

<p>UNITED STATES BANKRUPTCY COURT DISTRICT OF NEW JERSEY Caption in Compliance with D.N.J. LBR 9004-1(b)</p>	
<p>BROWN RUDNICK LLP Kenneth J. Aulet, Esq. (admitted <i>pro hac vice</i>) Seven Times Square New York, New York 10036 (212) 209-4800 kaulet@brownrudnick.com</p> <p>BROWN RUDNICK LLP Tristan Axelrod, Esq. (admitted <i>pro hac vice</i>) One Financial Center Boston, MA 02111 (617) 856-8300 taxelrod@brownrudnick.com</p> <p><i>General Counsel for the Plan Administrator</i></p> <p>GENOVA BURNS LLC Daniel M. Stolz, Esq. Donald W. Clarke, Esq. 110 Allen Rd., Suite 304 Basking Ridge, NJ 07920 (973) 230-2095 DStolz@genovaburns.com DClarke@genovaburns.com</p> <p><i>Local Counsel for the Plan Administrator</i></p>	<p>HAYNES AND BOONE, LLP Richard S. Kanowitz, Esq. (NJ Bar No. 047911992) Lauren M. Sisson, Esq. (NJ Bar No. 394182022) 30 Rockefeller Plaza, 26th Floor New York, New York 10112 (212) 659-7300 richard.kanowitz@haynesboone.com lauren.sisson@haynesboone.com</p> <p><i>Attorneys for the Plan Administrator</i></p>
<p>In re: BLOCKFI INC., <i>et al.</i>, Debtors.¹</p>	<p>Chapter 11 Case No. 22-19361 (MBK) (Jointly Administered under a Confirmed Plan²)</p>

PLAN ADMINISTRATOR’S SECOND STATUS REPORT TO CREDITORS

Mohsin Y. Meghji, in his capacity as the Plan Administrator (the “Plan Administrator”) for the *Third Amended Joint Chapter 11 Plan of BlockFi Inc. and Its Debtor*

¹ The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: BlockFi Inc. (0015); BlockFi Trading LLC (2487); BlockFi Lending LLC (5017); BlockFi Wallet LLC (3231); BlockFi Ventures LLC (9937); BlockFi International Ltd. (N/A); BlockFi Investment Products LLC (2422); BlockFi Services, Inc. (5965) and BlockFi Lending II LLC (0154). The location of the Wind-Down Debtors’ service address is c/o M3 Partners, 1700 Broadway, 19th Floor, New York, NY 10019.

² On October 3, 2023, the Court entered an order confirming the Third Amended Joint Chapter 11 Plan of BlockFi Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code (Additional Technical Modifications) (the “Plan”) [Docket No. 1609].

Affiliates Pursuant to Chapter 11 of the Bankruptcy Code [Docket No. 1609] (the “Plan”)² of BlockFi, Inc., *et al.* (collectively, the “Wind-Down Debtors”), hereby submits this *Second Status Report to Creditors* (the “Report”) and respectfully states as follows³:

INTRODUCTION

1. One of the most significant tasks assigned to the Plan Administrator was resolving BlockFi’s claims against FTX, totaling approximately a billion dollars, and defending against FTX’s hundreds of millions of dollars of avoidance claims and other counterclaims. These matters have, by far, the largest impact on BlockFi customer recoveries.

2. The Plan Administrator is pleased to announce the successful resolution in principle of all litigation and other disputes between BlockFi and FTX and its affiliated debtors (collectively, the “FTX Debtors”). Subject to court approval, this settlement will allow BlockFi’s claims against the FTX Debtors. BlockFi will receive an allowed customer claim of \$185.2 million against FTX.com on account of its assets on the FTX exchange (the “Customer Exchange Claim,” representing the full value of those assets, as of the FTX petition date),⁴ and a claim of \$689.3 million against Alameda Research on account of BlockFi’s loans to Alameda Research (the “Alameda Loan Claim”), of which \$250 million is entitled to be treated as a secured claim. All asserted claims by FTX against BlockFi that sought to reduce or offset those claims will be waived, and FTX has agreed to waive or subordinate all other claims against BlockFi. This resolution allows BlockFi to support the proposed plan of reorganization proposed by the FTX Debtors, and assist in pushing the FTX case to a close – and closer to payment on BlockFi’s allowed claims.

³ Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.

⁴ Other than FTT tokens, which were held as collateral against the Alameda Loan Claim.

3. In sum, the settlement will maximize the value to be received on account of BlockFi's claims through ensuring that FTX recognizes the full amount owed to BlockFi. Further, by agreeing that \$250 million of the Alameda claim will be treated as a secured claim, BlockFi ensures that it will receive that \$250 million shortly after the FTX plan is confirmed and goes effective – likely allowing a second interim distribution in the near term, before distributions begin on general FTX unsecured claims. The remainder of BlockFi's claims will receive distributions pursuant to FTX's plan, and be treated substantially the same as other similarly situated claims.

4. In short, the Plan Administrator has resolved the FTX claims within 6 months of the Effective Date. By doing so expeditiously and consensually, the Plan Administrator expects to be able to release a substantial portion of the litigation reserve, further boosting BlockFi customer recoveries in an anticipated second interim distribution.

FTX SETTLEMENT

5. Since the commencement of these Chapter 11 proceedings, the Wind-Down Debtors and their predecessors have worked to recover funds deposited with, loaned to, or otherwise owed by members of the FTX corporate group. Efforts have generally concentrated on claims alleged in the FTX bankruptcy, where BlockFi sought recovery of approximately \$185 million in digital assets deposited on the FTX exchange as well as approximately \$690 million loaned to Alameda Research (amounts denominated in various digital assets and dollarized on the FTX petition date at agreed rates of exchange), as well as claims for recovery of collateral securing such loans, and other related claims for damages. In so doing, the Wind-Down Debtors have likewise prepared to defend against FTX's counterclaims and competing claims for disputed assets, which if successful could have severely reduced or eliminated

recoveries from FTX.

6. In September 2023, BlockFi reached a preliminary resolution with the FTX Debtors, under which FTX agreed to waive nearly all of its claims for affirmative recoveries against BlockFi. (The sole exception is a claim for repayment of a \$275 million loan, which claim has been subordinated to BlockFi customer claims. In other words, FTX would only receive a recovery on this claim *after* all BlockFi customers are paid in full.) In exchange, BlockFi and FTX agreed to near-term mediation, and to centralize most of their remaining disputes within FTX's Chapter 11 proceedings.

7. The Plan Administrator engaged in preliminary discussions with FTX beginning shortly thereafter, leading to mediation in January 2024 conducted by the Honorable Craig T. Goldblatt, a sitting Delaware Bankruptcy Judge.

8. Thanks to the able assistance of Judge Goldblatt, the Plan Administrator and the FTX Debtors were able to reach an agreement in principle at the mediation. Subsequent discussions refined that agreement in principle into an agreed-upon term sheet, and finally a comprehensive settlement agreement.

9. In sum, pending approval in the parties' proceedings in Delaware and New Jersey bankruptcy courts and the Supreme Court of Bermuda, BlockFi's claims for recovery of assets held on the FTX exchange (other than FTT) and repayment of loans to Alameda Research – approximately \$900 million in total – will be allowed in full. BlockFi's loan repayment claims will be treated as partially secured, resulting in a cash payment from FTX of \$250 million on FTX's plan effective date. FTX will waive its asserted counterclaims for, among other things, avoidance of preferential and fraudulent transfers, and the parties will provide mutual general releases. BlockFi will support the FTX Plan, vote in favor of the FTX Plan, and otherwise

support the FTX Debtors' efforts to end their Chapter 11 proceedings and begin the process of distributing FTX's assets to its creditors – including BlockFi.

10. To the extent the Wind-Down Debtors are releasing additional claims against FTX (e.g., for enhanced secured claims treatment or additional contractual damages), such claims would require lengthy and expensive litigation and significant risk, and recoveries from FTX would be delayed indefinitely pending litigation. As such, the benefits of receiving enhanced recoveries in the near- and medium-term under this negotiated agreement vastly outweigh any reasonably foreseeable gains from litigation.

11. This negotiated agreement represents an excellent outcome for BlockFi and its customers – one better than could have been anticipated even on the effective date of the Plan. It ensures that BlockFi obtains the full allowance of the Customer Exchange Claim and the Alameda Loan Claim, so that as long as FTX meets its distribution goals (which BlockFi reasonably anticipates), BlockFi customers will receive the full value of those claims as of the FTX petition date. Regardless, obtaining recognition of BlockFi's security interest in a material portion of the Alameda Loan Claim entitles BlockFi to payment of that amount prior to payment of unsecured claims, allowing BlockFi to distribute those funds to its customers sooner, and insulating BlockFi against potential downside risks as FTX executes its own plan.

12. Finally, this result has been achieved with an early mediation, significantly cutting litigation costs and ensuring that money reserved for litigation with FTX is directed instead to customer distributions.

CONCLUSION

13. The Plan Administrator and the Wind-Down Debtors' advisors express their gratitude to BlockFi customers for their patience through this process, to Judge Goldblatt's able assistance in guiding the parties to a consensual resolution, and to FTX for their constructive participation in reaching a value-maximizing result for the parties.

14. Work remains to be done to, among other tasks, monitor the FTX plan and support confirmation and effectiveness to ensure the economic benefits of the agreement. Likewise, the Wind-Down Debtors are continuing to reconcile claims and prepare the estates for additional distributions contemplated under BlockFi's confirmed Chapter 11 plan. The Plan Administrator will provide additional updates to customers as these processes continue.

Dated: March 6, 2024

/s/ Mohsin Y. Meghji

Mohsin Y. Meghji, solely in my capacity as
the Plan Administrator