

**HODLNAUT PTE. LTD.
(INTERIM JUDICIAL MANAGERS APPOINTED BY COURT)
(REG. NO. 201911850K)**

12 October 2023

BY EMAIL

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Fifty-Eighth Circular

**HODLNAUT PTE. LTD. (INTERIM JUDICIAL MANAGERS APPOINTED BY COURT)
(THE "COMPANY")**

**UPDATES ON HC/CWU 94/2023 ("CWU 94"), HC/OA 451/2022 ("OA 451"), HC/SUM 1537/2023,
HC/SUM 4010/2022, HC/OA 792/2023 ("OA 792"), AND HC/SUM 2362/2023**

Dear Sir / Madam

We refer to the following Circulars:

1. The Fifty-Fifth Circular dated 28 September 2023 wherein the 8th Affidavit of Aaron Loh Cheng Lee filed in OA 451 on 28 September 2023 ("**Mr Loh's 8th Affidavit**") can be downloaded; and
2. The Fifty-Seventh Circular dated 10 October 2023 wherein the 2nd Affidavit of Chan Kheng Tek dated 5 October 2023 and 8th Affidavit of Simon Eric Lee dated 9 October 2023 filed in OA 451 can be downloaded.

Unless otherwise stated in this circular, we adopt the abbreviations used in the Fifty-Seventh Circular.

The aforementioned affidavits commented on, among other things, the term sheet from Open Technology Markets Limited ("**OPNX**") dated 19 July 2023 ("**OPNX Term Sheet**").

We further update that in the afternoon of 10 October 2023, the IJMs met Mr Mark Lamb from OPNX, Mr Simon Eric Lee, and Mr Zhu Juntao, to discuss the OPNX Term Sheet (the "**10 October Meeting**"). The next day on 11 October 2023, Mr Lee and Mr Zhu (collectively the "**Directors**") also issued a letter, through Drew & Napier LLC (their solicitors representing them in respect of the proposed restructuring), summarising the Directors' views on the said meeting and the OPNX Term Sheet ("**D&N's Letter**"). This letter requests that the IJMs highlight various points raised at the 10 October Meeting, and the IJMs have therefore enclosed a copy of D&N's Letter with this circular for the creditors' reference.

From the IJMs' perspective, they wish to highlight two points arising from the 10 October Meeting:

- a. First, OPNX had stated that whereas the OPNX Term Sheet provides that OPNX "*shall inject US\$30,000,000 worth of FLEX Tokens into the Company as capital*", the proposed capital injection is now US\$30,000,000 worth of OX tokens. For the avoidance of doubt, the 10 October Meeting was the first time that the IJMs were informed of this change to the OPNX Term Sheet. Apart from this change, the IJMs' understanding is that OPNX's offer remains unchanged from what was provided for in the OPNX Term Sheet. There is no offer of any capital injection in the form of cash or stablecoins.
- b. Second, the IJMs had raised at the 10 October Meeting whether OPNX was willing to backstop the present liquidation value of the Company if the proposed restructuring fails so as to protect the creditors from the downside risks that would eventuate if the proposed restructuring fails. OPNX was not agreeable. Mr Lamb had stated that OPNX's interest is in the restructuring proposal going through, so if the restructuring fails, OPNX would not have any business with the Company. For completeness, the IJMs should mention that D&N's

NOTICE

The affairs, business and property of the Company are being managed by the Interim Judicial Managers appointed by the Court. Pursuant to section 102(1)(a) of the Insolvency, Restructuring, and Dissolution Act 2018, the Interim Judicial Managers act only as agents for and on behalf of the Company and do not assume responsibility whatsoever in respect of any contracts entered into by the Company whether by this letter or by any action taken on their part.

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Letter had raised that the OPNX Term Sheet includes a “*backstop*” option, but as that only applies in a situation where the proposed restructuring is successful, this is, in the IJMs’ view, materially different from a backstop of the present liquidation value of the Company if the proposed restructuring fails.

For the avoidance of doubt, notwithstanding the 10 October Meeting, the IJMs’ views on the proposed restructuring as set out in the 8th Affidavit of Aaron Loh Cheng Lee dated 28 September 2023 have not materially changed.

In the circumstances, the IJMs invite all creditors to write to the IJMs’ solicitors, WongPartnership LLP, at Project.Interstellar@wongpartnership.com, as soon as possible before the hearing of OA 451 and CWU 94 on 16 October 2023 at 10am, if they have any views regarding the proposed restructuring envisaged in the OPNX Term Sheet with the capital injection taking the form of OX tokens. In particular, the IJMs invite the creditors to share their views if they have:

1. any comments on the developments arising from the 10 October Meeting as set out in this circular and in D&N’s Letter;
2. any position on whether they support or oppose a proposed restructuring on the basis of the OPNX Term Sheet as varied; and/or
3. any position on whether the Company should instead be wound up and for the IJMs to be appointed as liquidators of the Company.

For avoidance of doubt, nothing herein shall be construed as an admission by the IJMs and/or the Company of any outstanding sums which may be due and owing by the Company to you.

Yours faithfully,



Aaron Loh Cheng Lee
Interim Judicial Manager
For and on behalf of
Hodlnaut Pte. Ltd.
(Interim Judicial Managers Appointed by Court)

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11 October 2023

BY EMAIL ONLY
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No. of pages: 4

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Our Ref
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Your Ref

Dear Sirs

HC/CWU 94/2023 (“CWU 94”)
HODLNAUT – QUERIES ON THE OPNX TERM SHEET

1. We refer to the email of even date from your Mr Andrew Pflug and the virtual meeting among Mr Simon Eric Lee and Mr Zhu Juntao (collectively, the “**Founders**”), the interim judicial managers of Hodlnaut Pte Ltd (“**IJMs**”), Mr Mark Lamb (“**Mr Lamb**”) from Open Technology Markets Limited and parties’ respective counsel on 10 October 2023. Unless otherwise defined, we adopt the definitions in the term sheet provided by Open Technology Markets Limited on 19 July 2023 (“**OPNX Term Sheet**”). We are instructed as set out below.
2. The Founders are appreciative of the IJMs’ time for the meeting and for sharing with them the concerns of the major creditors. The Founders note the IJMs’ commitment to presenting an objective and non-partisan view of the OPNX Term Sheet to the creditors of the Company and to the Honourable Court. In this regard, the Founders note from your email dated 11 October 2023 that the IJMs intend to update the creditors of the meeting by way of a creditors’ circular. We are instructed to place on record the following key matters discussed during the meeting, which we trust the IJMs will highlight in the creditors’ circular:
 - (a) Clarification to the Capital Injection: The OPNX Term Sheet stated that FLEX tokens would be provided. However, this was because it was prepared and presented prior to 28 August 2023 (which was the time when holders of FLEX could convert FLEX to OX at a ratio of 1:100). As clarified during the meeting, the capital injection will now take the form of OX tokens.

(b) Liability Repayment:

- (i) The *pari passu* repayment to the creditors would be in the form of the Company's existing cryptocurrencies (including ETH and BTC). This is particularly helpful in light of Mr Lamb's further clarification that he would be open to having 95% of the Hodlnaut Group's total assets post-capital injection be ring-fenced (for the benefit for the creditors), both through appropriate legal structures as well as by logistically secure means.
- (ii) In relation to timing, Mr Lamb stated that it is the Investor's intention for creditors to be repaid as soon as legally and logistically possible given that it is the Investor's goal to maximise the speed with which the creditors will get paid.

(c) Progressing the Restructuring:

- (i) The Investor is open to any counter-proposals from the creditors or the IJMs on the commercial terms. In that regard, Mr Lamb explained that while the Investor was keen to progress discussions on the OPNX Term Sheet and respond to the IJMs' queries, it has been under time constraints as it is in the midst of setting up multiple regulated businesses and acquiring licences in various parts of the world. The Founders also observed that the Investor was heavily committed during the recent TOKEN2049 event.
- (ii) To advance discussions, Mr Lamb invited the IJMs (in consultation with the creditors) to propose concrete amendments to the OPNX Term Sheet, which the Investor committed to considering as quickly as it can. The key to progressing the restructuring is to directly discuss the key commercial terms, and we understand that the IJMs would be amenable to facilitating such discussions in consultation with the creditors.
- (iii) Critically, Mr Lamb gave his commitment that the Investor is not looking to retract the offer, or to change the terms in the OPNX Term Sheet to something worse for the creditors of the Hodlnaut Group. He explained that the Investor sees value in the business of the Company, and to the extent that the Investor can help the creditors recover value, it wants to do that.

(d) Queries about the Investor:

- (i) Insofar as the creditors have queries regarding the Investor's financial performance and creditworthiness, pending responses to be provided by the Investor, such queries can be partially addressed by the publicly available information on the Investor's revenues. Further, the Investor has multiple revenue streams. The Founders note that these include revenue from transaction fees from transactions conducted on the Investor's platform as well as on UniSwap. These transactions and transaction fees are reported on the blockchain and may be verified by publicly available sources, some of which have already been identified by the Founders in their response to the IJMs dated 13 September 2023.
- (ii) As Mr Lamb explained, while the Investor is a newly incorporated legal entity, the key personnel operating the Investor are experienced and have a long track record in the blockchain and cryptocurrency industry (more than ten years in the case of Mr Lamb). This experience, particularly that of operating a cryptocurrency exchange, is important in an industry that is becoming increasingly heavily regulated all over the world.
- (iii) In response to the IJMs' query, Mr Lamb explained that Mr Su Zhu and Mr Kyle Davies are consultants to the Investor.

(e) Retail Creditor Views:

- (i) The Founders noted that as recent as July / August 2023, a significant number of creditors (570) had provided indications broadly in support of exploring the proposed transaction (see paragraph 45 of the affidavit of Mr Simon Eric Lee dated 4 August 2023).
 - (ii) The Founders suggested that, given that the creditor base of the Hodlnaut Group is almost entirely of retail creditors, it would be relevant and important for the IJMs to consider their views, and not solely of the largest three to four creditors. Mr Lamb also helpfully observed that in his experience, one challenge faced in a restructuring with a large number of smaller creditors is that of coordination. It would hence be important to reach out to them.
 - (iii) To this end, the Founders proposed that the IJMs present the key commercial terms of the Investor's proposal(s) to the creditors, and conduct a survey of their views. The Founders volunteered to assist with the logistics of carrying out such survey so that the IJMs will not face unexpected technical challenges when reaching out to the large group of creditors.
3. Taking into account the above, we respectfully suggest that it would be important to convey the following relevant key points to the creditors and the Court to give a holistic view of the Investor's proposal as it currently stands:
 - (a) Capital Injection: The Investor will inject USD 30 million worth of OX tokens (with the valuation mechanism yet to be determined) into the Company, and in return will become a 75% major shareholder in the Company.
 - (b) Distribution to Creditors: Thereafter, the Hodlnaut Group will pay to their creditors the *higher* of:
 - (i) Option A (30% Repayment): 30% repayment to the creditors in the form of cryptocurrencies held by the Hodlnaut Group (a mixture of BTC, ETH, RZR, FLEX/OX and other cryptocurrency tokens). If there are insufficient assets, the Investor will inject further assets so that the Hodlnaut Group can make the full extent of the 30% repayment.
 - (ii) Option B (Up to 95% "Backstop"): After the Hodlnaut Group's total assets have been increased from OPNX's capital injection, a pro-rata distribution of up to 95% of the Hodlnaut Group's total assets (post-injection).
 - (c) The Investor has indicated that the key commercial terms will be no worse than what is currently proposed. Therefore, the outcome of negotiations (particularly with the larger creditors) will likely yield even more favourable terms for the creditors as a whole.
4. The Founders consider that the Investor's proposal to be a viable one that is worth furthering and consideration by the creditors for the following reasons:
 - (a) Commercial Sensibility
 - (i) The Investor has sensibly included a "backstop" option of up to 95% of the Hodlnaut Group's total assets post-injection. This can be a very helpful additional string in the bow to achieve a better return for the creditors than what they would receive in a liquidation, especially in the event that 95% of total assets post-capital injection will be greater than current total assets (pre-capital injection). The IJMs had asked during the meeting if the Investor was willing to provide a backstop guarantee for liquidation value. The Founders see this as already being substantially provided for in the OPNX Term Sheet.

- (ii) In any event, the Investor has indicated that the commercial terms will be no worse than the current, so there will be fruit in furthering discussions with the Investor.
 - (iii) The transaction envisaged in the OPNX Term Sheet involves a capital injection into the Company at no cost incurred to the Company's assets.
- (b) Simplicity
- (i) The returns to creditors will be in cryptocurrency tokens. This will be straightforward and matches the reality that the general creditor profile of the Hodlnaut Group is that of cryptocurrency users who carry out their transactions in the form of cryptocurrency tokens rather than fiat currencies.
 - (ii) This is preferable to a more convoluted (and probably more costly) process of carrying out piecemeal conversions to fiat currencies and a manual distribution to thousands of individual creditors.
- (c) Lack of Alternatives: At present, there are no other viable restructuring proposals available and the Founders believe that a restructuring will result in higher and better recovery for creditors than a liquidation.
5. The Founders see the call with the IJMs and Mr Lamb as a positive step towards progressing matters in relation to the OPNX Term Sheet, and iterate their view that it would not be in the interests of the creditors of the Hodlnaut Group for the IJMs to push ahead with a liquidation of the Company until such time as the creditors and the IJMs have conducted a thorough assessment of the commercials and merits of the OPNX Term Sheet (and any proposed amendments in relation thereto).
6. We would be grateful if the IJMs could enclose a copy of this letter when updating the Honourable Court.

Yours faithfully,



Drew & Napier LLC

- cc
- (1) Hauzen LLP (**BY EMAIL ONLY**)
 - (2) CHP Law LLC, Solicitors for Mr Simon Eric Lee (**BY EMAIL ONLY**)
 - (3) Adelphi Law Chambers LLC, Solicitors for Mr Zhu Juntao (**BY EMAIL ONLY**)