Opportunity to Participate in the Restructuring of GoodBox

Dear Creditors and Shareholders of GoodBox,

I write to you in this second public letter on behalf of NGi Systems, the key technology supplier of GoodBox since its founding.

Our first letter was published on the 25th of June 2022. This may not have reached all parties due to measures taken by the Board to block our communications. For completeness you can find it and its attachments at the link below:

https://www.ngi.systems/GoodBox/NGi-Systems_GoodBox_PublicLetter_2022.06.25.zip

In this letter we would like to offer an opportunity to any interested party to participate in the restructuring of GoodBox. Prior to explaining the opportunity, we will first provide context and updates on the developments from our perspective.

GoodBox was forced into Administration on the 28th of June 2022, as per the High Court Order CR-2022-LDS-000414. We filed this application with the Court for the reasons explained in our previous letter with the aim of enabling a restructuring that would allow GoodBox to survive and achieve a better realization for all stakeholders.

The Board of GoodBox, via the representation of director Francesca Hodgson, resisted and frustrated the case, running down the cash reserves of the company to the point of less than 10 days' worth of runway being left when Administration was ordered. The Judge was critical of the conduct of the Board. Key notes from the judgement are below:

"*In my judgment in this case, this Company is hopelessly insolvent. The Directors of this Company have traded on, according to the evidence put before me, for a number of months insolventl*y."

"*I do not have that confidence in this Company. If this Company would have kept all its creditors informed as to its difficulties, if this Company have had given the court full visibility, then I may have had that confidence, but I do not.*"

Important to note that GoodBox is at present trading under Administration as intended by the Order of the Court. This was a key part of our application to the Court as a necessary measure to preserve the value of the company. The Board went to great lengths to try and discredit this approach, including via the representations of a Partner, Dean Watson, of the renowned insolvency advisory firm Begbies Traynor, who listed out to the Court several reasons as to why this would likely not succeed. The Judge criticized Mr. Watson's representation for failing to consider alternative approaches for the insolvency.

The Administrators secured the approval of the FCA to trade GoodBox supporting all existing customers with the full range of services of the company. The initial incidents related to the suspension of facilities and services to GoodBox by various entities were successfully overcome but did entail costs.

The trading of GoodBox under Administration was always expected to require some funding. The amount of funding needed is influenced by several factors:

1. **Cash reserves of the company.** The Board chose to run down the reserves of the company via insolvent / potentially wrongful trading. This implied that there were no material reserves left when the Administration started.
2. **Advisory and legal fees.** The Board chose to fight the case in Court racking up costs on both sides which all ended up being costs of the company, pushing up the amount of effective funding needed.
3. **Transition overhead.** Instead of a controlled transition into Administration with the cooperation of the Board, the company was forced into Administration by Court order. This understandably created regulatory upheaval which required extensive time, and thus cost, by the Administrators to address and get the regulators comfortable. The same applied to banking partners of GoodBox who were not notified collaboratively ahead of the Administration order and thus also needed Administrator engagement to get comfortable.
4. **Incident management.** The Administrators were forced to prepare an injunction against the gateway services provider of GoodBox (Monek Limited) that cut critical services to GoodBox in a manner deemed by the Administrators to be "*extremely damaging to the continued trading of the company*" and in breach of laws that specifically protect continuity of critical supply to companies under Administration. The Administrators were further forced to spend time securing key IT credentials that were misappropriated by director Francesca Hodgson.

5. **Unresolved Disputes.** The Board has left long-standing disputes with key suppliers, including with NGi Systems, unresolved. The £5.2m gateway purchase from Q Invest Limited was also not concluded 18+ months after the agreement was entered into. These leave the IP assets of the company in a state of uncertainty, depressing the value of any asset sale. Regarding the gateway, we are advised that the Board resolved pre-Administration to seek a full refund. We await the confirmation by the Administrators on the topic which is expected to be shared with all stakeholders.

The costs incurred by GoodBox from the above factors, many of them attributable to actions of directors of GoodBox, have materially worsened the positions of shareholders and creditors. The trading of the business and the costs of the Administration are funded via a loan to the company secured by a Floating Charge documented in a Debenture which will be published on Companies House in due course.

Our expectation is that the costs will be close to the top end of the £350,000 estimated in our last letter for the first 10 weeks of the Administration. We are advised that there may be additional costs related to implementing the restructuring as proposed.

The proposal in our first letter, pre-Administration, assumed a last-minute cooperative Board, acting in the manner as stated by director Francesca Hodson to genuinely engage with alternatives that have a chance of recovering value for shareholders as well, and not just creditors. Quite the opposite happened. We are currently of the view that the majority of the value recovery our proposal nominated towards shareholders has been taken over by the resulting larger costs related to the Administration.

As part of the capitalization of debts, the loan to the company for the trading costs and Administration is expected to attract a significant proportion of the post-restructuring equity distribution reflecting the high risk, the enablement of the future of the business, as well as the relative seniority to other creditors. As per our first letter, while NGi Systems has both the ability and willingness to fully fund this restructuring, we intend to be inclusive in our approach to all parties interested in taking this business forward.

We hereby once again invite any expression of interest to co-finance the loan and thus proportionally share the corresponding expected equity stake from the restructuring process. We note that so far two entities have expressed an interest in co-financing this loan and the relevant discussions are on-going to formalize this.

We note that shareholders we spoke to expressed various degrees of dismay and anger about the conduct of the Board and the financial losses they are expected to incur as a result. Some have also expressed their collective written support for our restructuring initiative last minute to the Court. Financially, NGi Systems, with a shareholding under 5%, has taken on 100% of the costs to date. This is a final invitation to the shareholders to participate financially and show their support for a restructuring that retains a degree of shareholder value as well. Without material support forthcoming, NGi Systems will re-focus its restructuring efforts on the value recovery of creditors. Failure to support the co-financing of the administration and restructuring costs does not prevent shareholders from making a derivative claim on behalf of the company against the directors.

Aside from financing the Administration and restructuring of the company, we would like to offer existing shareholders a form of pre-emption in investing in the recapitalization of GoodBox at the appropriately discounted valuation. As part of negotiating the investment round with external investors we need to understand how much of the quantum should be set aside for existing shareholders. Any shareholder wishing to explore this opportunity should get in touch with us.

We request all expressions of interest in either co-financing the loan or in pre-emption for the subsequent recapitalization of GoodBox by end of day on the 10th of August 2022.

All replies to Daniel.Jecan@ngi.systems

Best Regards,

Daniel Jecan
Managing Partner
NGi Systems