

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: *

NEXO CAPITAL INC., * Securities Docket No. 2022-0156

Respondent. *

* * * * *

CONSENT ORDER

WHEREAS, the Nexo Group, Nexo Inc., Nexo Capital Inc. (“Nexo Capital”), Nexo Financial LLC (“Nexo Financial”), and their affiliates, successors, and assignees (collectively, “Nexo”) are financial services companies, and affiliates thereof; and

WHEREAS, the sole Respondent Nexo Capital has offered and sold interest-bearing digital asset accounts called Earn Interest Product (“EIP”) accounts, which allow clients to earn interest on digital assets; and

WHEREAS, Antoni Trenchev (“Trenchev,” and together with Nexo, “Nexo Entities”) is co-founder and Managing Partner of the Nexo Group and a director and manager of certain companies within the Nexo Group, including Nexo Capital; and

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in Section 11-801 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol. and 2020 Supp.) (the “Act” or “Securities Act”), undertook an investigation into whether the EIP involved the offer and sale of unregistered securities by Nexo Entities and whether Nexo Entities committed fraud in connection with the offer, purchase, or sale of the EIP; and

WHEREAS, that investigation was undertaken with other state securities regulators, as part of a North American Securities Administrators Association (“NASAA”) Working Group including regulators from the states of Washington, California, Kentucky, New York, Oklahoma, Indiana, South Carolina, Vermont, and Wisconsin (the “Multistate Working Group”), which together have conducted an investigation into whether the EIP involved the offer and sale of unregistered securities by Nexo to retail investors, among other things; and

WHEREAS, the Nexo Entities have 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

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the “Commissioner”) found grounds to conclude that Nexo Entities have engaged in acts or practices constituting violations of the registration and antifraud provisions of the Act; and

WHEREAS, on September 26, 2022, the Commissioner issued a Summary Order to Cease and Desist and Order to Show Cause, which is incorporated by reference, ordering Nexo Inc., Nexo Capital, and Trenchev to immediately cease and desist from violations of Sections 11-301, 11-306, 11-401, 11-402, and 11-501 of the Securities Act and show cause why they should not be barred permanently from engaging in the securities and investment advisory business in Maryland, and why a monetary penalty of up to \$5,000 per violation should not be entered against them, and why a final order should not be entered against them, ordering them to cease and desist from further violations of Sections 11-301, 11-306, 11-401, 11-402, and 11-501 of the Securities Act; and

WHEREAS, Nexo has reached an agreement with the NASAA Working Group to resolve the investigation with respect to the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands and will resolve Maryland's investigation pursuant to the terms specified in this Consent Order (the "Order") and pursuant to the multistate resolution recommended by the NASAA Working Group; and

WHEREAS, this Order resolves the Summary Order to Cease and Desist and Order to Show Cause issued by the Commissioner on September 26, 2022 and concludes the securities investigation by the Division with respect to Nexo's EIP and resolves any other securities action the Division could commence against Nexo Entities concerning the Findings of Fact and Conclusions of Law, including as it relates to the offer and sale of the EIP without registration, qualification, or otherwise complying with an exemption and the below-referenced statements regarding Nexo Entities' material misrepresentations and omissions in connection with the offer and sale of the EIP between June 17, 2020, and December 6, 2022; and

WHEREAS, Nexo Entities will cease and desist offering or selling the EIP 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 EIP by current U.S. clients, unless and until the EIP or other securities are registered, qualified, or otherwise exempt; and

WHEREAS, as of the date of entry of this Order, Nexo has amended and updated their terms of service, and any other terms or conditions of Nexo's relationship with residents of the 53 Jurisdictions, to reflect that residents of the 53 Jurisdictions are the title, beneficial, and legal owners of all fiat currency and digital assets held in their EIP accounts; and

WHEREAS, Nexo Entities shall pay up to a total of Twenty-Two Million Five Hundred Thousand dollars (\$22,500,000) 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 Nexo's agreement with the Multistate Working Group; and

WHEREAS, Nexo Entities expressly consent to the Commissioner's jurisdiction in this matter and to the terms of this Consent Order; and

WHEREAS, Nexo Entities waive their rights to a hearing and any rights they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order; and

WHEREAS, solely for the purpose of terminating the Multistate Working Group investigation and in settlement of the issues contained in this Order, without holding a hearing in this matter and without trial or adjudication of any issue of fact or law, Nexo Entities, without admitting or denying the Findings of Fact or Conclusions of Law contained in this Order, consent to the entry of this Order; and

WHEREAS, notwithstanding the foregoing, Nexo Entities will admit the Findings of Fact and Conclusions of Law contained in this Order in any subsequent proceedings to enforce this Order, including but not limited, any proceeding for violation of this Order or for the purposes of exceptions to discharge in bankruptcy proceedings under any jurisdiction, including the proceedings set forth in Sections 523 and 1192 of the Bankruptcy Code, 11 U.S.C. §§ 523; 1192; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order; and

NOW, THEREFORE, THE COMMISSIONER FINDS, CONCLUDES, AND ORDERS:

I. JURISDICTION

1. The Securities Commissioner has jurisdiction over this matter pursuant to Section 11-801 of the Securities Act.

II. FINDINGS OF FACT

2. Nexo Inc. is a Cayman Islands corporation formed in 2020. Nexo Inc. wholly owns Nexo Capital. Nexo Inc. is not registered to do business in Maryland and is not registered with the Division in any capacity.

3. Nexo Capital is a Cayman Islands corporation formed in 2018 with its principal place of business in Grand Cayman, Cayman Islands that provides virtual currency-related financial services to retail and institutional borrowers in the United States, including trading, borrowing, and lending services. Nexo Capital is not registered to do business in Maryland and is not registered with the Division in any capacity.

4. Nexo Financial is a Delaware limited liability company formed in 2018 with its principal place of business in London, United Kingdom. Nexo Financial holds certain licenses, including money transmitter licenses and lending licenses in some states but is not registered with the Division in any capacity.

5. Nexo Group comprises business entities organized primarily in European countries and territories, including but not limited to Nexo Inc., Nexo Capital, and Nexo Financial. The Nexo Group is not registered to do business in Maryland and is not registered with the Division in any capacity.

6. Trenchev is a co-founder and Managing Partner of the Nexo Group and a director and manager of certain companies within the Nexo Group, including Nexo Capital. Trenchev is responsible for supervising day-to-day business activities of the Nexo Group companies, including

ensuring their compliance with applicable legislation, rules, and regulations. Trenchev is not registered with the Division in any capacity.

7. On September 26, 2022, Washington filed a statement of charges alleging Nexo Capital, and its parent and director, Nexo Inc. and Trenchev, were offering and selling unregistered securities in the form of the EIP, were making untrue statements of material fact or omitting to state material facts necessary to make the statements made, in light of the circumstances in which they were made, not misleading, and Trenchev offered and sold securities while not being registered as a securities salesperson or broker-dealer.

8. On September 26, 2022, Oklahoma filed an order to cease and desist alleging Nexo Financial, and its parent and affiliate, Nexo, Inc. and Nexo Financial, were offering and selling unregistered securities in the form of the EIP.

9. On September 26, 2022, California filed a desist and refrain order alleging Nexo Capital and its parent and collective business group, Nexo Inc. and Nexo Group, were offering and selling unqualified securities in the form of the EIP.

10. On September 26, 2022, Maryland filed a summary order to cease and desist and order to show cause alleging Nexo Capital, and its parent and director, Nexo Inc. and Trenchev, were offering and selling unregistered securities in the form of the EIP, were transacting business as an unregistered broker-dealer or agent, were employing unregistered agents, were making untrue statements of material fact or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and were engaging in dishonest or unethical practices in the securities or investment advisory business.

11. On September 26, 2022, New York filed a civil complaint alleging Nexo Capital and its parent, Nexo Inc., were offering and selling unregistered securities and unregistered

commodities in the form of the EIP and by facilitating the purchase and sale of virtual currencies on Nexo's virtual marketplace known as the "Exchange," and making materially false and misleading representations, statements, and omissions relating to the sale, purchase or exchange of securities or commodities.

12. On September 26, 2022, Vermont filed an ex parte order to cease and desist alleging Nexo Capital, and its parent and affiliate, Nexo Inc. and Nexo Financial, were offering and selling unregistered securities in the form of the EIP.

13. On September 26, 2022, Kentucky filed an emergency cease and desist order alleging Nexo Capital and its parent and collective business group, Nexo Inc. and Nexo Group, were offering and selling unregistered securities in the form of the EIP, and were making untrue statements of material fact or omitting to state material facts necessary in order to make those statements not misleading in light of the circumstances in which they were made.

14. On September 26, 2022, South Carolina filed an order to cease and desist alleging Nexo Capital and its parent, Nexo Inc., were offering and selling unregistered securities in the form of the EIP, and were making untrue statements of a material fact or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

15. On September 28, 2022, Indiana filed an order to cease and desist alleging Nexo Capital and its parent, Nexo Inc., were offering and selling unregistered securities in the form of the EIP.

16. On November 3, 2022, Wisconsin filed an order to cease and desist alleging Nexo Capital and its parent, Nexo Inc., were offering and selling unregistered securities in the form of the EIP.

A. The Offer and Sale of Securities Nationwide

17. Between about June 17, 2020, and December 6, 2022 (“Offering Period”), Nexo Entities have offered and sold the EIP to new and/or existing Maryland investors. The EIP enables investors to passively earn interest by loaning certain digital assets (“Eligible Earn Assets”) to Nexo. Nexo’s EIP investors have no part in selecting, monitoring, or reviewing the revenue-generating activities that Nexo utilizes to earn this interest.

18. Nexo Entities have promoted their financial services, including the EIP, to investors primarily through their website at <http://www.nexo.io/> and their mobile Nexo app. On its website, Nexo has provided information about its EIP and a list of supported virtual currencies and their corresponding interest rates. Nexo Entities additionally have promoted the EIP on social media through various platforms including Twitter, Instagram, and YouTube. Through Nexo’s website, blog, and social media accounts, Nexo has represented interest rates on these EIP accounts of up to 36%, significantly higher than the rates offered for short-term, investment grade, fixed-income securities or for bank savings accounts.

19. Nexo has allowed, with certain limitations, anyone either 18 years or older, depending on the jurisdiction, to open an EIP account and access Nexo wallet services. When opening a Nexo account, an investor will go through several user identity-verification protocols, including, at a minimum, the provision of an investor’s legal name, date of birth, and address. An investor can then transfer fiat currency (EUR, GBP, and USD) from a bank account to receive digital assets in their Nexo account. Investors can also add cryptocurrency to their Nexo wallet by transferring assets from another crypto exchange or wallet.

20. In offering the EIP, Nexo Entities have failed to disclose material information about the investment, including, but not limited to, Nexo's EIP interest generation deployment activities, Nexo's legal and regulatory compliance, and the limitations of Nexo's financial representations.

21. In response to the NASAA Working Group investigation, on February 19, 2022, Nexo disallowed any US investors who had not yet opened a Nexo account from opening an EIP savings wallet. Also on February 19, 2022, Nexo disallowed any existing US investors from adding additional assets into their existing EIP savings wallets.

22. As of July 31, 2022, there were 1,877 Maryland EIP accounts earning interest with a total Maryland EIP savings wallet value of \$15,190,000. Nationally, there were 93,318 EIP accounts earning interest with a total EIP savings wallet value of \$800,260,000.

B. Nexo's Earn Interest Product

23. In Nexo's EIP, an investor agrees to invest their Eligible Earn Assets with Nexo, in exchange for passively earning interest that is deposited into the investor's EIP savings wallet. EIP investors begin accruing interest 24 hours after investing Eligible Earn Assets with Nexo.

24. Nexo has offered their EIP in the form of either a Flex EIP Savings Wallet Term ("Flex Term Investment") or a Fixed EIP Savings Wallet Term ("Fixed Term Investment"). Interest from an investor's Eligible Earn Assets is credited to an investor's EIP savings wallets either at the expiration of the Fixed Term Investment, or daily for a Flex Term Investment.

25. For a Flex Term Investment, there is no required "holding" time for an investor to lend their Eligible Earn Assets, and these investors are able to withdraw their Eligible Earn Assets at any time subject to the terms and conditions of a Nexo wallet.

26. For a Fixed Term Investment, investors are unable to withdraw their Eligible Earn Assets for the duration of a defined term. When investing in a Fixed Term Investment, an investor

can elect to utilize Nexo’s “automatic renewal” feature to rollover their investment at the end of the defined term.

27. The interest rate Nexo pays an investor on their invested Eligible Earn Assets is determined by several factors, including the length of the Eligible Earn Assets loan, the type of cryptocurrency loaned, and whether the investor has a Flex Term Investment or a Fixed Term Investment. Generally, the longer that an investor agrees to maintain their Eligible Earn Assets with Nexo, the higher the rate of return.

28. After February 19, 2022, while Nexo disallowed additional deposits into existing EIP savings wallets, Nexo continued to allow existing investors enrolled in a Fixed Term Investment to rollover their EIP Eligible Earn Assets into a new Fixed Term Investment.

29. In actions from September through November 2022, the Multistate Working Group concluded that Nexo’s offer to an investor the option to automatically renew their Fixed Term Investment for another identical term, along with the investor’s decision to enroll, constitutes an offer and sale of a security.

30. On December 6, 2022, Nexo ceased to offer the EIP to investors within the Multistate Working Group.

C. Deployment and Income-Generating Activities

31. In accordance with the EIP terms and conditions, the EIP savings wallet interest rate is subject to revision from time to time, at Nexo’s sole and absolute discretion. Included in the EIP terms and conditions, investors are required to acknowledge that they:

...understand and agree that we [Nexo] might convert, pledge, re-pledge, hypothecate, rehypothecate, sell, lend, or otherwise transfer, dispose of or use any amount of any Digital Assets in regard to which you use the Nexo Earn Interest Product, separately or together with other property, and for any period of time, and without retaining in our [Nexo’s] possession

and/or control for delivery a like amount thereof or any other assets, at our [Nexo's] sole and absolute discretion.

32. As such, any profit earned by Nexo investors is earned solely through the efforts of Nexo with means determined solely by Nexo.

33. Nexo groups and deploys investor Eligible Earn Assets with other investors' Eligible Earn Assets and similar, Nexo-owned assets (e.g., Eligible Earn Bitcoin Assets with other Nexo-owned Bitcoin assets). To earn income to pay interest to EIP investors, Nexo engages in deployment activities including the staking, lending, arbitrage, and provision of liquidity on certain decentralized finance platforms, in addition to the lending of aggregated investor Eligible Earn Assets to retail and institutional borrowers.

D. Nexo's Representations Regarding the Offer and Sale of EIPs

34. In offering the EIP to Maryland investors, Nexo Entities have failed to disclose material information related to Nexo's EIP interest generation, Nexo's regulatory compliance, and Nexo's financial representations.

35. Nexo has failed to disclose its lending agreements or the terms contained therein to EIP investors, and as such, Nexo's EIP investors are not provided with information as to whom Nexo's institutional lending partners are, how long the term loan is, or whether these loans are over-collateralized, despite Nexo's assurances that all loans are provided in an over-collateralized fashion. Consequently, Nexo EIP investors cannot adequately evaluate the risk associated with their participation in the EIP prior to investing their Eligible Earn Assets with Nexo.

36. Nexo's website represents to EIP investors that "Nexo has gone the extra mile in ensuring compliance with the applicable regulatory frameworks. Together with our top-tier legal counsel and engaging proactively with the regulatory decision-makers we ensure the sustainability of our products for years to come."

37. Concurrently, Nexo makes the following statements on its website: “The Nexo Group has legal entities in various locations throughout the world...and is in compliance with all applicable global and local regulations...rest assured that Nexo is compliant everywhere it provides services and retains top-tier legal counsels in the jurisdictions of its operation.” Further, within the footer of Nexo’s website, Nexo displays the phrase “Licensed & Regulated Digital Assets Institution.”

38. Through these representations, Nexo gives investors the impression that their investments are less risky. On or about June 30, 2021, Nexo Co-Founder Trenchev appeared on a Yahoo Finance Live broadcast titled, “Crypto-focused banking: Nexo Co-Founder discusses his company’s growth and business model.” On this broadcast, Trenchev stated that he “would argue, from a financial perspective... that [Nexo is] safer, especially for the larger clients, than your average bank.” On July 1, 2021, Nexo re-posted this broadcast to its YouTube channel, and re-named it, “Nexo is Safer than your Average Bank...”

39. Nexo Capital is the entity that operates Nexo’s website and conducts the EIP offering. This is not disclosed on the website; instead, the website often uses the name “Nexo” without further clarification. Of the licenses and registrations identified on Nexo’s website, Nexo Capital only held two—a money service business registration license in Canada and a registration as a foreign company in Australia. Notably, Nexo Entities have not registered with the Division in Maryland.

40. As such, Nexo: 1) fails to specify Nexo Capital as the operator of the website and provider of the services offered therein; 2) lists the licenses of one or more entities that are not actually doing business in the relevant jurisdictions and that are not conducting the business offered and provided through the website on which the licenses and registrations are listed; and 3)

makes the false statement that the Nexo Group is in compliance with “all applicable ... regulations.”

41. Nexo represents on its website and through the Nexo YouTube video, “How to Earn Crypto Interest,” that an investor’s Eligible Earn Assets are secured at all times by Nexo’s asset-backed portfolio of over-collateralized loans. Nexo also states that the platform lends to individuals and institutions only on an over-collateralized basis, which is, in part, how Nexo states that they keep EIP interest rates consistent over time and “basically eliminate counter party risk.”

42. Further, on or about June 10, 2021, Nexo advertised a forthcoming “real-time audit” of Nexo’s custodial assets by Armanino LLP,¹ which they represented would show that the company’s assets exceed liabilities. In a Daily Hodl article published on June 10, 2021, Trenchev stated, “We are happy to have opened our books to allow Armanino...to verify that our company’s assets exceed liabilities at all times and demonstrate how seriously we treat Nexo’s commitments to our customers.”

43. In a Nexo blog post published on September 23, 2021, Nexo presented the Armanino report, which purports to offers a “real-time audit of Nexo’s custodial assets, showing the company’s assets always exceed liabilities.” This Armanino report is updated daily and Nexo claims that it provides the following assurances: 1) “Fully Backed: Your holdings on Nexo’s platform are backed by assets by more than 100%”; 2) “Properly Managed: Third-party assurance that your funds on the Nexo platform are properly managed and accounted for”; and 3) “Always Available: 24/7 proof of Nexo’s ability to meet all liabilities owed to you at any time.” This Armanino report is publicly available online at <https://real-time-attest.trustexplorer.io/nexo>.

¹ Armanino LLP is a Public Company Accounting Oversight Board (“PCOAB”) – certified auditor, accounting and consulting firm in the US.

44. More recently, as a response to a competing cryptocurrency firm freezing customer withdrawals on June 12, 2022, Nexo's Twitter account tweeted:

All Nexo products are operating normally – Borrow, Earn, Exchange...Nexo is the first and only blockchain finance company to have a real-time audit of its custodial assets, showing that the company's assets exceed its liabilities at all times which attests to Nexo's liquidity and ability to meet all of its obligations...Nexo is in a solid liquidity and equity position to readily acquire any remaining qualifying assets of Celsius, mainly their collateralized loan portfolio....

45. Nexo provided a link to their real-time attestation Armanino report within the body of this tweet.

46. Nexo's provision of the Armanino report in conjunction with these claims of financial stability gives the appearance that the Armanino report can support Nexo's claims of financial stability in a turbulent market.

47. Despite representations by Nexo, the data and figures set forth in the Armanino report contain several material shortcomings, as described in the report's Agreed Upon Procedures, that limit the report's ability to provide assurances of Nexo's financial stability. These limitations include 1) a failure to identify non-Customer Liabilities; 2) a failure to identify whether Customer Liabilities include the collateral that Nexo holds for over-collateralized retail loans; 3) a failure to identify the liquidity of Nexo's assets; 4) a failure to identify doubtful loan accounts (e.g. a distressed or non-paying borrower accounts); and 5) a failure to identify whether Nexo's deposit liabilities are secured or otherwise collateralized by Nexo's assets.

48. As such, this report is of limited value and cannot be used to support Nexo's claims that "Nexo's assets exceed their liabilities by more than 100%".

E. Failure to Comply with Registration Requirements

49. During the Offering Period, Nexo's offer and sale of the EIP was not done subject to an exception or exemption from the Securities Act.

50. During the Offering Period, Nexo Entities, by and through its employees and agents, offered and sold securities in Maryland that were not registered or permitted for sale in Maryland as required by Section 11-501 of the Securities Act.

51. During the Offering Period, Nexo Entities offered and sold securities in Maryland without being registered as a dealer or agent as required by Section 11-401 of the Securities Act.

52. During the Offering Period, Nexo employed unregistered agents as prohibited by Section 11-402 of the Securities Act.

III. CONCLUSIONS OF LAW

53. The offer and/or sale of Nexo's Earn Interest Product described above constitutes the offer and/or sale of a security as defined in Section 11-101(r) of the Securities Act.

54. During the Offering Period, Nexo Entities' offer and sale of securities in Maryland that were not registered or permitted for sale in Maryland violated Section 11-501 of the Securities Act.

55. During the Offering Period, Nexo Entities' offer and sale of securities in Maryland without being registered as a broker-dealer or agent violated Section 11-401 of the Securities Act.

56. During the Offering Period, Nexo Entities' employment of unregistered agents violated Section 11-402 of the Securities Act.

57. During the Offering Period, Nexo Entities made material misrepresentations and/or omissions about EIP interest generation, Nexo and its EIP's legal and regulatory compliance, and Nexo's finances in violation of Section 11-301 of the Securities Act.

58. During the Offering Period, Nexo Entities engaged in dishonest or unethical practices in the securities or investment advisory business in violation of Section 11-306 of the Securities Act by offering or selling unregistered securities, failing to register as a broker-dealer or agent, employing unregistered agents, and making material misrepresentations and/or omissions about EIP interest generation, Nexo and its EIP's legal and regulatory compliance, and Nexo's finances in violation of Section 11-301 of the Securities Act.

IV. UNDERTAKING

59. Nexo Entities undertake and agree that they shall cease and desist the following on or before April 1, 2023:

- a. Offering, selling, or renewing the EIP in Maryland. With respect to Nexo's flex-term EIP accounts, and up until April 1, 2023, Nexo is permitted to change its interest rates to a fixed interest rate. Nexo is not permitted to convert its flex-term EIP accounts to fixed-term EIP accounts
- b. Accepting further investments or funds in the EIP by Maryland investors unless and until the EIP or other securities have been registered or are otherwise exempt.
- c. Intentionally providing interest or other returns on any existing U.S. investors' EIP accounts until such securities are registered, qualified, or otherwise exempt. This means that Nexo shall diligently endeavor to ensure that interest payments are not provided to residents of Maryland after April 1, 2023.

60. Nexo Entities undertake and agree to cease and desist offering or selling securities, including, but not limited to, the EIP in Maryland unless such sale has been registered or qualified

under relevant laws, or unless such securities or transactions are excepted, exempt, or otherwise not subject to registration or qualification.

61. Nexo Entities undertake and agree to cease and desist offering or selling securities unless Nexo Entities have been registered as a broker-dealer or agent otherwise exempt in Maryland.

62. Nexo Entities undertake and agree to cease and desist employment of unregistered agents.

63. Nexo Entities undertake and agree to cease and desist making any untrue statement of a material fact or omitting to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

64. Nexo Entities undertake and agree to cease and desist from engaging in dishonest or unethical practices in the securities or investment advisory business.

65. Nexo Entities confirm and ratify Nexo's announcement of December 5, 2022, to phase out its products and services in the U.S. in a gradual and orderly fashion over the coming months and in a manner that is consistent with paragraph 60 above.

66. By no later than February 1, 2023, Nexo Entities undertake and agree that Nexo will (1) send a written communication to customers in Maryland that customers should withdraw all assets from their Nexo accounts prior to April 1, 2023, and (2) provide separate conspicuous notifications of this directive on their website (<https://nexo.io>), Subreddit (<http://www.reddit.com/r/nexo>), and accounts on other media platforms, including Twitter, Instagram, and Facebook. Nexo represents that, as of the date of the entry of this Order, it has completed this notification process.

67. Nexo Entities undertake and agree that Nexo shall immediately amend and update their terms of service, and any other terms or conditions of Nexo's relationship with residents of

Maryland, to reflect that residents of Maryland are the title, beneficial, and legal owners of all fiat currency and digital assets held in their EIP Accounts. Nexo represents that, as of the date of the entry of this Order, it has updated its terms of service and any other terms or conditions consistent with this paragraph.

68. For any EIP accounts, savings wallets, and non-collateral wallets held by residents of Maryland after April 1, 2023 (collectively, “Legacy Accounts”), Nexo Entities undertake and agree that (i) Legacy Account holders are the title, beneficial, and legal owners of all fiat currency and digital assets held in their Legacy Accounts; (ii) Nexo will assist customers beyond April 1, 2023, with any withdrawals/transfers; and (iii) Nexo will implement the following:

- a. US Legacy Account assets shall be segregated from other assets under the management and control of Nexo.
- b. By April 1, 2023, all digital assets held in Legacy Accounts shall be free of counterparty obligations, and after that date Nexo will not convert, pledge, rehypothecate, sell, lend, stake or otherwise transfer, dispose of or use any amount of digital assets held in Legacy Accounts.
- c. No interest will accrue in or otherwise be applied to Legacy Accounts.
- d. Nexo will continue to allow Legacy Account holders to have access to their Legacy Accounts for the sole purpose of making withdrawals by any such Legacy Account holder or their representative. Withdrawals may be in the form of transfers of digital assets to personal wallets or by selling the digital assets and transferring the fiat proceeds, at the discretion of the Legacy Account holder.

69. Nexo Entities attest that as of the date of execution of this Order, Nexo has adequate funds and resources to (i) facilitate, honor, and fulfill withdrawals of all assets belonging to residents of all 53 NASAA member jurisdictions, and (ii) pay the agreed-upon settlement payments noted below. Nexo Entities further attest that Nexo can perform the foregoing actions and still be solvent and without material impact to its ongoing operation.

70. For the purposes of paragraph 71, “solvent” means that Nexo:

- a. Can pay its debts as they become due;
- b. Owns property that has a fair saleable value greater than the amounts required to pay its debt (including a reasonable estimate of the amount of all contingent liabilities); and
- c. Has adequate capital to carry on its business.

71. In connection with Nexo’s products and services and related transactions, Nexo is not incurring, has not incurred, and does not plan to incur, debts beyond its ability to pay as they become absolute and matured.

72. Nexo Entities undertake and agree that Nexo shall require verification of the identity of all new account holders to ensure that it does not provide services to residents of Maryland, and to implement IP-based geo-blocking restricting access by prospective new account holders to Nexo’s app, websites, and services.

73. Nexo Entities undertake and agree to pay a civil monetary penalty pursuant to Section 11-702 of the Maryland Securities Act in the amount of \$424,528.30 (in United States dollars).

74. Nexo Entities undertake and agree that they shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for the civil monetary penalty that Nexo Entities shall pay pursuant to this order.

75. Nexo Entities acknowledge that any monetary obligation under this Order is not dischargeable in bankruptcy.

76. Nexo Entities undertake and agree to comply fully with the Securities Act and the regulations promulgated thereunder.

V. SANCTIONS

NOW, THEREFORE, IT IS HEREBY ORDERED, and Nexo Entities expressly consent and agree:

77. Nexo Entities shall comply with the Undertakings described above in paragraphs 61-76.

78. Nexo Entities shall cease and desist from offering or selling the EIP or any security that is not registered, qualified, or exempt to investors in Maryland and cease and desist accepting further investments or funds in the EIP by current Maryland investors, unless and until the EIP or other securities are registered or otherwise exempt in Maryland.

79. Nexo Entities shall cease and desist offering or selling securities unless they have been registered as a broker-dealer or agent or are otherwise exempt in Maryland.

80. Nexo Entities shall cease and desist employment of unregistered agents.

81. Nexo Entities shall cease and desist making any untrue statement of a material fact or omitting to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

82. Nexo Entities shall cease and desist from engaging in dishonest or unethical practices in the securities or investment advisory business.

83. Nexo Entities shall pay a civil monetary penalty pursuant to Section 11-702 of the Securities Act in the amount of \$424,528.30 (in United States dollars) to the State of Maryland, Office of the Attorney General. Payment shall be made by electronic funds transfer, for which written payment processing instructions will be provided by the State of Maryland, Office of the Attorney General.

84. Full payment in the amount of \$424,528.30 (in United States dollars) shall be made in the following installments:

- a. \$141,509.44 due within 14 days of entry of this Order;
- b. \$94,339.62 due within 90 days upon entry of this Order;
- c. \$94,339.62 due within 180 days upon entry of this Order; and
- d. \$94,339.62 due within 270 days upon entry of this Order.

85. If Nexo Entities fail to make timely payments to the Office of the Attorney General as required under this Consent Order, and payments are delinquent for more than sixty (60) days, the Office of the Attorney General may refer collection of the monies due under this Consent Order to the Central Collections Unit (“CCU”) of the State of Maryland. If a referral is made, any fee assessed by CCU shall be in addition to, and not offset, the balance of the civil monetary penalty owed to the Division.

86. Nexo Entities shall not claim, assert or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for the civil monetary penalty that Nexo Entities shall pay pursuant to this Order.

87. Nexo Entities shall comply fully with the Securities Act and the regulations promulgated thereunder.

VI. JURISDICTION RETAINED, CONSTRUCTION, AND DEFAULT

88. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

89. In the event that judicial intervention in this matter is sought by the Commissioner or Nexo Entities, subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to Section 11-702 of the Securities Act. The Circuit Court for Baltimore City will have personal jurisdiction over Nexo Entities pursuant to Section 6-103(b) of the Courts and Judicial Proceedings Article, Title 6, Annotated Code of Maryland (2013 Repl. Vol. and 2016 Supp.). Venue will be properly in that Court pursuant to Section 6-201(a) and 6-202(11) of that Article.

90. If Nexo Entities fail to comply with any term of this Consent Order, the Commissioner may institute administrative or judicial proceedings against Nexo Entities to enforce this Consent Order and/or to sanction Nexo Entities for violating an Order of the Commissioner, and may take any other action authorized under the Securities Act or under any other applicable law, including the issuance of fines or penalties as provided by the Securities Act. In any such proceeding, the Division may also seek other sanctions for the violations that initiated this matter. Solely for the purpose of determining those sanctions, the Findings of Fact and violations of the Securities Act set forth in this Consent Order shall be deemed admitted, and may be introduced into evidence against Nexo Entities.

91. Nexo Entities acknowledge that, for the purposes of exceptions to discharge set forth in Sections 523 and 1192 of the Bankruptcy Code, 11 U.S.C. §§ 523; 1192, the findings in

this Order are true and admitted and any debt for disgorgement, prejudgment interest, civil penalty, or any other amounts due by Nexo Entities under this Order or any other judgment, order, consent order, decree, or settlement agreement entered in connection with this proceeding, is a debt for violation of the Maryland securities laws, including but not limited to securities fraud, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C §523(a)(19), and Section 523(a)(2) of the Bankruptcy Code, 11 U.S.C. §523(a)(2), and incorporated by reference under Section 1192 of the Bankruptcy Code, 11 U.S.C § 1192. Nexo Entities acknowledge that the monetary penalty imposed under this Consent Order is not dischargeable in bankruptcy.

92. The terms of this Consent Order may only be vacated or modified by a subsequent order issued by the Commissioner, by agreement with Nexo Entities, except as to any non-substantive matters.

93. This Order is entered into solely for the purpose of resolving the referenced multistate securities investigation with respect to the EIP and the Summary Order to Cease and Desist and Order to Show Cause issued by the Commissioner 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 Nexo Entities nor limit or create defenses for Nexo Entities to any claims.

94. 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 Nexo

Capital, 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.

95. This Order shall be binding upon Nexo, 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.

96. This Order shall be binding upon Trenchev with respect to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

SO ORDERED:

**Commissioner's Signature on File
w/Original Documents**

Date: July 27, 2023

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

Nexo Capital Inc.

Nexo Financial, LLC

The Nexo Group

Antoni Trenchev

By:

Title:
