

BlockFi

Driving the New Crypto Economy

We are pleased to have **BlockFi** represented in several Alumni Ventures Funds portfolios, having first invested in December 2019. This deal offers an example of the kind of investment we might target for the new Blockchain Fund 2021.

ABOUT BLOCKFI

BlockFi provides diversified financial services for cryptoassets — bringing liquidity, transparency, and efficiency to the digital financial market.

Recently featured as one of Business Insiders' "[22 fintech's that VCs and big investors say are on the brink of becoming household names.](#)" the company is well-positioned to become a leading financial services provider for cryptoassets.

BlockFi started primarily as a lender against cryptoassets (Bitcoin, Ether, Litecoin, Stablecoin, and Gemini Dollar) but expanded its product portfolio to include a Bitcoin Interest Account (BIA), a crypto trading platform, and a mobile app. Additionally, the company has diversified its customer base to include 100+ top-tier institutional clients (Fidelity, DRW, Jump Capital).

FOUNDER INSPIRATION

In 2015, BlockFi founder [Zac Prince](#) started investing in Bitcoin and other blockchain technologies, and by 2017, cryptocurrency value crossed the \$100 billion



mark. Prince was proud of his investments, but a curious thing happened when he listed the assets on a loan application for an investment property. The bank “freaked out,” according to Prince, and lenders accused him of being involved in illicit activities.

However, the timing proved fortunate. Prince had already been exploring alternative lending business models and areas of the financial ecosystem in which banks are less active or not active at all.

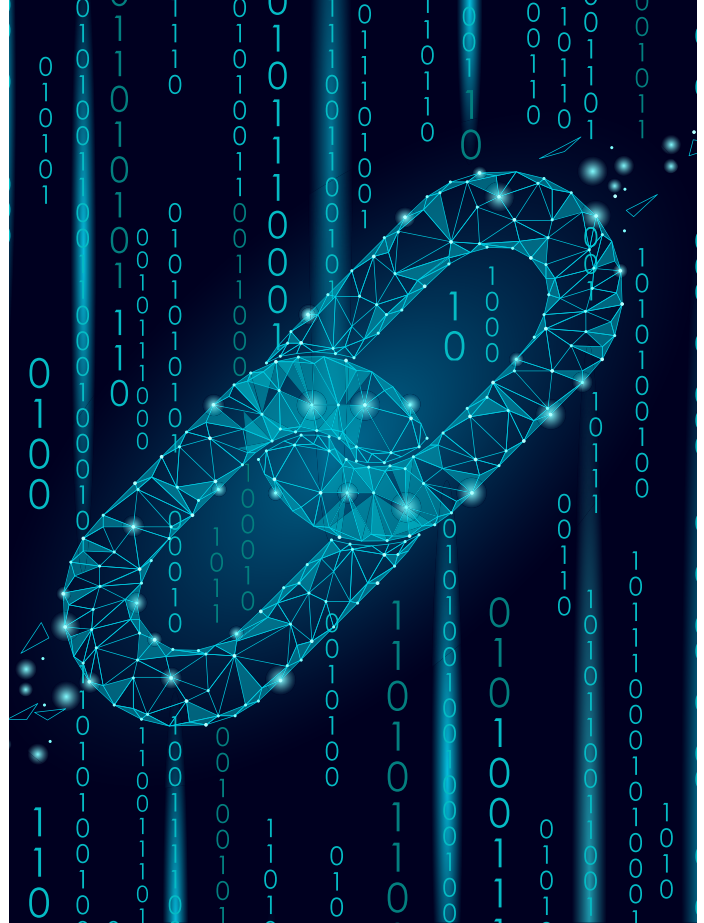
“I had a light bulb moment,” he says. “Companies like SoFi, Lending Club, and Funding Circle were really successful at building big businesses in areas where banks weren’t active, I realized the same thing was going to be true in the cryptocurrency market.”

With that, he founded BlockFi — a rapidly growing FinTech startup that allows consumers to obtain loans using cryptocurrency as collateral.

BLOCKCHAIN FIT

BlockFi would be a strong candidate for the Blockchain Fund as the company is a category creator and early mover in the cryptocurrency space. Some of the many opportunities and solutions BlockFi is offering the crypto market include:

- **Addressing Crypto Pain Points:** Traditional banking institutions have typically stayed away from lending against cryptoassets due to concerns about technical hurdles, shifting regulations, and a lack of derivative markets to hedge risk. Prince faced this challenge firsthand when he couldn't use his crypto portfolio as collateral for a real estate development project. He launched BlockFi to help address these pain points and offer diversified financial services specifically for cryptoassets.
- **Launching New Methods and Attracting New Clients:** BlockFi offers USD loans to cryptoasset owners, who collateralize the loan with those assets. They have also launched a Bitcoin Interest Account, a crypto trading platform, and will launch a new credit card this year with earned points converting to Bitcoin. BlockFi has broadened its early focus on individual crypto owners and built a diversified customer base featuring prominent institutional clients (trading firms and market makers). Their new products are designed to attract retail consumers who do not yet own cryptoassets.
- **Managing Risk and Security:** BlockFi's business model is centered around protecting its clients and staff. The company heavily focuses on securing private client data, using powerful encryption, and [is one of the few](#) retail-focused crypto-interest-earning platforms regulated by the U.S.



CO-INVESTORS

[Purple Arch Ventures](#), the Alumni Ventures fund for the Northwestern community, has sponsored multiple investments in BlockFi across multiple fund vintages, including the company's [seed round](#) led by ConsenSys; [Series C](#) led by Morgan Creek; and the most recent [Series D](#) co-led by Bain Capital Ventures, partners of DST Global, Pomp Investments, and Tiger Global.*

Other participating investors include Valar Ventures, Breyer Capital, Susquehanna Government Products, Jump Capital, Paradigm, and more.

IMPORTANT DISCLOSURE INFORMATION

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AVG offers smart, simple venture investing to accredited investors. Specifically, AVG provides a path for individuals to own an actively managed diversified venture portfolio with a single investment co-investing alongside experienced VC firms. Traditionally, with limited investment capital and contacts, individual investors have had limited access to desirable deals alongside experienced VC firms, and even if they could access one or more such deals, it would take an inordinate amount of time, money and negotiation to build a diversified portfolio. With AVG Funds, investors can choose from a number of funds to make a single investment to gain exposure to a diversified portfolio of investments selected by an experienced manager. AVG Funds' simple fee mechanism permits investors to avoid constant capital calls throughout the life of the fund as found in other private investment vehicles.

*For illustration purposes only. These investments are not intended to suggest any level of investment returns. Many returns in investments result in the loss of capital invested. These investments are not available to future fund investors except potentially in certain follow-on investment options.