

1 **STATE OF CALIFORNIA**  
2 **BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY**  
3 **DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION**

4 **TO:** Celsius Network Inc.  
5 c/o The Corporation Trust Company, Registered Agent  
6 Corporation Trust Center  
7 1209 Orange Street  
8 Wilmington, Delaware 19801

9 Celsius Network Limited;  
10 The Harley Building, 77 – 79 New Cavendish Street  
11 London W1X 6XB, United Kingdom

12 Celsius US Holding LLC;  
13 c/o The Corporation Trust Company, Registered Agent  
14 Corporation Trust Center  
15 1209 Orange Street  
16 Wilmington, Delaware 19801

17 Celsius Network LLC;  
18 c/o The Corporation Trust Company, Registered Agent  
19 Corporation Trust Center  
20 1209 Orange Street  
21 Wilmington, Delaware 19801

22 Alexander Mashinsky  
23 140 E 63rd Street PH 4  
24 New York, New York 10065

25 **DESIST AND REFRAIN ORDER**  
26 **(For violations of section 25110 and 25401 of the Corporations Code)**

27 The Commissioner of Financial Protection and Innovation (Commissioner) finds that:

28 1. Celsius Network Inc. is a Delaware corporation formed on February 8, 2018, with its principal place of business in Hoboken, New Jersey. Celsius Network Inc. owns over 82 percent of Celsius Network Limited.

1 Celsius Network Limited is an England and Wales private limited company formed on February 9, 2018, with its principal place of business in London, England. Celsius Network Limited wholly owns Celsius US Holding LLC.

2 Celsius US Holding LLC is a Delaware limited liability company formed on October 5, 2020, with its principal place of business in Hoboken, New Jersey. Celsius US Holding LLC wholly owns Celsius Network LLC.



1           12.     The Earn Rewards accounts offered and sold by Celsius are securities in the form of  
2 investment contracts subject to qualification under the Corporate Securities Law of 1968 (Corp.  
3 Code, § 25000 et seq.) (CSL). These securities are being offered or sold in this state in issuer  
4 transactions. The Department has not issued a permit or other form of qualification authorizing any  
5 person to offer or sell these securities in this state. The offer or sale of these securities to the general  
6 public on or before April 14, 2022, was not excepted or exempted from qualification.

7     **Materially Misleading Statements and Omissions in Offer and Sale of Earn Rewards Accounts**

8           13.     In offering the Earn Rewards accounts to California residents, touting the accounts as  
9 “safe,” and advertising on its website “24/7 access” and “[i]t’s your crypto, after all,” Celsius failed  
10 to fully disclose material aspects of its business and Earn Rewards including, but not limited to:  
11           a.     the types of trading and investment activities that Celsius engages in,  
12           b.     the identities and creditworthiness of those who borrow digital assets,  
13           c.     the amount of digital assets used in each income-generating activity,  
14           d.     the risk that third-party custody services might lose access to digital assets,  
15           e.     the risk that lenders to which Celsius sent digital asset collateral would be  
16 unable to return Celsius’ collateral in a timely manner,  
17           f.     the risk that in the event of a sudden request for withdrawals that Celsius’ own  
18 attempts to unwind illiquid positions may prevent it from having adequate assets to meet customer  
19 withdrawal demands, and  
20           g.     Celsius financial statements or other information reflecting its financial state.

21           14.     Celsius also represented that it provides 80 percent of its revenue to its customers yet  
22 Earn Rewards Investors are only entitled to interest at rates set by Celsius.

23           15.     Further, in offering Earn Rewards, CEO Alexander Mashinsky failed to disclose  
24 material aspects of Celsius’ business, and made materially misleading statements, or omitted to state  
25 material facts necessary to make statements made, in the light of the circumstances under which the  
26 statements were made, not misleading. Mashinsky represented on numerous occasions that even in a  
27 worst-case scenario, Earn Rewards Investors would be able to timely withdraw their investments and  
28 would not suffer losses on their investments, and continued to make representations that it was safe to

1 deposit assets with Celsius even in the days leading up to the company’s decision on June 12, 2022,  
2 to suspend customer withdrawals.

3 **Violations of Corporations Code Section 25401**

4 **Untrue Statements or Omissions of Material Fact**

5 16. Corporations Code section 25401 prohibits the offer or sale of a security in the State of  
6 California by means of any written or oral communication that includes an untrue statement of a  
7 material fact or omits to state a material fact necessary to make the statements made, in the light of  
8 the circumstances under which the statements were made, not misleading.

9 17. Celsius offered and sold the Earn Interest accounts in this state by means of untrue  
10 statements of material fact or omissions of material facts necessary to make the statements made, in  
11 the light of the circumstances under which the statements were made, not misleading.

12 **Control Person and Substantial Assistance Liability**

13 18. Any person who with knowledge directly or indirectly controls and induces another  
14 person to violate any provision of the CSL, or knowingly provides substantial assistance to another  
15 person to violate the CSL, is deemed to be in violation of that provision to the same extent as the  
16 other person. (Corp. Code, § 25403, subds. (a), (b).)

17 19. Mashinsky, as CEO of each Celsius entities, is a person who with knowledge directly  
18 or indirectly controlled and induced Celsius to violate Corporations Code sections 25110 and 25401.

19 20. Mashinsky knowingly provided substantial assistance to Celsius in its violations of  
20 Corporations Code sections 25110 and 25401 as a person who (a) promoted the sale of the Celsius  
21 Earn Rewards accounts to the general public on or before April 14, 2022, and (b) made material  
22 misrepresentations or omissions of material fact in the course of promoting the offer and sale of the  
23 Celsius Earn Rewards accounts throughout the entire offering.

24  
25 Based on the foregoing findings, the Commissioner is of the opinion that the Earn Rewards  
26 accounts are securities, in the nature of investment contracts, as defined at Corporations Code section  
27 25009. These securities were subject to qualification under the Corporate Securities Law of 1968 and  
28

1 are being or have been offered or sold without first being qualified in violation of Corporations Code  
2 section 25110 on or before April 14, 2022.

3 The Commissioner is further of the opinion that the Earn Rewards accounts were offered or  
4 sold in this state by means of untrue statements of material fact or omissions of material facts  
5 necessary to make the statements made, in the light of the circumstances under which the statements  
6 were made, not misleading, in violation of Corporations Code section 25401.

7 The Commissioner is further of the opinion that Mashinsky is a person who with knowledge  
8 directly or indirectly controlled and induced Celsius, and/or is a person who knowingly provided  
9 substantial assistance to Celsius to violate Corporations Code sections 25110 and 25401.

10 Under section 25532 of the Corporations Code, Celsius Network Inc., Celsius Network  
11 Limited, Celsius US Holding LLC, Celsius Network LLC, and any of their subsidiaries, and  
12 Alexander Mashinsky, are ordered to desist and refrain from the further offers and sale of securities  
13 in California, including but not limited to the Earn Rewards accounts, unless such sale has been  
14 qualified under Corporations Code section 25111, 25112, or 25113, or unless such security or  
15 transaction is exempted or not subject to qualification.

16 Furthermore, Celsius Network Inc., Celsius Network Limited, Celsius US Holding LLC,  
17 Celsius Network LLC, and any of their subsidiaries, and Alexander Mashinsky, are ordered to desist  
18 and refrain from offering securities in this state by means of untrue statements of material fact or  
19 omissions of material facts necessary to make the statements made, in the light of the circumstances  
20 under which the statements were made, not misleading in violation of Corporations Code section  
21 25401.

22 This Order is necessary, in the public interest, for the protection of investors and consistent  
23 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

24 Dated: August 8, 2022  
25 Sacramento, California

CLOTHILDE V. HEWLITT  
Commissioner of Financial Protection and Innovation



26 By \_\_\_\_\_  
27 MARY ANN SMITH  
28 Deputy Commissioner  
Enforcement Division