



**DRAFT**

Materials under development, specific numbers throughout subject to change during finalization

# COIN Distribution & Go-Forward Plan

---

August 2022

The Goal: **Maximizing value** for Celsius customers

**Our mission is to maximize the return of coins as quickly and efficiently as possible.**

## **BENEFITS OF THE PLAN**

### **More Coins & Time Agnostic**

Regardless of dollar value on date of filing; users can maintain full market exposure to crypto assets

### **Meet User Liquidity Needs**

Respect the fact that some users cannot wait to get access to their funds; provide access to flexible liquidity upon approval

### **Maximize and Share Value**

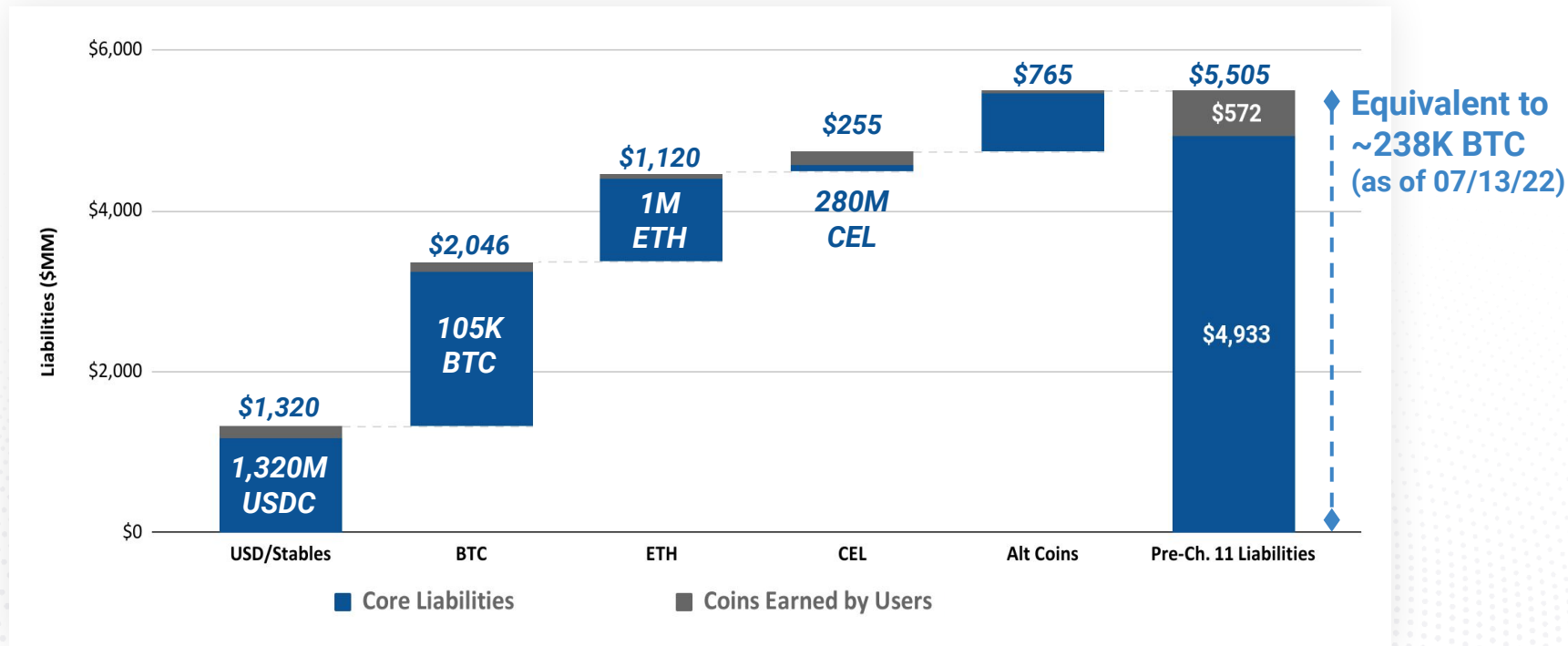
Leverage market to maximize immediate recovery; allow users flexibility to recover coins while maintaining a stake in “NewCo”

**Low risk plan that provides community with the benefit of rebound in crypto**

*Go-forward business requires minimal incremental investment and offers creditors participation over and above full coin recovery*

## The Challenge: Returning user coins **across 5 customer categories**

*Celsius Liabilities by Coin (\$MM)*



Note: Excludes ~\$200M in potential non-coin unsecured claims

Valuing Assets: Celsius holds a **diverse basket of value sources** across asset classes and liquidity profiles

**AVAILABLE COINS**

*Illiquid/Impaired*



Returning coin value by leveraging Celsius's strengths and core assets via a tokenized approach to allow access to liquidity for users throughout the recovery process

Recovery Plan: **3 pillars support** a distribution plan that is fast, efficient, and fair

***Initial Focus***

**1**

**Returning Custody deposits  
in-kind**

**10%**  
of current Celsius reserve  
assets to distribute

**2**

**Leveraging a crypto solution to  
distribute value**

**Remaining 90%**  
of current Celsius reserve  
assets to distribute

**3**

**Creating long-term value via  
“Kelvin” Equity**

**Equity Kicker**  
No attachment to existing  
Celsius reserve assets or steps 1  
& 2

## Rebuild Trust: Immediately **return the Custody coins in-kind** to customers

### *Assets To Return to Owners In-Kind*

Deposit	Custody (Coins)	Custody (\$MM)	% of Claims
BTC	3,838	\$91	4%
USD/Stablecoins	45,906,615	\$46	19%
ETH	44,975	\$80	5%
CEL	3,689,696	\$7	0%
MATIC	6,932,882	\$7	3%
ADA	8,793,410	\$9	3%
LINK	523,935	\$5	6%
XRP	3,506,595	\$1	2%
PAXG	2,131	\$4	10%
SOL	81,330	\$3	8%
DOT	168,538	\$2	3%
Other Altcoins	N/A	\$8	50%
<b>Total</b>	<b>N/A</b>	<b>\$263</b>	<b>10%</b>

~\$50M in appreciation from  
filing date

(based on 08/09/2022 coin prices)

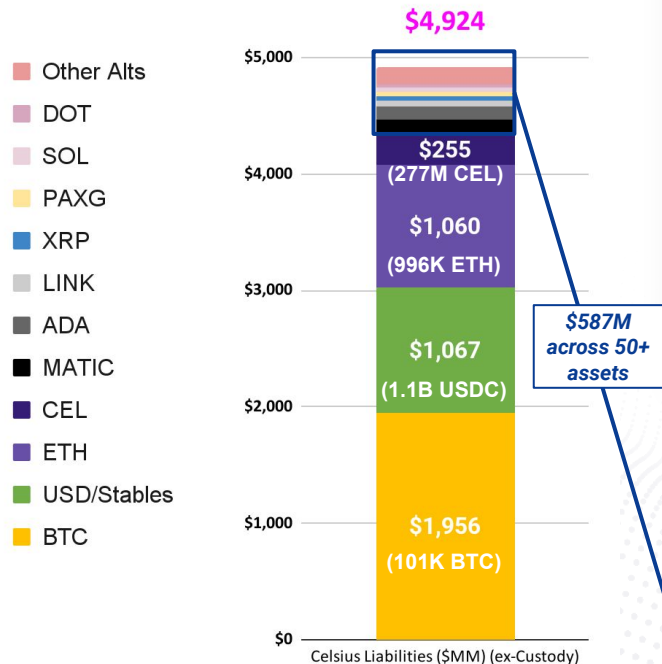


1. Excludes ~\$23.5M in custody balances that were posted as collateral for retail loans

Recovery Plan: **3 pillars of support** for a distribution plan that is fast, efficient, and fair



**A** Streamline Claims: **Enhance efficiency** of administration by consolidating remaining claims into USDC, BTC, ETH, and CEL



**Allocation based on the share of core liability claims**

Deposit	Share of Core Liabilities
BTC	45%
USD/Stables	25%
ETH	24%
CEL	6%

**Post-Consolidation**

<u>Coin</u>	<u>Claims</u>	<u>% of \$Claims</u>
BTC	114K (\$2,221M)	45%
USDC	1,211M (\$1,211M)	25%
ETH	1.13M (\$1,203M)	24%
CEL	315M (\$289M)	6%



Proposal: Leverage the **flexibility, transparency, and community-driven** nature of crypto to enhance traditional restructuring and to maximize value to customers



### Crypto Solution

- Fully transparent, dynamic, market-driven approach to returning value and trading claims
- Leverage DeFi, CelsiusX, Mining, and GK8 to deliver a true crypto recovery
- Providing value with users as quickly, fairly, and efficiently as possible

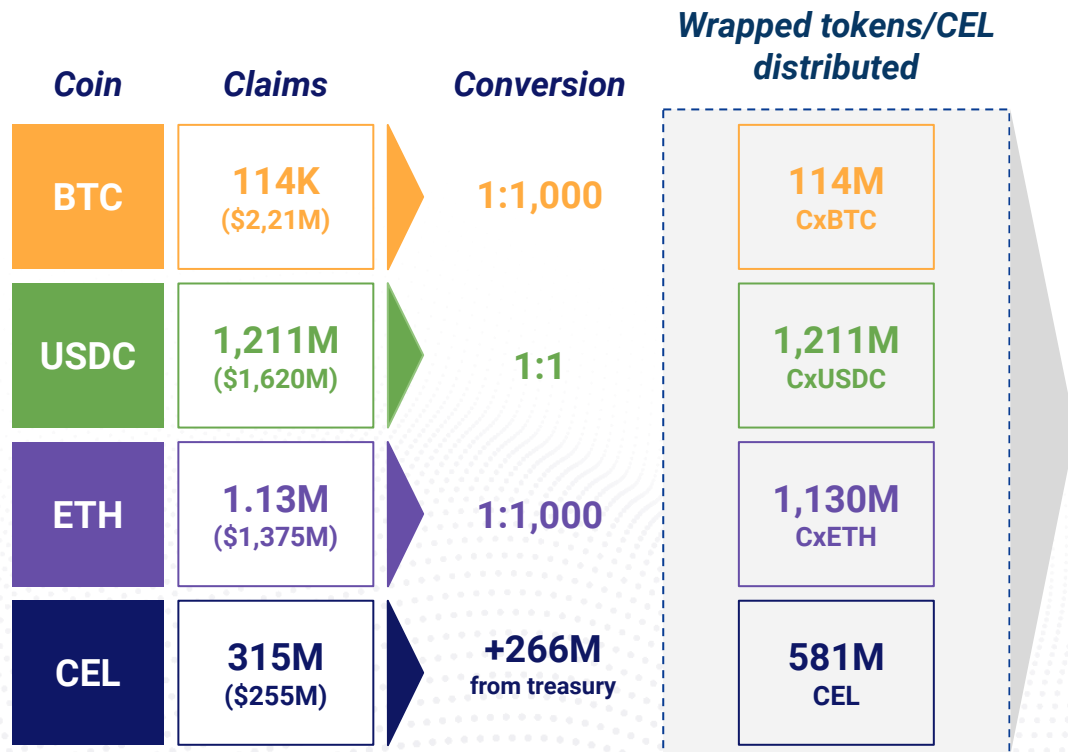
vs.



### Traditional Approach

- One-time, negotiated process benefitting those with asymmetric access to information & capital
- Structure distributions to discrete assets that recover value slowly in one-off transactions
- Providing value to users as funds become available over several years

- B** Unlock Value: Distribute treasury CEL and wrapped “claims tokens” across **three baskets of value** in order to maximize value, speed, and flexibility



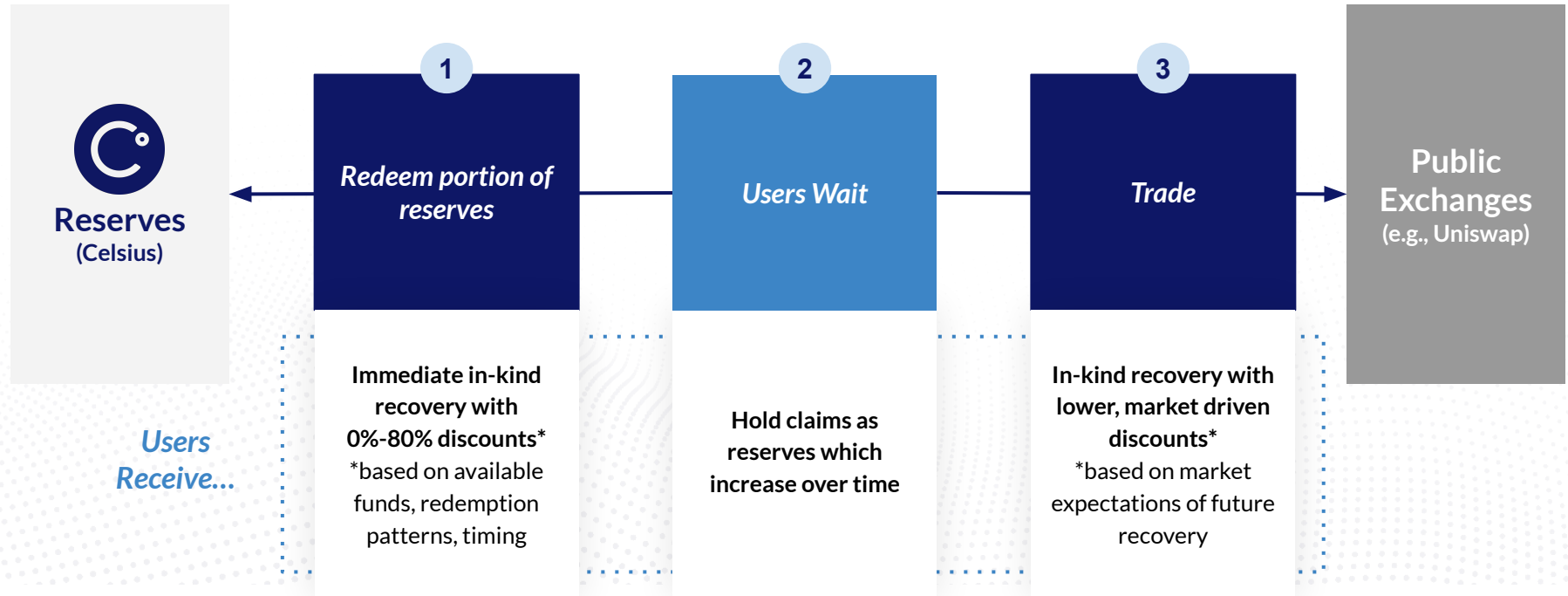
Distribute pro-rata, based on claim

Every \$100.00 in claims (0.000002%) receives...

2 CxBTC \$45.00	25 CxUSDC \$25.00
22 CxETH \$24.00	12 CEL \$6.00

Maximize value: Tokens give **flexibility to wait, redeem or trade assets** to access liquidity at **decreasing discounts**

Options to Access Liquidity:



## Examples 1: **Impact of redemptions** on future recoveries

### SCENARIO #1 *No redemptions, ETH Unlocked*

Initial  
Reserves/  
Tokens

20K  
BTC  
(18%)

114K  
cxBTC

### SCENARIO #2 *\$1B in Redemptions, ETH Unlocked*

20K  
BTC  
(18%)

114K  
cxBTC

Redemptions  
+  
Recovery

No immediate redemptions

\$1.2B Staked  
ETH Recovery

22K additional  
BTC reserves

vs.

\$1B  
claims  
redeemed

51K BTC  
claim  
reduction

9K BTC  
withdrawn

Recovery  
rate:  
**18%**

\$1.2B Staked  
ETH Recovery

22K additional  
BTC reserves

Remaining  
Reserves/  
Token

44K  
BTC

Recovery:  
**39%**

114K  
BTC  
Claims

36K BTC  
(55%)

Recovery:  
**55%**

63K  
BTC  
Claims

Early redemptions increase recovery for holders by 16% (55% vs. 39%)



Our Approach: Offer **fair and flexible benefits to our community** that are not possible via traditional approaches to restructuring

### Crypto Solution

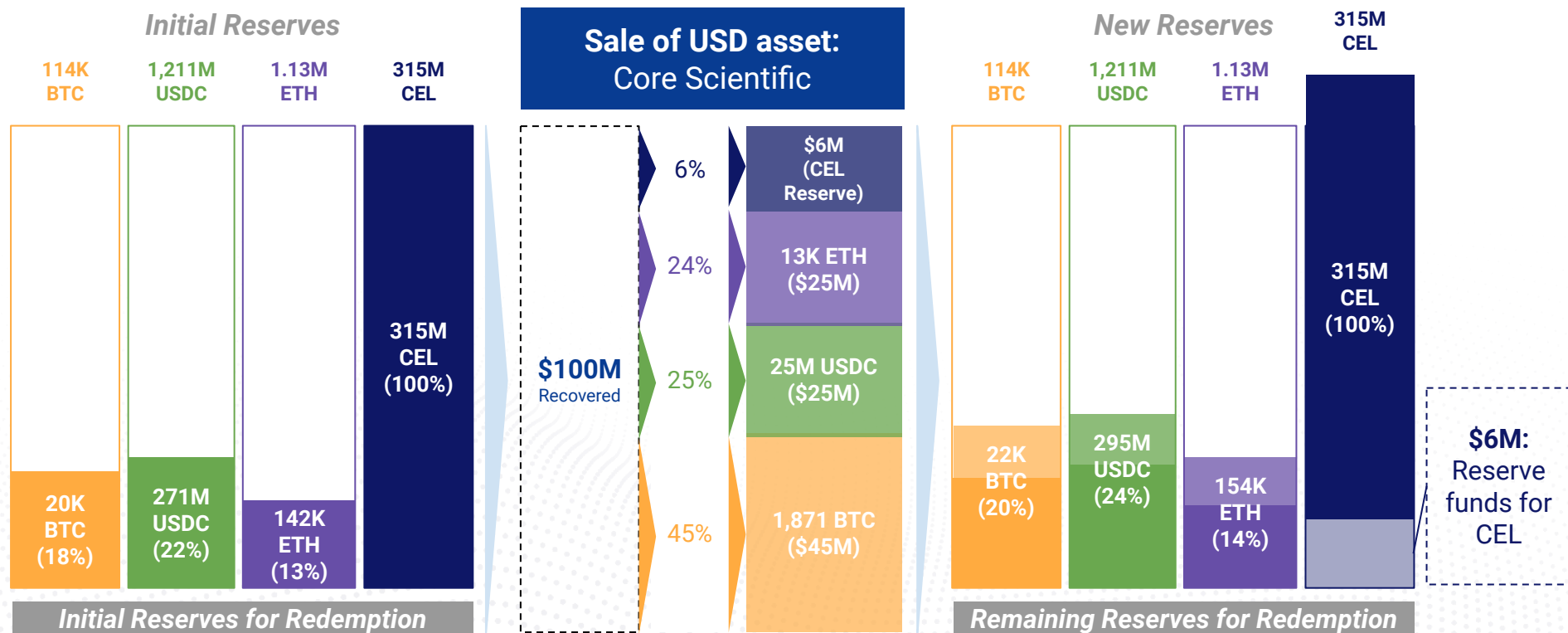
- ✓ Immediate access to liquidity and likelihood of recovery is priced real-time by the market
- ✓ Distributions denominated in cryptocurrency rather than fiat
- ✓ Flexibility to retain/diversify exposure to specific crypto-assets throughout the recovery period
- ✓ Fairly allocates risk across the community and ensures a transparent recovery

vs.

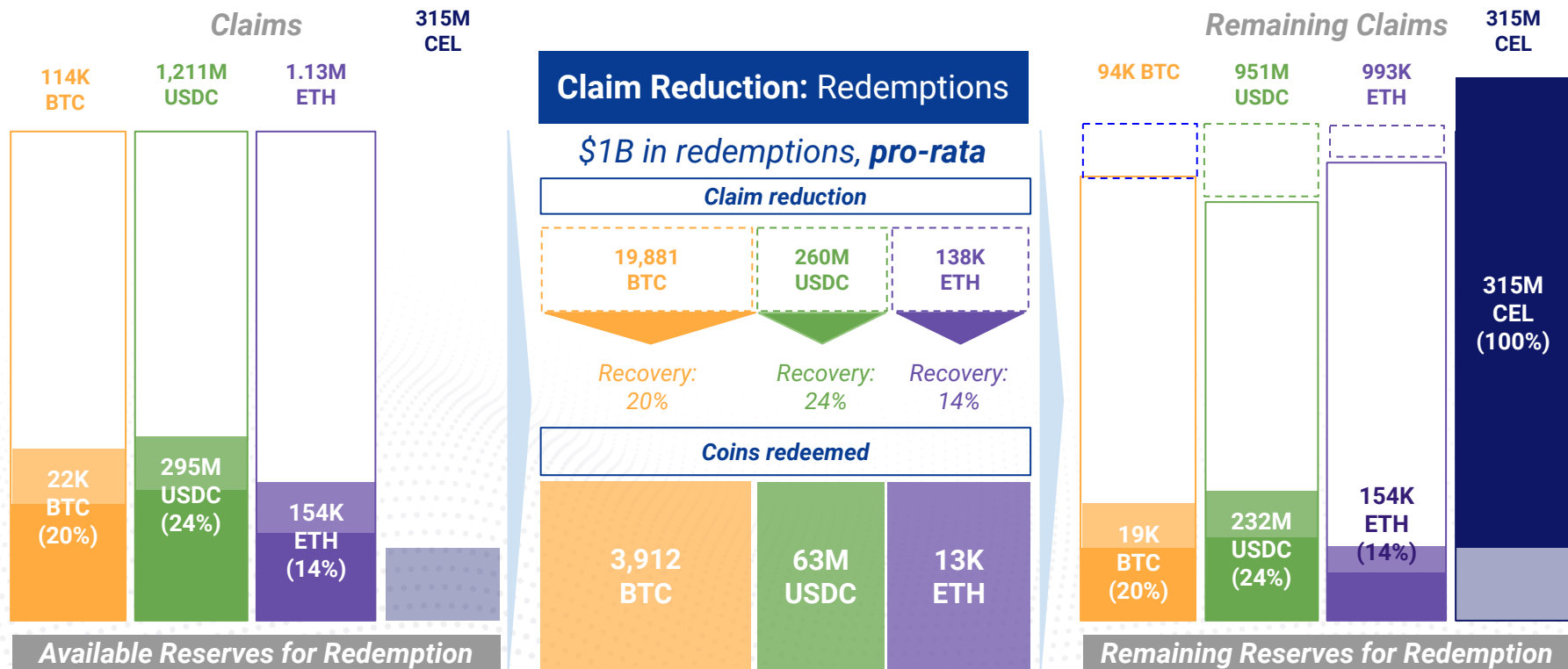
### Traditional Approach

- ✗ Lengthy claims administration process may take months or years to distribute value
- ✗ Claims may be dollarized at time of filing in order to simplify administration process
- ✗ Fixed exposure to dollars or specific crypto assets throughout the recovery period
- ✗ May concentrate risk amongst specific asset holders and limits user ability to dynamically “offload” risk to outside participants

## Example 1: Coin distribution



## Example 2: **claim reduction** redemptions



- B** Unlock Value: Distribute treasury CEL and wrapped “claims tokens” across three baskets of value in order to **maximize value, speed, and flexibility**

## Claims token characteristics

- **Issued pro-rata** and **immediately backed** with available assets in transparent, public reserve wallets
- **Redeemable** for pro-rata portion of underlying at anytime
- Claims **tokens will be burned** upon redemption; maximizes value available to other users
- **Redemption value will increase** as additional reserves are added and likelihood of additional recoveries increase
- Holders can also **trade claims tokens on public exchanges for liquidity**

Redeemable Claims Tokens & CEL			
CxBTC	CxUSDC	CxETH	CEL
<ul style="list-style-type: none"><li>• Celsius maintains public reserve wallets</li><li>• Coins redeemable at any time</li><li>• Claim tokens trade at a premium representing the expected recovery of remaining illiquid Celsius assets</li></ul>			<ul style="list-style-type: none"><li>• CEL tokens will be released over a 4 year period</li><li>• 15% profit share after reserve wallets are fully funded</li></ul>



## Recovery Plan:

### **Kelvin - Leverage strong community to capture value in Newco and CEL Token**

1

**Returning Custody deposits  
in-kind**

**10%**  
of current Celsius reserve  
assets to distribute

2

**Leveraging a crypto solution to  
distribute value**

**Remaining 90%**  
of current Celsius reserve  
assets to distribute

3

**Creating long-term value via  
“Kelvin” Equity**

**Equity Kicker**  
No attachment to existing  
Celsius reserve assets or steps 1  
& 2

***Initial Focus***

## Kelvin: Core past activities/Leverage community **for sustainable go forward business model for Kelvin**

Product	Activities	Max Deployed	Margin	Margin	Continue?
Mining	Generating BTC	15,000 BTC/Y		30%	✓
Custody	Multi-signature cold storage	\$30B	2%	50,000 users	✓
Lending	Retail Loans	\$1B	3%	Historical: 3%	✓
Income	Staking	\$3.6B	5.5%		✓
	Institutional Loans	\$4B	5%		✗
Yield	Defi	\$4B	4%		✗
	Spot Lending	\$500m	5%		✗
	Exchange	\$4B	6%		✗
	Investments	\$300M	0%		✗

### Go-forward Opportunities

*custody/user holds half keys*

*Increased lending rates (8%+)*

*Non-custodial access services*

*Trustless yield generation  
(Staking)*

## Liquidating Trust: Segregating assets for the benefit of tokens/CEL reserves

### *Liquidating Trust (Celsius)*

- Mining output returned to reserves until 1:1
- Sale of assets
  - (Rhodium, GK8, Osprey, Mawson Loan, Osprey Trust)
- Unlock of ETH2
- Litigation
- Sale of investments
  - (Qredo, MATIC, MVP, 1INCH)

Tokens backed by associated reserves and the liquidating trust and CEL

### *NewCo (Kelvin)*

#### Paid services

- multi sig Custody - \$50/Y
- Staking - 10% of yield
- Retail margin loans - 8% loans
- Oneclick DeFi (AAVE,Compound,Curv,Uni)
- Crypto professional services
- Mining residual
- 100% Newco income to fill any unpaid reserves
- 15% inc. to CEL after BTC,ETH,USDC full
- Swap coins 2%
- Withdraw 0.1%

Go forward business generates additional value separate and apart from existing asset recovery

Kelvin Model: **Steady the core elements** to build a solid foundation

**Leverage our existing community to establish a solid foundation**, while rebuilding trust, transparency, and security into everything we do.

**Coin Distribution Crypto Solution**

*Provides infrastructure for DeFi services such as  
Protocol Staking for future customers*

**Tokenization**

*Leverage successful recovery for Celsius assets to  
help other creditors to tokenize their assets*

**BTC Mining**

*Revenue generation (TAM and existing rev) and  
has predictable scalability if we can secure capital*

**CEL Token Utility**

*Governance, Use of reserves, Leverage  
decentralization among 650,000 CEL holders.*

## Kelvin Model: **Core elements** - solid foundation

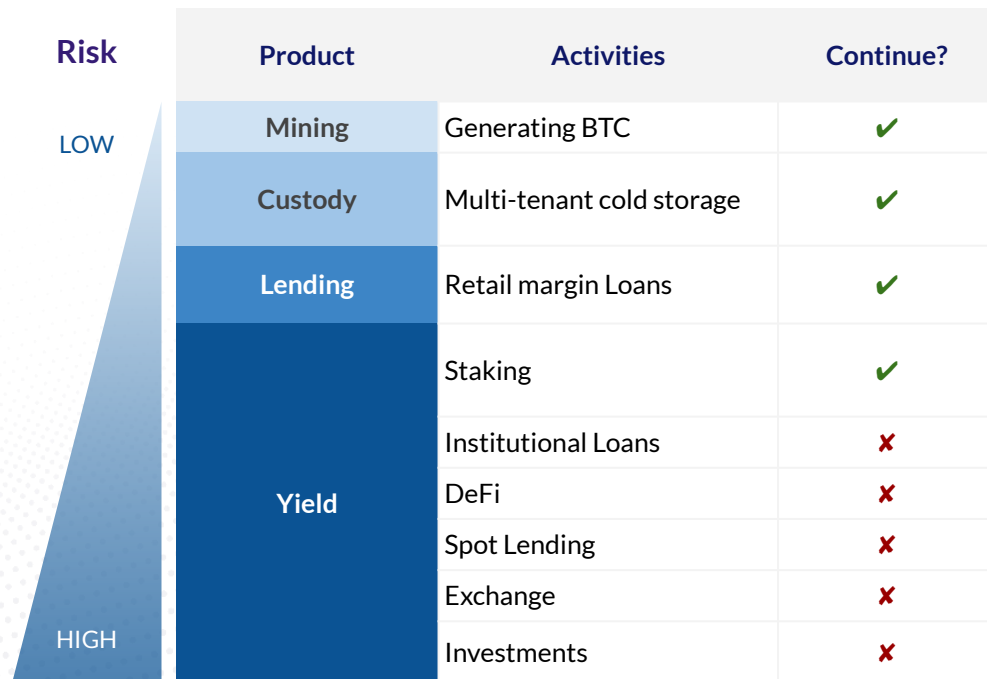
### Current services

1. Custody - Celsius never had any assets stolen from the platform
2. Staking - Celsius currently is staking about \$1.5B worth of ETH, ADA, Matic
3. Loans - Celsius has over 23,000 open loans worth over \$400m

### **New Proposed Services**

1. One address for all deposits - free .eth sub domain for all deposits
2. 25/33/50% LTV loans with 4/7/9.9% interest
3. show everyone all transactions and deployment
4. only overcollateralized retail loans and DeFi deployment
5. CEL holders vote on all new deployment 50% of AUM will vote on all new deployment
6. Assurance - 0.5% of yield is paid into a DAO that manages assets and pays in case of loss on the platform
7. CeFi + Defi decentralization and control. extend multi signature setup so users have control to opt out
8. Staking + loans with back to back duration lockups to avoid liquidity crunch
9. Cold storage with multi sig for best protection for users who don't need loans or staking
10. one click defi on top 4 platforms
11. Full real time reporting on all assets and liabilities
12. Use open public wallets to allow community to verify our positions
13. List of fees we charge on all activities.
14. Global - what services we offer in what geographies
15. ETH -2% with 1 year lockup - Celsius keeps the staking fees
16. Swap service with a fee
17. Withdrawal fees

## Previous Services

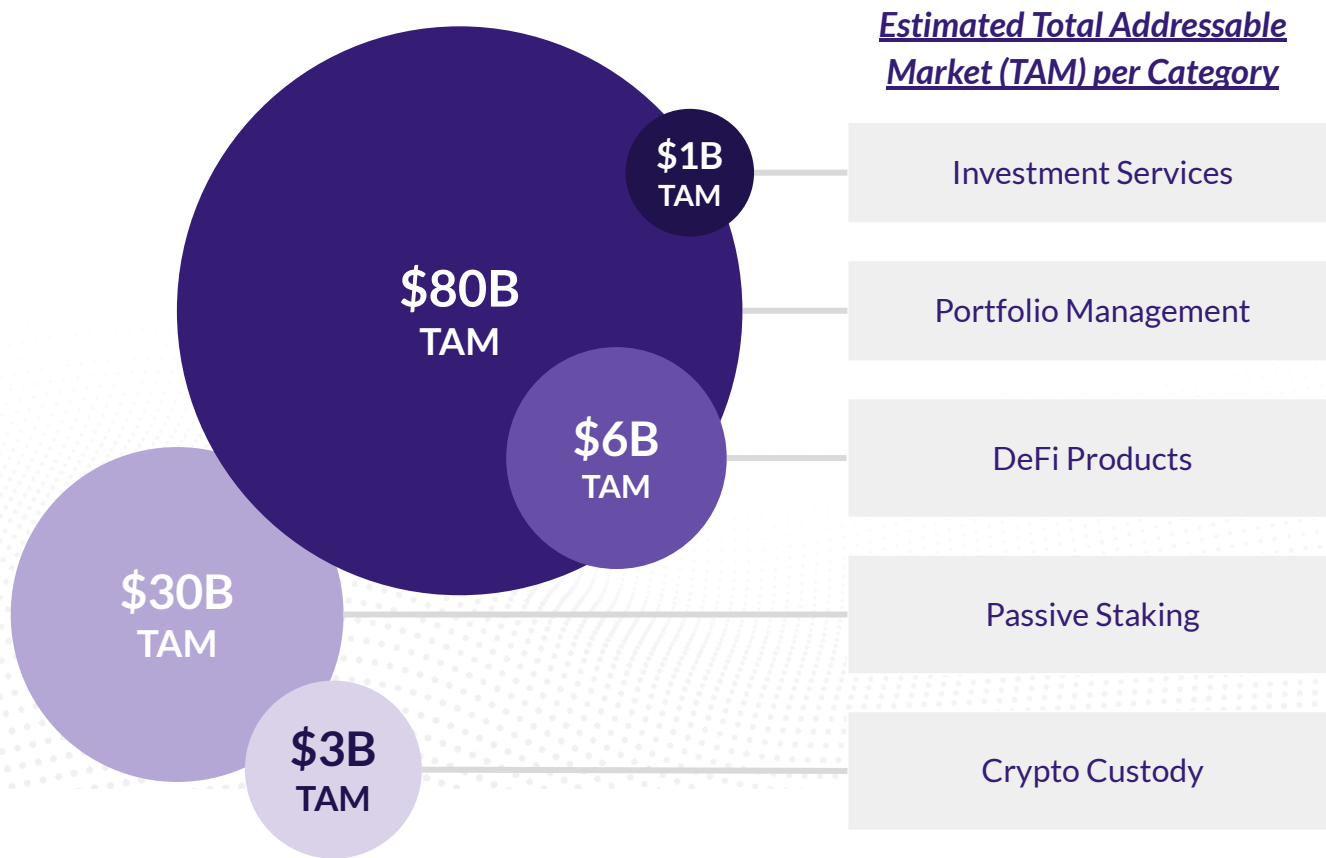


Risk	Product	Activities	Continue?
LOW	Mining	Generating BTC	✓
	Custody	Multi-tenant cold storage	✓
	Lending	Retail margin Loans	✓
HIGH	Yield	Staking	✓
		Institutional Loans	✗
		DeFi	✗
		Spot Lending	✗
		Exchange	✗
		Investments	✗

Core Celsius capabilities that require low levels of risk will continue, while high-risk activities must be voted on and tested slowly over time

50,000 customers required to cover all costs and provide excess coins back to reserves

Kelvin Model: **Opportunities in the market** where we can provide value



## Kelvin Model: Build **new, value-driven services**

### Non-Custodial Services

*Build services based on low trust, high transparency, and security.*

#### Open Wallet

*On-chain addresses assigned to each user for asset verification*

#### Hosted DeFi Engagement

*Access to DeFi on low-risk, well-tested protocols*

### Portfolio Management

*Allow users to elect their level of risk depending on their appetite.*

#### Risk Rating Information

*Incorporate a third-party risk assessment of crypto investments before I invest*

#### Fund/Index Ratings

*Understanding which investments are historically and projected best*

### Investment Services

*Provide advanced investment support and expertise*

#### Reporting & Tax Services

*Access to documentation and data for compliant and transparent on any custodied assets*

#### Insurance

*Direct investment control and protection*