to American  
20 CryptoFed.

21 So, MShift will define -- defend the IP  
22 as needed according to the constitution section  
23 4.7 and section 14.2, but because MShift is still  
24 the owner, MShift has obligation to define --  
25 defend that when any infringement happen, like,

1 trademark, like how use it. So, it is MShift  
2 obligation.

3 For that purpose, we -- MShift should  
4 receive five percent allocation of Locke, okay.  
5 MShift will do that. However, now the IP can  
6 create any revenue for American CryptoFed, like  
7 what I explained before -- because as I  
8 explained, American CryptoFed will never have any  
9 revenue from GAAP perspective. As such,  
10 according to FASB definition, this IP license are  
11 not asset.

12 So, we now in the -- so far, we handle  
13 the revenue, the fundraising, the asset. The --  
14 and profit. We do not have profit. We do not  
15 have revenue, do not have asset, okay. We do not  
16 report -- need to report IRS either, okay. We --  
17 we do not address the special -- special question  
18 about IRS, I believe Mr. Bruckmann asked that  
19 question somewhere.

20 Okay. Scott, let's go to the next  
21 evidence for no liability. So, day one  
22 transcript, help me read page 216.

23 MR. MOELLER: Yes.

24 MR. ZHOU: Lines 1-2.

25 MR. MOELLER: Yes, page 216, 1-2:

1           "QUESTION: The interest that Ducat  
2 holders would earn, that would be something of  
3 value, right?"

4           MR. MOELLER: And then five -- the next  
5 question --

6           MR. ZHOU: Five-six.

7           MR. MOELLER: Yeah, 216, five through  
8 six:

9           "QUESTION: And your idea is, if  
10 CryptoFed is successful, is that Ducat would have  
11 value?

12           MR. MOELLER: And -- and 8-10, next  
13 question: "Is that obligation by American  
14 CryptoFed to take crypto -- to pay Ducat holders  
15 interest a liability?"

16           MR. ZHOU: To answer this question --  
17 my answer is no, but I -- let me explain that.  
18 Scott, go to the script.

19           Okay. Let me use Exhibit 277. It's  
20 page nine this time. Page nine and page ten.

21           MR. MOELLER: Yeah. 277, okay. And  
22 8-9. Okay. And that is E-37, Liability --  
23 Liabilities. E-37: A liability is a present  
24 obligation of an entity to transfer an economic  
25 benefit.

1                   Characteristics of Liabilities. E-38:

2   A liability has the following two essential  
3   characteristics: A, it is a present obligation;  
4   and, B, the obligation requires an entity to  
5   transfer or otherwise provide economic benefits  
6   to others.

7                   MR. ZHOU: Thank you, Scott. Let's go  
8   back to the script.

9                   So, my answer is, there are no  
10   obligation -- to confirm, there are no obligation  
11   in the constitution. I think if we had a  
12   better --

13                  Scott, help me look at constitution  
14   section 6.1 and section 6.2.

15                  MR. MOELLER: Yes.

16                  Section 6.1.

17                  MR. ZHOU: Yeah. Help me read section  
18   6.1.

19                  MR. MOELLER: Okay. And this is in the  
20   section, Ducat Interest Rate of the American  
21   CryptoFed constitution.

22                  Section 6.1: The interest rate for  
23   Ducat paid to Ducat holders by CryptoFed is  
24   necessary to establish the monetary policy tool  
25   by which CryptoFed adjusts the Ducat money



1 supply. It is equivalent to the federal funds  
2 rate used by the Federal Reserve to adjust the  
3 money supply of the U.S. dollar. The target  
4 interest rate for Ducat should be maintained at  
5 five percent. Although it is not an entitlement  
6 and is subject to adjustment as needed to  
7 maintain zero inflation and zero deflation.

8 MR. ZHOU: Stop here.

9 Your Honor, you can see it is not an  
10 entitlement.

11 Scott, can you highlight the  
12 entitlement. It's lots of --

13 MR. MOELLER: Yeah.

14 MR. ZHOU: Yeah.

15 So, first of all, American CryptoFed  
16 does not have wallet, does not take deposits.  
17 All those holders hold their tokens at their own  
18 wallets either issued by banks, by exchange or  
19 other issuers can meet the requirement of KYC,  
20 AML, okay. There -- there are a bunch of that  
21 regulation, state and federal regulations, they  
22 have to comply with, but they hold their  
23 tokens -- Ducat tokens in their wallet.

24 It have -- basically, have nothing --  
25 like FTX hold customers money. No. No. No.

1 There's no that type of money in American  
2 CryptoFed, but still because they hold it in  
3 other wallet, automatically the smart contract  
4 will deliver interest to them, but it's not -- it  
5 is not entitlement. So, it cannot subject change  
6 depend on how to maintain zero inflation and zero  
7 deflation.

8           When there's possibility detected by  
9 machine learning or by -- by AI, by controller  
10 automatically say, their tendency to have  
11 inflation, then the interest rate may increase in  
12 the next time. Every time, every quarter we have  
13 a time to increase interest rate.

14           So, there -- there is a complexity  
15 here. I'm not sure, Your Honor, you want to look  
16 at the 6.2, but for record, Scott, you'll help me  
17 to read it to, make sure we do not go to  
18 negative.

19           Okay. Scott, can you help me read 6.2.

20           MR. MOELLER: Section 6.2: The  
21 interest rate held for Ducat paid in Ducat by  
22 CryptoFed must be three percent higher than the  
23 net of the upper bound of the federal funds rate  
24 minus the inflation rate measured by the personal  
25 consumption expenditures price index, the PCE,

1 published monthly by the Bureau of Economic  
2 Analysis Department of Commerce and will never be  
3 negative. A 75 percent majority of Locke tokens  
4 through a valid vote is required to make changes  
5 to this section. This section will be annulled  
6 when one Ducat equals two U.S. dollars for a  
7 consecutive 12-month period.

8 MR. ZHOU: Your Honor, okay, I think I  
9 have -- at the bottom have the -- the link. We  
10 already put that in our exhibit. I can explain  
11 why we designed this.

12 The bottom line is, the net -- the  
13 net -- what the net means? Means today's the  
14 Federal Reserve, they have interest rates. They  
15 have upper bound. So, that everyday change  
16 everyday change, but they have upper bound. They  
17 have policy target. So, that one minus  
18 inflation. That inflation rate is published by  
19 the Department of Commerce. They call it a PCE.  
20 So, minus that.

21 Sometimes they go -- they can go to  
22 minus, okay. The total -- the sum of that  
23 calculation can go to minus, but we want to  
24 prevent the minus interest. When you get into  
25 minus interest the whole economy we will have

1 deep trouble. So, we need to avoid that. So --  
2 so -- so, we have to three percent higher than  
3 that. Means we are going to create more  
4 competitive advantage for Ducat economic zone.

5 So, to change all of this we need a  
6 special vote because this is important. We need  
7 special vote. However, we don't know in  
8 long-term, 20, 30, 50 years later, some macro  
9 economy have significant change, we should allow  
10 the Locke holders to adapt to that environment.

11 So, go back to the question -- Mr.  
12 Bruckmann's question, because this is not  
13 obligation. So, it's not liability following the  
14 GAAP principle.

15 Scott, let's go to -- go back to the  
16 script.

17 MR. MOELLER: Yep.

18 MR. ZHOU: Next question, day one  
19 transcript, read page 238, line 7-8.

20 MR. MOELLER: Okay:

21 "QUESTION: So, you couldn't know if  
22 American CryptoFed has any contingent liabilities  
23 then?"

24 MR. ZHOU: Thank you, Scott. Let's go  
25 back to script.

1           Your Honor, I will use another  
2   accounting firm -- same accounting firm, but they  
3   have good document to give us guidance and so  
4   everybody on the same page.

5           So, go to Exhibit 279.

6           MR. MOELLER: Okay.

7           Oops. Sorry about that.

8           Okay. Yeah. No. 279 and -- and I --  
9   Contingency, page one, same paragraph.

10          MR. ZHOU: The top. The top. Read the  
11   name of the company.

12          MR. MOELLER: Okay. So, this is  
13   Deloitte, On The Radar Contingencies, Loss  
14   Recoveries and Guarantees. And you want page  
15   seven, second paragraph, yeah.

16          MR. ZHOU: Yeah. Read it slowly a  
17   little bit.

18          MR. MOELLER: Sure. Sure.

19          Contingent Liabilities, okay. An  
20   entity must recognize a contingent liability when  
21   both: One, it is probable that a loss has been  
22   incurred; and, Two, the amount of the loss is  
23   reasonably estimatable. In evaluating these two  
24   conditions, the entity must consider all relevant  
25   information that is available as of the date the

1 financial statements are issued or are available  
2 to be issued. The flow chart below provides an  
3 overview of the recognition criteria taking into  
4 account information about subsequent events.

5 Okay?

6 MR. ZHOU: So, help me read the chart.

7 MR. MOELLER: Okay. Sure.

8 MR. ZHOU: Chart only.

9 MR. MOELLER: Okay, chart only.

10 So, first: Do conditions indicate that  
11 a loss has been incurred on or before the date of  
12 the financial statements, i.e., the balance sheet  
13 date. No? Do not recognize a loss contingency.  
14 If yes, is it probable that a future event will  
15 confirm that a loss has been incurred on or  
16 before the date of the financial statements? If  
17 no, do not recognize loss contingency. If yes,  
18 is the amount of the loss reasonably  
19 estimatable -- estimatable, I cannot do that  
20 word. Okay. No? Do not recognize the loss  
21 contingency. And, if yes, recognize the loss  
22 contingency.

23 MR. ZHOU: Okay. Let me explain this.

24 Let's go back to the script. Okay.

25 MR. MOELLER: Oops. Sorry.

1           MR. ZHOU: Okay. So, to avoid --  
2 according to the constitution section 4.8, all  
3 token holders of Ducat and Locke have signed a  
4 waiver.

5           So, Your Honor, I have said there are  
6 no other contract. The only one contract is  
7 constitution. So, their obligation to token  
8 holders. So, how token holders in the future  
9 event, some contingency environment may happen or  
10 may not, but we have to ask them to waive all  
11 their right. And how that -- how that paragraph  
12 look like.

13           Scott, can you go to section 4.8 page  
14 four to five. I want -- I want everybody on the  
15 same page because this important. This is  
16 important question. In the future you -- you  
17 have liability.

18           MR. MOELLER: Section 4.8?

19           MR. ZHOU: Yeah.

20           MR. MOELLER: Okay.

21           Section 4.8 of the constitution waiver:  
22 In return for being allowed to voluntarily  
23 participate in CryptoFed's monetary system and  
24 all related activities, quote, unquote, CryptoFed  
25 participation, all token holders by holding

1     either Locke or Ducat tokens understand that  
2     CryptoFed's participation involves high risks,  
3     including, but not limited to, serious damage and  
4     loss. Ducat and Locke token holders agree to  
5     accept all risks of CryptoFed participation with  
6     full knowledge of the risks involved and to the  
7     fullest extent permitted by law, automatically  
8     and voluntarily waive all their rights  
9     whatsoever.

10             Ducat and Locke token holders by their  
11     CryptoFed participation release and agree not to  
12     sue CryptoFed, MShift or their shareholders,  
13     officers, directors, employees, subcontractors,  
14     sponsors, agents and affiliates, quote, unquote,  
15     CryptoFed initial development team, a/k/a,  
16     CryptoFed IDE, from all present and future claims  
17     arising as a result of their CryptoFed  
18     participation. CryptoFed IDE is not responsible  
19     for any damages arising out of Ducat and Locke  
20     token holder CryptoFed participation even if  
21     those damages are caused by CryptoFed's ordinary  
22     negligence or otherwise.

23             Ducat/Locke token holders agree to  
24     indemnify and hold harmless CryptoFed and  
25     CryptoFed IDE for all claims arising out of their



1     CryptoFed participation.  Token holders  
2     understand that this document is intended to be  
3     as broad and inclusive as permitted by the laws  
4     of the jurisdictions in which CryptoFed  
5     participation takes place and agrees that if any  
6     portion of this constitution is invalid, the  
7     remainder will continue in full legal force and  
8     affect.  Ducat and Locke token holders also  
9     acknowledge that CryptoFed has not arranged and  
10    does not carry any insurance of any kind for  
11    their benefit.  Ducat and Locke token holders  
12    also understand that this constitution is a  
13    contract which eliminates the liability of  
14    CryptoFed.

15                 MR. ZHOU:  Thank you, Scott.  Let's go  
16    back to the script.

17                 So, I will start from sentence --  
18    second sentence.  American CryptoFed has done its  
19    best to comply with the laws and the regulation.  
20    Pursuant to the constitution section 4.1 we --  
21    we -- Scott did read it.  And section 5.1 and  
22    5.3.

23                 Scott, can you help me read that?  That  
24    is also important because --

25                 MR. MOELLER:  Section 5.1?

1           MR. ZHOU: Yeah, because liability, it  
2     can come from the government. The government can  
3     sue us.

4           MR. MOELLER: Okay. So, five --  
5     section five is Compliance. 5.1: To participate  
6     in the CryptoFed economy all individuals and  
7     business entities are required to open accounts  
8     at CryptoFed participating banks, complying  
9     crypto exchanges or organizations compliant with  
10    KYC, AML and money transmitter regulations.  
11    These banks, exchanges and organizations will  
12    issue CryptoFed co-branded wallets with their  
13    name and CryptoFed to individuals and entities  
14    for the purposes of holding and transacting in  
15    Ducat and Locke.

16           MR. ZHOU: So, compliance is very  
17    important.

18           And go to 5.3, okay, please.

19           MR. MOELLER: Yes. Section 5.3: Even  
20    though CryptoFed defines Locke and Ducat tokens  
21    as utility tokens, the SEC may elect to classify  
22    Locke and Ducat tokens as securities. CryptoFed  
23    will seek to register Ducat and Locke tokens with  
24    the SEC to insure compliance with securities laws  
25    and related regulations.

1           On September 15th, 2021 CryptoFed will  
2   file Form 10 and Form S-1 to become a reporting  
3   company and subject itself to ongoing, periodic  
4   reporting obligations, including, but not limited  
5   to, Form S-8, S-3, 10-K, 10-Q, 8-K. CryptoFed  
6   will seek to outsource the filing tasks via smart  
7   contracts to vendors who accept Ducat tokens  
8   within one year after the Ducat token is  
9   launched.

10           MR. ZHOU: Thank you, Scott.

11           So, let's go back to script. We  
12   haven't finished.

13           MR. MOELLER: Oh, sorry. Sorry.

14           MR. ZHOU: So, I will continue.

15           According to the constitution section  
16   4.4, American CryptoFed will not have labor  
17   contract obligation because we have no employee,  
18   no hierarchy, no board member, all this, okay.  
19   Because there is no employee and management by  
20   constitution section 4.4, the only contract other  
21   than this constitution which are allowed to be  
22   signed by the symbolic CEO, including Scott,  
23   including me, are contracts with regulators.

24           As a result, there is no possibility of  
25   any continuing liabilities whatsoever. From

1 today when we look at the future, based on the  
2 accounting firm for charge, we cannot foresee  
3 there are any contingent liabilities given all  
4 the effort we have done and we continue to do.  
5 We aggressively, actively engage SEC and other  
6 agencies from now on. The only risk -- high risk  
7 liability will not come from the token holders.  
8 It will come from the government. So, that's why  
9 all of us are sitting here talking to SEC.

10 Your Honor, we -- we have intention to  
11 work out whatsoever solutions with the SEC to  
12 resolve this problems. Because it's become  
13 contingent liabilities the future of us.

14 Okay. So, we talk about liability  
15 already. Now, the remaining major category is  
16 the cost. So, let's talk about this.

17 Day one transcript, 218, 5-6.

18 MR. MOELLER: "QUESTION: Who is paying  
19 CryptoFed's operating costs now?"

20 MR. ZHOU: Go back to the script. I  
21 will answer them in a batch, okay.

22 Day two transcript, please read page  
23 297, line 11-18. Page 297.

24 MR. MOELLER: Okay.

25 MR. ZHOU: 11-18.

1 MR. MOELLER: Okay. Page 297, line 11:  
2 "QUESTION: All right. Let's move on  
3 from that exhibit.

4 What -- if American CryptoFed is able  
5 to launch and distribute the Locke and Ducat  
6 tokens, your vision is that eventually Ducat will  
7 be used as a method of payment both on line and  
8 at physical stores like Walmart, McDonald's and  
9 grocery stores. Do I have that generally correct?

10 MR. ZHOU: Okay. Go to next question,  
11 page 298, line 4-8.

12 MR. MOELLER: 298, line four through  
13 eight:

14 "QUESTION: The payment systems,  
15 whether physical or on line, would need to be  
16 updated for that to happen. The point-of-sale  
17 system, the on-line payment system, there would  
18 need to be updates to -- to that, right?

19 MR. ZHOU: The next question, line --  
20 same page, line ten.

21 MR. MOELLER: Oh. "And that would  
22 include new software."

23 MR. ZHOU: Okay. Go back to the  
24 script. We still have more questions to read in.

25 Day two transcript, 281.

1 MR. MOELLER: Yep.

2 MR. ZHOU: Line 5-6.

3 MR. MOELLER: "QUESTION: Who will  
4 write the code for the smart contract?"

5 MR. ZHOU: Lines 17-18.

6 MR. MOELLER: "QUESTION: Have any of  
7 them written any smart contracts for American  
8 CryptoFed yet?"

9 MR. ZHOU: Line 21-21.

10 MR. MOELLER: "QUESTION: Has American  
11 CryptoFed spoken to any of them about the  
12 possibility of writing smart contracts for  
13 American CryptoFed?"

14 MR. ZHOU: Okay. Thank you, Scott.  
15 Let's go back to script.

16 Script page six. Okay, stop here.

17 Okay. We need to do a lot of work. We  
18 are building a community. We already set up the  
19 constitution. Now, we are going to invite people  
20 to join because this is government by  
21 constitution, by consent. So, where we can --  
22 how we can do this? From money perspective, as a  
23 guidance, it is hard to believe more than 350  
24 years ago like a -- like our token called Locke,  
25 Mr. John Locke, provide us the guidance.

1           Scott, can you go to Exhibit 264.

2           MR. MOELLER: Yes.

3           MR. ZHOU: This is page 100 -- page one  
4 to five.

5           MR. MOELLER: Okay.

6           MR. ZHOU: Oh, read the title first.

7           MR. MOELLER: Yeah. This is John Locke  
8 Two Treaties of Government. Okay. And -- and  
9 the second is: Overthrown the Ladders, An Essay  
10 Concerning the Original Extent and End of Civil  
11 Government. So, page 125. Okay.

12           MR. ZHOU: Section --

13           JUDGE FOELAK: Sir, aren't you straying  
14 a little bit from the facts? I mean, we all know  
15 of John Locke, but --

16           MR. MOELLER: It -- Your Honor, if --  
17 if I may, it -- this is pretty telling. He -- he  
18 speaks about the -- the rational for -- for  
19 money.

20           JUDGE FOELAK: Right.

21           MR. MOELLER: It's page 125, 47.

22           MR. ZHOU: 47, the three sentence  
23 section.

24           MR. MOELLER: 47. And, thus, came in  
25 the use of money, some lasting thing that men

1 might keep without spoiling, and that by mutual  
2 consent, men would take in exchange for the truly  
3 useful, but perishable supports of life.

4 MR. ZHOU: Okay. Let me explain a  
5 little bit about this.

6 Money by mutual concept, that's a  
7 Blockchain. We learn from John and people not by  
8 coercion are centralized the federal research or  
9 any central bank or any nation, they take out the  
10 money. They believe have -- they believe benefit  
11 from them. So, we set up this -- what -- this  
12 constitution for us and we make the clear, there  
13 are no inflation. That's the -- they say -- okay.  
14 That comes in use of the money, some lasting  
15 thing that man might keep without spoiling.  
16 That's zero inflation. No inflation.

17 And the last one is, Would take in  
18 exchange for the truly usable, but perishable  
19 support of life. That's to purchase goods and  
20 services. You must have merchant in the  
21 communities. You must have utility -- utility to  
22 do this. So, this is describe money. What --  
23 exactly what we have we design. And also, it  
24 also design how we govern that decentralized.

25 Okay. Scott, can you -- there -- there



1 are a few sentence, Your Honor, we want read in  
2 so that people understand why we designed this  
3 constitution based on what major high level  
4 principles.

5 Go to page 159.

6 MR. MOELLER: Yes.

7 MR. ZHOU: The last -- are you there?

8 Yes.

9 Okay. The last sentence of section  
10 124.

11 MR. MOELLER: 123?

12 MR. ZHOU: Yeah, 123. 123, yeah. Yeah.  
13 Yeah. Yeah.

14 MR. MOELLER: Okay. Yeah. Yeah. This  
15 makes him willing to quit this condition which,  
16 however free, is full of fears and continual  
17 dangers and is not without reason that he seeks  
18 out and is willing to join in society with others  
19 who are already united or have a mind to unite  
20 for the mutual preservation of their lives,  
21 liberties and estates which I call by the general  
22 name, Property.

23 124: The great and chief end,  
24 therefore, of men united into commonwealth and  
25 putting themselves under government is the

1    preservation of their property to which in the  
2    state of nature there are many things wanting.

3                MR. ZHOU: Thank you, Scott.

4                So, let me explain a little bit. We  
5    set up the constitution. We were going to invite  
6    retailers like merchant, banks, cities,  
7    individuals, to join. Like here said, to unite  
8    for the mutual preservation.

9                So, the constitution is ready. It's  
10   already filed with the SEC. And we want to go  
11   through that process. And then, unify and bring  
12   people together. They will cover the costs by  
13   themselves.

14               So, let's go back to the script.

15               So, let me read this. American  
16   CryptoFed was on track to build up Ducat economic  
17   zone which consists of supporting entities,  
18   including, individuals, merchant, government, et  
19   cetera. The supporting entities cover all the  
20   costs. Not American CryptoFed. They will  
21   receive tokens of Locke, generate benefit of  
22   Ducat economic zone for each other and work  
23   together to set up a standard and develop  
24   software. They can join Ducat economic zone  
25   pursuant to the constitution 4.5. And they

1 all -- they are all citizens of American  
2 CryptoFed, not owners, pursuant to constitution  
3 4.6.

4           They organize themselves in a  
5 decentralized manner while maintain their own  
6 autonomy. So, everybody have their own autonomy.  
7 Every participant have their own autonomy. There  
8 is no coercion here. There are no hierarchy.  
9 There are no management under the guidance of the  
10 John Locke political philosophy.

11           So, the Blockchain cannot operate until  
12 we have necessary people to produce block. Like a  
13 Bitcoin needs miners. So, we need multiple,  
14 multiple peoples to join us using that software  
15 to produce block. And that software still needs  
16 to customize, but we -- we already have open  
17 source. We have that in MShift. We can let  
18 people to join, discuss, which part will good for  
19 them.

20           For example, it's really not easy to  
21 set aside each individual company. We need to  
22 have a standard. Let me explain a little bit.

23           The -- the -- even the payment, the  
24 grocery store receive money -- want to receive  
25 money immediately, but the hotel industry is

1 different. They hold you part of the money. You  
2 may stay there for three days and consume for  
3 three days and they will not close that until  
4 three days. So, they need a hold function. For  
5 gas, actual gas, it's same thing. You go to fill  
6 in your tank, but you don't know how many -- how  
7 many you need to fill it. And you may need to go  
8 car wash too. So -- so, they will hold some  
9 money and then will close later. They give you  
10 some -- some limit.

11 So, all this, different kind of  
12 vertical industries, but they share one thing,  
13 means, receive the money -- the money they need  
14 to receive in real time, quick, cheap, all this.  
15 So, we need build an API, standard API, for all  
16 those industry to write to that API. So, we need  
17 to build a forum. We need to gather them  
18 together. And we also need to talk about how to  
19 comply with KYC, AML, money laundering. We need  
20 very effective way, efficient way, to comply with  
21 all the regulations in this new frontier  
22 Blockchain.

23 It is not that simple. MShift or  
24 American CryptoFed can -- individually can do  
25 something. We need them come together. And we

1 start that process. So, we will demonstrate you  
2 through exhibit how we have done and what -- what  
3 we are going to do.

4 Scott, let's go to Exhibit 142.

5 MR. MOELLER: So, this is very small to  
6 see. So, I'll make it a little larger. This is  
7 the Merchant Advisory Group. Let me make it a  
8 little smaller.

9 Okay. The mission about the Merchant  
10 Advisory Group. The Merchant Advisory Group,  
11 MAG, plays a vital role in helping merchants and  
12 the industry shape innovative approaches to  
13 payments. Providing unparalleled collaboration  
14 and networking opportunities for merchants and  
15 sponsors, the MAG collaborates with industry  
16 stakeholders and advocates for merchant  
17 interests.

18 The MAG represents over 150 U.S.  
19 merchants which account for over 4.8 trillion in  
20 annual sales at over 580,000 locations across the  
21 United States, or the U.S., and on line. Roughly  
22 \$3.5 trillion of those sales and over 100 billion  
23 card payments are electronic which represents  
24 approximately 62 percent of total U.S. card  
25 volume.

1                   MAG members employee over 14 million  
2 associates.

3                   MR. ZHOU: Thank you, Scott.

4                   JUDGE FOELAK: Okay. Sir, it's not  
5 necessary to read the rest of those things.  
6 They're in exhibits that are admitted. So,  
7 you'll be able to refer back to them in your  
8 briefs.

9                   MR. ZHOU: Okay.

10                  JUDGE FOELAK: Okay. Next.

11                  MR. ZHOU: Scroll down a little bit.

12                  So, Your Honor, you don't need to read  
13 all of those exhibits, right?

14                  JUDGE FOELAK: No. They're in -- we'll  
15 be able to read them as exhibits. Okay.

16                  MR. ZHOU: So -- so --

17                  JUDGE FOELAK: So, just -- just skip  
18 over that part. We can read them.

19                  MR. ZHOU: Okay. So, that means my  
20 explanation --

21                  JUDGE FOELAK: Right.

22                  MR. ZHOU: -- all -- all the  
23 community -- community participation peoples we  
24 have built in. They are good, but all of a  
25 sudden was stopped by the SEC proceedings last

1 year November -- go ahead, Scott. November.

2 MR. MOELLER: Yeah. Yeah. It may  
3 be --

4 JUDGE FOELAK: Okay. We know -- we  
5 know all those dates. Okay. Keep going.

6 MR. MOELLER: Yeah. Okay.

7 MR. ZHOU: Okay.

8 MR. MOELLER: Yeah. That's all I was  
9 saying, Your Honor, is the timeline of the  
10 exhibits. So, like, the -- the testimony at Miami  
11 Dade task force was literally a day or two  
12 before.

13 MR. ZHOU: Okay. So, scroll down.  
14 Scroll down.

15 Okay. So, we talk about fundraising,  
16 revenue, asset, liability, costs. So we have  
17 exhibit evidence to prove zero revenue, zero  
18 liability, zero profits, zero employees, zero  
19 costs. So, basically, if we hire accounting firm,  
20 I think, if we do together to run this test as I  
21 showed to you, Your Honor, the result will be  
22 zero. And zero forever. It will be zero filing.

23 However, we do want comply with the  
24 law. If the Division agree with us to have  
25 stipulations, we can file zero one as long as

1     that is audit -- audited financial statement zero  
2     one -- zero filing is fine. And we are willing  
3     to do that.

4             JUDGE FOELAK: Okay. Sir, but anyway,  
5     as of the date of the filing of the S-1 there was  
6     zero, zero, zero without reference to the future?

7             MR. ZHOU: Yes.

8             JUDGE FOELAK: Okay. What next?

9             MR. ZHOU: So, the next is new frontier  
10    and the Chairman Gary Gensler's instruction. So,  
11    the -- this evidence is pretty good.

12            So, Scott, can you help me --

13            JUDGE FOELAK: Okay. I understand --  
14    sir, I understand that you sort of perceive a  
15    Catch 22 where the government is telling you --  
16    telling you to register and then they make it  
17    impossible for you to register.

18            MR. ZHOU: Yes.

19            JUDGE FOELAK: Okay.

20            MR. ZHOU: So -- yeah.

21            So, this -- this article has expert,  
22    they are lawyers. We don't know them and -- but  
23    they published these articles.

24            JUDGE FOELAK: Okay. Sir, but that --  
25    that article is in evidence. So, we'll be able



1 to read it.

2 MR. ZHOU: Okay. Good.

3 So, the next.

4 MR. MOELLER: Okay.

5 MR. ZHOU: Go to the -- yeah, the  
6 script, the next one. Go to script.

7 MR. MOELLER: Yep.

8 MR. ZHOU: So, this is another article  
9 too. This is about Chairman --

10 JUDGE FOELAK: Okay. Right. Right.  
11 Once again you're -- once again you're venturing  
12 into opinions or, anyway, things you can cite to  
13 anyway. But your -- your explanation as to how  
14 your operation works and why you had zero, you  
15 know, revenues, costs and assets was certainly  
16 very helpful.

17 MR. ZHOU: Thank you, Your Honor.

18 So, you mean you don't want me to read  
19 this articles and you can read them?

20 JUDGE FOELAK: No. No. No. It's --  
21 it's in an exhibit.

22 MR. ZHOU: Okay. Thank you.

23 So, I have a request, can we take a  
24 break? My throat it's a little bit tired.

25 JUDGE FOELAK: Okay. Very good.

1 Do you -- do you have very much more?

2 MR. ZHOU: Yeah. Yeah. We -- we still  
3 have a lot. Still a lot. You can scroll down a  
4 little bit and see the questions.

5 JUDGE FOELAK: Okay. Okay. Well, I  
6 mean, you -- you don't need to read exhibits.

7 MR. ZHOU: Yeah. Mr. Bruckmann ask a  
8 lot of good questions we haven't answered yet.

9 MR. MOELLER: There -- there's -- Your  
10 Honor, there's many facts that -- that were  
11 raised in -- in the prior testimony that -- that  
12 were not --

13 JUDGE FOELAK: Okay. Okay. And I  
14 understand. How much time do you want for the  
15 break? 15 minutes or -- or what?

16 MR. MOELLER: Fifteen minutes good,  
17 Zhou?

18 MR. ZHOU: Yeah.

19 MR. MOELLER: Yeah.

20 JUDGE FOELAK: Okay. Until the hour.

21 MR. ZHOU: Thank you, Your Honor.

22 MR. MOELLER: Thank you, Your Honor.

23 (A brief recess was taken.)

24 JUDGE FOELAK: Let's go back on the  
25 record.

1 MR. ZHOU: Can we proceed?

2 JUDGE FOELAK: Yes.

3 MR. ZHOU: Okay. Scott, let's go to  
4 the script, page seven, big title five.

5 Okay. Here is the questions. This is  
6 very good questions we need to answer, address.  
7 Day two transcript, 393, 3 to 24.

8 MR. MOELLER: Okay. Okay. Page 393,  
9 line three:

10 "QUESTION: Section three on page 30  
11 says, Locke token price: Ducat tokens will not  
12 launch until the price of Locke tokens reaches a  
13 minimum value of 10 cents U.S. dollar per token  
14 for consecutive one-month period. There's no  
15 guarantee this -- that this will happen.  
16 CryptoFed uses U.S. dollar-pegged Stablecoin  
17 proceeds held in reserve to buy back Locke  
18 whenever the Locke's price falls below three  
19 percent -- falls three percent below its previous  
20 price for a 24-hour period or falls five percent  
21 below its previous price for a one-hour period.  
22 Whenever the Locke's price falls 30 percent below  
23 its previous price for a 24-hour period CryptoFed  
24 has the authority to use all its CryptoFed U.S.  
25 pegged Stablecoin reserves to buy back Locke

1 tokens. If the CryptoFed U.S. dollar-pegged  
2 Stablecoin reserve is depleted the Locke token  
3 market price may have a risk of free fall?

4 Yeah.

5 So, my first --

6 QUESTION: So, my first question, Mr.  
7 Moeller, is, isn't this paragraph describing the  
8 collapse of the ponzi scheme?"

9 MR. ZHOU: Thank you, Scott.

10 It's a very good question, Mr.  
11 Bruckmann.

12 Let's go back to script.

13 So, here is my answer. A little bit  
14 long. We may pull in different exhibit to  
15 explain. This is very good question, but very  
16 complicate and involve a few economic theories to  
17 understand.

18 So, even if U.S. dollar-pegged reserve  
19 becomes zero, even if Locke market price has a  
20 free fall, the Ducat economic zone can still have  
21 a business at zero because pursuant to the  
22 constitution section 11.1 --

23 There is an echo somewhere?

24 JUDGE FOELAK: Keep going.

25 MR. ZHOU: Okay.

1 JUDGE FOELAK: No.

2 MR. ZHOU: Thank you.

3 Pursuant to the constitution's section  
4 11.1 and 11.2, the merchant will receive  
5 additional Ducat to cover exchange rate loss  
6 automatically at the Ducat U.S. dollar one to  
7 one. Your smart contract. While the consumer can  
8 continue enjoy the benefit of cheaper Ducat price  
9 against the U.S. dollar pursuant to the  
10 constitution section eight.

11 Let me explain what is going on here.

12 Scott, can you help me read section  
13 11.1 and 11.2 so that we bring everybody to the  
14 same page. This will set us completely different  
15 as from others.

16 MR. MOELLER: And this is back to the  
17 U.S. -- not -- to the American CryptoFed  
18 constitution. 11.1 -- and this is conversion  
19 from Ducat to U.S. dollars.

20 11.1: CryptoFed will cover all related  
21 transaction fees incurred when business Ducat  
22 holders exchange Ducat to USD pegged Stablecoins  
23 or USD on crypto exchanges. A list of eligible,  
24 compliant exchanges will be published and updated  
25 subject to approval by Locke token holders

1 through a valid vote. If the market exchange  
2 rate for Ducat falls below Ducat to U.S. dollar  
3 one to one, CryptoFed will make up the difference  
4 in Ducat to insure business Ducat holders always  
5 receive a minimum of one U.S. dollar for every  
6 Ducat exchanged. This section will  
7 automatically -- will be automatically annulled  
8 when one Ducat equals 1.3 U.S. dollars for a  
9 consecutive 12-month period.

10 MR. ZHOU: Go to the next section too.

11 MR. MOELLER: 11.2: Individual Ducat  
12 holders may exchange Ducat for USD at market  
13 value on compliant crypto exchanges and must pay  
14 all related transaction fees themselves seeing  
15 that they always have the option to redeem Ducat  
16 at participating merchants for goods and services  
17 with zero transaction costs.

18 MR. ZHOU: Your Honor, let me explain  
19 these two sections a little bit.

20 For business like merchant, they will  
21 now subject to exchange rate risk. Every time  
22 when their exchange rate loss, the smart contract  
23 will automatically send additional Ducat to them  
24 to cover the difference because Ducat, the  
25 CryptoFed, has unlimited capacity to issue as

1 long as there are no inflation.

2 So, whenever there's some exchange rate  
3 loss, the merchant feel they will have or they  
4 actually have, the smart contract will take  
5 action and by protocol will cover that loss.  
6 What that means, that means on their store, goods  
7 and services, the price priced in Ducat will not  
8 need to change.

9 JUDGE FOELAK: But that -- okay.  
10 That's -- okay. That protection is stopped  
11 forever when Ducat reaches 1.3 U.S. dollars for a  
12 consecutive 12-month period?

13 MR. ZHOU: Yeah. When -- you know,  
14 when everything stable -- when everything stable,  
15 we will go to full market price, but to reach  
16 that level with Ducat constantly for one year and  
17 maintain that for 12 months 1.3 U.S. dollar means  
18 Ducat already established itself. What is  
19 difficult is hard to establish in the beginning,  
20 but we can continue this if we modify that. I --  
21 I'm still thinking a lot of mechanism.

22 JUDGE FOELAK: Okay. I just wanted to  
23 clarify my understanding.

24 Okay, please keep going.

25 MR. ZHOU: Okay. So, the consumer does

1 not have protection of the exchange rate -- rate  
2 loss because they already enjoy the goods and  
3 services at the merchant store. They can always  
4 go to the merchant to buy goods and services at  
5 the same price because the merchant will have no  
6 incentive to change any price because they -- the  
7 merchant's loss will be covered.

8           So, what that means -- the implication  
9 means when the Locke token have free fall cannot  
10 support Ducat anymore, but Ducat itself may fall  
11 to some extent, but when Ducat price fall too  
12 much, for example, 20 percent or 10 percent, the  
13 consumer will come into buy the Ducat. Why?  
14 They can buy cheaper Ducat and go to the store,  
15 merchant, to enjoy the same price.

16           So, the -- the cheaper of Ducat, the  
17 more price falling of Ducat, the more consumer  
18 will come to buy because they still can enjoy the  
19 same price of goods and services. This mass  
20 buying of Ducat will maintain the Ducat price  
21 level. Because this mass buy Ducat by consumer  
22 yields their U.S. dollar-pegged Stablecoins. And  
23 the U.S. dollar-pegged Stablecoin reserve will  
24 start to build up again. That crisis can be  
25 recovered by this mechanism.



1           This mechanism is automatically built  
2   in in the protocol. It can change with a lot of  
3   wealth, but this is effective. We can improve it  
4   along the way, but here you can see, it's not  
5   like Mr. Bruckmann said is a ponzi scheme class.  
6   It's not Ponzi at all. Ponzi does not involve  
7   goods and services continued to the full consumer  
8   to redeem it and maintain the same price. And  
9   also remember, Your Honor, Ducat has unlimited --  
10   we can un-limit issue it. Issue it until  
11   everything recover.

12           Okay. So, Scott, go back to the  
13   script.

14           This is a little bit difficult to  
15   understand. So, let me take some time -- a  
16   little bit of time to read this slow to refresh  
17   everybody and make sure what I explain people  
18   understand, get everybody to the same page  
19   because ponzi scheme allegation is -- is a fraud  
20   allegation. It's criminal. So, we want to avoid  
21   that part of allegation.

22           Okay. So, let's start from the second  
23   paragraph: The merchant will not care about  
24   exchange rate fluctuation between Ducat and U.S.  
25   dollar for a while. Even that, American

1     CryptoFed can issue unlimited Ducat. In theory,  
2     American -- American CryptoFed can support the  
3     merchant forever. As a result, merchant will not  
4     need to change the price of goods and services at  
5     their store even if Ducat exchange rate against  
6     the U.S. dollar keeps falling.

7             Scroll down a little bit, Scott.

8             MR. MOELLER: Yep.

9             MR. ZHOU: Good.

10            At the same time, from consumer side,  
11    as long as the price of goods and services at  
12    merchant store remain the same, consumer will use  
13    their U.S. dollar to buy more and more Ducat. If  
14    Ducat market price against the U.S. dollar  
15    continue falling because the Ducat's purchasing  
16    power does not change, zero inflation, zero  
17    deflation, the consumers buying Ducat for the  
18    purchases of goods and -- for the goods and the  
19    services -- I missed the services -- at merchant  
20    store will support the Ducat and eventually bring  
21    the Ducat back to its -- to its target exchange  
22    rate.

23            As a result of consumers buying Ducat  
24    with the U.S. dollar-pegged Stablecoin, American  
25    CryptoFed's reserve of U.S. dollar-pegged

1     Stablecoin will keep increasing. The open market  
2     operation finding in the constitution section 13  
3     can continue.

4             So, what I describe above is a --

5             JUDGE FOELAK: Okay. The last  
6     paragraph is kind of more like argument. You  
7     know, you can move on.

8             MR. ZHOU: Okay. So, we don't need to  
9     read the -- the next paragraph, okay.

10            So, Your Honor, do you want to look at  
11    the constitution section 13 or not?

12            MR. MOELLER: It's pretty good. The --

13            JUDGE FOELAK: Okay. Paragraph 13 or  
14    13.2.

15            MR. MOELLER: Open Market Operations?

16            MR. ZHOU: Yeah.

17            MR. MOELLER: Okay. So, you want me to  
18    read that, Zhou.

19            MR. ZHOU: Uh-huh.

20            MR. MOELLER: Okay. 13.1: CryptoFed's  
21    open market operations equivalent to the Federal  
22    Reserve's open market operations refers to the  
23    practice of buying and selling between Locke and  
24    Ducat on open crypto exchange markets in order to  
25    regulate the money supply of Ducat so that the

1 target equivalent exchange rate between Ducat and  
2 U.S. dollar is maintained and only fluctuates  
3 within the two percent variation range.

4 MR. ZHOU: Go ahead.

5 MR. MOELLER: Continue?

6 13.2: CryptoFed uses its USD pegged  
7 Stablecoin reserve to buy back Locke as guided by  
8 CryptoFed's Linear Quadratic Glaceon controller,  
9 the LQG, or machine learning, in its ordinary  
10 course of business to maintain the target  
11 equilibrium exchange rate. However, CryptoFed  
12 must buy by Locke tokens whenever the Locke's  
13 price falls three percent below its previous  
14 price for a 24-hour period or falls five percent  
15 below its previous price for a one-hour period.  
16 Whenever the Locke's price falls 30 percent below  
17 its previous price for a 24-hour period,  
18 CryptoFed has the authority to use all  
19 CryptoFed's USD pegged Stablecoins in its reserve  
20 to buy back Locke tokens.

21 MR. ZHOU: The last one.

22 MR. MOELLER: In the instance that --

23 13.3: In the instance that individuals and  
24 businesses aggressively exchange Ducat for USD to  
25 defend the target equilibrium exchange rate,

1    which is one Ducat to one U.S. dollar, and then  
2    the mathematical formula is the loss of inflation  
3    or erosion of inflation of the U.S. dollar,  
4    CryptoFed will aggressively buy back Ducat with  
5    Locke to reduce Ducat circulation and absorb the  
6    selling pressure. The adjustment of which will  
7    be guided by CryptoFed's Linear Quadratic Glaceon  
8    controller. In conjunction, a strong and  
9    consistent Ducat selling pressure requires that  
10   CryptoFed reduces the Ducat rewards rate to  
11   discourage spending Ducat and increases the Ducat  
12   interest rate to encourage holding Ducat. The  
13   adjustment of which will be guided by machine  
14   learning.

15               MR. ZHOU: Thank you, Scott.

16               Let's go to -- go back to the script.  
17   Go back to the script.

18               So, Your Honor, don't want me to  
19   read --

20               JUDGE FOELAK: No. Okay. Right. Okay,  
21   keep going.

22               MR. MOELLER: Yeah.

23               MR. ZHOU: Okay, keep going. Okay,  
24   keep going. We have exhibit, yeah.

25               MR. MOELLER: Well, the difference in

1 our model versus Terra LUNA or other ones.

2 JUDGE FOELAK: Okay. Well, we can read  
3 the exhibits for ourselves. Okay, keep going.

4 MR. ZHOU: So, their -- their exhibits.  
5 So, you don't need -- don't want me to read this?

6 JUDGE FOELAK: No.

7 MR. ZHOU: Okay. So, all this are  
8 economic theories supporting this. And like --

9 MR. MOELLER: Well, this -- this  
10 Exhibit 84 is our own writing on it.

11 MR. ZHOU: Yeah. It is our own on  
12 website.

13 JUDGE FOELAK: Right. Right.

14 MR. ZHOU: Okay. Can we show that to  
15 explain a little bit?

16 JUDGE FOELAK: Okay, go ahead.

17 MR. MOELLER: Thank you.

18 And this is a website capture, okay.

19 So, this is Ducat as an ideal currency.  
20 Ducat is a managed floating currency relative to  
21 the U.S. dollar. Managed by machine learning and  
22 linear control methods to target zero inflation  
23 and zero deflation. As the purchasing power of  
24 USD erodes over time due to inflation, the  
25 exchange rate between Ducat and USD increases

1 according to the target exchange rate.

2 MR. ZHOU: Okay. Scott, do me a favor,  
3 scroll down a little bit.

4 MR. MOELLER: Yeah.

5 MR. ZHOU: On the left hand, on the  
6 left -- far left, read this Stablecoin, USD  
7 tabular, whatsoever. So, read the bottom.

8 MR. MOELLER: Okay. So, this is, Fixed  
9 Currency: Money supply decided by USD backed up  
10 collateral. After USD decoupled from the gold  
11 standard in 1971 it no longer had any precious  
12 metal back up. The only advantage that USD has  
13 over Ducat is mandatory acceptance.

14 MR. ZHOU: Then read the same place of  
15 Ducat on the far left -- far right.

16 MR. MOELLER: Far right?

17 MR. ZHOU: Yes.

18 MR. MOELLER: Okay. With Ducat you  
19 have no collateral back up. Money supply decided  
20 by the target exchange rate, TER. Market price  
21 is managed to be close to the target via machine  
22 learning and linear control theory applied to on  
23 chain data.

24 MR. ZHOU: Okay. Thanks, Scott.

25 Let's go back to the script.

1           Your Honor, I want to get your  
2   permission to read just one or two sentence  
3   Exhibit 266. It's -- it's Federal Reserve  
4   Chairman, former chairman Ben Bernanke, who  
5   received the Noble Prize I think last year.

6           JUDGE FOELAK: Is this about -- sir, is  
7   this about your cryptocurrency?

8           MR. ZHOU: This is the theories we are  
9   using to build this and we can --

10          JUDGE FOELAK: Okay. Just -- just --  
11   we can -- I mean, we can look at your exhibits in  
12   evidence. Let's keep going.

13          MR. ZHOU: Okay. So -- so, there --  
14   there is something -- we have to explain why we  
15   different from LUNA, different from FTX,  
16   different from all others. So, this is -- this  
17   one sentence or two sentences is quite critical.

18          JUDGE FOELAK: Okay. Okay. Read the  
19   two sentences.

20          MR. ZHOU: Okay.

21          MR. MOELLER: Page four?

22          MR. ZHOU: Yeah.

23          MR. MOELLER: Starting with, I had?

24          MR. ZHOU: To the extent.

25          MR. MOELLER: To the extent.



1 JUDGE FOELAK: To the extent that.

2 MR. ZHOU: Page four. You are in page  
3 two.

4 MR. MOELLER: Sorry. Sorry. Sorry.  
5 Yeah. I was on page four of the PDF.

6 Here's page four.

7 MR. ZHOU: Last sentence of the first  
8 paragraph.

9 MR. MOELLER: Okay. Got it now. Got  
10 it now. Sorry.

11 Okay. To the extent that they have  
12 additional exchange rate objectives, foreign  
13 policy makers are constrained primarily by the  
14 Mundell Fleming trilemma, the impossibility of  
15 combining free capital flows, independent  
16 monetary policy and exchange rate targets not by  
17 U.S. policy, per se.

18 MR. ZHOU: Your Honor, here is  
19 impossibility of combining free capital flows,  
20 okay. Both Terra LUNA or every others have free  
21 capital flow. Ducat has a capital flow also.

22 Independent monetary policy and -- we  
23 have because we can adjust the interest. We can  
24 have a physical policy, a lot of policy to do  
25 that. And exchange rate target, fixed exchange

1 rate, we do not have fixed exchange rate. So, we  
2 only choose two because three to maintain is  
3 impossible. This is economic theory say, you  
4 cannot have simultaneously free capital flow and  
5 adjust your interest at your discretion and you  
6 can have a fixed exchange rate. So, what's the  
7 problem of all other currency Stablecoins he has  
8 to -- he has to fail, become disaster, they try  
9 to have three.

10 Let's look at Terra LUNA, let's look at  
11 all others, capital flow is free, okay. They  
12 enjoy free capital flow. They have fixed  
13 exchange rate one to one to U.S. dollar. They  
14 also want independent money for policy they add,  
15 just like say, we pay 20 percent. FTX say we pay  
16 eight percent. So, they put three together,  
17 fixed exchange rate, free flow monetary policy  
18 like exchange rate, very high exchange rate, and  
19 still allow capital flow freely. That will never  
20 work based on this -- this economic model.

21 It's already well-established in --  
22 between two different economic zones. Because  
23 they have three simultaneously, when the Federal  
24 Reserve, the U.S. dollar economic zone, increase  
25 their interest rate, make it more favor for

1 customer, investors, business, capital will flow  
2 out from Terra LUNA, from -- out from FTX. It  
3 will go more to the U.S. dollar zone, okay. Then  
4 they will collapse. They do not have floating  
5 exchange rates as a buffer to adjust like what I  
6 explained to, Your Honor, before.

7           So -- so -- so -- so, we can survive  
8 because we have floating exchange rate. Even we  
9 tried to manage it some, but bottom line is, we  
10 are floating exchange rate. We allow them to  
11 free fall. We allow them to fall to the extent  
12 when customer feel -- consumer feels they can  
13 enjoy benefit. However, there is one thing we  
14 need to make sure, merchant will get their whole,  
15 keep the store price, good and services, no  
16 change. Maintain the regular store price. Keep  
17 the table of consumers as zero.

18           JUDGE FOELAK: Thank you.

19           MR. ZHOU: So, that's our design.

20           JUDGE FOELAK: Okay, thank you.

21           MR. ZHOU: Okay. Go back to --

22           MR. MOELLER: Yep.

23           MR. ZHOU: So, we have a lot of  
24 exhibits to the explain our economic theories.  
25 And let me read my comment here. It's a diagram,

1 the same thing I explain with -- Your Honor, you  
2 read you will -- you will see that.

3 So, this can explain why -- what is the  
4 differentiation between Ducat versus the U.S.  
5 dollar-pegged Stablecoin like Terra LUNA, FTX,  
6 Gemini, Genesis and why Terra LUNA, FTX, Genesis  
7 can collapse and why Ducat can maintain its  
8 sustainability.

9 So, we learned the lesson in the past  
10 of gold standard how U.S. decoupled from gold  
11 standard in 1930 and why President Nixon  
12 decoupled the gold in 1971. We learn all those  
13 lessons, okay.

14 So -- so, we don't need to do those  
15 exhibits. Let's go --

16 MR. MOELLER: Open market operations?

17 MR. ZHOU: Yeah. We already read that.  
18 I think the fed has open market operations. I  
19 think Your Honor doesn't want us to read.

20 Day two transcript, page 28 -- 2827.

21 MR. MOELLER: Okay. Oops 280 -- back  
22 to page -- day two of the transcript:

23 "QUESTION: Mr. Moeller, before I move  
24 on, let me talk to a little -- little bit more  
25 about smart contracts with you. The smart

1 contracts you just referenced, does American  
2 CryptoFed control those smart contracts?"

3 MR. ZHOU: Okay. Go back to -- let's  
4 go back to the script.

5 Here's my explanation. This is very  
6 good question, Mr. Bruckmann. Thank you.

7 Honestly, this will never happen.

8 JUDGE FOELAK: I thought you were going  
9 to talk about smart contracts -- oh, okay, sorry.  
10 Now I'm going to explain why, okay.

11 MR. ZHOU: Yeah. I'm going to explain  
12 who controls the smart contract.

13 JUDGE FOELAK: Right. That's -- right.

14 MR. ZHOU: Yeah. So -- so, that's why  
15 I believe this is extremely well asked question.  
16 It's important. All the scandal happen today,  
17 FTX, all others, related to this.

18 Ponzi scheme will never happen if  
19 American CryptoFed neither owns, nor controls,  
20 the U.S. dollar-pegged Stablecoin proceed due to  
21 decentralized governance. We already explain why  
22 the U.S. dollar-pegged Stablecoin reserve does  
23 not belong to American CryptoFed and cannot be  
24 recognized as a revenue and assets.

25 Now, I'm going to explain why American

1     CryptoFed does not control the same -- the -- the  
2     smart contract for the U.S. dollar-pegged  
3     Stablecoin reserve.

4                 So, Your Honor, I'm going to use  
5     Exhibit 291, Exhibit 280, to do some explanations  
6     if you -- if I have your permission.

7                 JUDGE FOELAK:   Okay.   Let's see.

8                 MR. MOELLER:   Okay.

9                 MR. ZHOU:   Yeah.   So -- so, we explain  
10    this during subpoenas response a little bit, but  
11    this is the direction we are going to go, but  
12    doesn't mean we have settled with this software,  
13    but this software provides a direction we want to  
14    go.

15                Okay.   Scott, can you scroll down.  
16    There is very short description.   Okay, here.

17                Can you help me read the multi  
18    signature?

19                MR. MOELLER:   Yes.   And this is, Open  
20    Source Software.   Multi Signature:   Fully  
21    customize how you manage your company's crypto  
22    assets with the option to require a pre-defined  
23    number of signatures to confirm transactions.  
24    Require multiple team members to confirm every  
25    transaction in order to execute it which helps

1 prevent unauthorized access to company crypto.

2 MR. ZHOU: So, Your Honor, this will  
3 start to decentralize the control from MShift  
4 once SEC approve when we give up all our power  
5 that -- we delegate all our power right away. We  
6 need multiple people start to control the smart  
7 contract. We need -- we need decentralize. This  
8 is starting point just to let, Your Honor, know  
9 we are exploring those feasibilities to make sure  
10 nothing go wrong.

11 So, go to the next exhibit.

12 The more people involved, more multiple  
13 controls, the better.

14 Scott, go to the next.

15 MR. MOELLER: Got it.

16 MR. ZHOU: Okay.

17 MR. MOELLER: And this is, Introducing  
18 SafeSnap.

19 MR. ZHOU: Yeah. You just need the --  
20 the subject and the first -- the first -- the  
21 title and the first paragraph.

22 MR. MOELLER: Okay. Starting with,  
23 Combining?

24 MR. ZHOU: No. No. Starting from,  
25 Induction, including -- Introducing.

1                   MR. MOELLER: Okay. Introducing  
2 CitySnap: The first in a decentralized  
3 governance tool suite for the Gnosis safe.  
4 Combining the Gnosis safe would decentralize  
5 government platform SnapShot. SafeSnap enables  
6 decentralized execution of crypto governance  
7 proposals through on-chain exchange of off-chain  
8 votes.

9                   MR. ZHOU: Go to the next paragraph  
10 too.

11                  MR. MOELLER: While decentralized  
12 finances on Ethereum has occupied the forefront  
13 of conversations, its rise has also precipitated  
14 a tremendous increase in decentralized  
15 governance. Over the past year three strong  
16 trends in decentralized governance emerged in the  
17 Ethereum ecosystem.

18                  MR. ZHOU: Just read number one. That's  
19 good enough.

20                  MR. MOELLER: Number one, Progressive  
21 Decentralization. Centralized teams seeding  
22 control of their creations to their community,  
23 user base token holders.

24                  MR. ZHOU: Thank you, Scott. Hold on  
25 this.



1           Your Honor, we already discuss how we  
2   set the constitutions and how it start from  
3   MShift and how we are going to delegate and give  
4   all our powers, our right, to the token holders.  
5   And then, we need real processes easy control by  
6   the token holders. And -- so that we have a  
7   process to help the delivery of the newborn  
8   American CryptoFed in -- towards the  
9   decentralized way. So -- and -- and eventually  
10   we will completely remove MShift from any  
11   control.

12           So, Scott, go to the diagram. It's  
13   close to the bottom.

14           MR. MOELLER: This one?

15           MR. ZHOU: No. No. No. No. No.

16           Okay. So, this is diagram, basically,  
17   explain how we imagine in the future and American  
18   CryptoFed work, but all this is concept with  
19   merchant, with bank, with all the participants.  
20   Just like what I -- we already said, Mr. John  
21   Locke set up money by mutual consent. So, we  
22   need voting system work without anybody control.

23           So, on the left it's just the voting,  
24   okay. We get the voting system work. And then  
25   you get a yes or no. And then, the voting is

1 off-chain. It's not on-chain, but because it's --  
2 it's -- if you're on-chain it's very expensive.  
3 So, it's off-chain and then move to on-chain.

4           You can see somewhere in the software  
5 called Realty ETH -- dot ETH. This software is  
6 really used -- even used by Tokyo -- Tokyo --  
7 Tokyo Stock Exchange. I haven't fully explored  
8 how Tokyo Stock Exchange use it, but they -- they  
9 said they are using it, okay. That I'm still  
10 doing visibility study.

11           So, we have a DAO mojo and they say,  
12 Hey, it's -- this voting approved or not. And  
13 someone need to improve this, say yes or no.  
14 Like, the voters someone will say, Hey, it's vote  
15 yes. If someone challenge it, No. No. No, you  
16 are wrong, the voting haven't approved, you need  
17 to post double down. And another one saying,  
18 Hey, you said wrong, another people will put  
19 double bond -- double down to correct -- to  
20 correct the results. So, this is crowded sources  
21 to confirm something is wrong or not using  
22 economic escalation game to make sure everything  
23 is correct. The voting is voting, but without  
24 centralized control.

25           So, when the last one say here it is,

1     then we will set up in the software waiting for  
2     24 hours or 36 hours, whatsoever the hour for  
3     cooling time, so that there are no abuse. In the  
4     beginning because, Your Honor, we already show  
5     there are multiple accounts, multiple -- multiple  
6     signatures at -- at the beginning still watch  
7     this, still hold that, we will select the people  
8     to see whether their malicious guys try to  
9     manipulate the process, but when it become mature  
10    we will remove MShift or any delegated people to  
11    control.

12                 In the bottom you can see, Safe owners,  
13    veto power, that piece will be removed. When that  
14    piece will be removed, that piece removed  
15    everything become automatically. MShift will  
16    never involve all those reserve accounts. It's  
17    all -- all deferred to the token holders vote.

18                 However, this software need to be  
19    tested, retested and -- and certified, code  
20    review to -- we -- you know, merchant, banks,  
21    they have big trove of engineers. They are  
22    professionals just to review all those codes to  
23    prevent anything -- any malicious can happen.

24                 So -- so, we will -- we will do our due  
25    diligence, make sure there are no big -- big

1     hacks to be allowed.

2                   Go back to the script.  Thank you,  
3     Scott.

4                   MR. MOELLER:  Sure.

5                   MR. ZHOU:  So, Exhibit 263, this is SEC  
6     description about -- about ponzi scheme.  If I  
7     have your permission, Scott, can you help me read  
8     the first two paragraphs.

9                   MR. MOELLER:  Yes.  Ponzi scheme:  A  
10    ponzi scheme is an investment fraud that pays  
11    existing investors with funds collected from new  
12    investors.  Ponzi scheme organizers often promise  
13    to invest your money and generate high returns  
14    with little or no risk, but in many Ponzi  
15    schemes, the fraudsters do not invest the money.  
16    Instead, they use it to pay those who invested  
17    earlier and may keep some for themselves.  With  
18    little or no legitimate earnings, Ponzi schemes  
19    require a constant flow of new money to survive.  
20    When it becomes hard to recruit new investors or  
21    when large numbers of existing investors cash  
22    out, these schemes tend to collapse.

23                   MR. ZHOU:  Thank you, Scott.

24                   Your Honor, I already described, we do  
25    not have a central control.  We were -- we were

1 never intended to have a central control. And  
2 our economic system will not collapse. I already  
3 explained based on economic theories, it's  
4 well-established theories. And -- and there's  
5 some characteristics about all the things.

6 So, Scott, can you scroll down a bit.  
7 Scroll down a bit to red flags all about this.

8 Okay. And -- and we do have a risk.  
9 And we do not have open account systems returns  
10 because, you know, with the floating exchange  
11 rate and the consumer, they all look at the  
12 floating exchange rate and we come to register  
13 it, okay.

14 So -- so, I mean, there -- the -- the  
15 many things described as a ponzi scheme it  
16 really, really does not apply to us. We can go  
17 on and on and describe what it does not apply to  
18 us. It do not apply to us.

19 JUDGE FOELAK: Thank you. It wasn't  
20 alleged in the OIP, but the Division did, you  
21 know, of course, use the term in -- in one of  
22 their questions. So, what you've said has been  
23 very helpful.

24 MR. ZHOU: Thank you.

25 So, go to the script.

1 MR. MOELLER: Day two transcript?

2 MR. ZHOU: Yeah. So -- so, yeah,  
3 transcript 392.

4 JUDGE FOELAK: Didn't we just do that  
5 about --

6 MR. ZHOU: 392 -- Your Honor, I beg  
7 your pardon?

8 JUDGE FOELAK: That doesn't -- that  
9 question, Doesn't American CryptoFed control the  
10 smart contract, that's what you just -- you've  
11 already addressed that, right?

12 MR. ZHOU: Yeah. We do not control.

13 JUDGE FOELAK: Right. Right. Right.  
14 Right. So.

15 MR. MOELLER: Okay. This is Mr.  
16 Bruckmann: "Mr. Moeller, let me stop you right  
17 there, all right. Do you understand that the  
18 U.S. dollar is backed by the full faith and  
19 credit of the United States government which  
20 includes assets such as publicly owned land,  
21 mineral rights, the gold stored in Fort Knocks  
22 and has the ability to levy taxes on income and  
23 customs duties upon imports, among other ways,  
24 that can raise revenue and grow it's assets?  
25 Yes. So, let me ask you, does American CryptoFed

1 own any gold?" And he continues on.

2 MR. ZHOU: Yeah. Next question -- next  
3 a few questions. Just -- just read the  
4 questions.

5 MR. MOELLER: "Does American CryptoFed  
6 own any gold? Does American CryptoFed own any  
7 land? And does the American CryptoFed have the  
8 ability to levy taxes?

9 MR. ZHOU: Okay. So, go back to the  
10 script.

11 MR. MOELLER: Yep.

12 MR. ZHOU: So, Exhibit 274.

13 MR. MOELLER: Yeah. Okay. And this is  
14 from the Federal Reserve Board of Governance.

15 MR. ZHOU: The last sentence.

16 MR. MOELLER: While American have long  
17 held money to be predominantly in -- in digital  
18 form, for example, in bank accounts, payment apps  
19 or through on-line transactions, a CBDC, or  
20 Central Bank Digital Currency, would differ from  
21 existing digital money available to the general  
22 public because a CBDC would be a liability of the  
23 Federal Reserve not of the commercial bank.

24 MR. ZHOU: Okay. So, what I tried to  
25 explain, Your Honor, today, the U.S. dollar,

1 majority of them, are the liability of commercial  
2 banks. Not the liability of U.S. federal  
3 government.

4 JUDGE FOELAK: Okay, thank you.

5 MR. ZHOU: So, that's a fact.

6 Okay. Then, U.S. government have no  
7 obligation to back up those U.S. dollars because  
8 they are liability of commercial banks.

9 Go to the next -- next exhibit --  
10 exhibit.

11 MR. MOELLER: The gold standard?

12 MR. ZHOU: Yeah.

13 MR. MOELLER: This is Federal Reserve  
14 Bank of St. Louis.

15 MR. ZHOU: Yes. Read the first  
16 sentence, first paragraph.

17 MR. MOELLER: Yes. At one time or  
18 another, many of the major countries around the  
19 world had monetary systems based on a gold  
20 standard. Currency that could be redeemed, at  
21 least in part, for gold, but not a single country  
22 does so today. The U.S. and many other economies  
23 abandoned the gold standard more than 40 years  
24 ago.

25 JUDGE FOELAK: Okay. Thank you.



1                   MR. ZHOU:   Okay.

2                   JUDGE FOELAK:   Next.

3                   MR. ZHOU:   Next one.   So, there are no  
4 gold back up of U.S. dollars.   This is from  
5 Federal Reserve.

6                   MR. MOELLER:   Yeah.

7                   MR. ZHOU:   This will show there is no  
8 tax money is there to back up U.S. dollar either.  
9 Deficit for decades, for long time.   So, even the  
10 U.S. dollar is commercial bank's liability, it's  
11 private bank liability.   The U.S. government  
12 accept it and continue to borrow from the private  
13 sector because the huge deficit.   I believe today  
14 or tomorrow their deficit budget ceiling is in  
15 Congress, still in discussion.

16                   Okay.   Thanks, Scott.   Go back to the  
17 script.

18                   MR. MOELLER:   Okay.   And we just -- we  
19 just did that.

20                   MR. ZHOU:   Yeah.

21                   JUDGE FOELAK:   Okay.   Right.   We don't  
22 need to read from these exhibits.

23                   MR. ZHOU:   Okay.   So -- so, go to day  
24 two transcript, page 292, line 14-15.

25                   MR. MOELLER:   Okay.   Yeah, we did -- we

1 just did that.

2 MR. ZHOU: We did, okay.

3 So, we already -- the Exhibit 4 we  
4 already did because we say we do not have  
5 anything to back up. And then -- it's -- it's  
6 Exhibit 84 Scott did previously.

7 So, Your Honor, then there is Exhibit  
8 61 and Exhibit 62, but it's already in -- it's  
9 already in.

10 JUDGE FOELAK: Exactly. Exactly. So,  
11 you can move on.

12 MR. ZHOU: Yeah. So we can say,  
13 basically, the meaning here is, Chairman Gensler  
14 already told us there are no law prohibit to  
15 create a private -- a private currency. And  
16 former Chairman Jay Creighton said, if you  
17 competing with replacing -- trying to competing  
18 replacing with solvent currency, it's not  
19 security, but we do not argue for that. Whatever  
20 the SEC asks us we will follow, but we need --

21 JUDGE FOELAK: Okay. Okay. Okay. You  
22 can move on.

23 MR. ZHOU: Yeah. So, there -- there  
24 are some additional questions. One important we  
25 have well prepared a lot of additional questions,

1 a lot, a lot, but one that's important as in this  
2 morning I tried to prepare --

3 Scott, can you read it. Go to page  
4 336.

5 MR. MOELLER: Yep. 8 through 10:

6 "QUESTION: Why would Locke increase in  
7 value if American CryptoFed has no assets, no  
8 revenue and, according to you, never will?"

9 And page -- continue on?

10 MR. ZHOU: It's okay.

11 So, this is the very, very good  
12 question. A lot of people ask why.

13 Okay. We already demonstrate there are  
14 two economic zones. One, it's Ducat economic  
15 zone. Another is U.S. dollar economic zone. In  
16 both sides we probably share the same merchant  
17 business consumer.

18 Now, it's competition among those two  
19 economic zones. Currency, a better stable, no  
20 inflation currency, carry a lot of reward, will  
21 attract more consumer, more business. So, two  
22 economic zone -- current economic zone compete  
23 with each other is what -- how I described. I  
24 think on day three we already agreed that. That  
25 is private token money. Okay. He published that

1 book, Denationalization of Money in 1976.

2           So, competition of the -- of money in  
3 one economic -- geographic economic country is  
4 variable, but who can do better? We believe we  
5 can do better. There are many economic theories.  
6 Your Honor, I say you do not allow us to read C.  
7 And we can prove we have better currency, Ducat,  
8 than U.S. dollar.

9           So, now it's a choice for the consumer  
10 will look at when we present the whole thing.  
11 Like we describe in our Form S-1, Form 10, we  
12 will continue to file additional information  
13 graphically. We did that and the SEC stopped us.  
14 So, we'll continue to file to make it attractive.  
15 Merchant join, banks join, government -- local  
16 government join, okay. They work together. They  
17 modify why -- modify the constitution. They  
18 become Blockchain -- block producer. All of this  
19 will present to all the people. This will have  
20 the future, better currency.

21           Token like Locke will be a governance  
22 token. And we should not forget, in our  
23 constitution all the proceeds flows into Ducat  
24 economic zone has only one dest -- destination.  
25 They can only do one thing, purchase Locke. All

1 the Stablecoin -- U.S. dollar Stablecoin flow  
2 into Ducat economic zone will only do one thing,  
3 purchase Locke -- Locke token. So, that is what  
4 we describe.

5 Will that have a value? We started  
6 from zero value. We give the risk factors to  
7 have no value, but when this community come  
8 together, especially involve large merchant, as  
9 we have done, and -- like, we also involve state  
10 mayors, cities, it will have value. That's our  
11 guess, but we need to see because we never  
12 allowed to come into the reality to launch it.  
13 The big, big hurdle now is the SEC. We need to  
14 resolve this problem to let this new innovation  
15 to become true.

16 JUDGE FOELAK: Okay, thank you.

17 MR. ZHOU: That's my testimony. I  
18 think my -- my note -- my throat has problem.  
19 It's starting to end.

20 Scott, can you close this.

21 MR. MOELLER: Yeah. Sure.

22 MR. ZHOU: I'm ready to answer some  
23 questions from the Division or we can set up the  
24 additional day. You guys, can prepare. We can  
25 set up another day to come back, I'm totally

1 fine, for you guys to organize all -- all the  
2 discussion today and give me direct questions. A  
3 lot of questions I will welcome. And -- and  
4 there are many questions I haven't answered, Mr.  
5 Bruckmann. So, we -- if you allow, we -- we can  
6 prepare and continue to answer so many questions.  
7 Very good questions, great questions, we believe  
8 we do need to answer.

9 JUDGE FOELAK: Mr. Bruckmann?

10 MR. CARNEY: Your Honor, we're -- we're  
11 prepared to move forward with the cross today.  
12 Maybe it makes sense if, Your Honor, is -- is  
13 amenable to take a lunch break and -- and come  
14 back and begin the cross after the lunch break.

15 JUDGE FOELAK: Okay. Would you like an  
16 hour or more or what?

17 MR. CARNEY: An hour -- an hour would  
18 be more than fine, Your Honor.

19 JUDGE FOELAK: Okay. Mr. Zhou, and,  
20 Mr. Moeller, why don't we break for an hour and  
21 they'll come back with their cross-examination.  
22 Then maybe if Mr. Moeller stops sharing his  
23 screen now then we can see everybody.

24 MR. MOELLER: Sure, Your Honor.

25 JUDGE FOELAK: Although -- although,

1 we're going off at the moment anyway.

2 Okay. See everyone at the top of the  
3 hour.

4 MR. CARNEY: Thank you, Your Honor.

5 MR. MOELLER: Thank you, Your Honor.

6 MR. ZHOU: Thank you, Your Honor.

7 (Whereupon, at 1:00 p.m., a luncheon  
8 recess was taken.)

9 A F T E R N O O N S E S S I O N

10 JUDGE FOELAK: Okay. Let's go back on  
11 the record.

12 Okay. Please proceed, Mr. Bruckmann,  
13 or --

14 MR. BRUCKMANN: Mr. Carney will be  
15 doing the cross-examination, Your Honor.

16 JUDGE FOELAK: Okay, sorry.

17 Mr. Moeller raised his hand. Did you  
18 want to say something? Yes?

19 You're muted. You're muted.

20 MR. MOELLER: Yeah. Thank you, Your  
21 Honor. My apologies.

22 Just -- just over -- over the lunch  
23 break I -- I did a little research on -- onto  
24 briefs and my -- my concern -- I -- I just had a  
25 couple of questions regarding the -- the -- the

1 45-page limitation. And, is that 45 pages  
2 inclusive of -- of exhibits and -- and documents  
3 meant to support the brief?

4 JUDGE FOELAK: Well, you know, you  
5 won't -- won't -- you won't include the actual  
6 copy of the document. You will refer to  
7 Respondent Exhibit No. 32 or whatever it might  
8 be.

9 MR. MOELLER: Under -- understood.  
10 Understood. Okay, thank you.

11 JUDGE FOELAK: Okay. Pretty much --  
12 okay.

13 MR. MOELLER: And -- and the -- the  
14 follow-up question was also, as the Division is  
15 going first, then our brief is going to be in  
16 response. So then, we'd have to respond --

17 JUDGE FOELAK: Correct.

18 MR. MOELLER: -- back to all of  
19 their -- their assertions again, correct?

20 JUDGE FOELAK: Right. Exactly. That's  
21 right.

22 MR. MOELLER: Okay.

23 JUDGE FOELAK: But I mean, you're  
24 drawing on -- I mean, the hearing and the  
25 evidence -- the oral testimony and the



1 documentary evidence is evidence that both sides  
2 will draw upon to prove whatever it is they want  
3 to prove.

4 MR. MOELLER: Yes. Okay. And I  
5 just -- we --

6 JUDGE FOELAK: So, you do get the  
7 opportunity. And the Division's -- in this  
8 situation, the Division has to prove what is --  
9 has to positively prove what is in the OIP as,  
10 you know, being true or something. And you don't  
11 have to positively disprove it. You -- if you  
12 get the distinction.

13 MR. MOELLER: Okay.

14 JUDGE FOELAK: Substantial evidence has  
15 to go the way -- in order to find in Division's  
16 favor the substantial evidence has to support,  
17 you know, whatever they're arguing.

18 MR. MOELLER: Okay. Understood, Your  
19 Honor.

20 I -- I just, I -- I am just concerned  
21 as -- as we have not done -- done a brief before,  
22 I'm concerned that -- that, while we wish to  
23 remain brief, this is a very complex case. And  
24 I -- and I want to make sure that we don't  
25 have -- have too -- too small of a limit on -- on

1 the ability to present evidence.

2 JUDGE FOELAK: Okay. Okay. Now, I  
3 mean, your -- your paper is called opposition.

4 MR. MOELLER: Yes.

5 JUDGE FOELAK: And, you know, like I've  
6 mentioned, the subject of this hearing is the  
7 order, the OIP. Not whether or not crypto is a  
8 good thing or, you know, that kind of thing.

9 MR. MOELLER: Agreed. But we have to  
10 respond.

11 JUDGE FOELAK: Anyway, that being said,  
12 Mr. Zhou's explanation of how American  
13 CryptoFed -- how American CryptoFed was to work  
14 was very helpful.

15 MR. MOELLER: Okay. Thank you.

16 JUDGE FOELAK: Okay.  
17 Okay, please proceed.

18 MR. CARNEY: Thank you, Your Honor.

19 CROSS EXAMINATION BY COUNSEL

20 FOR THE SECURITIES AND EXCHANGE COMMISSION

21 BY MR. CARNEY:

22 Q Hello, Mr. Zhou.

23 JUDGE FOELAK: Is somebody sharing  
24 their screen?

25 MR. BRUCKMANN: No. Your Honor, I

1 believe the tech people has just adjusted the  
2 view. If that's not a good view for Your Honor,  
3 could the tech people please revert.

4 JUDGE FOELAK: No. I mean -- I mean,  
5 what they did was that they adjusted it so that  
6 I -- only I am showing.

7 MR. BRUCKMANN: Right.

8 JUDGE FOELAK: In other words, all the  
9 other participants -- all the other participants  
10 are not showing. We have -- we have two screens  
11 here -- okay, there we go. Now we've got  
12 everybody.

13 MR. BRUCKMANN: Thank you to the tech  
14 team, but keep it on that view, please.

15 JUDGE FOELAK: Okay. Please proceed.

16 MR. CARNEY: All right. Thank you,  
17 Your Honor.

18 BY MR. CARNEY:

19 Q Hello, Mr. Zhou. I want to ask you  
20 about something that you -- you said yesterday.  
21 I -- I understood your testimony yesterday to be  
22 that CryptoFed had no plan to move forward with  
23 the token distribution until it received  
24 Commission approval. Si that what you had said?

25 A Yes, that's correct.

1           Q     Okay. But actually, sir, in May of  
2     2022, American CryptoFed wrote to the Division of  
3     Enforcement and said that it planned to  
4     distribute tokens beginning in the third quarter  
5     of 2022, right?

6           A     Correct.

7           Q     Okay. And, in fact, American CryptoFed  
8     said that unless the Division of Enforcement  
9     provided it with a cease-and-desist order you  
10    were going to move forward with your  
11    distribution, right?

12          A     Well, we ask you to prove we are  
13    securities. If you do not -- do no, we will move  
14    forward because we have filed a lift of the stay  
15    of -- stay order for the Form 10 proceedings.  
16    That is a motion for a ruling on dealings. We  
17    filed that on December 15th, but until the May  
18    there was still no ruling. And we -- we -- we  
19    saw this as the Commission and the Division went  
20    in inaction mode or did not take any action to  
21    give us any decision. And major, big trigger for  
22    us to wrote -- to write that letter was Mr.  
23    Bruckmann keep telling us previously because we  
24    filing -- because of filing with the SEC, we  
25    become -- we become security.

1           So, the natural -- the -- the  
2   reasonable conclusion is if we withdraw we will  
3   not be securities. And, we want to ask, okay,  
4   if -- if you cannot give us a task which should  
5   be so simple, so easy, because if the law is not  
6   that easy. You guys violate the Fair Notice.  
7   The Fair Notice require clarity like ordinary  
8   people with ordinary knowledge.

9           Q     All right. So, Mr. -- Mr. Zhou, just  
10   so I understand your response, you did tell the  
11   Commission or the Division of Enforcement that  
12   unless we issued you a cease-and-desist order  
13   within 30 days of your letter that included a  
14   Howey analysis with it you were going to move  
15   forward with your -- your distribution of tokens,  
16   right?

17          A     Correct, but there's background about  
18   that.

19                JUDGE FOELAK: That's a yes or no  
20   answer. Sir, I understand that you're referring  
21   to the Catch 22 situation where if you're a  
22   security you want to register and if you're not,  
23   you're going to move forward, but --

24                MR. ZHOU: Yes. The Commission --

25                JUDGE FOELAK: Okay. No, you can --

1     okay. He was just asking you for a yes or no  
2     answer. And, sir, what you just said you said in  
3     various ways several times.

4             Okay, please proceed.

5             **Q     And just to clarify, Mr. Zhou, so you**  
6     **were not going to wait for a -- a decision from**  
7     **the Commission. You were going to move forward**  
8     **if the Division of Enforcement failed to provide**  
9     **you with the cease-and-desist order, right?**

10            **A     No. We -- we clearly told you, we want**  
11     the Division to exhaust their legal argument.  
12     That is on November 6, 2020 -- 2022. We clearly,  
13     multiple times, I can remember -- I cannot  
14     remember which dates, at least two letters,  
15     probably November 1st, 2022 and November 6th,  
16     2022, we keep asking your legal justification. I  
17     also ask multiple times Mr. Dobbie. Mr. Dobbie  
18     is chief officer of -- of the -- the Division of  
19     Corporation Finance, asked him multiple times,  
20     can you provide justification like Howey test or  
21     whatsoever we are securities.

22            **Q     So -- so, Mr. Zhou, just to clarify,**  
23     **American CryptoFed was the one that decided had**  
24     **to filed an S-1 statement, right?**

25            **A     I beg your pardon?**

1           Q     American CryptoFed decided on its own  
2     to file an S-1 registration statement to register  
3     its tokens as securities, right?

4           A     Well, we have no choice because the  
5     chairman keep saying everything is security.  
6     That's the public announcement everywhere. And  
7     the government go after us if we do not file.  
8     And he invite us to file, to come to us, to talk  
9     to you, that's what --

10          Q     Okay, sir. And so, my -- my question  
11     was, you decided on your own to file an S-1  
12     registration statement to register your tokens as  
13     securities, right?

14          A     Under the invitation of the chairman.

15          Q     So, did the chairman personally -- did  
16     the chairman personally invite American CryptoFed  
17     to file an S-1 registration statement?

18                 MR. MOELLER: Objection, that's  
19     speculation.

20          A     His testimony -- his testimony and his  
21     publications, everything, gave us the direction.  
22     We trust the government officer public  
23     announcement. That announcement we treat it as a  
24     fair notice. If that notice we cannot trust, if  
25     we are required to contact the chairman

1 individually, he never give us the chance, okay.  
2 So, how can we contact him?

3 We did wrote -- we did write to him  
4 directly after we file. We say something along  
5 here, can you pay attention to that? We put five  
6 commissioners in our letter send October 12, 2021  
7 and -- a couple of them. Including you guys  
8 quickly launch enforcement action highjack the  
9 filing review process. It surprise us.  
10 Including this -- including all of this Section  
11 8(d), all this, I mean, process are really,  
12 really illegal. And that shouldn't be part of  
13 filing review process.

14 Q Okay. So, Mr. Zhou, so, my -- my  
15 question though for you was -- the original  
16 question I asked was, you said that you were  
17 going to move forward with selling your tokens  
18 whether or not you your -- your registration  
19 statement was effective or not, right?

20 A No, not correct. We ask you provide us  
21 Howey test to prove we are security.

22 Q And -- and if we didn't you were going  
23 to move forward with distributing the  
24 distributing the tokens, right?

25 A If you didn't -- like, we said in



1 November, first on November 6 of 2022 in our  
2 letters, we say, you exhaust all your legal  
3 arguments. We also ask for talking to other  
4 officers like chief -- like the director of  
5 disclosure program, director of -- I mean -- or  
6 other officers, including, the -- the chief  
7 accountant.

8 Q But Mr. -- Mr. Zhou, the question was  
9 simple, yes or no, were you going to move forward  
10 in quarter three with distributing your tokens  
11 even without an effective registration statement?

12 A No, that is not correct. Because until  
13 you give us we are announcing we are security,  
14 exact clarity, right. You need to give us that.  
15 The law require you provide that to us.

16 Q All right. Mr. Zhou, I'm showing you  
17 what's been -- what's been marked as Exhibit 13.  
18 That should be up on the screen in front of you.  
19 Do you see that?

20 A Uh-huh.

21 Q And this is the May 30th, 2022 letter  
22 that American CryptoFed sent to the Division of  
23 Enforcement, right?

24 A Yeah.

25 Q And if we look at the second sentence

1 of that first paragraph -- sorry.

2 And so, starting from Q3 2022, We will  
3 distribute to contributors of paper contracts  
4 free of charge Locke governance tokens which are  
5 restricted, un-tradeable and nontransferable.  
6 Did I read that correctly?

7 A Yeah.

8 Q And if you look at the --

9 A You have the whole letter you have a  
10 lot of condition. This letter is just a  
11 preamble. You cannot see why we gave so much  
12 reasons -- so many reasons in this letter. You  
13 cannot have a page and -- out of the context.  
14 Everything else in context --

15 Q Mr. Zhou -- Mr. Zhou, I -- there's not  
16 a question pending, but if you look at the  
17 next -- the next page I'll give you some more  
18 context.

19 And you say you -- you tell, If the SEC  
20 Division of Enforcement perceives any violations  
21 related to securities laws and wants to prohibit  
22 American CryptoFed from launching their Locke  
23 refundable auction or distributing Locke tokens  
24 to contributors, please send CryptoFed a  
25 cease-and-desist order within 30 days business

1 days on or before June 30th, 2022. This  
2 cease-and-desist order should include a Howey  
3 test analysis or other legal justifications from  
4 the Division to prove that Locke token and Ducat  
5 tokens are securities.

6 Did I read that right?

7 A Yes.

8 Q And so, you were telling the Division  
9 that unless we stopped you, unless we issued a  
10 cease-and-desist order, you were going to move  
11 forward with your token distribution within 30  
12 days, right?

13 A I mean, without the review order. You  
14 need a review. We are in the filing process,  
15 okay. So -- so -- so, we are filing. We are  
16 asking you, you do not handle our filing. You  
17 can look how many motions are pending. So many  
18 motions are pending. No action from the  
19 Commission or from anybody. You put us in limbo.  
20 And --

21 Q All right.

22 A You put us in limbo. We need -- okay,  
23 if we have something wrong, you need to tell us.  
24 You need to give us guidance, okay. Your  
25 chairman keep asking us to talk to the

1 Commission. We came. We talked to you. We -- we  
2 follow the -- the process. And even -- even a  
3 motion for -- motion for -- for ruling on  
4 pleadings, it need to be make decision so  
5 quickly.

6 Q Mr. Zhou, my -- my question was -- I  
7 was simply asking a question about what -- what  
8 your letter said. I can -- I can move on.

9 Let me ask you --

10 A You cannot -- you cannot just cut and  
11 paste all out of this out of context.

12 Q Mr. Zhou, there's not a question  
13 pending. Can I ask you the next question.

14 You are the chief operating officer of  
15 American CryptoFed, right?

16 A Correct.

17 Q Okay. Yesterday -- yesterday you  
18 mentioned that you're willing to hire accountants  
19 and auditors to help you with your registration  
20 statement. Do you recall that?

21 A Yes. Yes. I am sure we will hire as  
22 supporting company.

23 Q Before -- before yesterday when did you  
24 ever offer to hire auditors or accountants to  
25 work with you on the registration statement?

1           A     I don't think so.

2           Q     Okay. All right. As -- as the -- as  
3     an officer of American CryptoFed you're  
4     authorized to represent American CryptoFed DAO  
5     for all matters and sign all documents,  
6     including, in the SEC proceedings, right?

7           A     Yes. Subject to the constitution --

8           Q     Okay.

9           A     -- of American CryptoFed. And we don't  
10    want -- we don't want to be the officers. So,  
11    that's why when the Form S-1 signed, if you look  
12    at that, we sign it as organizer MShift. I sign  
13    as COO, okay.

14                So -- so, if you look at our  
15    constitution, our constitution section 4.1,  
16    it's -- it clearly, clearly state MShift is sole  
17    member before the SEC make declaration,  
18    everything is effective, S-1 is effective, we, as  
19    MShift, we want to negotiate, talk with the SEC  
20    to get the compliance. We want to incorporate  
21    your -- your comments. So -- so -- and Mr.  
22    Bruckmann --

23           Q     Mr. Zhou, I think you're --

24           A     -- deny our --

25           Q     Mr. Zhou, I -- Mr. Zhou, can I -- can I

1 ask you -- you had -- you had a chance to give  
 2 your -- your direct testimony. I'm -- I'm asking  
 3 you pretty straightforward questions that don't  
 4 require a lot of elaboration. I -- I just asked  
 5 you, you're -- you're an officer of American  
 6 CryptoFed, right?

7 A After Mr. Bruckmann insisting we have  
 8 to. Otherwise, we could not represent American  
 9 CryptoFed.

10 Q Okay. And you signed -- as you  
 11 mentioned, you signed the S-1 on behalf of  
 12 American CryptoFed, right?

13 A We signed that -- not at that time,  
 14 okay. It's yes or no because we are member of --  
 15 sole member. We sign and you can look at -- at  
 16 the signature. Can you pull that out, post that,  
 17 what I put there.

18 MR. CARNEY: Can we please put up  
 19 Exhibit 1, page 36.

20 A Go to the bottom.

21 MR. MOELLER: You guys are hosting,  
 22 right? Not -- not me, yeah.

23 A Go to the signature page.

24 Here's what I say --

25 Q And so, you signed the S-1 that was

1     **filed with the SEC, right?**

2           A     Yeah. This -- this my signature,  
3     MShift, Inc., Sole Member of American CryptoFed  
4     DAO, LLC. That means MShift, Inc. COO, okay,  
5     I -- my title is MShift, Inc. COO. That's what I  
6     signed.

7           Q     Okay. And -- and you're the chief  
8     operating officer of MShift, right?

9           A     Yes.

10          Q     And MShift's located in Palo Alto,  
11     California?

12          A     Correctly. Yeah. Correct.

13          Q     Is -- is MShift still in business?

14          A     Yes.

15          Q     Okay. Did MShift have revenue at the  
16     time of the filing of the S-1?

17          A     I believe so.

18          Q     And does MShift have revenue now?

19          A     No.

20          Q     Did MShift have employees at the time  
21     of filing of the S-1?

22          A     I believe so.

23          Q     Okay. And Ms. Orr -- was Ms. Orr the  
24     former -- the former CEO of American CryptoFed,  
25     was she an employee of MShift?

1           A     Yes.

2           Q     So, she was a -- an employee of MShift,  
3     but she was also the CEO of American CryptoFed?

4           A     Yeah. That's symbolic CEO.

5           Q     And MShift is the one that pays  
6     American CryptoFed's bills, right?

7           A     Yes. Until it's -- we say that in S-1.  
8     Until it's S-1 become effective we can -- it's --  
9     it's MShift, the sole member. It's in the  
10    constitution, the separation. We have a clear  
11    cut timeline. A clear cut timeline.

12          Q     Does MShift --

13          A     Set up in the constitution 4.1.

14          Q     Okay. Does MShift have any assets  
15    currently?

16          A     Yes. I think not that much.

17          Q     What assets does MShift have?

18          A     Computer, right? And all those IT,  
19    that's still on the books. I can go back to the  
20    books.

21          Q     And MShift is going to get one fifth of  
22    the Locke tokens when they're distributed, right?

23          A     Yeah. It's -- it's already -- it's  
24    already record on the constitution. The  
25    constitution already -- is already in effective.



1           Q     All right. And I -- I apologize, I  
2     didn't actually -- one fourth -- MShift will get  
3     one fourth of the tokens when they're  
4     distributed, right?

5           A     Yes. Five percent available for  
6     defensing -- defending the IP.

7           Q     Does MShift have any -- any cash in --  
8     in bank accounts?

9           A     Yes.

10          Q     Okay. How much?

11               MR. MOELLER: Objection, irrelevant.

12               MR. CARNEY: Your Honor, MShift is the  
13     one paying all -- all the bills for American  
14     CryptoFed. It's the sole owner of American  
15     CryptoFed. It seems to, for all intents and  
16     purposes, be an alter ego of American CryptoFed.  
17     And I think it's -- it's relevant, you know, just  
18     the -- the financial relationship between these  
19     two entities.

20               JUDGE FOELAK: I -- I -- I think he was  
21     objecting to stating how much cash they have. And  
22     Mr. Zhou has said they have cash.

23           A     We have cash.

24               JUDGE FOELAK: Mr. Moeller is objecting  
25     to stating the exact amount.

1 MR. CARNEY: I can move on, Your Honor.

2 JUDGE FOELAK: Okay.

3 BY MR. CARNEY:

4 Q So, let me ask you, both Ducat and  
5 Locke are tokens that are going to be issued on  
6 the Blockchain, right?

7 A Can you repeat the question?

8 Q Yeah. So, both Ducat and Locke are  
9 tokens that will be eventually issued on the  
10 Blockchain, right?

11 A Correct.

12 Q Okay. Which Blockchain are they going  
13 to be issued on?

14 A The primary is EOS protocol and --  
15 and -- and that protocol is open source. We may  
16 also consider Ethereum and for the Locke token,  
17 but a lot of things are still in brainstorming.  
18 We need to gather our community like -- like  
19 we -- a lot of the exhibit, we have so many  
20 community, people we need to gather, and we need  
21 to sit down and talk together and after this  
22 proceedings. This proceedings stop everything  
23 and we cannot involve them. We don't know what  
24 the discovery will go after everybody. So -- so,  
25 they're impossible for me to talk with that.

1           And -- and you should understand,  
2   this -- our money is money by consent -- mutual  
3   consent. We need -- we need to involve them.  
4   However, with the proceeding pending, we cannot  
5   do that.

6           **Q     Okay. Mr. Zhou, does the S-1 say**  
7   **any -- anything about the -- this brainstorming**  
8   **or -- or needing to work together with future**  
9   **people to decide which Blockchain to operate on?**

10          A     In S-1 we already said EOS. It's  
11   clear. EOS is the major one, but we do not, at  
12   that time, limit it only to U.S. We don't know.  
13   We -- we do not talk about what we don't know.  
14   There are a lot of things at risk there. We put  
15   it under the risk factors, but EOS is one of  
16   things we are considering at that time.

17          **Q     Does the S-1 disclose that it's**  
18   **uncertain which blockchains you will operate on?**

19          A     EOS is uncertain. Ethereum is still  
20   uncertain because of the speed of the Ethereum.  
21   We still have concern, but -- but EOS now, okay,  
22   you can see it's -- it's still the best one. The  
23   protocol should be best one.

24                Okay. All this we need a discussion,  
25   okay. To -- to remember, we -- we are planning

1 every quarter or every month to disclose,  
2 continue disclose. You can see we file that  
3 multiple disclosure. Even in September 2021st.  
4 There are a few exhibits there. Every time we  
5 find anything, we will disclose.

6 It is you, the SEC, who stop our  
7 disclosing -- disclosure. You are disclosing  
8 agency. You have no reason to stop us. Even we  
9 have a motion for ruling on pleadings, you do not  
10 give ruling. You put the stay order there.

11 Q Mr. Zhou, I was asking about the -- I  
12 was asking you about the Blockchain and I think  
13 you've kind of gone beyond the -- the scope of  
14 what I -- what I was asking about. So, let me  
15 ask you --

16 A Well, you stop our disclosure and now  
17 you get to blame --

18 JUDGE FOELAK: Okay. Okay. Mr. Zhou  
19 has just put in a built in rebuttal.

20 Okay. You can move onto the next  
21 question.

22 Q Okay. Mr. Zhou, and I -- I think  
23 you've covered this multiple times today. So,  
24 hopefully it's just a yes or no answer, but  
25 you -- there were no audited financial statements

1     filed with the S-1, right?

2             A     Correct.

3             Q     And there were no financial statements  
4     of any kind were there?

5             A     Correct.

6             Q     And there was no statement signed by a  
7     CPA that said no financial statements are  
8     necessary, right?

9             A     No.

10            Q     All right. I want to ask you about  
11   Exhibit 1 which is the S-1.

12                   MR. CARNEY: If we could please turn to  
13   page 24.

14            Q     And, Mr. Zhou, you -- you testified a  
15   number of times today that -- as to your belief  
16   that American CryptoFed has -- has no revenue,  
17   right?

18            A     Correct.

19            Q     Okay. And I want you to focus on that  
20   first sentence under -- at the bottom there  
21   under -- right above it, it's -- if we can scroll  
22   up just a tiny bit, please. It says, Revenue.  
23   And then it says, Locke token proceeds in  
24   USD-pegged Stablecoins. And it says, CryptoFed  
25   grants Locke tokens, free of charge, to service

1 providers as compensation, including, both  
2 individuals and entities. Do you see that?

3 A Can you highlight that?

4 Q We can -- we can try. It's the first  
5 sentence there.

6 MR. BRUCKMANN: The document is not  
7 letting me.

8 Q Yeah. The document is not -- it's not  
9 letting Mr. Bruckmann highlight, so.

10 A I see that.

11 JUDGE FOELAK: You can see -- you can  
12 see where he's pointing to.

13 A Yeah. Yeah. I saw that.

14 So, what's your question?

15 Q So my question is, sir, Free of charge  
16 to service providers as compensation, that's  
17 self-contradictory, isn't it?

18 A No.

19 Q The service providers are expected to  
20 provide a service to American CryptoFed in  
21 exchange for the Locke tokens, right?

22 A Well, anything -- anything received by  
23 the CryptoFed, you cannot generate as revenue,  
24 okay. But they make a contribution, they do that  
25 voluntarily, but they receive the tokens. The

1 token is generated collectively by those  
2 contributors. Like miners, they work together.  
3 It's on the Blockchain. All those people need to  
4 work together to generate token. That token has  
5 no value at the time, but that's value from --  
6 from the contributor perspective it has value.  
7 But from American CryptoFed side, there is no  
8 value.

9 Q So, again, Mr. Zhou, let me just -- let  
10 me try and break down what you said.

11 The service providers are providing  
12 some form of -- of service to American CryptoFed,  
13 right?

14 A Yeah.

15 Q And in exchange for that service that  
16 they're providing, they are receiving  
17 compensation, right?

18 A Yes.

19 Q Okay. And the services that they're  
20 providing, they provide some value to American  
21 CryptoFed and -- and that's why American  
22 CryptoFed wants the services, right?

23 A Collectively.

24 Q Okay.

25 A Collectively. This is a collective --

1     this is a collective effort. You need multiple  
2     Blockchain producers, you need a merchant, you  
3     need a consumer. All of them can work together,  
4     but there are no revenue could be booked as I  
5     already proved from the GAAP perspective.

6             JUDGE FOELAK: Free of charge means  
7     only that the service providers are not paying in  
8     dollars and cents.

9             MR. ZHOU: No dollar will be paid.

10            JUDGE FOELAK: Okay. Okay. Okay.  
11     Okay. I -- okay, please proceed.

12            **Q     And the service --**

13            MR. CARNEY: Thank you, Your Honor.

14            **Q     And the service providers are being**  
15 **paid in Locke tokens, right?**

16            A     Yes. Locke token, Ducat token,  
17     whatsoever as on there it's native, it's  
18     collectively generated by those block producers  
19     to work collectively.

20            **Q     All right. Sir, if I can ask you a**  
21 **question about something on --**

22            MR. CARNEY: If we can go to page three  
23     of Exhibit 1.

24            **Q     And right there in the middle of the**  
25 **page it says: The purpose of this offering**



1 registration is to enable: One, secondary market  
2 for both Locke and Ducat tokens to exist; Two,  
3 refundable auction of the Locke tokens to  
4 initiate; and, Three, the sale of Ducat tokens at  
5 higher market value than the original purchase  
6 price direct from CryptoFed. Do you see that?

7 A Yeah.

8 Q So, if we can focus on that -- that  
9 third point, The sale of Ducat tokens at higher  
10 market value than the original purchase price  
11 direct from CryptoFed.

12 So, individuals that are purchasing  
13 Ducat directly from CryptoFed are expecting to be  
14 able to earn a higher market value for the sale  
15 of those tokens than what they originally  
16 purchased them for, right?

17 A If you look at our format of U.S.  
18 dollar as a Ducat, that's off the market  
19 operation. Whenever we need it for open market  
20 operation to maintain zero inflation, zero  
21 deflation, okay, we sell that through an open  
22 market. If you look at our constitution, there  
23 is no way American CryptoFed can sell Ducat to  
24 anybody other than open market operation.

25 The people can get a reward like Ducat

1    when they have a wallet like bank. They offer  
2    the wallet services. Every time the consumer  
3    make a purchase, they may receive -- may receive  
4    compensation, but if you do not do this to --  
5    like contributor to maintain the whole  
6    Blockchain, if you say, I just use money to  
7    purchase it, that's open market operation. You  
8    can only do that.

9               However, our formula is U.S. dollar,  
10   plus inflation loss. So, it will be always Ducat  
11   as a higher price than the original purchase.  
12   100 years later from now on when the U.S. dollar  
13   drop -- lose 95 percent of their value due to the  
14   inflation, Ducat will -- value still remain, the  
15   purchasing power.

16           **Q     Okay. And --**

17           A     So, using our formula it's -- it's  
18   match our formula.

19           **Q     So, Mr. Zhou, I just want to understand**  
20   **that third point though. You would agree that it**  
21   **states that someone that's purchasing directly**  
22   **from CryptoFed, the Ducat, will have an**  
23   **expectation of being able to sell those tokens on**  
24   **the secondary market for a higher price, right?**

25           A     I do not -- okay. In the constitution

1    there's no way they can purchase directly from  
2    American CryptoFed.

3           Q     Sir, I'm asking -- I'm asking about  
4    what your registration statement says. And you  
5    would agree that it says that the purpose of the  
6    offering registration is, in part, so that the  
7    sale of Ducat tokens at a higher market value  
8    than the original purchase price direct from  
9    CryptoFed, right?

10          A     When American CryptoFed sell through  
11    the market, you can quote it directly. You can  
12    also quote it indirectly. Some will sell, but  
13    most of them at the beginning would be CryptoFed  
14    are selling at the beginning. Because we are  
15    issuing that, okay.

16                American CryptoFed, our major issue is  
17    only one issuer. So, where they can purchase is  
18    even in the open market. There are not that  
19    much -- there are not many Ducats in circulation.  
20    So, you can see that as direct, you can see it as  
21    indirect, but doesn't matter. It is -- it is not  
22    like we sign the contract and -- and we issue to  
23    the individual we directly know. That will not  
24    happen. Everything need to follow the  
25    constitution.

1 Q Okay. And, Mr. Zhou --

2 A -- contract with anybody.

3 Q Mr. Zhou, if you look at -- at point  
4 one your purpose is also to create a secondary  
5 market for both and Locke and Ducat tokens,  
6 right?

7 A Yes.

8 Q And you want those who hold the Locke  
9 and Ducat tokens to be able to sell them on the  
10 secondary market for a higher price, right?

11 A If you look at -- go to the detail, the  
12 Ducat will not launch until the Locke token --  
13 until the Locke token become -- have ten cents.  
14 After that ten cents, then we need to organize  
15 all this to do the operation -- market operation.

16 Q All right. So, let's look -- let's  
17 look at the details then.

18 So, number two on here you talk about  
19 the refundable auctions of Locke. O you see  
20 that?

21 A Right.

22 Q So, sir, if we can go to page 24 of  
23 this document we're getting into some more of the  
24 detail of the refundable auctions.

25 If you look at the -- the bottom of

1     that page, these -- the refundable auctions that  
2     you're going to conduct, purchasers would pay for  
3     Locke tokens using the USD pegged Stablecoin,  
4     right?

5           A     Yes.

6           Q     Okay. And those purchasers, as -- as  
7     we can see on this page, they lose the right to  
8     any refund if Locke's price surpasses five times  
9     the original purchase price right?

10          A     Yes.

11          Q     Or if the original Locke tokens are  
12     sold they would lose the right to a refund,  
13     right?

14          A     Right. If they -- if they -- if they  
15     sold their -- okay. There's three conditions  
16     here for the -- for losing the refundable right:  
17     One, five times of original price; Two, they sold  
18     them; Three, three years pass. So, what's your  
19     question?

20          Q     And so, if those refund rights expire  
21     the proceeds from the auctions would be used to  
22     buy back Locke tokens on centralized exchanges,  
23     right?

24          A     Yes. It's open -- it's open market  
25     operations need to do it and we -- we -- I

1 already explain that in -- in the -- the  
2 constitution, okay.

3 Q And so --

4 A Okay.

5 Q And so, American CryptoFed at that  
6 point would be acting as a -- a market maker for  
7 the Locke tokens, right?

8 A We will not be the market maker. We  
9 don't do -- we don't do all -- that can come to  
10 find exchange or whatsoever. We don't do that.  
11 We don't -- we don't get into the market. We --  
12 we are just one players to have the open market  
13 operation.

14 Anything we haven't said in the  
15 constitution, we are not have considered to do.

16 Q So, let me ask you, it says -- on page  
17 24 it says: Proceeds in USD -- and this is -- in  
18 the middle of that paragraph there: Proceeds in  
19 USD pegged Stablecoin from these token sales are  
20 reserved and used for refunding Locke in order to  
21 allow purchasers to request full refunds at the  
22 original purchase prices via smart contract.

23 Where -- where are those funds held?

24 A And as I explained in my previous --  
25 today's testimony, we are going to set up

1 multiple account -- multiple -- multi signature  
2 account using that role to come to their account.  
3 We will release our control. I explained the  
4 governance.

5 **Q Have you set up those -- have you set**  
6 **up those accounts yet?**

7 A No, because you guys stop everything.  
8 We even cannot do much more. Even that.

9 **Q Does -- does your S-1 disclose that**  
10 **those accounts haven't been set up yet?**

11 A Look, after you send us proceedings for  
12 Form 10 on November 10th, 2021, we, basically,  
13 stop doing a lot of things. We didn't know what  
14 the impact, as you already see in this Form S-1,  
15 directly link to Form 10 for business model.  
16 Until we clear all those business models with the  
17 SEC, it's a waste of time, waste of other  
18 people's time, with other people's money to  
19 consider further set up account. What's the  
20 purpose? That action proceed will create  
21 misleading -- misleading action, misleading  
22 direction. Then we have to focus our attention  
23 with the SEC. SEC stop us for looking the  
24 visibility how to move forward.

25 **Q All right. Mr. Zhou, I want to -- I**

1 want to ask you -- if we can now turn to page 30  
2 of -- of the S-1. Under where it says, Locke --  
3 and this is a follow-up to the question I just  
4 asked you.

5 Under where it says, Locke Token Price.  
6 Do you see that?

7 A Which paragraph?

8 Q Paragraph three.

9 A Yes. Yes.

10 Q Where it says --

11 A Number three, right?

12 Q Yes.

13 A Okay.

14 Q And you don't have to read that out  
15 loud, but if you want to read the paragraph to  
16 yourself to see what I'm asking about.

17 It says -- starting in the third  
18 sentence it says: CryptoFed uses USD pegged  
19 Stablecoin proceeds held in reserve to buy back  
20 Locke whenever the Locke's price falls three  
21 percent below its previous price for a 24-hour  
22 period or falls five percent below its previous  
23 price for a one-hour period. Do you see that?

24 A Yeah. That's in our constitution too.

25 Q So, CryptoFed is the one using



1     **Stablecoin proceeds held in reserve to buy back**  
2     **Locke, right?**

3           A     Yeah. We have a procedure for voting  
4     to do that, to decide what -- what this trigger.  
5     You know, in -- in multiple exchange you can have  
6     multiple market. And the average, the weighted  
7     transaction volume and how to do it, okay, all of  
8     this details, everything can be worked out, but  
9     that's the direction. That's -- the direction is  
10    who -- who will control CryptoFed once the SEC  
11    approve the Form S-1, you know, MShift -- MShift  
12    delegate all the powers to token holders. So  
13    CryptoFed here means the decision makers become  
14    Locke token holders. Procedure --

15           Q     **Right now -- right now MShift is the**  
16    **decision maker, right?**

17           A     Correct, because we are the only  
18    member.

19           Q     **Right.**

20           A     We have -- we haven't separate with  
21    CryptoFed because -- until you, SEC, declare Form  
22    S-1 effective, we cannot separate. We cannot  
23    give a delivery of American CryptoFed.

24           Q     **Okay. Let me ask you about the next**  
25    **sentence then. It says: Whenever the Locke's**

1 price falls 30 percent below its previous price  
2 for a 24-hour period, CryptoFed has the authority  
3 to use all its CryptoFed USD pegged Stablecoin  
4 reserves to buy back Locke tokens.

5 So, you would agree that the Stablecoin  
6 reserves belong to CryptoFed, right?

7 A No, because it has -- has a  
8 destination, obligation. That's why we use  
9 revenue recognition -- revenue recognition --  
10 revenue recognition, GAAP perspective, as I  
11 explained. We cannot book those Stablecoin --  
12 CryptoFed cannot book it as revenue -- as asset.  
13 That's why --

14 Q Mr. Zhou -- Mr. Zhou, you would agree  
15 that this sentence here in the S-1 that you filed  
16 with the SEC it refers to the -- the Stablecoin  
17 reserves as CryptoFed Stablecoin reserves, right?  
18 It says: Its CryptoFed USD pegged Stablecoin  
19 reserves, right?

20 A We do have some places say we cannot  
21 book this as revenue.

22 Q And it says -- it also says that  
23 CryptoFed has the authority to -- to use the  
24 Stablecoin reserves to buy back Block tokens,  
25 right?

1           A     That authority either through token  
2 holders -- Locke token holders. After separation  
3 from MShift we have a procedures to make  
4 decision. You can look the constitution. We have  
5 that very clearly. We use --

6           **Q     But --**

7           A     Okay, you -- you -- you refer  
8 CryptoFed. CryptoFed is entity. Is a DAO, has  
9 own -- its own governance by consent through  
10 constitution. You cannot just say, Hey,  
11 CryptoFed has a centralized guy who make that  
12 decision or management. No. There's no that  
13 management is there.

14                 You need to understand what the  
15 CryptoFed you are referring. And referring here  
16 looks attached constitution. Attach the --  
17 constitution attached to this form S-1 filing  
18 which we already make very clear in the Form S-1  
19 filing. You're not looking at the constitution.  
20 You just interpret it completely wrong way.

21           **Q     So, however -- however you're using the**  
22 **term CryptoFed here, whether it's the -- the DAO**  
23 **or the -- the token holders collectively, these**  
24 **Stablecoin reserves are an asset of CryptoFed,**  
25 **right?**

1           A     No. We cannot book it as asset. We  
2     have -- we follow GAAP. We --

3           **Q     The Stablecoin --**

4           A     -- GAAP --

5           **Q     So, the Stablecoin reserves are -- are**  
6     **worth money, right?**

7           A     It's money, but it cannot be booked.  
8     Just like -- okay, for example -- for example,  
9     you -- you have some -- you have some money, but  
10    it's obligations if you give that money out from  
11    GAAP, you cannot book it, okay. It's money, but  
12    it's not yours.

13          **Q     Okay.**

14          A     You cannot book it as asset, sir.  
15    Look -- look the accounting principle. It's  
16    money. You hold it, but the accounting principle  
17    does not allow you to book it at assets. Get  
18    your chief accountant. Let's talk. That's why I  
19    want to talk.

20          **Q     So Mr. -- Mr. Zhou, can you describe**  
21    **your formal accounting training for us?**

22          A     Okay.

23               MR. MOELLER: Objection, that's --

24          A     Does that matter? Did i say anything  
25    wrong?

1           **Q     Mr. Zhou, are you -- are you --**

2                   JUDGE FOELAK:   Okay.   Okay.   Okay.

3   Okay.   Mr. Zhou, has explained his thought  
4   process and his research process in making  
5   various conclusions about GAAP.   He didn't claim  
6   to be a CPA.

7                   MR. CARNEY:   And with Your Honor's  
8   indulgence, I would just like to confirm on the  
9   record that he has -- has no accounting training.  
10   I -- I have -- I don't know one way or the other.

11                  MR. MOELLER:   Objection, speculative.

12                  MR. CARNEY:   There's no speculation.  
13   I'm asking him a question about his own  
14   education, Your Honor.   Hopefully it's not  
15   speculation as to -- for him to answer about  
16   is -- his education.

17                  JUDGE FOELAK:   Okay.   Sir, Mr. Moeller,  
18   it's a fair question because Mr. Zhou explained  
19   his thoughts on GAAP and accounting principles.  
20   And Mr. Carney is merely trying to pin down that  
21   he actually is not a licensed CPA.

22                  A     I'm not CPA.

23                  **Q     Have -- have you taken any college**  
24   **level accounting classes, Mr. Zhou?**

25                  A     I believe so.

1           **Q     When?**

2           A     Long, long time ago. I'm old. Close  
3 to my 60s.

4           **Q     And you say you're -- you're not an**  
5 **accountant of any kind, are you?**

6           A     No.

7                     MR. MOELLER: Objection, argumentative  
8 now.

9           A     No. I'm not an accountant, but -- but  
10 MShift -- I'm the COO of MShift. MShift has  
11 audit financial reports starting from year 2000.  
12 I supervise that. I review all of that. I talk  
13 to the CPA firms. I have to confirm everything  
14 is correct. I have to ask a question if  
15 something I do not understand, okay.

16                     We have CPA -- all these -- all --  
17 MShift, the financial reports, for a long time.  
18 I'm -- I'm -- even I'm not CPA, I should be able  
19 to, through my reading, understand something. If  
20 you -- you just needed to make judgment about  
21 what I'm wrong or not.

22           **Q     Mr. Zhou, did you include any of**  
23 **MShift's financial statements with the S-1?**

24           A     No, because once -- because once S-1  
25 declared effective, separation start. Completely

1     separate. If you look at our constitution, their  
2     time of delivery of the birth, once that  
3     separate, MShift has no power.

4           Q     So, let me just just try and understand  
5     this. There will be a Stablecoin reserve that  
6     will be used to buy back Block, right?

7           A     Correct. That's in constitution.

8           Q     And that -- that -- if there -- for  
9     instance, if there were \$5 million of Stablecoins  
10    in that reserve, the -- that reserve would be  
11    worth \$5 million, right?

12          A     Yes. This doesn't belong to American  
13    CryptoFed no matter how much -- how much value it  
14    is. American CryptoFed cannot use it at its  
15    discretion. It has obligation following the  
16    constitution to do -- to do what exactly defined  
17    by the constitution following the procedures.  
18    It's not something American CryptoFed can handle  
19    dispose all those things no matter -- no matter  
20    how much it is.

21          Q     And so, if the -- if the Locke token  
22    holders were to vote to do something with the \$5  
23    million reserve that we just mentioned, would  
24    they be able to?

25          A     Oh, yeah. You have a voting there. You

1 can look at our constitution if you want to pull  
2 it up. And -- and also, okay, there are some  
3 machine learning, they're machine AI  
4 automatically to do all those market operations.  
5 And also, we set up the condition Locke falling  
6 how much prices, all that is a condition for  
7 using that Stable -- Stablecoin -- U.S.  
8 dollar-pegged Stablecoins. So, all the condition  
9 are there. It can become better and better, but  
10 the framework is on line in the constitution.

11 Q Okay. All right. You've -- you said  
12 just now, and -- and earlier today, that American  
13 CryptoFed you believe operates in accordance with  
14 GAAP, right?

15 A Correct.

16 Q Okay.

17 A Absolutely, yes.

18 Q And GAAP you understand is -- is used  
19 for the purposes of preparing financial  
20 statements, right?

21 A Yes.

22 Q So, if American CryptoFed doesn't  
23 actually have financial statements, what do you  
24 apply GAAP to?

25 A Okay. It's a good question. When we



1     apply the GAAP, we find out we cannot book  
2     anything. We have to follow the procedures, the  
3     process, like today we demonstrate through all  
4     the five steps of the revenue recognition and we  
5     find we cannot book anything as revenue. We  
6     follow the procedures of revenue recognition of  
7     the GAAP whether we can -- whether American  
8     CryptoFed can book or cannot book. It's not like  
9     a arbitrary decision. You have to have the  
10    procedures to make that decision. That's why,  
11    okay.

12           Q     Okay. So, Mr. -- Mr. Zhou, you -- you  
13    put -- you showed a couple of exhibits earlier  
14    today from the Deloitte. Do you recall that?

15           A     Uh-huh.

16           Q     Did you ever --

17           A     Yes.

18           Q     Did you ever talk to anyone at Deloitte  
19    about American CryptoFed's operations?

20           A     No.

21           Q     Did -- did anyone at Deloitte ever  
22    confirm that your interpretation of the document  
23    that you got from their website was correct?

24           A     No.

25           Q     Okay. You also --

1           MR. CARNEY:  If -- if we can put up on  
2   the screen Exhibit 277, please.  Thank you.  And  
3   just to clarify, this is -- this is Respondent's  
4   Exhibit 277.

5           Q     And do you recall going through this  
6   document earlier today?

7           A     Yes.

8           Q     And you understand that -- that the  
9   purpose of this document is to help entities  
10   prepare financial statements, right?

11          A     Yes.

12          Q     Okay.  And the purpose of this document  
13   isn't to help entities explain why they don't  
14   need financial statements, is it?

15               MR. MOELLER:  Objection, argumentative.

16          A     Well -- okay.

17               JUDGE FOELAK:  Sustained.

18          A     Okay.  Let me -- let me explain.

19               MR. CARNEY:  Your Honor, there's --  
20   Your Honor, sustained the objection.  There's no  
21   question pending.

22               MR. ZHOU:  Should I explain?  Should I  
23   answer the question or not?  I -- I got confused  
24   had.

25               JUDGE FOELAK:  No.  No.  No need to.

1           MR. CARNEY: If we could please look at  
2 page nine of this PDF. And this is -- this is  
3 page three of the document.

4           Q     And you see where it says, The  
5 Objective of Financial Reporting?

6           A     Okay.

7           Q     And E9 it says that: The focus of the  
8 conceptual framework is the usefulness of  
9 financial reporting information in making  
10 economic decisions, reasoned choices among  
11 alternative uses of scarce resources.

12                     Since you've introduced this document  
13 as evidence, do you agree that financial  
14 statements are useful?

15           A     Okay. Absolutely useful, but you  
16 cannot book revenue you don't have. You cannot  
17 book asset you don't have. That is only go to,  
18 we can file financial statement, but -- but it's  
19 zero filing. It's zero filing. That's what I  
20 proposed.

21                     We want to do that. You -- you can  
22 accept we can hire accounting firm, follow all  
23 those procedures, we can produce a financial  
24 statement and say zero revenue, zero assets, zero  
25 cash flow or something like all that. That's not

1 a problem.

2 MR. BRUCKMANN: To the extent that's an  
3 offer of settlement, the Division's position is  
4 that it's completely inappropriate to determine  
5 before financial statements are even issued that  
6 an auditor will decide that it's acceptable for  
7 them to say, zero, zero, zero. We will not  
8 proceed in that fashion.

9 A So --

10 Q And, Mr. Zhou, just so -- so we're --  
11 we're clear on your -- on your understanding,  
12 your understanding is that if American CryptoFed  
13 had a Stablecoin reserve with \$5 million worth of  
14 Stablecoins in it that would not be an asset,  
15 right?

16 A That would belong -- from a GAAP  
17 perspective, it is not asset.

18 Q Okay.

19 A Belong to CryptoFed, no.

20 Q All right.

21 A We need to talk to your chief  
22 accountant for further discussion. We have that  
23 right. We request that on November 6, 2022  
24 letters. You never respond that. We insisting on  
25 that right, talk to your chief accountants or

1 accountants. Who can -- how can I contact him or  
2 her?

3 Q All right. So, looking at that same  
4 document at PDF page nine at the bottom of the  
5 page E11. It says: Economic resources or assets  
6 and changes in them are central to the existence  
7 and operations of an entity. Both business  
8 entities and not-for-profit entities require and  
9 use assets to conduct their purpose and mission.

10 Do you agree with the statement that --  
11 that both businesses and not-for-profit entities  
12 require and use assets to conduct their purpose  
13 and mission?

14 A Follow the GAAP. We do not have --  
15 follow the GAAP. We cannot book anything, no  
16 matter how this statement here, because this is  
17 for traditional company which have to have the  
18 centralized assets, centralized revenue,  
19 centralized management. When everything is  
20 distributed and through a software called  
21 Blockchain for coordination to maintain that  
22 organization -- organization's political and  
23 economic order, decentralized autonomous  
24 organization. This is three words, okay.

25 Decentralized means we do not have

1 management, we do not have centralized things and  
2 autonomous means autonomy of the participants.  
3 They have the -- they make their own decision and  
4 still have organization with political economic  
5 order. It's not chaos. Not anarchy.

6 So, those three words combined together  
7 called DAO is a new form of organization. Like  
8 your chairman said, he want to talk. He ask --  
9 direct the staff to talk to the entrepreneur to  
10 tailor the disclosure. Your chairman -- your  
11 chairman --

12 Q Mr. Zhou -- Mr. Zhou, I --

13 A -- testify in U.S. Congress. Why you  
14 don't do that for --

15 Q Mr. Zhou, I had asked you a question  
16 about a document that you introduced into  
17 evidence and simply asked you whether you agreed  
18 with -- with the statement in that document. I'm  
19 not -- not sure how we got onto the chairman, but  
20 I'm going to move on and take the document down.

21 Let me ask you does, American CryptoFed  
22 have a website?

23 A Yes.

24 Q Are there any fees for that website?

25 A I beg your pardon?

1           **Q     Does that website cost money to**  
2 **operate?**

3           A     MShift own the website, but MShift hold  
4 the IP of the website. MShift as the supporting  
5 member for the DAO and now is still the sole  
6 member because the separation has not happened  
7 yet, MShift cover all the costs, but as the  
8 supporting entities, okay.

9                     When the DAO -- when the separation,  
10 one of the tasks of MShift as a supporting  
11 entities is to maintain all those IP. In  
12 exchange to get that, you know, the five percent,  
13 25 percent, all this, all the other entities,  
14 they do their job too. So, this is coordination  
15 money --

16           **Q     Does American -- does American**  
17 **CryptoFed have any rights with respect to the**  
18 **website?**

19           A     The right belong to -- okay. The  
20 ownership belong to MShift. License, yes.  
21 CryptoFed can use it.

22           **Q     So, CryptoFed owns a license to use the**  
23 **website?**

24           A     Yes.

25           **Q     Okay. And does it -- is that license**

1     **an asset of American CryptoFed?**

2           A     No. Because it does not generate any  
3     revenue. If you look at the definition, we  
4     already demonstrate to you today, okay. You need  
5     to look at the characteristics. If that does not  
6     generate any economic benefit, you cannot book it  
7     as asset.

8           Q     **So, why -- why does American CryptoFed**  
9     **have a website?**

10          A     Okay. That's -- American CryptoFed  
11     have a website because supporting entities has  
12     benefit for that, want to use that website for  
13     everybody, for every -- collectively, for all the  
14     participants -- participating parties to enjoy  
15     the benefits.

16          Q     **And part of the website is so that**  
17     **the -- that the public will know about the Ducat**  
18     **and Locke tokens and potentially purchase them,**  
19     **right?**

20          A     Well, whatsoever I need to disclose we  
21     want to disclose. We want to disclose  
22     everything.

23          Q     **But the website is used to attract**  
24     **potential investments for Ducat and Locke, right?**

25          A     Track what?



1           **Q     To attract potential investors in Ducat**  
2     **and Locke, right?**

3           A     We are not -- you answer what you are  
4     talking about -- okay. What we hear is make  
5     announcement, we have a website. It's full  
6     identity of all this community together. We are  
7     building a monetary systems. Of course we need  
8     something to gather.

9           **Q     Right. And so, the website is used to**  
10    **advertise Locke and Ducat to have people**  
11    **potentially come in and --**

12               MR. MOELLER: Objection, Your Honor.

13           **Q     -- purchase Ducat and Locke tokens?**

14               MR. MOELLER: Objection. The -- he's  
15     leading the witness.

16               MR. CARNEY: Your Honor, it's  
17     cross-examination.

18               JUDGE FOELAK: Well, it's  
19     cross-examination, that's what you do. He's  
20     fishing for yes and no answers.

21           A     Yeah. We -- we want to attract  
22     everybody who are potential users of the Locke  
23     and Ducat, of course.

24           **Q     Okay. Does American CryptoFed have a**  
25    **server?**

1           A     The server, it belong to MShift. I  
2     don't think this one is under American -- MShift  
3     thoroughly. It's someone else. I need to ask my  
4     IT. I have not paid too much attention to where  
5     this website is host.

6           Q     Apart from the website, is there a  
7     server -- does American CryptoFed own its own  
8     server?

9           A     No.

10          Q     Okay. And when the Blockchain is  
11     launched will American CryptoFed have a server?

12          A     I don't think so. American CryptoFed  
13     does not have all this. It's all contributors,  
14     supporting entities, merchants, IT, block  
15     producers. They are all supporting entities to  
16     work together to cover the costs. American  
17     CryptoFed has nothing.

18          Q     All right. Let me -- let me ask you  
19     about that. I'm going to show you what's been  
20     marked as Respondent's Exhibit 289.

21                     And so, Respondent's Exhibit 289 is a  
22     November 8th, 2021 invoice to American CryptoFed  
23     from the U.S. Conference of Mayors, right?

24          A     Correct.

25          Q     And so, American CryptoFed owed the

1     **U.S. Conference of Mayors \$25,000.00, right?**

2             A     MShift paid for that.

3             Q     **Okay. But American CryptoFed was the**  
4     **one that -- that owed this money, right?**

5             A     Okay. The supporting company before  
6     separation, as I said clearly, before the  
7     separation based on constitution 4.1, MShift is  
8     the sole member. MShift take responsibility for  
9     all of this.

10            Q     **Okay. But, Mr. Zhou, the invoice was**  
11     **billed to American CryptoFed to the attention of**  
12     **Marian Orr, the CEO, isn't it?**

13            A     Yes, it is.

14            Q     **So, American CryptoFed was the one that**  
15     **owed this \$25,000.00, isn't it?**

16            A     No. MShift paid that. It's -- it's a  
17     member. We -- we -- we make that clear.

18            Q     **Sir, I didn't ask you who -- who paid**  
19     **it. I asked you who owed it. And they billed**  
20     **American CryptoFed, right?**

21                   MR. MOELLER: Objection, asked and  
22     answered.

23                   MR. CARNEY: Your Honor, it definitely  
24     wasn't.

25                   JUDGE FOELAK: He's trying to get a

1 straight answer instead of an explanation. So,  
2 the objection is -- is overruled.

3 Please answer yes or no, Mr. Zhou.

4 A Okay. This will be owned -- this money  
5 this money will be owed by MShift. MShift as  
6 supporting entity for this, the sole member.

7 JUDGE FOELAK: Mr. -- Mr. Zhou, he's  
8 asking you, is American CryptoFed the one that  
9 owes the money. Is that what the bill says?

10 A Yeah. That's what the bill says, but  
11 as operation, you need to look at the  
12 constitution, how it operates. Even I say in the  
13 Form 10 or Form S-1 we file we say until which  
14 date MShift will responsible for this. That  
15 doesn't mean --

16 JUDGE FOELAK: Okay. Mr. Carney, your  
17 next question.

18 MR. CARNEY: Thank you, Your Honor.

19 Q Mr. Zhou, one of the things you talked  
20 about was the SEC's subpoena to American  
21 CryptoFed. Do you recall that?

22 A Yeah. Which one? You have multiple.

23 Q Okay. The one where we -- the subpoena  
24 for documents this -- this past spring. Do you  
25 recall that one?

1           A     I think you have multiple. Which one?  
2 Can you show up for me?

3           Q     I can -- I believe it's Exhibit 3, but  
4 I can -- why don't I show you Exhibit 4 which is  
5 your response to that subpoena which is already  
6 in evidence.

7                     Do you -- do you recall providing this  
8 response to the Division of Enforcement subpoena  
9 in June of 2022?

10          A     Yeah.

11          Q     And ACF did not provide any documents  
12 in response to this subpoena, did it?

13          A     Yes. Don't need to.

14          Q     And -- and just so the record is clear,  
15 when you say yes, yes, you did not provide any  
16 documents in response to this subpoena for  
17 documents, right?

18          A     Yes.

19                     JUDGE FOELAK: He made it clear that  
20 he's affirming your statement.

21                     MR. CARNEY: Thank you.

22          Q     And if we look at request number two.  
23 So, if we scroll -- scroll through this and we at  
24 page five of this document, you were asked for  
25 documents sufficient to identify all

1 contributors, including, but not limited to name,  
2 telephone number, e-mail address and mailing  
3 address for each of the -- the contributors.

4 American CryptoFed didn't give any  
5 information to the SEC about its contributors,  
6 right?

7 A We supposed to file. You stop it. We  
8 have set up a schedule on Form S-1 November 15,  
9 December 15 or something like that. You -- you  
10 need to check accurate date. We define exactly  
11 the date we are going to file additional filing.  
12 Even in Form 10, okay. You guys stop, have the  
13 stay -- stay of our Form 10. We don't know  
14 because Form S-1 and Form 10 are linked  
15 together -- were linked together and they are  
16 still linked together. So, we really don't know  
17 what to do.

18 Q Does American -- does American  
19 CryptoFed have any --

20 A Let --

21 Q Does American CryptoFed have any  
22 contributors right now?

23 A Yeah, we -- okay, I'm a contributor.  
24 Scott is a contributor.

25 Q Aside from you and Mr. --

1           A     -- contributor, okay. There are a lot  
2 of contributors. If you go to the disclosure. I  
3 have exhibit Scott pull out, we disclosing in  
4 the -- after -- after the MAG conference. We --  
5 we disclose that.

6                     Scott, can you pull out -- can we allow  
7 us to pull out that exhibit?

8           Q     **Mr. Zhou, I just asked you, do you have**  
9 **any contributors right now besides you, Mr.**  
10 **Moeller and MShift?**

11           A     Of course we have.

12           Q     **And who are those contributors?**

13           A     Do I have to answer? Once -- once  
14 this -- once -- once we are -- this proceeding is  
15 over, we get into the filing review process, we  
16 will disclose as many as possible during the  
17 disclosure procedure.

18           Q     **So, just -- so, just so --**

19                     JUDGE FOELAK: Sir. Sir. Sir. Sir,  
20 so, as I understand your answer, the -- the  
21 request was to identify contributors. In fact,  
22 you had a lot of contributors, but you didn't  
23 want to identify them?

24                     MR. ZHOU: Okay.

25                     JUDGE FOELAK: That seems to be what

1     you're saying.

2           A     Okay. Look -- look, a lot of potential  
3     ones once we receive -- once we receive the  
4     proceedings. We do not go back to confirm --  
5     confirm with them. How can we confirm them, we  
6     get -- we got -- we don't want to get them into  
7     trouble, okay. But they never deny they will not  
8     be, but they never confirmed they will be, okay.  
9     So -- so they needed to --

10           JUDGE FOELAK: Wait a minute. Wait a  
11     minute, sir. Let me understand what you're  
12     saying. They had sent you, let's call it, money  
13     or they hadn't sent you money.

14           MR. MOELLER: No one sent money.

15           MR. ZHOU: There's no money sent.

16           JUDGE FOELAK: Were they potential --  
17     were they potential contributors or they were  
18     actual contributors? I think that's what --

19           MR. ZHOU: They're potential.

20           JUDGE FOELAK: -- unclear.

21           MR. ZHOU: There are a lot of  
22     potential, but MShift employees is actual  
23     contributors. There are many -- many people  
24     really work for us in the past. There are all  
25     contributors.



1                   MR. CARNEY: Your Honor, if I can  
2 follow-up on your question because I think your  
3 question got right to the heart of it.

4           Q     **Mr. Zhou, at the time of the subpoena**  
5 **you didn't want to provide the names of the**  
6 **contributors, right?**

7           A     No. We don't want at all.

8           Q     **And you don't want to provide those**  
9 **names now, right?**

10          A     Not now. After this proceeding we will  
11 disclose that.

12          Q     **That's --**

13                   JUDGE FOELAK: Okay.

14                  MR. CARNEY: Your Honor, I -- I think  
15 I'm almost finished. I do want to confer with  
16 my -- my colleagues to make sure that I didn't  
17 miss anything, but I think I'm -- I'm about done.  
18 If -- if I could have, Your Honor's, indulgence  
19 for a couple of minutes.

20                  JUDGE FOELAK: Okay. You want a couple  
21 of minutes or longer? I mean, you want a  
22 15-minute break or one-minute, you know?

23                  MR. CARNEY: If, Your Honor's,  
24 amenable, right now might be good for a 15-minute  
25 break.

1 JUDGE FOELAK: Okay, sounds good.

2 We'll -- we'll reconvene at 25 'til.

3 MR. CARNEY: Thank you, Your Honor.

4 (A brief recess was taken.)

5 JUDGE FOELAK: Okay. Back on the  
6 record.

7 MR. CARNEY: Thank you, Your Honor. I  
8 just had a couple of additional questions and  
9 then I'll be done. If I may proceed.

10 JUDGE FOELAK: Yes, please.

11 BY MR. CARNEY:

12 Q So, Mr. Zhou, I -- if I recall earlier,  
13 you mentioned that the only contract that  
14 American CryptoFed can enter into is its  
15 constitution; is that right?

16 A Yes.

17 Q What about when the smart contracts are  
18 launched, will those be contracts that American  
19 CryptoFed is a counterparty to?

20 A Yes. It's on the constitution. We  
21 say -- we specify -- we have a specify clause for  
22 that. Can we pull out the constitution? Do you  
23 want to look at which section -- it should be  
24 under section four somewhere.

25 Q So, if -- if I understand what you're

1     saying.  So, American CryptoFed can enter into  
2     contracts that are described in the constitution?

3             A     Yes.

4             Q     All right.  Okay.  And let me ask,  
5     you -- you talked a little bit about steps that  
6     you're going to take to do KYC and AML.  Do -- do  
7     you remember that?

8             A     Yes.

9             Q     So, I -- I just want to give you a  
10    hypothetical.  And I'm not suggesting that --  
11    that this is going to happen, but let's say that  
12    you were -- American CryptoFed were to violate --  
13    or be found to have violated anti-money  
14    laundering rules and a fine were imposed on  
15    American CryptoFed by a enforcement agency, would  
16    that fine in your view be a liability of American  
17    CryptoFed?

18            A     Okay.  We set up our system to talk  
19    with all the federal agencies, state government,  
20    state agencies, to clear all of this.  And we  
21    issue our wallet co-branded with banks, exchanges  
22    and other organizations which complying with AML,  
23    KYC.

24                    If you look at our constitution, if you  
25    look at our Form S-1 filing, it's always called

1 co-branding. The co-brand means, if you look at  
2 today your Visa card, your Master Card, if you  
3 look at that, it's co-branded with bank. You  
4 have a Visa brand, you also have bank on the  
5 brand, okay. It's all co-branded. Those entity  
6 as contributors and -- and they will fully handle  
7 this following this constitution.

8 **Q So, Mr. Zhou, just to be clear --**

9 JUDGE FOELAK: Let's me just ask -- let  
10 me just ask you a clarifying. So, are you  
11 saying -- let's say, it's co-branded as Wells  
12 Fargo and, unfortunately, an AML violation  
13 occurred, that Wells Fargo would have to --  
14 and -- and the Treasury Department fines --  
15 issued a fine, are you saying that Wells Fargo  
16 would have to pay the fine?

17 THE WITNESS: Yes, because we don't  
18 have any assets. CryptoFed does not have any  
19 asset, okay. It's co-branded. It's their  
20 wallet. Not American CryptoFed's wallet.  
21 American CryptoFed does not take on -- take in  
22 any deposit. Nothing. It's just a software for  
23 coordination of all the activities.

24 **Q And just so I understand. So, it's --**  
25 **it's your view that American CryptoFed is immune**

1     **from any AML liability?**

2           A     We have a waiver there. If you look at  
3     the waiver, it's very comprehensive waiver in the  
4     constitution. If we want -- if the SEC say, this  
5     waiver is not sufficient, we can enhance that,  
6     okay. That waiver have not been reviewed any by  
7     any lawyers. It's wrote by me. Find someplace  
8     example, okay, but we have very strong waiver  
9     there.

10          Q     And just -- just, more generally, if --  
11     if anyone were to sue American CryptoFed and  
12     obtain a judgment, you're -- you're saying  
13     American CryptoFed would not have to pay that  
14     judgment or have any liability in your view?

15          A     If you look at the constitution  
16     where -- where there is any possibility for  
17     American CryptoFed violate anything, the action  
18     will be taken by the parts -- participating  
19     parties. That's a Blockchain as a software,  
20     it's -- it make collective decision. It's  
21     operating that way. If -- if something's  
22     wrong --

23                   JUDGE FOELAK: Okay.

24                   MR. ZHOU: Go ahead, Your Honor.

25                   JUDGE FOELAK: So, any of the token

1 holders might be liable for the full amount of  
2 the money judgment? Any one of the token holders  
3 like in a partnership?

4 MR. ZHOU: Depending who violate that.  
5 We -- okay. Like, if you look at the KYC AML,  
6 that's -- we need fully comply that. They need  
7 to go to look at how they do that ordinary  
8 business to do KYC, AML. We just a software  
9 to -- collectively when people do things together  
10 they generate -- they generate the token.

11 Like Bitcoin today, who are responsible  
12 for Bitcoin's KYC, ML -- AML? That's the bank,  
13 that's the exchanges, that's the -- that's the  
14 wallet holders. The real holders of the tokens  
15 are responsible for that. Not Bitcoin network.  
16 Mr. Satoshi already gone. You don't know where  
17 they are. So, in that same manner we will  
18 decentralize that to that level.

19 BY MR. CARNEY:

20 Q So, right now, currently, MShift is a  
21 member of the American CryptoFed?

22 A Yeah. We do not issue anything  
23 because -- okay. MShift and the CryptoFed have  
24 separate -- separate. It's mother and baby in  
25 the same belly. The birth have not been

1 delivered. We need your approval. We need to  
2 discuss with you how to do this.

3 We set up American CryptoFed as a legal  
4 entity in Wyoming. We have the right to talk to  
5 you. And when you try to regulate us, you need  
6 to give very clear guidance for us what we to do.  
7 That requirement of a fair notice of the Supreme  
8 Court, the law, including, I mean, due process.

9 The main cite the constitution  
10 amendment. So, that's why we do not issue  
11 anything and we come directly using the form we  
12 can find. There no other form available. And we  
13 try to kick all this process, trigger this  
14 process, following -- following the call of the  
15 SEC chairman, Chairman Gensler. He repeatedly  
16 call, Come to us. Come to us. Talk to us. Talk  
17 to us. We did. We did.

18 MR. CARNEY: I -- I don't have anymore  
19 questions, Your Honor.

20 JUDGE FOELAK: Okay. Mr. Zhou, you  
21 pretty much built your rebuttal, to the extent  
22 you might have any, into your answers -- into the  
23 cross-examination because you went on for some  
24 time.

25 Do you have any additional rebuttal?

1           The rebuttal is only to the  
2 cross-examination. Not, you know, new stuff.  
3 Not stuff that --

4           MR. ZHOU: Yeah, I'm -- Your Honor, I'm  
5 pretty tired prepare all of those things. I  
6 think I'm fine today.

7           JUDGE FOELAK: Okay, very good.

8           In that case I will put out the -- the  
9 hearing portion --

10          MR. BRUCKMANN: Your Honor?

11          JUDGE FOELAK: Yes.

12          MR. BRUCKMANN: I think we just wanted  
13 to clarify on the record whether Mr. Moeller  
14 wants to offer any additional testimony? We had  
15 postponed that to --

16          JUDGE FOELAK: I'm sorry. Mr. Moeller,  
17 do you have any rebuttal?

18          MR. MOELLER: No. No, Your Honor, I do  
19 not.

20          JUDGE FOELAK: Okay, thank you.

21          MR. MOELLER: Wait, I see -- I see Zhou  
22 with his hand raised. So, before I --

23          JUDGE FOELAK: Yes. Yes, Mr. Zhou?

24          MR. ZHOU: So, we still have the right,  
25 like last letters November 6th, 2022, we ask --



1 we request to meet chief accountant of the  
2 Commission, the director of -- director of  
3 disclosure program, the director of the  
4 Corporation Finance Division -- Corporation  
5 Finance. We haven't get any answer. We don't  
6 know what to do, okay. We still need that.

7 We still believe this whole section D  
8 proceedings is illegal and that's why we do  
9 not -- okay. I -- I refuse to provide  
10 contributors, all this, but we do, Your Honor,  
11 have very, very strong desire to disclose what we  
12 have after these proceedings is over and we have  
13 something together work with the Division, the  
14 SEC, like the chairman instructed to get all this  
15 entrepreneur and the crypto companies to  
16 register -- to be registered.

17 Thank you, Your Honor. That's what  
18 I -- I have.

19 JUDGE FOELAK: Okay. Thank you, Mr.  
20 Zhou.

21 The hearing portion of this proceeding  
22 is now closed. And I will put out an order  
23 memorializing all these procedural dates and  
24 stuff that I said on the record today.

25 And thank you everyone for your

1 participation.

2 MR. BRUCKMANN: Thank you, Your Honor.

3 MR. ZHOU: Thank you, Your Honor.

4 MR. MOELLER: Thank you, Your Honor.

5 (Whereupon, at 3:46 p.m., the hearing  
6 was concluded.)

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PROOFREADER'S CERTIFICATE

In The Matter of: THE REGISTRATION STATEMENT OF  
AMERICAN CRYPTOFEED DAO, LLC  
ADMINISTRATIVE PROCEEDING - HEARING, VOL. 5

File Number: 3-21243

Date: Thursday, January 19, 2023

Location: Washington, D.C.

This is to certify that I, Maria E. Paulsen,  
(the undersigned), do hereby certify that the  
foregoing transcript is a complete, true and accurate  
transcription of all matters contained on the recorded  
proceedings of the investigative testimony.

\_\_\_\_\_  
(Proofreader's Name)

\_\_\_\_\_  
(Date)

C E R T I F I C A T E

I, SHAUNNA H. MORAN, a Certified Shorthand Reporter and Registered Professional Reporter in the States of New Jersey, New York and The District of Columbia, and Notary Public of the State of New Jersey, do hereby certify that the foregoing is a true and accurate transcript of the testimony as taken stenographically by and before me at the time, place and on the date hereinbefore set forth.

I DO FURTHER CERTIFY that I am neither a relative nor employee nor attorney nor counsel of any of the parties to this action, and that I am neither a relative nor employee of such attorney or counsel, and that I am not financially interested in the action.

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SHAUNNA H. MORAN, CSR, RPR  
Shorthand Reporter