STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of BLOCKFI LENDING LLC, Respondent.	Matter No. S-22-0038 FINAL ORDER TO CEASE AND DESIST, FINAL ORDER ASSESSING CIVIL PENALTIES, AND CONSENT TO ENTRY OF ORDER

WHEREAS BlockFi Lending LLC ("BlockFi") is a New Jersey-based financial services company that offered and sold interest-bearing digital asset accounts called BlockFi Interest Accounts ("BIAs"), through which investors lend digital assets to BlockFi in exchange for BlockFi's promise to provide variable monthly interest payment; and

State securities regulators, as members of the North American Securities Administrators Association ("NASAA"), formed a working group (the "Multistate Working Group") and conducted an investigation into whether BIAs involved the offer and sale of unregistered securities by BlockFi to retail investors; and

BlockFi has cooperated with state securities regulators and the Multistate Working Group conducting the investigation by responding to inquiries, providing documentary evidence and other materials, and providing access to facts relating to the investigations; and

BlockFi has advised the Multistate Working Group of its agreement to resolve the investigation pursuant to the terms specified in this Consent Order (the "Order") and

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pursuant to the multistate resolution recommended by the Multistate Working Group; and

BlockFi will cease and desist offering or selling the BIAs or any security that is not registered, qualified, or exempt to new clients in the United States and cease accepting further investments or funds in the BIAs by current U.S. clients, unless and until the BIAs or other securities are registered, qualified, or otherwise exempt; and

BlockFi shall pay up to a total of fifty million dollars ($50,000,000.00) in settlement payments divided equally among the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands and paid to each of the 53 Jurisdictions that enter into a consent order pursuant to the terms of BlockFi's agreement with the Multistate Working Group; and

BlockFi elects to waive permanently any right to a hearing and appeal under ORS 59.295 and ORS 59.305 with respect to the entry of this Order; and

BlockFi admits the jurisdiction of the Oregon Department of Consumer and Business Services, Division of Financial Regulation ("the Division") in this matter; and

Solely for the purpose of terminating the Multistate Working Group investigation and in settlement of the issues contained in this Order, BlockFi, without admitting or denying the findings of fact or conclusions of law contained in this Order, consents to the entry of this Order.

NOW, THEREFORE, the Director of the Oregon Department of Consumer and Business Services, as administrator of the Oregon Securities Law, hereby enters this Order:

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I. FINDINGS OF FACT

1. The Division has jurisdiction over this matter pursuant to ORS 59. 235 and ORS 59.245.

2. BlockFi Inc., a Delaware corporation, incorporated on August 1, 2017, with offices at 201 Montgomery Street, Suite 263, Jersey City, New Jersey, is a financial

services company that, through its subsidiaries, generates revenue through cryptocurrency and other digital asset trading, lending, and borrowing, as well as investments and other types of transactions.

3. BlockFi Trading LLC, a Delaware limited liability company formed on May 28, 2019, with offices at 201 Montgomery Street, Suite 263, Jersey City, New Jersey, is a wholly owned subsidiary of BlockFi Inc. and acts as a money transmitter that accepts money and digital assets from investors and transfers the funds to BlockFi for investment in BIAs.

4. BlockFi, a Delaware limited liability company formed on January 11, 2018, with offices at 201 Montgomery Street, Suite 263, Jersey City, New Jersey, is a wholly owned subsidiary of BlockFi Inc. and an affiliate of BlockFi Trading LLC and is the issuer of the BIAs.

5. Starting on January 7, 2021, members of the Multistate Working Group contacted BlockFi to notify it that it may have offered and sold securities that may not comply with state securities laws.

6. On July 19, 2021, New Jersey filed a summary cease and desist order alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling unregistered securities in the form of BIAs.

7. On July 22, 2021, Alabama filed an order to show cause alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling unregistered securities in the form of BIAs.

8. On July 22, 2021, Texas filed a notice of hearing alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling unregistered securities in the form of BIAs.

9. On July 22, 2021, Vermont filed a show cause order alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling

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unregistered securities in the form of BIAs.

10. On July 29, 2021, Kentucky filed an emergency cease and desist order alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling unregistered securities in the form of BIAs.

11. On September 23, 2021, Washington filed a statement of charges alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling unregistered securities in the form of BIAs.

12. On February 14, 2022, BlockFi agreed to cease and desist offering and selling BIAs nationwide to new investors in the United States and cease and desist accepting further investments or funds in the BIAs by current U.S. investors, including in Oregon.

THE OFFER AND SALE OF SECURITIES NATIONWIDE

13. From at least March 4, 2019 through February 14, 2022 (the "Relevant Period"), BlockFi has offered and sold securities in the form of interest-bearing digital asset accounts called BIAs and marketed, offered, and sold those securities to Oregon residents.

14. On March 4, 2019, BlockFi publicly announced the launch of the BIA, through which investors could lend digital assets to BlockFi and in exchange, receive interest, "paid monthly in cryptocurrency." Interest began accruing the day after assets were transmitted to BlockFi and compounded monthly, with interest payments made to accounts associated with each BIA investor, in digital assets, on or about the first business day of each month.

15. Investors in BIAs lent digital assets to BlockFi in exchange for BlockFi's promise to provide a variable monthly interest payment.

16. BlockFi represented it generated the interest it paid BIA investors by deploying investors' digital assets in various ways, including loans made to institutional investors, lending U.S. dollars to retail investors, and investing in digital assets, equities,

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and futures.

17. Under BlockFi's terms for the BIA, investors:

> grant BlockFi the right, without further notice to [the investor], to hold the cryptocurrency held in [the] account in BlockFi's name or in another name, and to pledge, repledge, hypothecate, rehypothecate, sell, lend, or otherwise transfer, invest or use any amount of such cryptocurrency, separately or together with other property, with all attendant rights of ownership, and for any period of time and without retaining in BlockFi's possession and/or control a like amount of cryptocurrency, and to use or invest such cryptocurrency at its own risk.

18. BlockFi offered and sold BIAs to obtain digital assets for the general use of its business, namely to use the assets in its lending and investment activities, which generated income both for BlockFi and to pay interest to BIA investors. BlockFi pooled the loaned assets, and exercised full discretion over how much to hold, lend, and invest. BlockFi had complete legal ownership and control over the digital assets loaned to it by BIA investors and advertised that it managed the risks involved.

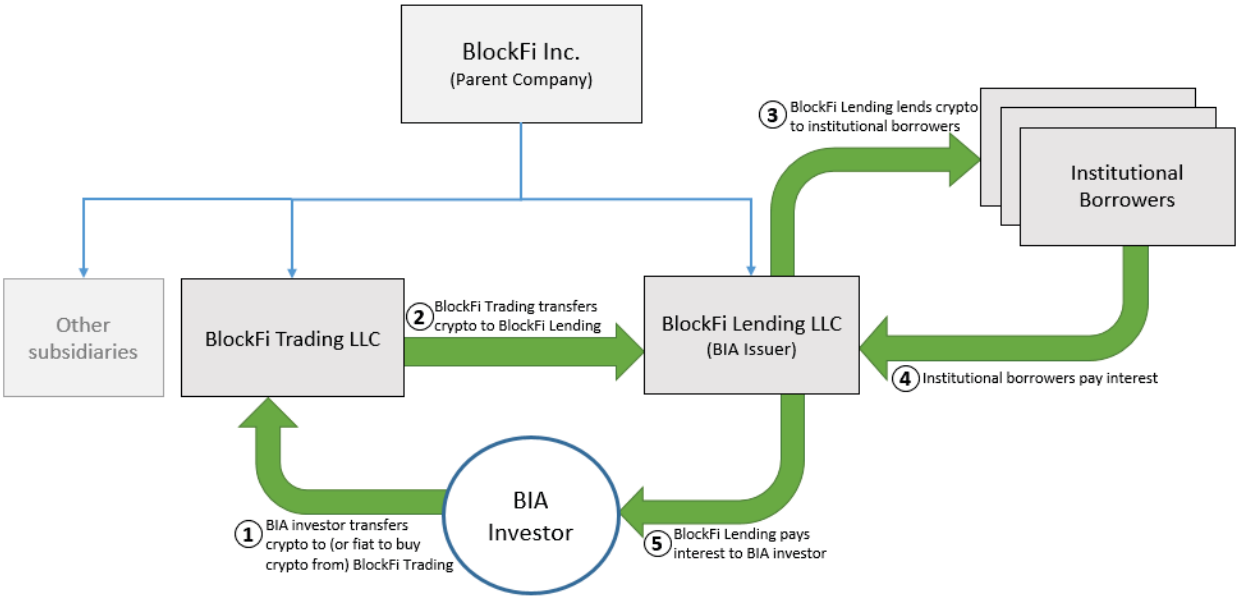
19. To begin investing in a BIA, an investor could transfer digital assets to the digital wallet address assigned by BlockFi to the investor or purchase digital assets with fiat currency from BlockFi Trading LLC for the purpose of investing in a BIA. BlockFi Trading LLC accepted the digital asset or fiat from the investor, and then transferred the asset to BlockFi. BlockFi did not hold private keys for the investors' wallet addresses; rather, investors' digital assets were sent to BlockFi's wallet addresses at third-party custodians.

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20. BIA investors were permitted to withdraw the equivalent to the digital assets they loaned to BlockFi and accrued interest at any time, with some limitations, and could borrow money in U.S. dollars against the amount of digital assets deposited in BIAs.

21. BlockFi adjusted the interest rates payable on BIAs for particular digital assets periodically, and typically at the start of each month. BlockFi set the rates based, in part, on "the yield that [BlockFi] can generate from lending," to institutional borrowers, and thus interest rates were correlated with the efforts that BlockFi put in to generate that yield. BlockFi periodically adjusted its interest rates payable on the BIAs in part after analysis of current yield on its investment and lending activity. BIA investors could demand that BlockFi repay the loaned digital assets at any time.

22. As of March 31, 2021, BlockFi and its affiliates held approximately $14.7 billion in BIA investor assets. As of December 8, 2021, BlockFi and its affiliates held approximately $10.4 billion in BIA investor assets, and had approximately 572,160 BIA investors, including 391,105 investors in the United States.

23. As of December 31, 2019, BlockFi and its affiliates held approximately $2,076,602 in BIA investor assets from 93 Oregon residents. As of December 31, 2020,

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BlockFi and its affiliates held approximately $49,015,498 in BIA investor assets from 1,041 Oregon residents. As of December 31, 2021, BlockFi and its affiliates held approximately $125,744,084 in BIA investor assets from 6,855 Oregon residents.

MARKETING BLOCKFI'S BIA

24. BlockFi offered and sold the BIA securities to investors, including retail investors, through advertising and general solicitations on its website, www.blockfi.com. BlockFi also promoted distribution of the BIA offering through its social media accounts, including YouTube, Twitter, and Facebook. In addition, through its "Partner" program, an affiliate marketing program in which participants could "earn passive income by introducing your audience to financial tools for crypto investors," BlockFi extended its distribution of the BIA securities to retail investors through certain offers and promotions.

25. BlockFi regularly touted the profits investors may earn by investing in a BIA. When announcing the BIA, BlockFi promoted the interest earned, promising "an industry-leading 6.2% [annual percentage yield]," compounded monthly. BlockFi described it as "an easy way for crypto investors to earn bitcoin as they HODL."

26. Within the first few weeks of launching the BIA, BlockFi again touted investors' potential for profit. On March 20, 2019, BlockFi announced that BIAs experienced significant growth, including from large firms who participated in BIAs "as a way to bolster their returns." BlockFi asserted that its "mission is to provide the average crypto investor with the tools to build their wealth," and that it "look[ed] forward to giving even more investors a chance to earn a yield on their crypto."

27. On April 1, 2019, BlockFi began to "tier" the interest rates that investors received, initially announcing that "BIA balances of up to and including 25 [Bitcoin] or 500 [Ether] (equivalent to roughly $100,000 and $70,000 respectively) will earn the 6.2% APY interest rate. All balances over that limit will earn a tiered rate of 2% interest." Even

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when changing the interest rates customers receive, BlockFi touted the yields to investors. On August 27, 2021, BlockFi stated that the adjustments to interest rates are done "with the goal of maintaining great rates for the maximum number of clients."

28. On January 1, 2021, BlockFi advertised that it had "distributed more than $50 million in monthly interest payments to [its] clients."

29. As of November 1, 2021, the interest rates BlockFi paid investors ranged from 0.1% to 9.5%, depending on the type of digital asset and the size of the investment. For example, investors could receive 9.5% in interest for up to 40,000 Tether ("USDT") and 8.5% for anything over 40,000 USDT, as well as 4.5% interest for up to 0.1 Bitcoin ("BTC"), 1% for 0.1 to 0.35 BTC, and 0.1% for anything over 0.35 BTC.

MISREPRESENTATION OF COLLATERALIZATION PRACTICES FOR INSTITUTIONAL LOANS

30. BlockFi's offer of BIAs included an untrue statement of a material fact made by BlockFi on its website from March 4, 2019 to August 31, 2021, concerning its collateral practices and, therefore, the risks associated with its lending activity.

31. Beginning at the time of the BIA launch on March 4, 2019 and continuing to August 31, 2021, BlockFi made a statement in multiple website posts that its institutional loans were "typically" over-collateralized, when in fact, most institutional loans were not.

32. When BlockFi began offering the BIA investment, it intended to require over-collateralization on a majority of its loans to institutional investors, but it quickly became apparent that large institutional investors were frequently not willing to post large amounts of collateral to secure their loans.

33. Approximately 24% of institutional digital asset loans made in 2019 were over-collateralized; in 2020 approximately 16% were over-collateralized; and in 2021 (through June 30, 2021) approximately 17% were over-collateralized.

34. As a result, BlockFi's statement materially overstated the degree to which it

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secured protection from defaults by institutional borrowers through collateral. Through operational oversight, BlockFi's personnel failed to take steps to update the website statement to accurately reflect the fact that most institutional loans were not over-collateralized.

35. Although BlockFi made other disclosures on its website regarding its risk management practices, because of BlockFi's misrepresentations and omissions about the level of risk in its loan portfolio, BIA investors did not have complete and accurate information with which to evaluate the risk that, in the event of defaults by its institutional borrowers, BlockFi would be unable to comply with its obligation to pay BIA investors the stated interest rates or return the loaned digital assets and accrued interest to investors upon demand.

FAILURE TO COMPLY WITH REGISTRATION REQUIREMENTS

36. During the Relevant Period, BlockFi's offer and sale of BIAs was not done subject to an exception or exemption from registration.

37. During the Relevant Period, BlockFi offered and sold securities in Oregon that were not registered or permitted for sale in Oregon as required by ORS 59.055.

38. During the Relevant Period, BlockFi offered and sold securities in Oregon without being licensed as a broker-dealer or salesperson as required by ORS 59.165(1).

II. CONCLUSIONS OF LAW

39. The BIAs are securities as defined in ORS 59.015(19)(a).

40. During the Relevant Period, BlockFi's offer and sale of securities in Oregon that were not registered or permitted for sale in Oregon violated ORS 59.055.

41. During the Relevant Period, BlockFi's offer and sale of securities in Oregon without being registered as a broker-dealer or salesperson violated ORS 59.165(1).

42. During the Relevant Period, BlockFi's offer included an untrue statement of a material fact made by BlockFi on its website concerning its collateral practices and,

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therefore, the risks associated with its lending activity, in violation of ORS 59.135(2).

43. The foregoing violations of ORS 59.055, ORS 59.135(2), and ORS 59.165(1) constitute the basis for the assessment of civil penalties against BlockFi pursuant to ORS 59.995(1).

III. UNDERTAKING

44. BlockFi's parent, BlockFi Inc., undertakes and agrees to file with the Director for registration to offer and sell a new investment product, BlockFi Yield, which BlockFi Inc. intends to register under the federal Securities Act of 1933, as required by ORS 59.055 within 30 days of the filing of the federal registration statement.

45. BlockFi and BlockFi's parent, BlockFi Inc., further undertake and agree to cease and desist offering or selling BIAs or any security that is not registered, qualified, or exempt to new investors in the United States and cease and desist accepting further investments or funds in the BIAs by current U.S. investors unless and until the BIAs or other securities have been registered by the Director or are otherwise exempt.

46. BlockFi's parent, BlockFi Inc., undertakes and agrees to file with the Director for licensing as a broker-dealer or salesperson or engage a licensed broker-dealer and/or salesperson as required by ORS 59.165(1) before offering or selling securities, unless otherwise exempt.

47. BlockFi's parent, BlockFi Inc., undertakes and agrees to cease and desist from making any untrue statement of a material fact in connection with the sale of BIAs in Oregon.

48. BlockFi undertakes and agrees to pay civil penalties to the Director in the amount of $943,396.22.

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IV. ORDER

On the basis of the Findings of Fact, Conclusions of Law, and BlockFi's consent to the entry of this Order,

IT IS HEREBY ORDERED:

49. This Order concludes the investigation by the Division and resolves any other action the Division could commence against BlockFi and its affiliates concerning the Findings of Fact and Conclusions of Law, including as it relates to the offer and sale of BIAs without registration, qualification, or otherwise complying with an exemption and the above-referenced statements regarding BlockFi's collateral practices made thereto during the Relevant Period.

50. This Order is entered into solely for the purpose of resolving the referenced multistate investigation and is not intended to be used for any other purpose. Other than the obligations and provisions set forth herein, this Order does not limit or create liability for BlockFi nor limit or create defenses for BlockFi to any claims.

51. This Order and the order of any other State in any proceeding related to BlockFi's agreement to resolve the above-referenced multistate investigation (collectively, the "Orders") shall not be used as sole grounds to deny registration or qualification of securities issued by BlockFi or its parent BlockFi Inc.

52. This Order is not intended to subject any Covered Person to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands, or under the rules or regulations of any securities or commodities regulator or self-regulatory organization, including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. "Covered Persons" means BlockFi, its parent, or any of its affiliates and their current or former officers, directors, employees, or other persons that could otherwise be disqualified as a result of the Orders.

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53. This Order does not preclude BlockFi from paying interest or returns to existing clients, refunding principal to investors consistent with the terms of the BIAs, or otherwise lawfully dealing with existing clientele.

54. BlockFi is hereby ORDERED to cease and desist from offering or selling the BIAs or any security that is not registered, qualified, or exempt to new investors in Oregon, and cease and desist accepting further investments or funds in the BIAs by current Oregon investors, unless and until the BIAs or other securities are registered or otherwise exempt in Oregon.

55. BlockFi is hereby ORDERED to pay $943,396.22 to the Department of Consumer and Business Services, including civil penalties totaling $896,226.41 to be allocated for the General Fund of the State Treasury and $47,169.81 to be allocated for the DCBS Consumer Financial Education Account. If timely payment is not made, additional interest shall accrue at a rate of nine percent per annum pursuant to the mandatory interest requirement in ORS 82.010**.**

56. Payment shall be made in the following installments:

a. $188,679.24 within 14 days of the entry of this Order;

b. $188,679.24 due no later than August 15, 2022;

c. $188,679.24 due no later than February 14, 2023;

d. $188,679.24 due no later than August 14, 2023;

e. $188,679.26 due no later than February 14, 2024;

57. Payments shall be applied first to post-Order interest, which accrues pursuant to ORS 82.010. Prior to making the final payment set forth herein, BlockFi shall contact the staff of the Division for the amount due.

58. If BlockFi fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this

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Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Division without further application to the Division.

59. Payment must be made by delivery of a certified check or cashier's check made payable to the Department of Consumer and Business Services and hand delivered or mailed to: Department of Consumer and Business Services, 350 Winter Street NE, Salem OR 97301. Payments must be accompanied by a cover letter and a Payment Coupon identifying BlockFi and the file number of these proceedings. A copy of the cover letter, certified check or cashier's check, and payment coupon must be sent by email to DFR.ReportEnforcement@oregon.gov and by email to Caroline Smith at Caroline.L.Smith@dcbs.oregon.gov.

60. This Order shall be binding upon BlockFi, its parent and affiliates, and their respective successors and assigns with respect to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

SIGNED AND ENTERED this 23rd day of June, 2022.

Andrew R. Stolfi, Director
Department of Consumer and Business Services

/s/Dorothy Bean
Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

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CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY BLOCKFI

BlockFi hereby acknowledges that it has been served with a copy of this Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

BlockFi admits the jurisdiction of the Division, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Division as settlement of the issues contained in this Order.

BlockFi agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any civil penalty that BlockFi shall pay pursuant to this Order.

BlockFi states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

_Jonathan Mayers_____ represents that s/he is _General Counsel_____ of BlockFi and that, as such, has been authorized by BlockFi to enter into this Order for and on behalf of BlockFi.

Dated this __9th__ day of ___June_____, 2022.

BlockFi Lending LLC

By: ___/s/Jonathan Mayers_____

Title: ___General Counsel_____

SUBSCRIBED AND SWORN TO before me this __9th___ day of __June_____, 2022.

[Affix seal]

____/s/Carline Bradshaw_____

Notary Public in and for the State of _New York_____

My Commission expires: ___04/28/2026_____

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CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY BLOCKFI INC.

BlockFi Inc., BlockFi Lending LLC's parent, hereby acknowledges that it has been served with a copy of this Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

BlockFi Inc. admits the jurisdiction of the Division, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Division as settlement of the issues contained in this Order.

BlockFi Inc. unconditionally guarantees the payment to the Department of Consumer and Business Services in the amount of Nine Hundred forty-three thousand three hundred ninety-six dollars and twenty-two cents ($943,396.22) as agreed in this Order.

BlockFi Inc. agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any civil penalty that BlockFi Inc. shall pay pursuant to this Order.

BlockFi Inc. states that no promise of any kind or nature whatsoever was made to it to induce it to consent to this Order and that it has consented to this Order voluntarily.

_Jonathan Mayers_____ represents that s/he is __General Counsel___ of BlockFi Inc. and that, as such, has been authorized by BlockFi Inc. to enter into this Order for and on behalf of BlockFi Inc.

Dated this _9th___ day of __June_____, 2022.

BlockFi Inc.

By: ___/s/ Jonathan Mayers_____

Title: ___General Counsel_____

SUBSCRIBED AND SWORN TO before me this __9th___ day of __June____, 2022.

[Affix seal]

_____/s/ Carline Bradshaw_____

Notary Public in and for the State of __New York_____

My Commission expires: ___04/28/2026_____

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