

December 24, 2020

Dear Unsecured Creditors of Cred Inc., *et al.*,

The Official Committee of Unsecured Creditors (the “Committee”) of Cred Inc., *et al.* (collectively, the “Debtors”) was appointed on December 3, 2020. Since then, the Committee members, with the advice of its professionals, McDermott Will & Emery LLP and Dundon Advisors LLC, have focused on, among other things: (i) reducing the costs and expenses of administering the Debtors’ estates; (ii) tracing and freezing assets; (iii) investigating the Debtors’ prepetition and postpetition conduct and affairs; (iv) analyzing the value of the Debtors’ assets; and (v) evaluating immediate action items to maximize the recovery for all unsecured creditors.

The Committee is subject to confidentiality restrictions that prevent the Committee from openly discussing strategies and decisions until such strategies and decisions are made publicly available. Nevertheless, our goal is to communicate with you as much as is permitted without disrupting or jeopardizing the Committee’s efforts. Moreover, we are aware of many of the issues and concerns raised by the creditor body and are working hard to maximize the recovery available to all unsecured creditors in these cases.

As set forth in Docket No. 91,<sup>1</sup> the Committee objected to: (i) dismissal of the cases; (ii) conversion of the cases to Chapter 7; (iii) the appointment of a Chapter 11 trustee; or (iv) the appointment of an examiner. The Committee objected for the following reasons, among others:

1. Shortly after the Committee was appointed, the Debtors, at the request of the Committee, removed Daniel Schatt from his positions on the Debtors’ boards of directors or managers, as applicable, and his position as CEO of the Debtors. The Debtors also, at the request of the Committee, removed Joe Podulka as CFO of the Debtors. As a result, the only individuals with managerial oversight of the Debtors are independent professionals, including an independent director;
2. The bankruptcy process itself is extremely costly, and therefore it is more cost effective for the Debtors to quickly emerge from bankruptcy and assign causes of action to a liquidating trust. To this end, the Committee and the Debtors entered into a Plan Support Agreement (the “PSA”), which, among other things: (i) sets forth certain milestones, culminating in chapter 11 plan confirmation occurring no later than March 17, 2021; (ii) establishes a budget for the administration of the cases; (iii) requires the Debtors to provide to the Committee weekly financial reports; (iv) requires the Committee’s consent for, among other things, the sale of any of the Debtors’ assets including virtual currency and the incurrence of debtor-in-possession financing; (v) requires the Debtors to

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<sup>1</sup> All pleadings and court documents that have been filed in these cases are available online at <https://www.donlinrecano.com/Clients/cred/Dockets>.

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cooperate with the Committee; and (vi) grants the Committee derivative standing to pursue certain causes of action held by the Debtors; and

3. Appointing a Chapter 11 or Chapter 7 trustee would have been extremely costly because the new trustee (who may lack knowledge of cryptocurrency) would have to get up to speed in the cases, which would involve hiring additional professionals. Moreover, the appointment of a Chapter 11 or Chapter 7 trustee would have likely further delayed confirmation of a plan of liquidation, which is currently scheduled to be completed within 90 days. The Committee along with the Debtors and their professionals are in the best position to accomplish these objectives on behalf of the creditor body.

The Committee continues to scrutinize all aspects of the proposed sale of the Debtors' assets to ensure that the benefits of a sale outweigh the costs. We have been advised that there are legitimate buyers interested in various aspects of the Debtors' businesses. All binding offers for the Debtors' assets must be received no later than January 15, 2021. If we do not think there is any value to an asset sale or no bids are received, the sale process will be terminated, including the termination of the Debtors' professionals conducting such sale.

Like you, we are very displeased that Daniel Schatt continues to receive US\$10,000 a month in salary (50% of his normal salary). His salary, however, is being paid for his assistance with the sale process. Accordingly, we expect that his role with the Debtors will be fully terminated on or prior to January 15, 2021.

We would like to stress again that we are aware of your concerns, all of which we share. We are monitoring creditors' concerns expressed through various social media channels, including Telegram and Discord. Although we cannot respond to you directly, we will continue to communicate with you through the Committee website to the extent we can.

Thank you for your understanding and support.

Best regards,

The Committee

**IMPORTANT DISCLAIMER**

**The foregoing letter is not and should not be construed as legal advice, and may not be relied on by any person for any reason. To the extent you have a legal question or issue, you should consult with your own legal counsel. All creditors are encouraged to review pleadings filed in the Chapter 11 Cases by visiting the following link free of charge: <https://www.donlinrecano.com/Clients/cred/Index>**