

**SETTLEMENT AGREEMENT**

This SETTLEMENT AGREEMENT is made and entered between **PAYWARD VENTURES, INC. (d/b/a Kraken)** and the **OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF THE GOVERNMENT OF PUERTO RICO** (the "OCFI"), collectively referred to herein as the "Parties."

**WITNESSETH**

**WHEREAS**, the OCFI is responsible for the supervision of money transmitting businesses in Puerto Rico under Act 136-2010, known as the "Money Service Business Regulatory Act" (Act 136).

**WHEREAS**, Payward Ventures, Inc. d/b/a Kraken (PVI) a subsidiary of Payward Inc., is a corporation organized under the laws of Delaware in 2011, with its principal place of business in San Francisco, California. PVI's NMLS ID Number is 2029266. PVI has never been registered with the OCFI.

**WHEREAS**, from 2013 to 2024, PVI engaged in business in Puerto Rico without a money transmitting license under Act 136, as described below.

**WHEREAS**, on March 29, 2023, PVI filed an application for registration as money transmitter in Puerto Rico through NMLS.

**WHEREAS**, TradeStation Crypto, Inc. ("TCI", now Payward Interactive, Inc.) is a corporation organized under the laws of Florida in 2018 and is registered as a money transmitter in Puerto Rico since December 22, 2021, license number TM-131. It is also licensed in more than 40 states of the United States (NMLS Number 1843762). Its business activities are identified as electronic money transmitting and virtual currency exchanging and trading services.

**WHEREAS**, on February 7, 2024, TradeStation Crypto, Inc. (TCI) submitted an advanced change of control notice in NMLS, indicating its intent to close a change in control transaction for the acquisition of TCI by Payward Guardian LLC (PG), a subsidiary of Payward, Inc. The transaction was expected to close on or around June 1, 2024.

**WHEREAS**, on February 9, 2024, PVI informed the OCFI that PG had entered into an agreement to acquire TCI. PVI also informed the OCFI that TCI will take on PVI customers and their assets as part of a wind-down of PVI's current activities and provided further details about the Payward Group's transition plan, including a timeline describing the steps they plan to take (with key dates and milestones) to transition their U.S. customers and their assets to TCI. PVI planned to withdraw its pending Puerto Rico license application after this transition of services had been completed. Under the proposed ownership chart Payward Inc. (USA), a Delaware Corporation, will be the owner of PG, a Delaware LLC, and PG will be the owner of TCI.

**WHEREAS**, on March 15, 2024, TCI updated the advanced change of control notice in NMLS to reflect the updated closing date of April 15, 2024.

**WHEREAS**, in communications dated April 1 and April 9, 2024, PVI stated to the OCFI that the closing date had been moved to April 15, 2024, to allow sufficient time to complete the items necessary for an on-time transfer of services in June and that TCI had no active customers and was processing no

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money transmitter transactions on behalf of Puerto Rico residents.

**WHEREAS**, on May 7, 2024, TCI submitted an update regarding the Payward Group's Transition Plan. In the update, among others, it stated that on April 15, 2024, PG acquired TCI's stock and provided a status update on the Payward Group's timeline. Shortly after the acquisition, on April 16, 2024, the Company's name, trade name, and address were changed in the Florida Department of State. The new name is Payward Interactive, Inc. (PI).

**WHEREAS**, on May 9, 2024, TCI registered the name change to Payward Interactive, Inc. in the Puerto Rico Department of State.

**WHEREAS**, as part of the evaluation for the change of control, the OCFI has requested information regarding PVI and its affiliates in order to make a determination regarding the approval of the transaction. At this time, the OCFI has not approved the change of control and has not yet provided regulatory approval.

**WHEREAS**, on May 15, 2024, a meeting was held between representatives of the OCFI and representatives of Payward. At the meeting, Payward mentioned and provided a presentation to the OCFI on Kraken's history of operations within Puerto Rico.

**WHEREAS**, on June 4, 2024, PVI withdrew its request for registration in Puerto Rico. The status of the license since June 20, 2024, is withdrawn voluntarily without licensure.

**WHEREAS**, on June 21, 2024, the OCFI requested additional information regarding the operations of PVI in Puerto Rico.

**WHEREAS**, on July 17, 2024, PVI submitted the information requested by the OCFI on June 21, 2024. Among other information, PVI indicated that Kraken (PVI) commenced operations in Puerto Rico in 2013. Also, an Excel spreadsheet provides a yearly overview of Kraken's transactional activities in Puerto Rico from the beginning of operations to present. PVI also informed that as per their TOS, clients are required to send only wallets and accounts to which they are the named account holder. Additionally, all incoming and outgoing fiat transfers (deposits and withdrawals) must be conducted through a US-based payment partner (Banking partner and/or payment processor) and through an account in which the name matches their Kraken account. Therefore, PVI adds that the country the client is interacting with is in all determinable cases, the US.

**WHEREAS**, Section 2.1 of Act 136-2010, known as the Puerto Rico "Money Service Business Regulatory Act" (Act 136), provides the following:

Section 2.1. – License Required. –

No person, except those excluded under Section 1.3(b) of Chapter 1 of this Act, may engage in any money service business in the Commonwealth of Puerto Rico, in exchange for a service charge, without first obtaining a license issued by the Commissioner as provided below.

Section 5.3 of Act 136, provides, among other things, that:

(a) No sale, acquisition, assignment, transfer, exchange, or any other type of conveyance or

acquisition of voting capital stock issued by any corporation, or of partnership interest, engaged in the money service business in Puerto Rico under this chapter, and which results in the control or the transfer of control of said corporation or partnership shall be carried out, nor shall any partial or total sale, assignment, exchange, or any other type of transfer of an individual business be carried out until the owner, president, or any other authorized executive officer of said entity has notified the Commissioner of the details of the proposed operation and obtained his/her approval.

For purposes of this section, the term "control" shall mean the power to exercise a controlling influence, either directly or indirectly, over the management or policies of a money services corporation or partnership. A change in control of voting stock that results in direct or indirect ownership of less than ten percent (10%) of outstanding voting stock by a stockholder or affiliate stockholder or of less than ten percent (10%) of the partnership interest, whether directly or indirectly, of a partnership engaged in the money service business shall not be deemed a change of control.

Should there be any doubts with regard to whether an operation results in the control or change of control of a corporation or partnership, the pertinent information shall be submitted to the Commissioner, who shall determine whether the proposed transaction constitutes a change of control.

(b) Any sale, assignment, merger, barter, exchange, or any other transfer of voting capital stock, interest, or share in the capital of a licensee that constitutes a change of control shall be void without the prior written authorization of the Commissioner.

Section 6.1 of Act 136, provides, among other things, that:

OCFI shall be responsible for overseeing, supervising, and regulating the operations of persons engaged in the money service business and for investigating and issuing orders against those who operate such business without a license issued therefor by OCFI.

Any person engaged in any type of money service business without a license shall be subject to the jurisdiction of OCFI and to the procedures and sanctions established by the Commissioner.

In addition to the powers and authorities conferred to the Commissioner under §§ 2001 et seq. of Title 7, he/she shall, without it being construed as a limitation, have the power:

(a) To take any action and impose such remedies as necessary to effectively achieve the purposes of this chapter or its regulations.

...

(f) To investigate any transaction of any person engaged in the money service business and his/her accounts, books or records, files, and documents whenever he/she has reasonable grounds to believe that said person is violating or appears to be violating the provisions of this chapter or the regulations thereunder. For purposes of this subsection, any person who advertises, solicits, or appears to be willing to carry out any money services business shall be

deemed to be engaged in the money service business.

...

(j) Should the Commissioner determine that a person has committed a violation of this chapter or the regulations promulgated thereunder, as well as any order or administrative resolution issued by OCFI he/she may issue against such person those orders he/she may deem convenient in the public interest, and initiate proceedings pursuant to the provisions of §§ 9601 et seq. of Title 3, known as the "Government of Puerto Rico Uniform Administrative Procedure Act".

(k) To impose fines, restitution, or administrative sanctions for violations of law, regulations, and the orders issued by him/her, which shall include, but not be limited to the suspension or revocation of any licenses issued by virtue of this chapter.

Section 6.3 of Act 136 provides, among other things, that:

Section 6.3. – Penalties. –

The Commissioner shall be empowered to:

(a) Impose and collect administrative fines of not less than one hundred dollars (\$100) nor more than ten thousand dollars (\$10,000) for each violation of the provisions of this Act or of the rules and regulations promulgated thereunder;

(b) Order restitution or reimbursement of such payments received in contravention of the provisions of this Act, or any rule or regulation promulgated thereunder, or any other remedy he/she deems necessary to enforce the provisions of this Act;

(c) Impose and collect administrative fines of not less than one hundred dollars (\$100) nor more than five thousand dollars (\$5,000) for each day that a person engaged in a money service business fails to meet the requirements or to comply with the orders issued by the Commissioner.

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**WHEREAS**, it is OCFI's position that PVI should have completed its Puerto Rico registration as money transmitting business prior to affecting the previous transactions because they fell within the scope of Act 136.

**WHEREAS**, the acquisition of TCI/PI occurred prior to OCFI's required approval of the change in control.

**WHEREAS**, PI has submitted the documents required by the OCFI in order to evaluate the change of control.

**WHEREAS**, PI has filed the documents required by the OCFI for evaluation of change in control, PVI reported its previous transactions to OCFI and has fully cooperated and provided all requested

information to OCFI.

**WHEREAS**, after analyzing the information submitted by PVI and PI and after various communications between PVI, PI and the OCFI, the Parties have jointly agreed that it is best for all concerned to reach a complete and final SETTLEMENT AGREEMENT with respect to the above mentioned findings by means, among others, of the actions and measures provided for in this SETTLEMENT AGREEMENT, so as to avoid the costs and uncertainties of any other legal proceeding. This SETTLEMENT AGREEMENT is a formal agreement entered into by the Parties, in lieu of formal proceedings and a breach of any of the conditions shall constitute a material breach of this SETTLEMENT AGREEMENT.

**NOW THEREFORE**, to carry out this SETTLEMENT AGREEMENT, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, PVI, without admitting or denying the allegations contained herein, and the OCFI agree to the following terms and conditions:

1. OCFI has jurisdiction over the matters agreed herein.
2. On this date, PVI and the OCFI consent to and hereby agree to settle all matters concerning the above-mentioned findings under Act 136, and, in consideration of the present settlement, and subject to PVI's compliance with the terms of this SETTLEMENT AGREEMENT and the correctness of the facts stated herein, the Parties do hereby release and forever discharge each other, its attorneys, insurers, assignees, transferors, transferees, principals, partners, officers, directors, employees, agents servants, subsidiaries, parent corporations, affiliates, successors, stockholders, agents and representatives, (the "Releasee(s)"), from any and all claims, demands, damages, debts, liabilities, obligations, contracts, agreements, causes of action, suits, of whatever nature, character or description, that the Parties may have or may hereafter have or claim to have against each other Releasee(s) arising out of or related to the facts or allegations contained herein, provided however, that nothing in this paragraph is intended to release any claims that may arise as a result of the Parties' breach of this Agreement.
3. Pursuant to Act 136, PVI will issue a check payable to the Secretary of the Treasury upon the execution of this Settlement Agreement in the sum of **one hundred and twenty thousand dollars (\$120,000.00)** as an administrative fine imposed under Act 136.
  - a. PVI shall pay an administrative fine in the amount of one hundred and ten thousand dollars (\$110,000.00), itemized in ten thousand dollars (\$10,000.00) per 11 years, for engaging in money service businesses in the Commonwealth of Puerto Rico, in exchange for a service charge, without first obtaining a license issued by the Commissioner since year 2013 through 2024, as required by Section 2.1 of Act 136.
  - b. PVI shall pay an administrative fine in the amount of ten thousand dollars (\$10,000.00) for its failure in obtaining OCFI's approval prior to executing the change in control as required by Section 5.3 of Act 136.


4. Should PVI comply with the payment terms in paragraph 3, the OCFI will accept and approve the pending change of control application in NMLS.
5. Except with respect to the issues addressed by this SETTLEMENT AGREEMENT, PVI's consent to this SETTLEMENT AGREEMENT shall not deprive the OCFI of jurisdiction over its money transmission activities under Act 136 occurring prior to the effective date of this SETTLEMENT AGREEMENT. The OCFI may initiate an enforcement action against PVI seeking remedies available under Act 136 and other applicable laws including restitutions, penalties, among others. The OCFI is not making any determination regarding any other laws and/or regulations that may be applicable to the activities conducted by PVI.
6. PVI must comply with all applicable laws governing and regulating its MSB activities, including federal, state, and foreign nation's laws.
7. The Parties intend this Agreement to be legally binding upon and shall inure to the benefit of each of them and their respective successors, assigns, executors, administrators, heirs, and estates.
8. The Parties are entering into this SETTLEMENT AGREEMENT freely, knowingly and voluntarily, under the advice of counsel of their choices and with a full understanding of its terms and conditions. The Parties waive any right to recover from each other, and the Parties waive any right it may have to recover from each other, their respective costs, expenses, and attorney's fees in connection with the SETTLEMENT AGREEMENT. The Parties have negotiated all terms of this Agreement and its drafting and both Parties should jointly be considered drafters. This Agreement shall not be construed for or against a given Party by reason of it allegedly being the author or drafter of the Agreement or any of its clauses. PVI through the execution of this SETTLEMENT AGREEMENT, voluntarily waives any rights PVI may have to seek judicial review or otherwise challenge or contest the terms and conditions of this SETTLEMENT AGREEMENT.
9. The Parties warrant that they are not subject to any statute or contractual obligation, which may make unlawful the execution of this SETTLEMENT AGREEMENT.
10. PVI warrants that its Principals have duly authorized the person appearing on its behalf in this SETTLEMENT AGREEMENT to execute the same.
11. This SETTLEMENT AGREEMENT reflects the total pacts and covenants between the Parties and any statement, promise or representation given by any of the Parties, which is not included herein, shall be null and void. The recitals set forth at the beginning of this Agreement are incorporated by reference and made a part of this Agreement. This Agreement constitutes the entire agreement and understanding of the Parties and supersedes all prior negotiations and/or agreements, proposed or otherwise, written, or oral, concerning the subject matter hereof. Nothing herein is intended to nor shall be construed to have created, comprised, settled, or adjudicated any claims, causes of

actions, or rights of any person, other than as between the OCFI and the Parties in accordance with this Agreement. This SETTLEMENT AGREEMENT may not be changed, modified or altered, except by a document signed jointly by PVI and the OCFI.

12. This SETTLEMENT AGREEMENT shall be interpreted, enforced, and governed for all purposes consistent with the laws of the Commonwealth of Puerto Rico.
13. If any clause or provision of this Agreement is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid or enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions hereof. The Parties will endeavor in good faith negotiations to replace the prohibited, invalid, or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).
14. This SETTLEMENT AGREEMENT includes the resolution of the totality of any and all claims by OCFI against PVI arising under any applicable law and regulation in connection with PVI previous transactional activities without having a license in Puerto Rico, as disclosed to the OCFI as part of the process of the evaluation of the change of control mentioned in this SETTLEMENT AGREEMENT, as well as the change in control without authorization.
15. PVI hereby acknowledges that the failure to comply with all or any of the terms and conditions set forth in this SETTLEMENT AGREEMENT may result in the exercising of any right or prerogative possessed by the OCFI, as provided by Act No. 4 of October 11, 1985, as amended, known as the "Commissioner of Financial Institutions Act" or any other applicable law.
16. PVI acknowledges that this SETTLEMENT AGREEMENT is a public record, and it constitutes a reportable event for purposes of the regulatory disclosure questions on NMLS, as applicable.
17. The terms of this SETTLEMENT AGREEMENT will become effective immediately upon its execution.
18. This SETTLEMENT AGREEMENT may be executed in one or more counterparts, each of which shall be deemed original, and all of which together shall be one and the same instrument, and all of which shall constitute one agreement to be effective as of the Effective Date. Photocopies or facsimile copies of executed copies of this Agreement may be treated as an original.

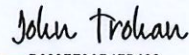
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IN WITNESS WHEREOF, the Parties, by their duly authorized representatives, have executed this SETTLEMENT AGREEMENT effective this 3 day of December 2024.



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Natalia Zequeira-Díaz  
COMMISSIONER

DocuSigned by:  
  
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NAME: John Trohan  
POSITION: Director  
PAYWARD VENTURES, INC.