ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:	*	
COINBASE GLOBAL, INC.	*	No. 2023-0130
and	*	
COINBASE, INC.,	*	
Respondents.	*	

* * * * * * * * * * * * *

SUMMARY ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE

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 Supp. 2022) (the "Act" or "Securities Act"), conducted an investigation of the Respondents, Coinbase Global, Inc and Coinbase, Inc. (collectively "Coinbase" or "Respondents"); and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the "Commissioner") has determined that Respondents may have engaged in acts or practices constituting violations of section 11-501 of the Act; and

WHEREAS, the Commissioner has reason to believe that Respondents may be engaged in continuing violations of the Securities Act; and

WHEREAS, the Commissioner has determined that immediate action against the Respondents is in the public interest;

NOW, THEREFORE, pursuant to section 11-701.1 of the Securities Act, it is hereby

ORDERED, that each Respondent and anyone under that person's direction, control, or employment immediately cease and desist from violations of section 11-501 of the Act pending a hearing in this matter or until such time as the Commissioner modifies or rescinds this Order; and it is further

ORDERED, that each Respondent show cause why that person should not be barred permanently from engaging in the securities and investment advisory business in Maryland, and why a monetary penalty should not be entered against that person in the amount of $5,000 for each violation of the Act; and it is further

ORDERED, that Respondent show cause why a final order should not be entered against that person, ordering that Respondent to cease and desist from further violations of section 11-501 of the Act.

Willful violation of this Order could result in criminal penalties under section 11-705 of the Securities Act.

NOW, THEREFORE, THE COMMISSIONER ALLEGES THE FOLLOWING AS A BASIS FOR THIS ORDER:

I.
JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to section 11-801 of the Securities Act.

II.
RESPONDENTS

2. Respondent Coinbase, Inc. is a Delaware corporation founded in 2012. In April 2014, Coinbase, Inc. became a wholly-owned subsidiary of Coinbase Global, Inc. as part of a corporate reorganization. Coinbase, Inc. is not registered with the Division in any capacity.

3. Respondent Coinbase Global, Inc. is a Delaware corporation founded in 2014. Coinbase Global, Inc. is not registered with the Division in any capacity.

4. Coinbase is a remote-first company with no physical headquarters. Prior to May 2020, Coinbase was headquartered at 548 Market Street, Suite 23008, San Francisco, California 94104.

5. Coinbase operates a crypto platform that offers staking, crypto borrowing, and crypto exchange services, among others, to retail and institutional customers.

6. Coinbase conducts business in the United States through Coinbase's mobile application and public website at https://www.coinbase.com/. The Coinbase website is accessible to the general public, including residents of Maryland.

III.
STATEMENT OF FACTS

A. Summary

7. From as early as November 6, 2019, Coinbase has offered and sold unregistered securities, in the form of crypto asset staking returns (together the "Coinbase Staking Offerings," each a "Coinbase Staking Offering") and marketed, offered, and sold those securities to the United States public at large and to Maryland residents.

8. In selling its unregistered Coinbase Staking Offerings, Coinbase has failed to afford Maryland investors any of the protections afforded by the registration requirements. These requirements provide Maryland investors with material, sufficient, and accurate information to make informed investment decisions, including financial and managerial information about the issuer, how the issuer will use the offering proceeds, and the risks and trends that affect the enterprise and an investment in its securities.

9. Coinbase promoted its Staking Offerings as a way for investors to earn passive income by investing crypto assets for Coinbase to "stake" on the relevant blockchains. Although anyone could theoretically seek returns through "do it yourself" staking, Coinbase promoted its Staking Offerings as lower risk and superior by pooling large crypto asset investments from many investors.

10. Through the Coinbase Staking Offerings, investors deposit crypto assets with Coinbase. Similar to a pooled investment vehicle, Coinbase then aggregates these crypto assets and stakes them on the applicable blockchains.

11. Through staking, Coinbase validates transactions on these blockchains, and in return, earns crypto assets from the blockchain. Coinbase refers to these returns as "rewards". These returns constitute profits for Coinbase, much of which it retains for itself in addition to paying returns to investors.

12. These profits are earned solely through the efforts of Coinbase's extensive staking operations. The ability for investors to earn such profits is dependent solely on the performance of Coinbase's business and poses numerous risks, including locking up crypto assets for a designated period, slashing of assets, and the ultimate success of Coinbase as a business.

13. As of March 29, 2023, over 75,600 Maryland residents were active investors in the Coinbase Staking Offerings. These accounts collectively held investments totaling at least $84,229,141.32.

B. <u>Background on Crypto Assets and the Blockchain</u>

14. The terms "crypto asset," "digital asset," or "token" generally refer to an asset issued and/or transferred using blockchain or distributed ledger technology, including assets

referred to colloquially as "cryptocurrencies," "virtual currencies," and digital "coins". For uniformity and accuracy, the term "crypto asset" is used herein.

15. As Coinbase notes on its website, there are thousands of different crypto assets, each denominated by a unique digital "token".

16. Coinbase's website explains that almost all crypto assets, including Bitcoin, Ethereum, Tezos, and Bitcoin Cash are secured using technology called a blockchain, which, according to the website, is constantly checked and verified by a huge amount of computing power.

17. Coinbase's website analogizes a crypto asset blockchain as similar to a bank's balance sheet or ledger. Unlike a bank's ledger, however, a crypto blockchain is distributed across participants in the digital asset's entire network. Blockchains record transactions in theoretically unchangeable, digitally recorded data packages referred to as "blocks". To secure recording of these blocks, blockchains ordinarily rely on cryptographic techniques.

18. More concretely, Coinbase's website explains that a blockchain is a list of transactions that anyone can view and verify. The Bitcoin blockchain, for example, contains a record of each time someone sent or received Bitcoin. This list of transactions is necessary for most crypto assets because, allegedly, it enables secure payments to be made between people who don't know each other, without – as touted by crypto asset promoters -- having to go through a third-party verifier like a bank.

19. The blockchain ledger, according to Coinbase's website, is split across all the computers on the network, which are constantly verifying that the blockchain is accurate. This means, theoretically, that there is no central vault, entity, or database that can be hacked, stolen, or manipulated.

20. Coinbase's website also describes how additional crypto assets are created. Most crypto assets are "mined" via a decentralized (also known as peer-to-peer) network of computers. Mining is also the mechanism that ostensibly updates and secures the network by verifying the public blockchain ledger and adding new transactions.

21. Coinbase acknowledges that it can be difficult for individuals to mine crypto assets on their own. The website states:

> Technically, anyone with a computer and an internet connection can become a miner. But before you get excited, it's worth noting that mining is not always profitable. Depending on which cryptocurrency you're mining, how fast your computer is, and the cost of electricity in your area, you may end up spending more on mining than you earn back in cryptocurrency.
>
> As a result, most crypto mining these days is done by companies that specialize in it, or by large groups of individuals who all contribute their computing power.

C. <u>Proof-of-Work Versus Proof of Stake Crypto Assets</u>

22. Frequently, the mining process to verify transactions has been accomplished through a "Proof of Work" mechanism. As Coinbase's website notes, Proof of Work was pioneered by Bitcoin. Bitcoin is mined when all the mining rigs around the world race to become the first to solve a math problem, which also verifies and updates the blockchain with new transactions. Each winner is awarded new Bitcoin.

23. Proof-of-Stake, as articulated on Coinbase's website, is a new, alternative mechanism used by other crypto assets such as Ethereum 2.0. Rather than requiring a network of miners racing to solve a puzzle, Proof of Stake requires a robust network of participants who are literally invested in the success of the enterprise.

24. As Coinbase's website states, in a Proof of Stake mechanism, transactions are validated by "nodes" comprised of people who pledge (or "stake") their crypto. If an owner of a

Proof of Stake crypto asset chooses to stake his or her crypto asset, their crypto asset becomes part of that process.

25. Coinbase further explained staking as follows in its March 20, 2023 comment letter to the Securities and Exchange Commission:

> Proof-of-stake is generally considered to be faster and less resource-intensive [than proof-of-work]. In proof-of-stake, participants must lock up, or "stake," their cryptocurrency in order to validate transactions and add new blocks to the blockchain. These "validators" receive rewards from the protocol for their contribution to securing the blockchain…

26. Coinbase's website provides additional explanation. According to Coinbase, in exchange for staking crypto assts, a node is rewarded with more assets from the blockchain network when the node validates a transaction. To validate a transaction and generate these returns, a node has to designate a certain amount of tokens on the network as a stake. The exact implementations vary between "Proof of Stake" crypto assets.

27. Importantly, Coinbase's website articulates the chances of a node being chosen to validate a transaction, and the benefits and risks of engaging in staking. As the website notes, the chance of that node being chosen to validate the next transaction (the next block on the blockchain) is typically proportional to the number of tokens being staked. If the node successfully validates a block, it is awarded crypto assets. Validators lose part of their stake if they approve a fraudulent transaction – this incentivizes them to approve only valid transactions. Their staked tokens act as a guarantee that they are acting in good faith and as a disincentive to violating the protocol rules.

D. Coinbase Advertises Staking Offerings

28. The Coinbase Staking Offerings are offered exclusively by Coinbase through Coinbase's smartphone application and public website; prospective investors can open accounts on either. The Coinbase Staking Offerings' public website is https://www.coinbase.com/earn.

29. Coinbase has promoted its services and products, including the Coinbase Staking Offerings, in the United States through its smartphone application, website, blog, and Twitter account, among other media networks.

30. Coinbase advertises that investors can profit by depositing crypto assets with Coinbase and letting Coinbase stake the deposits. Coinbase advertises on its website as follows:

a. "Earn up to 6.00% APY on your crypto. Put your crypto to work and earn rewards."

b. "We'll help you put your assets to work in the cryptoeconomy so you can grow your crypto holdings with little effort."

c. Collect rewards automatically just for holding popular assets."

d. Stake your Eth. Get up to 3.67% APR, Sit back and relax.

31. On its public website, Coinbase publishes a list of crypto assets eligible for the Coinbase Staking Offerings. That list states each of these assets' annual interest rate.

32. Coinbase's list currently includes 119 assets eligible for the Coinbase Staking Offerings including Ethereum, Cardano, Solana, Cosmos, and Tezos. Individual rates range from 0% APY to 715.73% APY (yearn.finance).

33. In marketing the Coinbase Staking Offerings, Coinbase has touted the program as a simple passive investment opportunity in contrast to "do it yourself staking". For example, Coinbase has stated:

a. "It's easy. Start earning with a couple of clicks. You can earn on as little as $1."

b. "You shouldn't have to be an expert crypto trader to grow your crypto wealth. Offering an easy way for our customers to earn rewards from staking is an important step in building an open financial system."

34. In contrast, Coinbase's website highlights the efforts and risks associated with "do it yourself" staking. Coinbase notes:

> Staking is generally open to anyone who wants to participate. That said, becoming a full validator can require a minimum number of tokens, technical knowledge, and a dedicated computer that can perform validations day or night without downtime. Participating on this level comes with security considerations and is a serious obligation, as downtime can cause a validator's stake to become slashed.

35. Instead of individual investors taking on all the efforts and risks associated with staking, Coinbase offers to do all the work for the investor through the Coinbase Staking Offerings. Coinbase's website states:

> But for the vast majority of participants there's a simpler way to participate. Via an exchange like Coinbase, you can contribute any amount you wish, without needing to purchase or operate expensive validator hardware. Staking is available to most Coinbase customers in the U.S. and many other countries.

36. Coinbase further advertises that, by taking on all the efforts of staking, it mitigates risk compared to DIY stakers. Its website states:

a. "It's secure. We take measures to mitigate risks and allow you to opt-out anytime."

b. "With today's launch, Coinbase is offering an easy, secure way for anyone to actively participate in the Tezos network. While it's possible to stake Tezos on your own or via a delegated staking service, it can be confusing, complicated, and even risky with regard to the security of your staked Tezos. We're changing that with staking rewards on Coinbase."

37. Finally, Coinbase does advertise that its Staking Offering does include some risks, but also further describes risk mitigation efforts. Risks identified by Coinbase include "the possible slashing of staked assets or rewards." Coinbase continues: "Although it's unlikely, there is a

possibility you could lose your staked assets or rewards in case of a network or validator failure. We've taken measures to reduce these risks, but some events are outside our control."

38. In the event that crypto assets invested by Coinbase Staking Offerings investors are lost or reduced as the result of "slashing," Coinbase may, in some circumstances, replace investors' slashed assets staked in the Coinbase Staking Offering at no additional cost.

39. Coinbase also advertises other investor risks. For instance, when investors stake crypto, it must be locked up for a designated period and cannot be withdrawn. During the designated lock-up period, investors take the risk of market events affecting the value of their staked assets. On its public website, Coinbase states: "Staking requires assets to be locked on the protocol in order to earn rewards. During this time you won't be able to trade or transfer your assets."

E. <u>Details of Coinbase's Staking Offerings</u>

40. Coinbase emphasized its Staking Offerings as part of the broad vision of Coinbase in a first quarter 2022 earnings call, noting that, through the staking offering, investors earn yield on their assets.

41. Coinbase has repeatedly referred to its Staking Offerings as a way for investors to earn yield.

42. Coinbase has referred to its Staking Offerings as a "long term investment strategy" for its users.

43. As an investment strategy, Coinbase described its Staking Offerings in the context of a "crypto winter" as providing "a floor base because people are investing in these as more like a savings account. They're earning yield on something."

44. In order to earn this yield, Coinbase's Staking Offerings function similarly to a pooled investment vehicle.

45. Under the Coinbase Staking Offerings, investors establish depository accounts with Coinbase and then deposit designated crypto assets into these accounts or purchase the designated crypto assets from Coinbase's platform.

46. When investors designate crypto assets for staking, the investors turn complete control and possession of these assets to Coinbase, including transferring to Coinbase the private keys for the crypto assets.

47. Investors must maintain a minimum amount of those designated crypto assets in Coinbase's custody. The minimum amounts Coinbase requires to participate in the Coinbase Staking Offerings are generally lower than the amounts that would be required for an individual to operate a validator node on their own.

48. Prior to March 21, 2023, for non-Ethereum assets, Coinbase automatically enrolled Coinbase account holders in a Coinbase Staking Offering once the account holder had a required minimum balance of an eligible designated crypto asset. Beginning on March 21, 2023, Coinbase discontinued its prior practice of automatically enrolling customers holding eligible designated crypto assets in Coinbase Staking Securities. As of March 21, 2023, Coinbase account holders must affirmatively opt to purchase Coinbase Staking Securities.

49. Coinbase then takes investors' deposits and generates profits for investors through its staking activities. Coinbase aggregates the deposits of investors in the Coinbase Staking Offering to provide large aggregate stakes on Proof-of-Stake blockchains. These aggregate stakes increase the chances that Coinbase will be selected as a validator and subsequently generate returns from its validating efforts.

50. The process by which Coinbase stakes investors' deposits is within Coinbase's sole and absolute discretion.

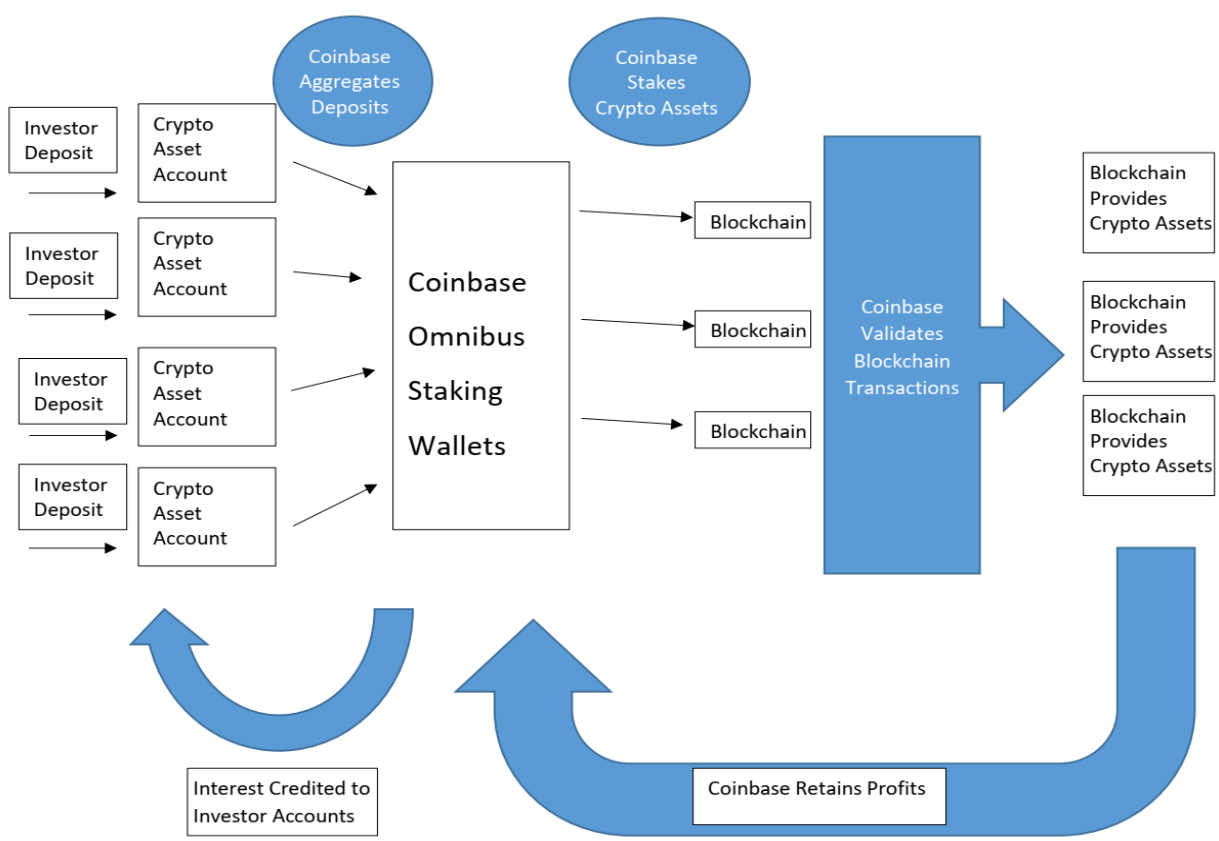
51. When users elect to stake their crypto asset deposits, they turn all control of that crypto over to Coinbase.

52. Coinbase performs all the work to stake deposits and generate returns. Once users have made their investment by depositing crypto into a Coinbase account and electing to stake, Coinbase engages in all efforts necessary to generate staking profits.

53. Staking investors' crypto requires significant efforts by Coinbase. As of mid-January 2023, Coinbase employed 64 engineers to support Coinbase's Staking Offerings.

54. The following flowchart provides a basic visual description of the Coinbase Staking Offerings:

Basic Anatomy of Coinbase Staking Offerings



55. The first step is for investors to make deposits into crypto asset accounts and elect to stake their crypto. Second, Coinbase aggregates investors' deposits of crypto assets in omnibus wallets segregated by asset. From there, Coinbase can stake the assets on the relevant proof-of-stake blockchain.

56. In order to stake investors' deposits, Coinbase must operate or engage third parties to operate validator nodes that use the staked assets to validate transactions on the underlying protocol.

57. Coinbase also performs on-chain operations to configure these validator nodes on the relevant blockchain network.

58. Once validator nodes are established, Coinbase then bonds investors' crypto assets to these validator nodes for a period of time. These operations may be conducted for multiple investors in a single batch and typically incur on-chain fees borne by Coinbase and not passed on to investors.

59. Once assets are bonded to validator nodes, Coinbase is eligible to validate transactions on the applicable blockchains. Upon validating transactions, Coinbase earns crypto assets from these blockchains.

60. Coinbase has emphasized that returns that it generates from staking are Coinbase's returns. Coinbase has referenced "staking rewards that we earn" and referred numerous times in analyst calls and shareholder letters to staking generating revenue and growth for Coinbase.

61. When Coinbase generates profits from its staking activities, it maintains assets earned from investors' staked crypto assets in a Coinbase omnibus wallet and re-stakes these earned assets, roughly similar to dividend reinvestment.

62. Coinbase provides some of these Coinbase Staking Offering returns to investors in the form of interest earned on investors' staked crypto assets. The interest is in the form of crypto assets. Investors' earnings are based on the number of digital assets held in their Coinbase wallet that they elect to stake.

63. Coinbase periodically credits investors' Coinbase accounts with these returns after taking a percentage of the assets as Coinbase's compensation.

64. The annual interest rates for deposited crypto assets in Coinbase's Staking Offerings have been upward of at least 10%, depending on which crypto assets were deposited.

65. Coinbase takes 25 to 35 percent of a Coinbase Staking Offering's rewards as a commission. Participants in a Coinbase subscription program known as Coinbase One may have the opportunity to opt-in to lower commissions. Coinbase may also offer lower commissions for certain Coinbase Staking Securities on a promotional basis, and these promotions may differ among Coinbase users. Coinbase finances its interest payments to its Staking Offering investors through revenue from its business activities, including operating validator nodes, which verify transactions on proof-of-stake blockchains. Investors neither provide nor facilitate these activities or services.

66. Any return earned by investors through the Coinbase Staking Offering is earned solely through the efforts of Coinbase with means determined solely by Coinbase.

67. As Coinbase explained on its First Quarter 2022 Analyst Call, "we're controlling those keys, we receive the reward and we pay out a portion of that reward to our users and retain the balance as a commission for our services."

68. When investors' crypto assets are staked, Coinbase also provides additional work for investors. In certain cases, Coinbase votes on investors' behalf on matters related to the governance of the underlying crypto protocol.

69. Finally, Coinbase also draws down or exits validator nodes when an investor requests to un-stake an asset, which may be done in conjunction with multiple investors in a single batch.

F. Risks of Coinbase's Staking Offerings

70. Coinbase's Staking Offering poses significant investor risks, but is not protected or insured by investor- and consumer-protection organizations, such as the Securities Investor Protection Corporation and the Federal Deposit Insurance Corporation.

71. This lack of a protective program or regulatory oversight subjects investors in each Coinbase Staking Offering to additional risks not borne by investors who maintain assets with most SIPC member broker-dealers, banks, savings associations, or credit unions.

72. Whether Coinbase Staking Offering investors receive interest payments depends entirely on the success of Coinbase as a business and its managerial and entrepreneurial efforts. These investors do not engage in any substantive program activities beyond depositing crypto assets. If Coinbase's efforts are unsuccessful, the investors will not receive profits.

73. Coinbase tacitly acknowledges that an investor's return on investment is dependent on Coinbase's efforts when it states in its user agreement, "COINBASE DOES NOT GUARANTEE THAT YOU WILL RECEIVE ANY STAKING REWARDS, INCLUDING THE STAKING REWARDS RATES OR BOOSTED STAKING REWARDS" (emphasis in the original).

74. Coinbase also acknowledges that its advertised interest rates for its Staking Offerings are estimates and may change over time.

75. In fact, returns from staking have been volatile. Coinbase noted during its first quarter 2022 analyst call, in reference to Ethereum, that “the reward rate, i.e. what the protocol is paying out for a staking reward, was reduced. And that reduced the amount of staking rewards that we earn.”

76. Investors assume multiple other risks related to their staking accounts. For instance, investors take the risk of market events affecting the value of their staked assets for the designated lock-up period.

77. On its public website, Coinbase states: “Staking requires assets to be locked on the protocol in order to earn rewards. During this time you won’t be able to trade or transfer your assets.”

78. In certain cases, the lock-up period means that it can take weeks before a validator can begin earning rewards as the crypto asset is bonded to the blockchain protocol. It can also take weeks for a crypto asset validator to unstake crypto assets and make them accessible to the investor.

79. In addition, Coinbase’s staking agreement provides that “Coinbase may also have additional sale or withdrawal limitations for particular staked assets if you are opted-in to staking.

80. Coinbase’s staking investors also risk their assets being subject to “slashing”. Slashing occurs if Coinbase, as a transaction validator, incorrectly validates a transaction. When slashing occurs, the investor loses some of his or her staked assets as those assets are confiscated, withdrawn, or burnt by the network.

81. Coinbase's user agreement provides that it "will use commercially reasonable efforts to prevent any staked assets from slashing; however, in the event they are, unless otherwise provided in this Agreement, Coinbase will promptly replace your assets at no additional cost."

82. Circumstances under which Coinbase will not replace staked assets include protocol-level failures caused by bugs, maintenance, upgrades, or general failure, the investor's acts or omissions, the acts or omissions of any third-party service provider, a force majeure event as defined by the agreement, acts by a hacked or other malicious actor, or any other events outside of Coinbase's reasonable control."

83. Despite this assurance, Coinbase's ability to replace any slashed assets (and its ability to pay any return on investment) is based on the success of Coinbase's business. If Coinbase is not profitable enough to replace slashed assets, the investor bears the entire risk of the slashing.

84. Coinbase acknowledges that its business – and, by extension, its Staking Offerings – are subject to numerous risk factors. These factors include, but are not limited to:

a. The highly volatile nature of crypto assets and revenue being "substantially dependent on the prices of crypto assets and volume of transactions conducted on our platform";

b. Validator, third-party service providers, or smart contracts fail to behave as expected, suffer cybersecurity attacks, experience security issues, or encounter other problems, possibly resulting in customer assets being irretrievably lost;

c. Inability to generate sufficient cash to service debt and other obligations when Coinbase acknowledges having a substantial amount of indebtedness and other obligations which could adversely affect its financial position.

85. The risk factors referenced in the above paragraph ultimately impact Coinbase's ability to limit risks inherent in any staking operation and therefore impact the ability of investors to profit from its Staking Offerings.

86. Coinbase has no contractual obligation to retain a like amount of investors' crypto assets or comparable ones in its possession or control to fully cover investors' staked assets in the event of loss.

F. <u>The Staking Offering's Impact on Coinbase's Business</u>

87. Since Coinbase earns crypto assets based on the number of assets that are engaged in staking, generating profits is dependent on large investments in its StakingOfferings.

88. Coinbase's Staking Offerings have attracted considerable investment and are touted as a significant aspect of Coinbase's business.

89. Coinbase has extensive staking operations, noting on a Fourth Quarter and Full Year Analyst Call in February 2021 that they have billions of dollars being staked through the nodes -- over 25 protocols are running 60,000 nodes.

90. In the first quarter of 2022, Coinbase noted, "now we have 54% of our users earning yield so they can stake their assets."

91. In addition to the over 75,600 Maryland residents invested in Coinbase's Staking Offerings as of March 29, 2023, over 3.5 million investors have staking accounts with Coinbase.

92. In a 2022 first quarter analyst call, Coinbase described staking as "one of the most active investments for us this year."

93. On that same call, Coinbase further touted staking and its subscription services as emerging revenue streams that grew 169% year over year.

94. During the second quarter of 2022, Coinbase underscored that its Staking Offering was one of five areas of focus during the period because it had "grown into a great source of subscription and services revenue and is growing nicely."

95. Coinbase later emphasized in a 2022 third quarter analyst call that staking has generated "significant growth within our subscription and services revenue line."

96. Coinbase reaffirmed this growth in its 2022 third quarter shareholder letter, noting that "[w]hile staking monetizes at a lower rate compared to trading, we are pleased by the growth in absolute revenue as compared to the prior crypto winter when our staking products did not exist in earnest."

C. No Registration for the Coinbase Staking Offerings

97. Coinbase has stated: "We're the most trusted brand in crypto and have leaned into regulations since the early days of the company."

98. Coinbase has not registered its Staking Offerings in Maryland, nor are these offerings exempted from securities registration.

D. Need for Further Investigation

99. The Division is continuing to investigate the matter alleged herein to determine the full extent of the violations of the Securities Act that have occurred in this matter. The Securities Division may amend this Order in the future to reflect any additional factual allegations and/or violations as a result of the continuing investigation.

COUNT I
(Offer and Sale of Unregistered Securities, Section 11-501)

WHEREAS, section 11-501 of the Act makes it unlawful for any person to offer or sell a security in this State unless the security is registered, is exempt from registration under the Act, or is a federal covered security; and

WHEREAS, section 11-101(r) of the Act defines "security" to include any note, stock, Treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under the title or lease, any interest or instrument commonly known as a "security," or certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase any of the preceding; and

WHEREAS, the Coinbase Staking Offerings described above are securities within the meaning of section 11-101 of the Act; and

WHEREAS, the Coinbase Staking Offerings described above were offered and sold by Respondents; and

WHEREAS, Respondents have offered and sold securities in violation of the registration requirements of section 11-501 of the Act; and

NOW, THEREFORE, IT IS HEREBY **ORDERED** that each Respondent cease and desist from the offer and sale of unregistered, non-exempt, non-preempted securities in or from Maryland, pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order. Willful violation of this Order could result in criminal penalties under section 11-705 of the Securities Act; and

IT IS FURTHER **ORDERED** that each Respondent show cause why a final order should not be issued against each Respondent that orders that Respondent to cease and desist from further violation of the section 11-501 registration requirements, assesses each Respondent the statutory penalty of $5,000 for each violation of the section 11-501 registration requirements, permanently bars each Respondent from the securities and investment advisory business in Maryland, and orders any other sanction or combination of sanctions against each Respondent as permitted under section 11-701.1.

REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

IT IS FURTHER **ORDERED**, pursuant to section 11-701.1 of the Securities Act and COMAR 02.02.06.06, that Respondents shall file with the Securities Commissioner a written Answer to this Order within fifteen days of service of the Order. The Answer shall admit or deny each factual allegation in the Order and shall set forth affirmative defenses, if any. A Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

The Answer also shall indicate whether the Respondents request a hearing. A hearing to determine whether the Order should be vacated, modified, or entered as final will be scheduled in this matter if one is requested in writing. Failure by Respondents to file a request for a hearing in this matter within fifteen days of receipt of the Order shall be deemed a waiver by Respondents of the right to such a hearing.

Failure to file an Answer, including a request for a hearing, shall result in entry of a final order:

(a) Directing Respondent to permanently cease and desist from violation of the Securities Act; and

(b) Imposing a monetary penalty of up to $5,000 for each violation of the Securities Act; and

(c) Barring Respondent from engaging in the securities or investment advisory business in Maryland for or on behalf of others, or from acting as principal or consultant in any entity so engaged.

DATE OF THIS ORDER:

June 6, 2023

SO ORDERED:

Commissioner's Signature on File w/Original Documents

____
Melanie Senter Lubin
Securities Commissioner