STATE OF ALASKA

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION OF BANKING AND SECURITIES

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IN THE MATTER OF: 4

ORDER NO. 22-72-2-S

CONSENT ORDER

Celsius Network Inc.; Celsius Network Limited; Celsius US Holding LLC; Celsius Network LLC; Celsius Networks Lending

LLC: and Celsius Lending LLC 7

Respondents

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WHEREAS, pursuant to the authority granted to the Department of Commerce Community and Economic Development (the "Administrator") under the Alaska Securities Act, Alaska Statute ("AS") 45.56 et seq, and the regulations and rules promulgated thereunder (collectively, the "Act"), and delegated to the Division of Banking & Securities (the "Division") by the Administrator, the Division conducted an investigation into the securities-related activities of Celsius Network Inc., Celsius Network Limited, Celsius US Holding LLC, Celsius Network LLC, Celsius Networks Lending LLC, and Celsius Lending LLC (collectively, "Celsius");

WHEREAS, Celsius was a cryptocurrency firm, which, among other services, offered and sold interest-bearing digital asset accounts called the Celsius Earn Program ("Celsius Earn Program Accounts"), which allowed clients to earn interest on digital assets;

WHEREAS, state securities regulators (the "States") conducted an investigation into whether Celsius Earn Program Accounts involved the offer and sale of unregistered securities by Celsius to retail investors, among other things;

WHEREAS, Celsius has reached an agreement with the States to resolve the investigation;

WHEREAS, the Division commenced this matter on October 19, 2022, with the entry of an Order to Cease and Desist, Notice, of Intent to Impose Civil Penalties, Notice of Intent to Charge Costs, and Notice of Opportunity to Request a Hearing (the "Order")¹ against the Respondents. The Order set forth violations of the Act by the Respondents, specifically violations of the Act's provisions related to the offering and selling of an unregistered security and the making of material misrepresentations and omissions in the offering and selling of a security;

WHEREAS, in light of the fact that the Respondents have agreed to this Consent Order, are proposing to distribute or manage substantially all of their assets (including all assets of Celsius Network Inc.), to or for the benefit of their account holders, and are no longer operating Celsius Network Inc. or any customer-facing business (and will not do so in the future), the Division has conditionally agreed that although it would have fined Respondents at least \$5,000,000, the Division has instead agreed to refrain from imposing any administrative fines, subject to the reservation of rights set forth herein;

WHEREAS, on July 13, 2022, the Respondents filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code;²

WHEREAS, on January 31, 2024, the *Modified Joint Chapter 11 Plan of Reorganization of Celsius Network LLC and Its Debtor Affiliates (Conformed for MiningCo Transaction* [Docket No. 4289] (as may be modified, supplemented, or amended from time to time, the "<u>Plan</u>") went effective, and the Respondents emerged from their bankruptcy cases;

Celsius, et al. Consent Order Order No. 22-72-2-S Page 2 of 9

Order No. 22-72-S (Redacted).pdf (alaska.gov)

In re Celsius Network LLC, No. 22-10964 (MG) Bankr. S.D.N.Y. 2022) (also available at https://cases.stretto.com/Celsius).

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WHEREAS, without admitting or denying the Findings of Fact and Conclusions of Law set forth below, except as to the jurisdiction of the Administrator over the Respondents and the subject matter of this proceeding, which are admitted, the Respondents, having been advised of their rights to counsel, expressly consent to the entry of this Consent Order, which fully resolves the allegations against them set forth herein and in the Order; and

WHEREAS, the Respondents elect to waive permanently any right to a hearing and appeal under AS 45.56.690(b), with respect to this Consent Order.

NOW, THEREFORE, the Administrator, as administrator of the Act, hereby enters this Consent Order:

I. <u>JURISDICTION</u>

1. The Administrator has jurisdiction over this matter pursuant to the Act.

II. <u>RESPONDENTS</u>

- 2. Celsius Network Inc. is a Delaware corporation and the ultimate parent company of Respondents.
- 3. Celsius Network Limited is incorporated in England and Wales and wholly owns many subsidiaries, including Celsius US Holding LLC.
- 4. Celsius US Holding LLC is the holding company for Celsius's subsidiaries in the United States, and two of its wholly owned subsidiaries are Celsius Network LLC and Celsius Lending LLC.
- 5. Celsius Network LLC is a Celsius company incorporated in Delaware and is the subsidiary that, during certain times relevant herein, provided Celsius's user-facing services and activities for customers in the United States.
- 6. Celsius Networks Lending LLC, a subsidiary of Celsius Network Inc., is a Delaware limited liability company and a legacy lending entity. Upon the expiration of all such

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7. Celsius Lending LLC is a Celsius company incorporated in Delaware and is the subsidiary that, during certain times relevant herein, provided consumer fiat and stablecoin loans

legacy loans, this entity is expected to be dissolved.

8. Celsius is a network of affiliated financial services companies that generate revenue through cryptocurrency trading, lending, and borrowing, as well as engaging in propriety trading, mining, and other types of transactions.

secured by cryptocurrency deposits to Celsius's customers in the United States.

9. The Respondents are not presently registered, and they have never been registered, in any capacity with the Division.

III. FINDINGS OF FACT

Celsius's Business Operations

- 10. Respondents, in part, funded their lending operations, proprietary trading, and other revenue generating activities through the sale of unregistered securities in Celsius Earn Program Accounts.
- 11. Investors invested in Celsius Earn Program Accounts through Celsius's website or smartphone application.
- 12. Investors opened accounts by transferring eligible cryptocurrency to Celsius to invest in Celsius Earn Program Accounts.
- 13. Celsius used investors' cryptocurrencies by commingling cryptocurrencies with cryptocurrencies deposited by other investors, investing in traditional financial assets and cryptocurrency assets, lending those cryptocurrencies to institutional and corporate borrowers, and engaging in any other activities at Celsius's discretion.
 - 14. In exchange for customers' investments, Celsius promised lucrative interest rates.

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- 16. Celsius incentivized smaller investors to invest in Celsius Earn Program Accounts by paying higher rates of interest on smaller investments of principal for certain cryptocurrencies.
- 17. The accrual of interest began as soon as any funds were credited to an investor's Celsius account.
- 18. In the United States, interest payments were generally denominated in the same type of cryptocurrency originally invested.

The Lack of Registration and Public Protections

- The Respondents were not licensed, registered, qualified, or notice filed with the
 United States Securities and Exchange Commission.
- 20. The offering of Celsius Earn Program Accounts was not registered with the Division or any other securities regulatory authority, nor was it exempt from registration.
- 21. Celsius failed to disclose to investors in Celsius Earn Program Accounts that Celsius Earn Program Accounts were not registered by federal or state securities regulatory authorities.
- 22. The Respondents were not licensed as a Money Service Business in Alaska to conduct currency exchange or money transmission activities.
- 23. The deposits contained in Celsius Earn Program Accounts were not protected by the Securities Investor Protection Corporation ("SIPC"), insured by the Federal Deposit Insurance Corporation, or insured by the National Credit Union Administration. This lack of a protective scheme or regulatory oversight subjected the investors in Celsius Earn Program Accounts to additional risks not borne by investors who maintain assets with most SIPC member

ANCHORAGE, ALASKA 99501 (907)269-8140 1

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broker-dealers, or with banks, savings associations, or credit unions.

The Undisclosed Risks

- 24. Celsius failed to disclose material information necessary for investors in Celsius Earn Program Accounts to make an informed decision, including critical material information about the risks associated with purchasing its unregistered securities.
- 25. Celsius failed to disclose to investors in Celsius Earn Program Accounts certain material facts regarding the risks associated with its unregistered Celsius Earn Program Accounts.

IV. <u>CONCLUSIONS OF LAW</u>

- 26. Paragraphs 1 through 25 are incorporated by reference as though fully set forth herein.
 - 27. Celsius Earn Program Accounts were securities as defined in AS 45.56.900(32).
- 28. The Respondents' offer and sale of securities in Alaska that were not registered or permitted for sale in Alaska violated AS 45.56.100.
 - 29. The Respondents committed fraud, in violation of AS.56.56.500.
- 30. The foregoing violations of the Act set forth above provide the basis for this Consent Order pursuant to AS 45.56.690.
 - 31. This Consent Order is appropriate and in the public interest, pursuant to the Act.

V. ORDER

NOW THEREFORE, pursuant to AS 45.56, it is hereby **ORDERED** that:

- This Consent Order fully resolves the matter commenced by the Division on October 19, 2022, with the entry of the Order against the Respondents.
 - 2. Respondents shall CEASE AND DESIST from engaging, directly or indirectly, in

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conduct constituting or which would constitute a violation of the Act or any regulation or order under the Act, including, without limitation, offering or selling securities in this state in contravention of the Act.; provided, however, that nothing in this Consent Order shall restrain or enjoin the deposit, exchange, distribution, investment or withdrawal of assets owned or held by the Respondents and being administered in accordance with the United States Bankruptcy Code and orders of the court in the Respondents' bankruptcy.

- 3. The Division shall not impose any administrative fines so long as the Plan is fully administered as proposed; provided that if the Chapter 11 Cases are closed, dismissed, or otherwise concluded, in each case, without the Respondents' bankruptcy estates being fully administered in accordance with the Plan and the Bankruptcy Code, the foregoing restriction on the Division shall be lifted, and all of the Division's and Respondents' respective rights are reserved as to the amount of any fines.
- 4. This Consent Order shall be binding upon the Respondents with respect to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

Upon execution by the Administrator, this Consent Order fully resolves the Order as to the Respondents. The Administrator further acknowledges and agrees that any remaining pre-Effective Time³ claim (as defined in section 101(5) of the Bankruptcy Code) against Celsius that relates to or arises out of this Consent Order or the conduct described in paragraphs 10 through 25 shall be treated as a State Regulatory Claim under Celsius's Plan.⁴

As part of this Consent Order, the Respondents agree that they: (i) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any

Celsius, et al. Consent Order

[&]quot;Effective Time" shall have the meaning ascribed to it under the Plan.

[&]quot;State Regulatory Claim" shall have the meaning ascribed to it under the Plan.

STATE OF ALASKA
EPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING AND SECURITIES
550 WEST SEVENTH AVENUE, SUITE 1850
ANCHORAGE, ALASKA 99501
(907)269-8140

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allegation in this Consent Order or creating the impression that this Consent Order is without factual basis; and (ii) will not make or permit to be made any public statement to the effect that the Respondents do not admit the allegations, without also stating that the Respondents do not deny the allegations. If the Respondents breach the agreement set forth in this paragraph, the Administrator may petition the Court to vacate this Consent Order. Nothing in this paragraph affects the Respondents' (i) testimonial obligations or (ii) right to take differing legal or factual positions in litigation or other legal proceedings.

This Consent Order should not be interpreted to waive any (i) criminal cause of action, (ii) private cause of action that may have accrued to investors as a result of the activities detailed herein, or (iii) other causes of action that may result from activities of a Respondent not detailed in this Consent Order.

IT IS SO ORDERED.

Julie Sande, Commissioner Department of Commerce, Community and Economic Development

DATED: 04/08/2024 /s/ Robert H. Schmidt
Robert H. Schmidt, Director
Division of Banking and Securities

Respondents Celsius Network Inc., Celsius Network Limited, Celsius US Holding LLC, Celsius Network LLC, Celsius Networks Lending LLC, and Celsius Lending LLC consent to the terms of the above Consent Order:

By: <u>/s/ Chris Ferraro</u> Date: <u>__3/26/2024_</u>

Christopher Ferraro, Plan Administrator

Celsius, et al.

Consent Order