VETON VEJSELI
[address]

WILLIAM K. HARRINGTON
UNITED STATES TRUSTEE, REGION 2
Shara Cornell
Office of the United States Trustee
Alexander Hamilton Custom House
One Bowling Green, Rm. 534
New York, New York 10004

November 21, 2024

Ms. Cornell,

I am writing to you regarding my serious concerns with respect to Ionic Digital Inc. ("Ionic" or the "Company"), the company founded to effectuate the reorganization of certain assets of Celsius Mining LLC pursuant to the bankruptcy plan of reorganization (the "Plan") of Celsius Network, LLC and its affiliates ("Celsius"), which was confirmed by the United States Bankruptcy Court for the Southern District of New York (the "Court") on November 9, 2023. By way of background, I was a Celsius creditor and am now a stockholder of Ionic. I have also engaged in extensive outreach with other similarly-situated stockholders, so that I have found myself in the position of a de facto leader amongst the Celsius creditor community. Having heard the stories of so many of my fellow creditors who have been wronged by the unfortunate events surrounding Celsius, I have taken up efforts to attempt to right these wrongs.

As you know, Ionic was spun out of Celsius in a transaction to which the US Trustee objected on December 14th, 2023 (Dkt. No 4097). Despite the thorough and well-crafted objection, the Court ultimately saw fit to approve the Plan, and now Celsius creditors have suffered significant additional losses entirely due, I believe, to the self-dealing and mismanagement of the Company's assets by certain members of the Unsecured Creditors Committee ("UCC") who are now members of Ionic's board of directors (the "Board") and its advisors. As you correctly pointed out in your objection, this was not "the Plan that was solicited, voted for, and ultimately confirmed." The resulting outcome has, in my eyes, been horrid and proven to be the continuation of an apparent enrichment scheme for certain UCC members, advisors and attorneys at the ultimate expense of Celsius' creditors and Ionic's stockholders. I am writing to you today to ask for your help and assistance 1) to communicate with the Celsius creditors/Ionic stockholders who continue to suffer ongoing harm due to the situation at Ionic, 2) to consider taking such action as is appropriate in your supervisory capacity and 3) and most importantly, to begin righting a terrible wrong that I believe occurred under the oversight of the US Bankruptcy Court and the US Trustee.

Having discussed this situation with numerous investors and restructuring professionals, I can report that no one with whom I've spoken has ever seen a messier or more unsavory process than that which occurred within the Celsius estate. When the US Trustee appointed the UCC on July 27th, 2022 (Dkt. No 241) he could not have foreseen the actions Scott Duffy and Tom DiFiore would take as directors. These two appear to have been even further corrupted by former UCC advisor, Emmanuel Aidoo, as they seem to have collectively bent a well thought-out and value-maximizing restructuring plan into a path of self-enrichment. I believe that what has ensued has been a comedy of errors fueled by a combination of incompetence and corruption

apparently instigated by the desire of the directors and counsel to prolong the chaos in order to collect more fees.

The list of poor business decisions by Mr. Aidoo, Mr. Duffy and Mr. DiFiore after emergence is so long that it begs the question of their motivations. Most notably, though, I want to call your attention to the Board's 1) ongoing restriction on the trading of the Company's Class A common stock, $0.00001 par value per share (the "Common Stock"), 2) extension of the Company's Management Services Agreement ("MSA") with Hut 8 Corp. ("Hut 8") after the so-called "Liquidity Provision" of the MSA was triggered and 3) the exorbitant fees being paid to members of the Board, while no material progress is being made for stockholders.

No Liquid Trading of Common Stock

The Common Stock was issued under Section 1145 of the US Bankruptcy Code and, even prior to its listing on a national securities exchange, should be freely transferable in the OTC market, which could provide many former Celsius creditors a much-needed path to liquidity. In spite of this, the Board has further instructed the Company's transfer agent not to approve any transfers of Common Stock. When I confronted the Company about this, their counsel hid behind the incremental costs of verifying and complying with state blue sky laws despite sitting on over $225 million of investor cash; they did not feel the relatively minimal extra hours of legal and operational expenses were worth it to provide their long-suffering stockholders an opportunity to finally recover some value on their claims. For example, Figure Markets Holdings Inc. ("Figure Markets"), a party with whom I am working with in connection with my efforts to fight for justice for Celsius creditors, maintains a fully SEC-licensed Alternative Trading System ("ATS"), is well-versed in these compliance issues, is able to facilitate liquidity to stockholders and has offered to do so on several occasions to the Company and its advisors. Whether through Figure Markets' ATS, another, or simply permitting OTC trades, stockholders deserve liquidity and optionality, and I find it absurd that the Board is denying this to stockholders for no credible and compelling reason.

Hut 8 Contract extension

The original MSA clearly stated that the Board had the ability to terminate the agreement before June 1, 2024 if it determined by that date that it was unlikely that the Company would be able to become a public company in a manner that satisfied the requirements of the MSA (the "Liquidity Provision"). In fact, as disclosed over three months after the fact, the Board did make this determination. However, for some reason, the MSA was amended rather than terminated, leaving the Company and its stockholders arguably much worse off. The amended and restated MSA (the "A&R MSA") includes a $22 million termination fee payable to Hut 8, an increase from the original $20.4 million termination fee the Company would have had to pay pursuant to the Liquidity Provision of the original MSA. Furthermore, in my discussions with the Board and their counsel at White and Case, they emphasized to us that they felt it was imperative for Ionic to rid itself of this toxic agreement. However, the complete about-face and signing of the A&R MSA when presented with an opportunity to terminate the original MSA, raises troubling questions that demand investigation.

Exorbitant Board Fees

The Board is currently collecting fees that appear to be widely above-market for a Company of its size, while Ionic's stockholders remain stuck with an illiquid asset. According to Ionic's public

filings members of the Board receive an annual base compensation of $240,000, $75,000 of which will be paid in cash and $165,000 of which will be paid in Company equity incentives, with additional compensation based on committee membership. Most notably, the chair of the emergence committee of the Board (the "Emergence Committee") receives an additional $195,000 and each member of the Emergence Committee receives $180,000, each payable in cash or equity at the election of the director. Based on the committee composition disclosed on the Company's website, I have calculated that the ***members of the Board are each earning fees of between $420,000 and $467,500***, of which as much as $260,000 to $302,500, depending on the director, could be paid out in cash. Even worse, the Company's website discloses that every member of the Board serves on the most highly compensated committee – the Emergence Committee – the purpose of which the Company's website describes as "ensur[ing] the Company is executing its business strategy in accordance with the [Plan]" and sounds awfully similar to the Board's job to begin with. As every director serves on the Emergence Committee, this effectively makes a director's base compensation $420,000! According to the Harvard Law School Forum on Corporate Governance, only a dozen companies in the S&P 500 have set director compensation above $400,000, making Ionic, which is not even publicly traded, an extreme outlier.[1]

Moving forward

Mike Cagney and Figure Technologies Inc. ("Figure") originally became involved in the Celsius bankruptcy while working with NovaWulf Digital Management, LP ("NovaWulf"), the architect of the Plan and the stalking horse bidder for the original Celsius emergence transaction, to provide licensure and technology support for the "NewCo." After the emergence of Ionic from Chapter 11, in connection with my outreach to fellow Celsius creditors, I grew to know and respect Mr. Cagney, the Figure team, and Mike Abbate, founding Partner of NovaWulf and current Chief Investment Officer for Figure Markets.

As an advocate for Celsius' creditors and Ionic's stockholders, Figure Markets is supporting and working with me to effect change at Ionic. Our current initiatives revolve around organizing the roughly 80,000 stockholders of Ionic Digital to facilitate a material refreshment and reconstitution of the Board, with competent directors who possess the right skillsets to be able to put Ionic on the path to success and unlock its value and liquidity for all stockholders. Specifically, we believe a reconstitution of the Board involves removing the directors who we view as the architects of this debacle -- Mr. Duffy, Mr. DiFiore, and Mr. Aidoo—from the Board and replacing with competent professionals who can then work to achieve four critical objectives: 1) appointing competent management that has experience running bitcoin operations at this scale, 2) providing liquidity to stockholders in the near future, 3) terminating the A&R MSA, which we believe is entirely off-market and 4) bringing Board compensation in line with market standards. To effectuate this change, stockholders have the ability under the Company's organizational documents to call a special meeting of stockholders for the purpose of removing directors for cause, upon notice to the Company and with the support of the holders of at least 25% of the Company's outstanding Common Stock. A reconstituted and refreshed Board would, we believe, be able to turn the Company around and unlock significant value and liquidity for its stockholders. We are also evaluating all options to effect change to the Board at Ionic's to be scheduled annual meeting.

The Celsius community is remarkable, and we have been able to reach a large number of creditors already. I have also served the Company with a demand letter seeking a list of the

[1] *See* https://corpgov.law.harvard.edu/2024/01/26/trends-in-director-compensation/

Company's stockholders and certain of its books and records pursuant to Section 220 of the Delaware General Corporations Law. Unfortunately, the Company has so far failed to comply with its obligations under Delaware law and is insistent on stonewalling me. The only remaining remedy I have as a stockholder would be to seek relief in a Delaware court, which would prolong the path to recovery for a group of creditors-turned-stockholders that have already been through enough and do not have time to waste. We thought it was appropriate to notify the US Trustee of the current situation at Ionic and hope that the US Trustee may be able to provide possible assistance in our endeavor to effectuate much-needed change at the Board level of the Company. The retail creditors of Celsius already lost a significant portion of their value when Celsius filed for bankruptcy, and now an additional 15% of their recovery is hanging by a thread. If you can offer us any aid in our outreach to stockholders – namely, if you are able to share a list of Celsius' creditors/Ionic's stockholders and their contact information, so that we can contact them with respect to the special meeting process – we would greatly appreciate it and believe we can further mobilize the real victims of the mismanagement of the Company to put enough pressure on the Board to begin to right the ship and take the concerns of its stockholders seriously.

We have put together the attached presentation outlining our concerns around the leadership of Mr. Aidoo, Mr. Duffy and Mr. DiFiore and the Company, which I hope will be helpful to you in understanding what we have witnessed at Ionic and why we are fighting for change.

Although we realize that these are not typical requests, we hope that the US Trustee will be sympathetic to the situation given its past objections. We are available at your convenience if you have any questions or would like to discuss any of the concerns raised in this letter. We hope to hear back from you and look forward to future discussions on this matter.

Sincerely,

Veton Vejseli

CC:

Chief Judge Martin Glenn
US Bankruptcy Court
Southern District of New York
One Bowling Green
New York, NY 10004-1408