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UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE )  
COMMISSION, )

Plaintiff, )

vs. )

Civil Action No.  
1:23-cv-01559-ABJ

BINANCE HOLDINGS LIMITED, )  
BAM TRADING SERVICES INC., )  
BAM MANAGEMENT US HOLDINGS, )  
INC., AND CHANGPENG ZHAO, )

Defendants. )

ORAL VIDEOTAPED DEPOSITION OF  
CHRISTOPHER BLODGETT  
Friday, December 15, 2023  
Miami, Florida

Reported by:  
Rebecca Callow,  
RMR, CRR, RPR  
Job No. 231215RJC

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ORAL VIDEOTAPED DEPOSITION OF  
CHRISTOPHER BLODGETT, produced as a witness at the  
instance of the Plaintiff and duly sworn, was taken in  
the above-styled and numbered cause on the 15th day of  
December 2023, from 9:31 a.m. to 2:31 p.m., before  
Rebecca J. Callow, Registered Merit Reporter, Certified  
Realtime Reporter, Registered Professional Reporter and  
Notary Public for the State of Florida, reported by  
computerized stenotype machine at the offices of  
Winston & Strawn, 200 S. Biscayne Boulevard, Miami,  
Florida 33131, pursuant to the Federal Rules of Civil  
Procedure.

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APPEARANCES

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Andrew Skolnik (remotely)

10:21 1 MR. LAROCHE: Objection to form.

2 A. Yes.

3 BY MR. MURPHY:

4 Q. And have you been told as part of your  
10:22 5 responsibilities that you should help ensure that  
6 BHL does not have possession, custody, or control of  
7 BAM's crypto assets?

8 MR. LAROCHE: Objection to form.

9 A. Yeah.

10:22 10 BY MR. MURPHY:

11 Q. You have been told that?

12 A. I don't recall, specifically, being told  
13 that. My understanding, a consent order is sort of  
14 to, among other things, allow transfer of assets to  
10:22 15 BHL or affiliated entities.

16 Q. And CZ would be considered among the  
17 affiliated entities?

18 A. Correct.

19 Q. Do you have a list of the affiliated  
10:22 20 entities that you should be mindful of in adhering  
21 to the consent order?

22 A. In the immediate aftermath of the consent  
23 order, once we understood the requirements thereof,  
24 senior leadership from across the company --  
10:23 25 operations, compliance, risk, finance, other

10:23 1 teams -- collaborated to develop the list.

2 Q. And does that list exist now?

3 A. Yes.

4 Q. I mean, it sounds like something that was  
10:23 5 put together as a control.

6 A. Yeah. It's a spreadsheet with the UIDs for  
7 associated accounts.

8 MR. MURPHY: Counsel, if that has  
9 not been produced, we'd ask that it be  
10:23 10 produced.

11 MR. LAROCHE: Yeah. Understood.

12 BY MR. MURPHY:

13 Q. So it describes accounts.

14 UIDs. What are UIDs?

10:23 15 A. Unique identification. It's a unique  
16 number associated with any account, individual,  
17 institutional, or otherwise.

18 Q. Are those crypto accounts?

19 A. Accounts on our platform. So if you had an  
10:24 20 account at Binance.US, you'd have a UID unique to  
21 you. If you were a hedge fund, you'd have a UID  
22 unique to you.

23 Q. Okay. So those were unique IDs within the  
24 PNK system tracking customer accounts?

10:24 25 A. Correct.

10:24 1 Q. What about a list of just Binance-related  
2 entities, generally, that you should make sure  
3 you're not transferring assets to?

4 A. Okay. So perhaps I wasn't clear.  
10:24 5 The list of UIDs also included the  
6 names of the entities. And the reason UIDs are  
7 important is because blocking or disabling accounts,  
8 as would be required to comply with a consent order,  
9 is a relatively simple and routine process.

10:24 10 If you have a UID, PNK has  
11 well-established, long-standing tools that allow you  
12 to, effectively, with the click of a button, disable  
13 accounts.

14 So we identified BHL-affiliated  
10:25 15 entities and effectively went down the list and  
16 disabled them in compliance with the order.

17 Q. So it sounds like a good control. I'm just  
18 trying to get a sense of the process here.

19 It sounds like you started with a list  
10:25 20 of BHL-related entities and then compared it to the  
21 customer list.

22 A. I don't remember the specific way we went  
23 about it. But, certainly, on day one, there were a  
24 number of very well-known BHL entities; institutions  
10:25 25 like Sigma Chain.



11:08 1 A. They're all over the world. We have a tech  
2 hub, if you will, in Vancouver I think you recently  
3 visited. Shanghai. I believe we have resources in  
4 Singapore, Dubai, and obviously in the United States  
11:08 5 as well.

6 Q. So you have members of your engineering  
7 team sitting in Vancouver, Dubai, Singapore -- and  
8 did you say Shanghai?

9 A. If I didn't, I would have added that.  
11:09 10 Shanghai.

11 Q. Do you know who leads up the engineering  
12 team?

13 A. Frank Zhao.

14 Q. And do you understand that he's a BAM  
11:09 15 employee?

16 A. Yes.

17 Q. Do you understand that all of the members  
18 of the engineering team that you referred to that  
19 are in excess of 50 people are BAM employees?

11:09 20 A. So, similar to tech, I'm not in HR, so  
21 we're at the limit of my understanding.

22 My understanding is we use a PEO, a  
23 professional employment organization. I can't  
24 remember what the acronym stands for, but a PEO.

11:09 25 So -- we contract a number of our technical folks,

11:09 1 so, for all intents and purposes, they're employees  
2 of BAM.

3 Q. But you referred, in the beginning of this  
4 deposition, to BHL being an entirely distinct  
11:10 5 entity. Right?

6 A. I did.

7 Q. And so you don't understand it to be the  
8 case that BHL employees are ultimately reporting up  
9 to you.

11:10 10 A. Correct.

11 THE WITNESS: Sorry.

12 MR. LAROCHE: Yeah. Can we  
13 just -- just so that's clear. I wasn't  
14 just clear on the question.

11:10 15 I think what you're saying is, he  
16 doesn't -- he doesn't think that BHL  
17 employees report to him. Is that the  
18 question?

19 MR. MURPHY: Yes.

11:10 20 MR. LAROCHE: Okay.

21 A. That's an unequivocal, no. The PEO is not  
22 a BHL-affiliated entity.

23 BY MR. MURPHY:

24 Q. What entity is the PEO?

11:10 25 A. What's it called? It's called Boran or

11:10 1 Boron.

2 Q. And you said it's not a BHL-affiliated  
3 entity?

4 A. Correct.

11:10 5 Q. What's the basis of that understanding?

6 A. I don't remember a specific conversation,  
7 but -- or who I had it with. I think it was someone  
8 in legal or compliance.

9 But my understanding is we had a  
11:11 10 third-party investigation, what have you, of Boran  
11 to confirm the point that it was an independent,  
12 i.e., non-affiliated entity.

13 Q. And I don't want you to get into  
14 communications with counsel.

11:11 15 Do you know who led this  
16 investigation?

17 A. I don't.

18 Q. Do you know when it was completed?

19 A. I don't.

11:11 20 Q. Okay. I am going to --

21 Do you know a person named Gerry Ho?

22 A. Yes.

23 Q. Can you tell me where he sits within the  
24 BAM reporting chart?

11:12 25 A. So he's head of product. He previously

12:23 1 A. So I'm effectively signing the check. So I  
2 need to review, you know, their request. I need to  
3 confirm that it's approved by the appropriate  
4 parties.

12:23 5 I also exercise some judgment just to  
6 gut-check on does the token and quantity, et cetera,  
7 make sense, and then ultimately approve the  
8 transaction, or at least my part of it.

9 Q. You said you need to make sure, confirm  
12:23 10 it's approved by the appropriate parties.

11 What do you mean by that?

12 A. I think the best way to answer is just walk  
13 through a typical transaction.

14 Q. Great.

12:23 15 A. Okay. So customer activity from the  
16 preceding day requires topping up a certain hot  
17 wallet balance. The clearing team will, you know,  
18 identify the requisite token and quantity, and the  
19 clearing team, typically Tao, will send for  
12:24 20 approval a summary of the requested transaction;  
21 again, token, quantity, you know, often the  
22 description of the what and the why.

23 And then the approvers are our CFO and  
24 our treasury, Rebecca Hirst and Sara Sisenwein.  
12:24 25 They will review and approve the transaction. Once

12:43 1 BY MR. MURPHY:

2 Q. Do you know the exact date that it  
3 converts?

4 A. I don't. Late December, I think.

12:43 5 Q. Are you aware of any discussions about  
6 potentially repaying CZ on the note?

7 A. Yes.

8 And, explicitly, how we're unable to  
9 do so given the consent order.

12:43 10 Q. Are you aware of any discussions by CZ, or  
11 any of his proxies, attempting to get paid on the  
12 note?

13 MR. LAROCHE: Objection to form.

14 Go ahead.

12:43 15 A. No.

16 BY MR. MURPHY:

17 Q. No discussions whatsoever?

18 A. That I'm aware of, no.

19 Q. Did you discuss the terms of the note with  
12:44 20 Brian Schroeder before he left the company?

21 A. No.

22 Q. Do you know the name of a woman name  
23 Brooke Xue, X-u-e?

24 A. No.

12:44 25 Q. Are you aware of any other loans that BAM

12:44 1 has obtained, say, since the consent order was  
2 executed in June of 2023?

3 A. No.

4 Q. Are you aware of any requests that CZ made  
12:44 5 to get repaid on the note within -- scratch that.

6 Are you aware of any requests that CZ  
7 has made to get repaid on the note?

8 A. No.

9 Q. And where did you get your understanding  
12:45 10 that CZ cannot be repaid on the note?

11 MR. LAROCHE: Objection to form.

12 A. I don't remember specifically.

13 But, certainly, following the consent  
14 order, someone -- I don't remember who -- made it  
12:45 15 abundantly clear that that would never happen under  
16 the consent order.

17 MR. MURPHY: Okay. Let's go off  
18 the record.

19 THE VIDEOGRAPHER: Going off the  
12:45 20 record at 12:45.

21 (Recess taken.)

22 THE VIDEOGRAPHER: We're back on  
23 the record at 1:36.

24 BY MR. MURPHY:

01:36 25 Q. Okay. Thanks for your time today,

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EXAMINATION

BY MR. LAROCHE:

Q. You've testified that you've held the roles of VP of operations and chief operating officer at BAM. Is that right?

A. Yes.

Q. In those roles, have you become familiar with how, if at all, the SEC's lawsuit and motion for a temporary restraining order has impacted BAM's business?

A. Yes.

Q. Please describe how, if at all, the SEC's lawsuit and TRO have impacted BAM's business.

A. So, at the highest level, it's dealt a near-mortal blow.

In simple terms, I would categorize the impacts in probably three buckets: people, trust, and economics.

On the people front, we've, sadly, had to terminate in excess of 200 people since June. Many honest, hardworking Americans. And with significant severance and termination-related costs attached thereto.

On the trust side, there's multiple components to this. Starting with customers, in the

02:05 1 immediate aftermath of the TRO, we saw somewhere in  
2 the neighborhood of \$1 billion of assets flee the  
3 platform, crypto and fiat.

4 As it's been widely reported, our  
02:05 5 trading volumes and business more generally have  
6 imploded. And, you know, we see, even in things  
7 like customer reviews of our platform, many cite the  
8 SEC's allegations, without evidence, of course, that  
9 somehow we're bad actors and misusing customer  
02:05 10 funds; take your pick.

11 Moving from individual customers to  
12 institutional, as we discussed previously, custody  
13 and security are both most important to the  
14 institutions.

02:05 15 Again, the allegations of the SEC  
16 severely undermined institutional trust in our  
17 platform. For example, prior to the TRO, we had, I  
18 believe, in excess of 20 market makers operating on  
19 the platform. Subsequent to that, the number is  
02:06 20 less than five.

21 Moving from customers to partners.  
22 Again, as it's been widely reported, we lost our  
23 fiat rail shortly after the TRO.

24 In the immediate wake of the TRO, our  
02:06 25 banks demanded drastic increases in collateral. But



02:06 1 eventually, ultimately, they fully terminated the  
2 relationship. And as a result, our customers were  
3 prevented from depositing and withdrawing fiat to  
4 the platform, effectively choking the business.

02:06 5 And since we lost those two banking  
6 partners, we've been unable to find new partners to  
7 welcome with us.

8 And who can blame them? Because the  
9 second it becomes known that they're working with  
02:07 10 Binance.US, they can reasonably expect a nasty  
11 subpoena from the SEC.

12 And even if there's been no  
13 wrongdoing, tangling with the SEC involves  
14 considerable costs, time. It obviously carries  
02:07 15 immense reputational harm.

16 And then I think --

17 MS. SOLOMON: Counsel, we'll let  
18 this proceed, but none of this appears to  
19 be relevant to the question at hand. I  
02:07 20 mean, I'm not directing you not to speak,  
21 but --

22 THE WITNESS: He's asking about  
23 the impact, and I'm describing the impact.

24 MS. SOLOMON: I understand.

02:07 25 And I'm directing the objection

02:07 1 to your counsel.

2 But, ultimately, this isn't  
3 really relevant to the custody of assets,  
4 as we've said is the topic here.

02:07 5 THE WITNESS: Of course.

6 MR. LAROCHE: Understand.  
7 Understand the objection.

8 You can keep going.

9 THE WITNESS: Sure.

02:07 10 A. And then, obviously, trust with the  
11 regulators has been severely undermined, again, with  
12 no actual wrongdoing.

13 And the last category, economic.  
14 Again, a lot falls under this bucket. Revenues have  
02:08 15 imploded on the order of 75 percent-plus in the  
16 period since the TRO. And our operating costs  
17 across the board have exploded.

18 As fond as I am of Mr. Laroche, our  
19 external legal fees alone are in the neighborhood of  
02:08 20 \$10 million. Our auditor expenses have more than  
21 10X'd. Our surety bonds have more than 5X or 6X.  
22 Things like D&O insurance, even, have exploded in  
23 price.

24 Q. So let me ask just a few follow-up  
02:08 25 questions.

02:08 1                   You said that one of the impacts  
2 following the TRO has been a reduction in force.

3           A.     Correct.

4           Q.     Can you just explain how much of the  
02:08 5 reductions have been since the TRO was filed?

6                   MR. MURPHY:   So I'll also just  
7           restate the objection to the long speeches.

8                   But go ahead.

9                   MR. LAROCHE:   Sure.

02:08 10           A.     So in excess of 200 people, more than  
11 two-thirds of the company.

12           BY MR. LAROCHE:

13           Q.     And why did BAM reduce its force by  
14 two-thirds of the company?

02:09 15           A.     When your top line contracts in excess of  
16 75 percent, unfortunately, you need to make  
17 difficult decisions to bring costs in line with new  
18 business realities.

19           Q.     What impact, if any, has BAM's reduction in  
02:09 20 force had on its ability to respond to the SEC's  
21 discovery requests?

22           A.     This came up previously. Teams like  
23 finance, legal, compliance have been stretched to  
24 the limit, obviously, responding to owners'  
02:09 25 requests. And I'm sure the response times have been

02:09 1 impacted directly as a result.

2 Q. I think one of the other impacts you've  
3 described is the relationships -- BAM's  
4 relationships with its customers and partners.

02:09 5 A. Yes.

6 Q. Can you explain how those relationships  
7 have been impacted?

8 A. I mean, in simple terms, to banks, we're  
9 radioactive for the reasons articulated previously.

02:10 10 Why would you want to risk the ire of  
11 the SEC to work with us and all the concomitant  
12 costs and annoyances?

13 Q. How do you know that?

14 A. Because we've heard it directly from our  
02:10 15 banking partners. They're very wary of the  
16 reputational and direct costs of working with us.

17 Q. And I think the last impact you talked  
18 about was economic.

19 Can you just talk about how the  
02:10 20 economics have changed for the business since the  
21 lawsuit and TRO were filed?

22 A. Sure. So, again, our top line, our  
23 revenue, has shrunk by more than 75 percent, which  
24 is a dramatic contraction, particularly given the  
02:10 25 relatively short time period. So our top line is

02:10 1 shrinking.

2                   And, unfortunately, things like OpEx,  
3 lower on the income statement, have exploded as a  
4 result of, again, things like direct legal expenses.

02:11 5 So less revenue, more costs equals far higher losses  
6 for a business.

7           Q.    You mentioned things such as the audit  
8 costs increasing.

9           A.    Yeah.

02:11 10           Q.    Why have the audit costs increased?

11           A.    Perceived risk of working with us.

12                   An auditor's got to put their name and  
13 reputation on the line, so to speak, and the risk  
14 has just exploded since the TRO for them.

02:11 15                   And the cost, as I mentioned, is, I  
16 believe, 10X in, you know, the year since our last  
17 audit.

18                   MR. LAROCHE:  I have nothing  
19 further.

02:11 20                   MR. MURPHY:  So we're just going  
21 to take a very quick break and we'll --  
22 before we close this out.

23                   We can go off the record now.

24                   THE VIDEOGRAPHER:  Going off the  
02:12 25 record at 2:12.

02:12 1 (Recess taken.)

2 THE VIDEOGRAPHER: We are back on  
3 the record at 2:18.

4 FURTHER EXAMINATION

02:18 5 BY MR. MURPHY:

6 Q. Mr. Blodgett, you gave a lengthy answer in  
7 response to your counsel's question about hardships  
8 that BAM has been going through, and I just wanted  
9 to address -- I wanted to address a few follow-up  
02:18 10 questions on that.

11 Do you remember earlier we talked  
12 about the conference that you spoke at? This was  
13 around November 2022. Right?

14 THE VIDEOGRAPHER: I'm sorry,  
02:18 15 Counsel. Your microphone.

16 MR. MURPHY: Oh. Sorry.

17 BY MR. MURPHY:

18 Q. Do you remember we talked about that  
19 conference?

02:18 20 A. Yes.

21 Q. And do you remember we talked about your  
22 reference to a war chest that Binance had?

23 A. Yes.

24 Q. And this was before the \$250 million from  
02:18 25 CZ. Right?

02:18 1 MR. LAROCHE: Objection to form.

2 BY MR. MURPHY:

3 Q. Isn't it true that you got \$250 million  
4 because the company was not flush with cash at that  
02:19 5 time?

6 MR. LAROCHE: Objection to form.

7 A. No.

8 BY MR. MURPHY:

9 Q. So what was the purpose of the  
02:19 10 \$250 million?

11 A. I mean, to fund general operational and  
12 growth initiatives.

13 But I would not say it's true because  
14 I don't know what our balance sheet looked like  
02:19 15 before or after.

16 Q. So you just made a bunch of statements  
17 about top-line revenue going down, but you don't  
18 know what the actual balance sheet looked like  
19 before the TRO was filed.

02:19 20 MR. LAROCHE: Objection to form.

21 A. I couldn't rattle numbers off the top of my  
22 head.

23 BY MR. MURPHY:

24 Q. You referred to concerns from institutional  
02:19 25 investors.

02:19 1 A. Yes.

2 Q. What are those -- which institutional  
3 investors communicated concerns to you?

4 A. As I mentioned, the majority of our market  
02:19 5 makers on the platform left the platform, stopped  
6 operating. So I can get you a list of them, but --  
7 do you want names?

8 Q. Well, you're aware of some market makers  
9 that the SEC has alleged have been taking part in  
02:20 10 loss trading.

11 Do you remember those allegations?

12 MR. LAROCHE: Objection to form.

13 A. Yes.

14 BY MR. MURPHY:

02:20 15 Q. Do you have any basis to doubt those?

16 MR. LAROCHE: Objection to form.

17 A. Any basis to doubt what?

18 BY MR. MURPHY:

19 Q. Those allegations.

02:20 20 MR. LAROCHE: You're asking for  
21 his assessment of the merits of the  
22 underlying claim? I mean, like --

23 BY MR. MURPHY:

24 Q. You referred in your answer to allegations  
02:20 25 with no evidence. Correct?



02:20 1 A. Correct.

2 MR. LAROCHE: He's talking about  
3 the TRO.

4 BY MR. MURPHY:

02:20 5 Q. So do you have any doubt -- did you read  
6 the TRO?

7 A. Not line for line.

8 Q. Did you read it at all?

9 A. I'm sure I scanned it at one point.

02:20 10 Q. Are there any allegations you can identify  
11 in the TRO that you believe are untrue?

12 A. Those relating to commingling or misuse of  
13 customer funds.

14 Q. Do you understand that BAM commingles  
02:21 15 customer funds with its own assets?

16 A. I don't.

17 Q. You don't know one way or the other?

18 A. Correct.

19 Q. So you don't know if it's false.

02:21 20 MR. LAROCHE: Objection to form.

21 Misstates his testimony.

22 A. My understanding of the TRO, and the dearth  
23 of the evidence, is largely -- largely based on  
24 conversation with counsel.

25 \\