

1 CLOTHILDE V. HEWLETT
 Commissioner
 2 MARY ANN SMITH
 Deputy Commissioner
 3 SEAN M. ROONEY
 Assistant Chief Counsel
 4 DANIELLE A. STOUMBOS (State Bar No. 264784)
 Senior Counsel
 5 Department of Financial Protection and Innovation
 6 320 West 4th Street, Suite 750
 7 Los Angeles, California 90013
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 9 Attorneys for Complainant
 10

11 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
 12 OF THE STATE OF CALIFORNIA
 13

14 In the Matter of:)
 15)
 16 THE COMMISSIONER OF FINANCIAL)
 PROTECTION AND INNOVATION,)
 17)
 Complainant.) SETTLEMENT AGREEMENT
 18)
 v.)
 19)
 BLOCKFI LENDING LLC,)
 20)
 Respondent.)
 21)
 22)

1 The Commissioner of Financial Protection and Innovation (Commissioner) and BlockFi
2 Lending LLC (BlockFi) (collectively the Parties) enter into this Settlement Agreement (Settlement
3 Agreement) with respect to the following facts:

4 **I.**

5 **Recitals**

6 A. The Commissioner is authorized to administer and enforce the provisions of the
7 California Financing Law (CFL) (Cal. Fin. Code §§ 22000-22780.1).¹

8 B. At all relevant times, BlockFi Lending LLC (BlockFi) is and was a company licensed
9 as a finance lender and broker under the authority of the CFL beginning on August 16, 2018, CFL
10 license number 60DBO-81955, with a business address of 155 2nd Street, Suite 112, Jersey City,
11 New Jersey 07302 and 201 Montgomery Street, Suite 263, Jersey City, New Jersey 07302.

12 C. BlockFi offered consumer and commercial loans to the public, secured by digital
13 asset collateral.

14 D. BlockFi is a wholly owned subsidiary of BlockFi Inc. and has at least seven affiliated
15 entities including BlockFi Trading LLC (collectively, each of these entities are hereinafter referred
16 to as “the BlockFi entities”).

17 E. In addition to BlockFi’s consumer and commercial lending activities under its CFL
18 license, the BlockFi entities acted as a financial service company that generated revenue through
19 digital asset trading, lending, and borrowing.

20 F. On December 15, 2022, the Commissioner issued and served a Notice of Intention to
21 Issue Order Revoking California Financing Law License, Accusation, and accompanying
22 documents on BlockFi.

23 G. On December 28, 2022, BlockFi timely submitted a Notice of Defense requesting an
24 administrative hearing on the Accusation.

25 H. On October 28, 2024, the Commissioner issued an Amended Accusation, Desist and
26 Refrain Order, and Order to Discontinue Unsafe or Injurious Practices to BlockFi (collectively, the
27 Action). BlockFi seeks to resolve the allegations in the Commissioner’s Action without a hearing.

28 _____
¹ All citations herein are to the Financial Code unless otherwise noted.

1 I. BlockFi admits to the jurisdiction of the Commissioner for the entry of this
2 Settlement Agreement, and while BlockFi neither admits nor denies the findings of fact and
3 conclusions of law contained in the Action, BlockFi hereby consents to the entry of this Settlement
4 Agreement and the Orders herein.

5 The Commissioner finds that entering into this Settlement Agreement is in the public interest
6 and consistent with the purposes fairly intended by the policies and provisions of the CFL.

7 NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions set
8 forth herein, the Parties agree as follows:

9 **II.**

10 **Terms and Conditions**

11 1. Purpose. This Settlement Agreement resolves the issues before the Commissioner in
12 a manner that avoids the expense of a hearing and other possible court proceedings, protects
13 consumers, is in the public interest, and is consistent with the purposes, policies and provisions of
14 the CFL.

15 2. Finality of Settlement Agreement. BlockFi agrees to comply with this Settlement
16 Agreement and stipulates this Settlement Agreement and the Orders herein are deemed final.

17 3. Desist and Refrain Order. Pursuant to Financial Code § 22712(a), BlockFi is hereby
18 ordered to desist and refrain from the violations recited in the Action including violating Financial
19 Code §§ 22161(a)(5), 22304.5(c)(1) and (2), 22337, and California Code of Regulations, title 10, §
20 1452.

21 4. Order to Discontinue Unsafe or Injurious Practices. BlockFi hereby agrees, and the
22 Commissioner orders, that in accordance with Financial Code § 22712(b), BlockFi will immediately
23 discontinue the unsafe or injurious practice recited in the Action.

24 5. Fine. BlockFi shall pay a fine of \$175,000.00 for the violations alleged in the Action.
25 Because BlockFi is in bankruptcy, is no longer operating, and will not operate in the future, the
26 Commissioner waives payment of the fine.

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1 6. Order Revoking CFL License. BlockFi hereby agrees, and the Commissioner orders,
2 that in accordance with Financial Code § 22714, the California Financing Law of BlockFi Lending
3 LLC, license number 60DBO-81955, is revoked.

4 7. Waiver of Notice and Hearing Rights. BlockFi acknowledges that the Commissioner
5 is ready, willing, and able to proceed with the Action, and BlockFi hereby waives the right to any
6 hearings, and to any reconsideration, appeal, or other right to review which may be afforded
7 pursuant to the CFL, the California Administrative Procedures Act, the California Code of Civil
8 Procedure, or any other provision of law. By waiving such rights, BlockFi effectively consents to
9 this Settlement Agreement becoming final.

10 8. Full and Final Settlement. The parties hereby acknowledge and agree that this
11 Settlement Agreement is intended to constitute a full, final, and complete resolution of the violations
12 described in the Action, and that no further proceedings or actions will be brought by the
13 Commissioner in connection with the allegations in the Action under the CFL, excepting therefrom
14 any proceeding to enforce compliance with the terms of this Settlement Agreement.

15 9. Information Willfully Withheld or Misrepresented. Notwithstanding paragraph 14,
16 this Settlement Agreement may be revoked, and the Commissioner may pursue any and all remedies
17 available under law against BlockFi if the Commissioner discovers that BlockFi knowingly or
18 willfully withheld or misrepresented material information.

19 10. Future Actions by Commissioner. If BlockFi fails to comply with the terms of the
20 Settlement Agreement, the Commissioner may institute proceedings for any and all violations
21 otherwise resolved under this Settlement Agreement. The Commissioner reserves the right to bring
22 any future actions against BlockFi, or any of its partners, owners, officers, shareholders, directors,
23 employees, or successors for any and all unknown violations of this Settlement Agreement.

24 11. Assisting Other Agencies. Nothing in this Settlement Agreement limits the
25 Commissioner’s ability to assist any other government agency (city, county, state or federal) with
26 any prosecution, administrative, civil or criminal action brought by that agency against BlockFi or
27 any other person based on any of the activities alleged in this matter or otherwise.

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1 12. Headings. The headings to the paragraphs of this Settlement Agreement are inserted
2 for convenience only and will not be deemed a part hereof or affect the construction or interpretation
3 of the provisions hereof.

4 13. Binding. This Settlement Agreement is binding on all heirs, assigns, and/or
5 successors in interest.

6 14. Reliance. Each of the parties represents, warrants, and agrees that in executing this
7 Settlement Agreement, it has relied solely on the statements set forth herein and the advice of its
8 own legal counsel, if represented. Each of the parties further represents, warrants, and agrees that in
9 executing this Settlement Agreement it has placed no reliance on any statement, representation, or
10 promise of any other party, or any other person or entity not expressly set forth herein, or upon the
11 failure of any party or any other person or entity to make any statement, representation, or disclosure
12 of anything whatsoever. The parties have included this clause: (1) to preclude any claim that any
13 party was in any way fraudulently induced to execute this Settlement Agreement; and (2) to preclude
14 the introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this
15 Settlement Agreement.

16 15. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of
17 this Settlement Agreement will be valid or binding unless it is in writing and signed by each of the
18 parties. The waiver of any provision of this Settlement Agreement will not be deemed a waiver of
19 any other provision. No waiver by either party of any breach of, or of compliance with, any
20 condition or provision of this Settlement Agreement by the other party will be considered a waiver
21 of any other condition or provision or of the same condition or provision at another time.

22 16. Full Integration. This Settlement Agreement is the final written expression and the
23 complete and exclusive statement of all the agreements, conditions, promises, representations, and
24 covenants between the parties with respect to the subject matter hereof, and supersedes all prior or
25 contemporaneous agreements, negotiations, representations, understandings, and discussions
26 between and among the parties, their respective representatives, and any other person or entity, with
27 respect to the subject matter covered hereby.
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1 17. Governing Law. This Settlement Agreement will be governed by and construed in
2 accordance with California law. Each of the parties hereto consents to the jurisdiction of such court
3 and thereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient
4 forum to the maintenance of such action or proceeding in such court.

5 18. Effect Upon Future Proceedings. If BlockFi applies for any license, permit or
6 qualification under the Commissioner’s current or future jurisdiction, or are the subject of any future
7 action by the Commissioner to enforce this Settlement Agreement, then the subject matter hereof
8 shall be admitted for the purpose of such application(s) or enforcement proceeding(s).

9 19. Voluntary Agreement. BlockFi hereby enters into this Settlement Agreement
10 voluntarily and without coercion and acknowledges that no promises, threats, or assurances have
11 been made by the Commissioner or any officer, or agent thereof, about this Settlement Agreement.
12 The parties each represent and acknowledge that he, she or it is executing this Settlement Agreement
13 completely voluntarily and without any duress or undue influence of any kind from any source.

14 20. Counterparts. This Settlement Agreement may be executed in one or more separate
15 counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall
16 together constitute a single document.

17 21. Notice. Any notice required under this Settlement Agreement shall be provided to
18 each party at the following addresses:

19 To BlockFi Lending LLC:

Mohsin Meghji, Plan Administrator
c/o M3 Partners
1700 Broadway, 19th Fl.
New York, New York 10019
(212) 202-2230
mmeghji@m3-partners.com

with copies to:

BROWN RUDNICK LLP
Kenneth J. Aulet, Esq.
Tristan G. Axelrod, Esq.
Seven Times Square
New York, New York 10036
(212) 209-4800
kaulet@brownrudnick.com

taxelrod@brownrudnick.com

To the Commissioner:

Danielle Stoumbos, Senior Counsel
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
Danielle.Stoumbos@dfpi.ca.gov

22. Signatures. A fax or electronic mail signature shall be deemed the same as an original signature.

23. Public Record. BlockFi hereby acknowledges that the Settlement Agreement is and will be a matter of public record.

24. Effective Date. This Settlement Agreement shall become final and effective when signed by all parties and delivered by the Commissioner’s agent via e-mail to BlockFi’s counsel, Michael Nonaka at the following email address: mnonaka@cov.com.

25. Authority to Sign. Each signatory hereto covenants that he/she possesses all necessary capacity and authority to sign and enter into this Settlement Agreement and undertake the obligations set forth herein.

Dated: November 7, 2024
Los Angeles, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation



By _____
Mary Ann Smith
Deputy Commissioner
Enforcement Division

Dated: October 29, 2024

BLOCKFI LENDING LLC

By: _____
Mohsin Meghji
Plan Administrator for the Wind-Down Debtors