

Message

From: Jonathan Kol [jonathan.kol@galaxydigital.io]
Sent: 1/21/2020 9:18:11 PM
To: Michael Jordan [Michael.Jordan@galaxydigital.io]; Josh Lim [Josh.Lim@galaxydigital.io]; Luka Jankovic [Luka.Jankovic@galaxydigital.io]; William Nuelle [William.Nuelle@galaxydigital.io]
CC: Peter Wisniewski [pw@galaxydigital.io]; Greg Wasserman [Greg.Wasserman@galaxydigital.io]
Subject: Call with Terra co-founder Do Kwon

Guys,

Just got off the phone with Terra co-founder Do Kwon. Terra is a stablecoin project in Korea that was built by one of the co-founders of T-Mon, a major e-commerce player in Korea. I invested in Terra while at Passport, it was the only stablecoin I was interested in as we saw a clear path to it being used and the founders have unique domain expertise in the realms of e-commerce and payments.

At a high level, Terra has a two token system, one hand there are the stablecoins, Terra, and on the other there is a risk bearing token, Luna. Luna tokenholders can stake their Luna in order to receive a pro-rata share of all transaction fees from Terra. Terra's price is pegged to various fiat currencies, and the Open Market Operations used to keep the peg are financed by Luna.

What's attracted me to Terra is the strong user growth metrics their posting, which if are to be believed make Terra one of the most active networks behind Bitcoin and Ethereum coupled with the current price of Luna (down to a current market cap of \$56MM), which has been in freefall as a number of large investors have become forced sellers as they're liquidating their funds (allegedly FBG, the largest investor has been doing this). Next steps are for Do to provide us with more materials on user engagement, CAC, and so forth.

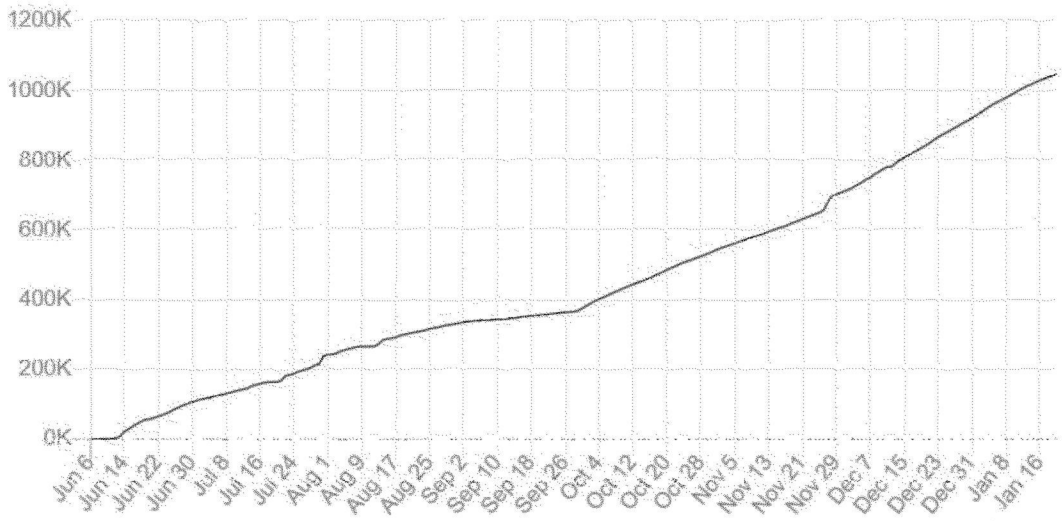
In the notes below you can learn more about recent developments with Terra, and more color on the metrics (like how an Account is defined)

**PLAINTIFF'S
EXHIBIT
P002
23-cv-1346 (JSR)**

Total accounts ⓘ

Cumulative ▾

1,047,189 Accounts



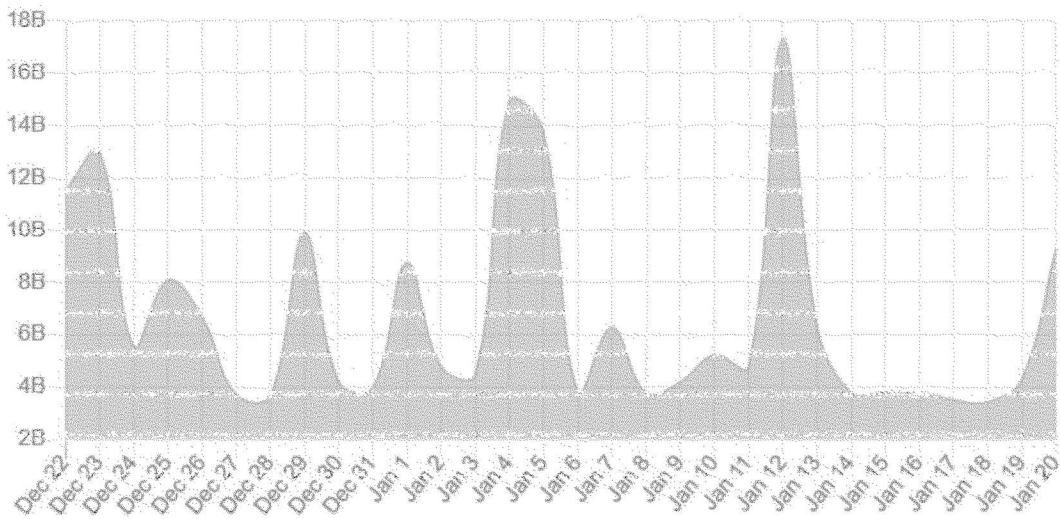
From genesis
 7 days
 14 days
 30 days

Transaction volume ⓘ

KRT ▾

Periodic ▾

189,554,189,217 KRT

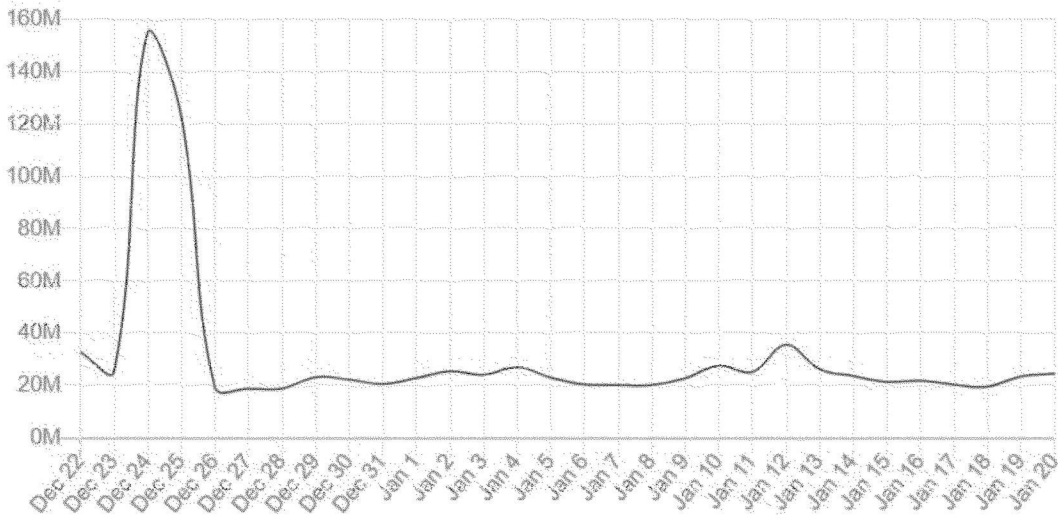


From genesis
 Last day
 7 days
 14 days
 30 days

Block rewards ⓘ

Periodic ▼

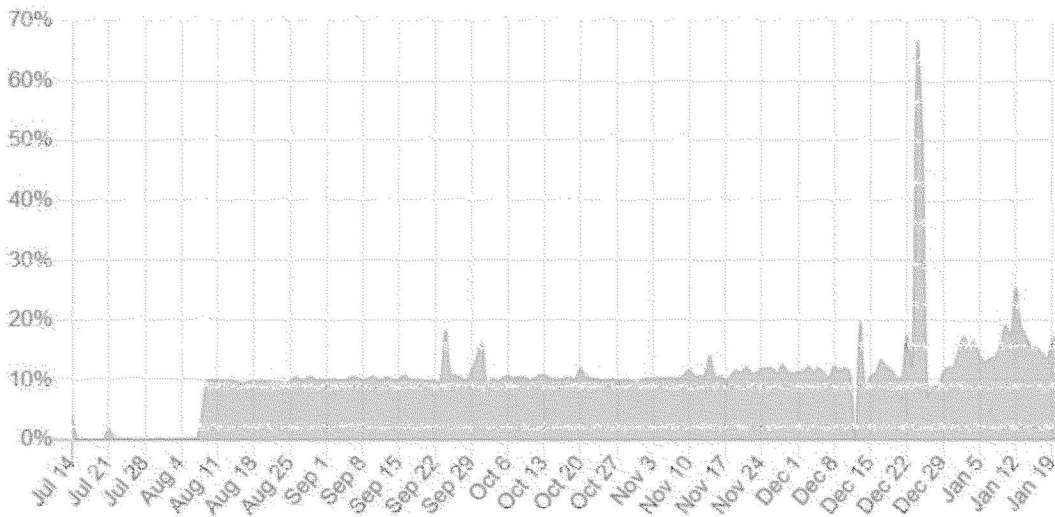
902,886,975 KRT



From genesis | 7 days | 14 days | **30 days**

Staking return ⓘ

17.57% / year



From genesis | 7 days | 14 days | 30 days

- New developments
 - Diversification. Want to keep Chai growing, but also want to branch out to different lines of business all around the realm of financing and payments.

- Credit - coming up with a name system on Terra such that each merchant has a unique namespace. Think of T-Mon.terra, such that highly visible merchants would have human readable addresses where users can send payments there.
 - Difficult for merchants to get revenue based financing. Given capital controls in Asia, even if supplier is trying to wire funds to you, it's uncertain as to when those funds will arrive (and in some cases whether they will arrive). Companies with high volume and low margin have constant Working Capital issues.
 - Need a way to collateralize their revenue to take loans.
 - In West, there's Square and Stripe which do revenue based financings for SMBs, but not so much in Asia, certainly not in SK.
 - Thus merchant could collateralize a defi loan with the unique named address, where the payments coming through the address.
- Money Transfer
 - Places like Bali, Phuket (SEA), have meaningful Korean visits. ~10MM people from SK go to SEA tourist destinations every year.
 - Average traveler exchanges \$1k in cash as there is very limited credit card support
 - KRW to VND (or most SEA fx pairs) can feature spreads as high as 12%.
 - Multiple reasons, both currencies fairly illiquid, both countries have capital controls
 - Looking to enable users to buy TerraKRW, and then swap TerraVND, and pickup VND cash from kiosk.
 - Working with the largest hospitality providers and flight booking provider in SK as the main consumer funnel for this.
 - User that books trip and has Chai app will receive push notification prompting them to buy VND/other fx via Chai and shows them how much they could save.
 - Need better OTC partners for this, willing to talk to Galaxy if there is interest on our end.
- Understanding Terra Traction Metrics
 - How is an Account defined?
 - Downloads for Chai are higher than Active Accounts. Active Accounts = # of users who've made a non-trivial purchase. Basically users who've made a non flashdeal purchase.
 - Have done some promotional deals where \$3 items were sold for \$1, but these were not accounted for.
 - Around 600k Active Accounts made a purchase via Chai, mid dec through late Jan
 - Where is Chai being used?
 - Tmon volume accounts for 30-35% of all Chai volume
 - Yanurja, accounts for 20-25% of volume. South Korean unicorn - similar to SK version of Hotels.com/airbnb
 - 35-40% remaining is long tail of merchants from music streaming, flight booking, luxury brands
 - CU - Korean Convenience store. Volumes fairly low to be honest
 - Average discount on Chai?
 - Predominant benefit via Chai is by Cashback, not direct discount.
 - To use Chai, users have to sign up for automatic top-up. Whenever Chai account goes below \$20, bank accounts is immediately credited up to \$100.
 - Funding for Cashback?
 - Some of it is funded by the merchant, usually flash deals are funded 20% by Terra 80% by merchant, as has been the case w/ Tmon

Let me know if you have any questions.

Cheers,

Jon