To the Attention of:

Vauld's Creditors
Vauld's Committee of Creditors ("CoC")
Vauld's Community
Darshan Bathija, Co-Founder, CEO, Vauld
Sanju Sony Kurian, Co-Founder, Vauld

December 26, 2022

Subject: An Open Letter and a Final (Amended) Proposal for Acquisition from Nexo to Vauld's Creditors

Dear all,

On December 2, 2022, Nexo presented a revised proposal ("Revised Proposal") for its acquisition of Vauld. We would like to use the current opportunity to provide further clarity and an accurate depiction of the proposed terms in order to counter the intentional misinterpretation and social media manipulations regarding Nexo's proposal and strategic intentions.

Vauld's Community has the right to be properly informed about the challenges Nexo faced during the last several months while trying to assess the company's situation and design the most effective resolution for its most important constituents, Vauld's clients and creditors. Despite our genuine intention to help as promptly as possible and our commitment to spare no legal/advisory expenses in the process, Nexo's transaction team faced daily challenges, such as receiving slow and incomprehensive financial and legal due diligence information and encountering bias from the process administrator, Kroll (Singapore). This administrator seemed to be directing the solution towards an active management arrangement rather than a lending arrangement, which would expose the former creditors to risk and require them to rely on aggressive return projections to recover their losses.

To all of the above, Nexo would like to firmly restate that we remain dedicated to offering the creditors the most favorable recovery path forward. Despite facing constant and unjustified defamation, the spread of misinformation on social media, communication constraints from Kroll, and efforts to promote an alternative solution, Nexo is determined to continue working for the benefit of the creditors and to support the development of the blockchain ecosystem. Vauld's Creditors have the right to be aware of the facts, and Nexo is determined to address all concerns as listed below.

Impediments of the Transaction Process

During the Transaction and Due Diligence ("DD") Process, we faced the following issues:

Lack of comprehensive financial and legal information: Provision of Vauld's key financial and legal documentation for even a rudimentary due diligence process was delayed and withheld for nearly 3 months despite Nexo's multiple requests during the exclusivity period that started at the beginning of July. Essential financial information was shared by Vauld's management only towards the end of September, followed by a key document which was availed by Kroll at the end of October. In addition, answers to legal questions were given by Vauld in October. Throughout this entire time, we have voiced to Darshan Bathija, Vauld's CEO, and Kroll our concerns on multiple occasions for the slow and inefficient process development. Had we known that we would be facing a 6-month ordeal, we probably would have thought twice about going through it.

Sidelining Nexo from active communication with key stakeholders: A formal introduction to Kroll Singapore actually happened in the middle of October (despite Nexo's multiple requests to Vauld during the summer to facilitate this introduction), after which Nexo, Vauld, Kroll, and the respective legal advisors entered into a more regular, yet still unproductive, communication.

Dissemination of misleading deal terms by Kroll: The "Nexo Deal Terms" contained in the presentation delivered at the CoC meeting on October 10, 2022 were **not** provided by Nexo, rather they were pieced together by Kroll without Nexo's prior knowledge. Nexo requested multiple times Kroll's official disclosure about this fact to Vauld's Committee of Creditors and inclusion of a reference in the Affidavits that the indicative terms outlined in the presentation from October 10 regarding the "Nexo Deal" were neither discussed, nor approved, by Nexo. Nexo dissociated itself promptly from these indicative terms, and we expressed our discontent with the approach of not coordinating with us ahead of the official meeting with the CoC. We clearly saw with much concern that the creditors felt misdirected by this erroneous and unauthorized communication by Kroll, which began to extol the virtues of the undisclosed fund manager at the same time. Kroll Singapore's conduct raises multiple questions about the administrator's objective and independent approach to presenting the possible restructuring scenarios as opposed to actively pushing a self-serving agenda towards the involvement of a fund manager.

Vauld's Creditors, please read this carefully - while Nexo is proposing a fixed-income arrangement between Nexo and Vauld's Creditors, in which it is Nexo's responsibility to generate the loan revenue in order to pay the fixed interest it owes to the creditors, on the other hand, the creditors will assume the full risk of assigning their remaining assets to a fund manager to pursue returns and charge fund management fees in the process. We cannot help but wonder why there is such an aggressive push toward the fund management option and what kind of ulterior motives could justify taking an alternative direction to the detriment of Vauld's Creditors.

Misinterpretation of the actual Nexo proposal: Nexo has been wrongfully accused of not incorporating a direct cash contribution as part of its proposal. In fact, Nexo has clearly communicated an equity commitment through the allocation to the existing asset-liability gap of a portion of future net revenue from trading and lending activities, as well as from early redemption fees incurred by withdrawals made by Vauld's customers who have onboarded on Nexo's platform as Nexo New Customers. Additionally, those New Nexo Customers who have not withdrawn any funds over a period of 24 months are planned to be given the opportunity to receive additional assets (the "10% Loyalty Bonus"). The Loyalty Bonus is, in effect, an injection of capital from Nexo's balance sheet, which will effectively reduce the asset deficit by further 10% for all loyal New Nexo Customers.

One other popular misrepresentation we have encountered on multiple occasions across social media is that there is an effective 24-month lockup period for creditors to withdraw available funds from the platform. We would like to dispel this misconception and assure Vauld's Creditors that the terms of our proposal allow for an immediate withdrawal of balances allocated to their New Nexo Accounts from the available liquid assets at Vauld.

Final Proposal for the Acquisition of Vauld

This is the point where Nexo says, "Enough is enough." Our communication to Vauld's Creditors through the official channels has been either ineffective or misrepresented. The merits of Nexo's proposal that we believe are in the best interest of the creditors have been intentionally given little to no consideration by those officially responsible to convey guidance to the creditors. We will disseminate our message to Vauld's Creditors through public communication and welcome their feedback at any time.

We have demonstrated already that Nexo listens attentively to the creditors' concerns and is willing to address them wherever possible in our proposal - for example, based on the AMA session with Vauld's CoC on November 19, 2022 and the most recent feedback from Vauld's Community regarding the initially proposed terms and conditions, Nexo significantly revised its proposal on December 2, 2022 and incorporated the following conditions:

- **In-kind distribution of assets** vs previously offered USD/stablecoin equivalent;
- **Earn** functionality availed immediately and jointly with all other services on the Nexo platform vs availability of the Earn feature at a later stage.

Furthermore, taking into consideration the (i) additional informal comments from Vauld's Community on the Revised Proposal, and the (ii) potential impact that recent regulatory events in the USA might have on the US customers treatment going forward, Nexo is hereby prepared to make several final amendments to the Revised Proposal, as described in the **Final Proposal for Acquisition ("Final Proposal")** below:

I. General Terms:

- Nexo intends to acquire Vauld's customer base, all cryptocurrency owned by Vauld and all cryptocurrency attributable to Vauld's clients, all third-party receivables (both in crypto and fiat), cash and cash equivalents, IP (Trademarks, Patents, Domains), and the respective infrastructure required for the successful post-transaction integration (collectively, the "Acquired Assets"), as well as all liabilities arising out of the ownership of the Acquired Assets;
- Nexo is committed to developing a plan for onboarding Vauld's customers as "New Nexo Customers", before Transaction Closing, taking into account the required AML/KYC procedures and expenses associated with this process, and transferring their respective account balances to the Nexo platform, "New Nexo Accounts";
- The New Nexo Customers (unless their jurisdictions' regulatory framework does not allow the provisions of the relevant services) will be able to borrow, earn, and

exchange against the digital assets allocated in their New Nexo Accounts, starting immediately after the Initial Allocation;

- **No lock-up period for asset withdrawals**. New Nexo Customers will be eligible to withdraw the allocated assets at their own discretion upon achieving any of the KPIs described below in the section "V. Withdrawals";
- **Nexo projects to infuse equity and extinguish Vauld's asset deficit*** by: (i) an injection of capital from Nexo's balance sheet effectively reducing the asset deficit by 10% to all Loyal New Nexo Customers as described in section "VI. Loyalty Bonus"; (ii) allocating future net revenue from trading and lending activities, generated by the New Nexo Customers on the Nexo platform; (iii) allocating early redemption fees incurred by withdrawals of the New Nexo Customers. **Nexo as a company will not retain any of these net revenues.**

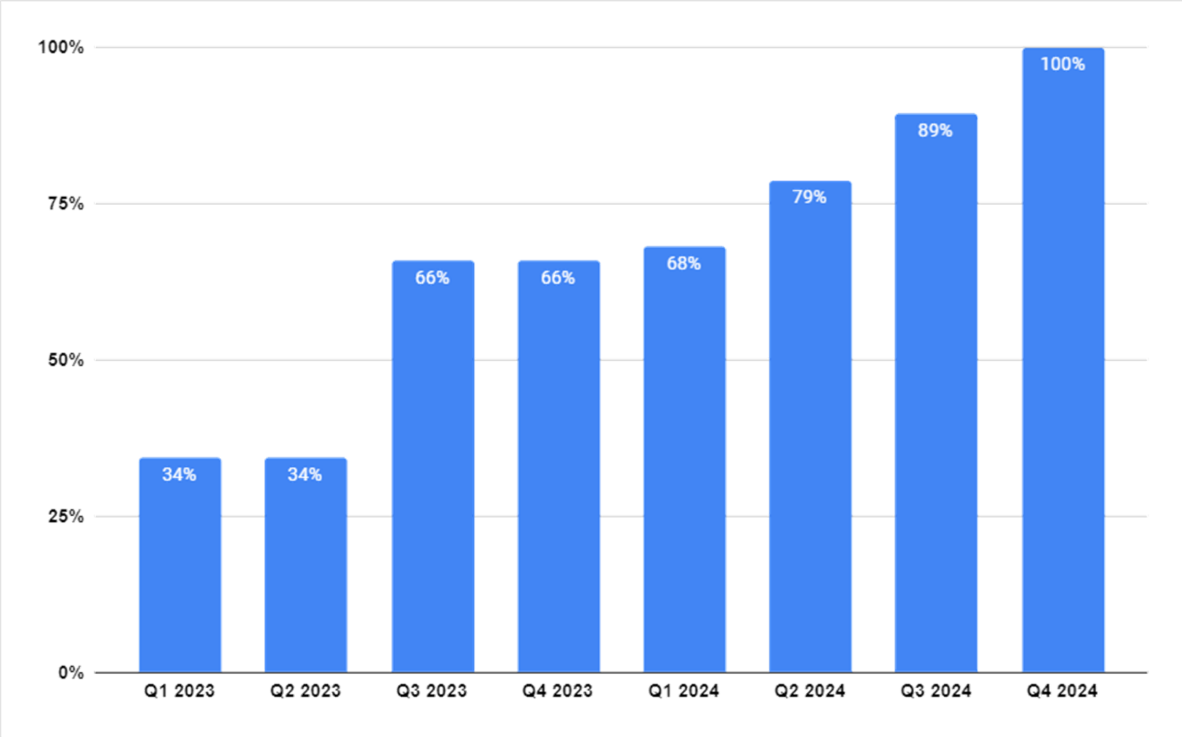
II. Treatment of Claims:

- Claims are to be allocated on the basis of **'in-kind' payments** within a pre-defined timeline for all assets supported by the Nexo platform;
- New Nexo Customers' assets which are not supported by the Nexo platform as of Transaction Closing will be crystallized in USD stablecoin equivalent at a pre-defined date in the future and allocated within a pre-defined timeline;
- Claims will be exchanged for New Nexo Customer account balances and deposited into the New Nexo Accounts. The liquid assets of the Group are to be allocated to customers on a pro rata basis of each individual customer's Claim Amount, consistent with the timeline of the liquid assets becoming available on the future dates of the Initial Allocation, Second Allocation and subsequent Ongoing Allocations;
- All allocations to the New Nexo Accounts will be subject to orderly collection of Vauld's outstanding loan contract receivables;
- The amount of the Initial Allocation becomes the New Nexo Accounts' balances, and is expected to be approximately 30-35% of the Claim Amount, based on August 1, 2022 asset valuations;
- All subsequent and ongoing Allocations, up to the total balance of available liquid assets, will accrue to the New Nexo Accounts;
- Assuming that the New Nexo Customers exhibit a similar pattern of use of services compared to Nexo's existing user base in the respective geographies and generate comparable business volumes, Nexo forecasts that it is possible to distribute 100% of the available liquid assets by the end of 2024.

**The value of the asset deficit is fluctuating and dependent on the value of the various cryptocurrencies composing the assets and liabilities in Vauld's balance sheet. As of Aug 1, 2022, the deficit is estimated at $81mln.*

III. Assets Distribution Schedule:

*Fig.1: New Nexo Customers - Indicative Assets Distribution Schedule**



*Estimations for the allocation of up to 100% of the New Nexo Customers' funds by 2024, assuming:

- Orderly collection of Vauld's outstanding loan contract receivables;
- Active participation on the Nexo platform by the New Nexo Customers in line with the KPIs, which effectively serve as assumptions in Nexo's financial forecasts. The net revenue generated as a result of achieving the KPIs will contribute directly to reducing the asset deficit and increasing the available liquidity.

IV. Services and Activities:

- The New Nexo Customers (unless their jurisdictions' regulatory framework does not allow the provisions of the relevant services) will be able to: earn, trade and borrow against the value of the allocated assets, starting immediately after the Initial Allocation. These services will be provided according to the standard Nexo Terms and Conditions;
- Any trading profits or yield generated by the New Nexo Customers will be retained in their respective New Nexo Accounts.

V. Withdrawals:

Nexo will **not impose a lock-up period for withdrawal** of the allocated assets to the New Nexo Customers. The New Nexo Customers will be allowed to withdraw the allocated funds at their own discretion, subject to completing **at least one** of the following three Key Performance Indicators (KPIs) that will be applied on an individual basis:

1. Volume of qualified trades executed on the Nexo Exchange, where "volume" is defined as turnover of at least 5x the account balance. **No minimal turnover in absolute terms is required**;
2. Borrow funds from Nexo amounting to at least 30% of the total account balance. The minimum duration of the loan is 12 months*. The minimum size of the loan should be in line with Nexo's to be at least $1,000.
3. Swap at least 20% of the total account balance into Nexo (NEXO) tokens. The NEXO tokens must be locked on a fixed-term deposit for at least 12 months. **No minimal size of the deposit in absolute terms is required.**

The New Nexo Customers who withdraw assets from their New Nexo Accounts sooner than 24 months after the Transaction Closing, will be subject to early redemption fees as follows:

- Initial early redemption fee of 9% of the withdrawal amount for the first quarter after the Transaction Closing;
- The redemption fee will diminish linearly by 0.5% on a quarterly basis.

Once the New Nexo Customer achieves any of the KPIs, the New Nexo Customer will be eligible to withdraw the existing allocated funds at their discretion, as well as the funds from all subsequent liquid asset allocations. New Nexo Customers who have not achieved any of the KPIs over a period of 24 months after the Transaction Closing are to be allowed to withdraw the existing allocated funds in the 25th month after Transaction Closing in accordance with applicable terms.
<u>In the event that New Nexo Customers in any jurisdiction are not able to achieve even one of the KPIs due to regulatory restrictions and/or are mandated to be offboarded from the Nexo platform for the same reasons, their respective initial and ongoing redemption fees will be reduced by 50%</u>.

VI. Loyalty Bonus:

New Nexo Customers who have not withdrawn any funds over a period of 24 months after the Transaction Closing are to be given the opportunity to receive 10% Loyalty Bonus. The New Nexo Customers Loyalty Bonus is estimated on an individual basis based on the total amount of liquid assets allocated in the New Nexo Accounts over a period ot 24 months after the Transaction Closing, not considering net results from trading activity and/or any additional yield generated on the Nexo platform.

**Clients become eligible to withdraw funds immediately after opening a Nexo credit line. Clients who violate the conditions of the loan will be subject to penalty fees.*

Conclusion

The intention of this communication was to create transparency to Vauld's Creditors, where it has been insufficient, regarding the merits of Nexo's acquisition plan, as well as to contribute final improvements to some of the proposal's commercial terms based on feedback from Vauld's Community. These commercial terms, as they apply to the jurisdiction-specific regulatory framework in place at the time of the Transaction Closing, will be underlying the definitive transaction documents which will be prepared if Nexo's proposal is approved by Vauld's Creditors during the official voting process. We trust that our Final Proposal will be presented to all relevant stakeholders in an effective and suitable manner, so that the creditors can make their informed decision and bring the transaction to a successful completion.

Nexo, as always, remains available to openly address all questions and comments regarding the Final Proposal with Vauld's management, advisors, CoC and Community. We anticipate that the remaining phases of Vauld's restructuring process, including the delivery of a detailed and objective presentation of all available scenarios available for Vauld's Creditors, as well as the organization of a fair voting process will be managed in good faith and in line with the plan communicated by Vauld's financial advisors to Nexo.

Sincerely,

Nexo Management