

**UPHOLD CEO LETTER – SECOND HALF 2015
(‘2H15’)****Dear Shareholders,**

In the 10 months since I joined Uphold we’ve built the world’s first and only platform that brings all the benefits of the Internet to money. 2015 was our first full year of operations and I’m pleased to report the Company exceeded all objectives for the period:

+89%
Increase in active members

Total active members increased 89% compared to 1H15

\$700.4M
Total transaction volume for year 1

\$700.4M in 2015 makes Uphold the fastest growing fintech money platform in the world

+2,070%
Increase in transaction volume

Transaction volume increased 2,070% compared to 1H15

+106%
Increase in Company share value

Successfully closed Series B1 Round in December. Stock value increase of 106% from Series A. Share price: \$2.06

190
Countries serviced, with active members in 174

Uphold serves more active members in more geographies than any other fintech money platform in the world

\$15.3M
Revenue projection for the full year 2016

For the full calendar year of 2016 the Company is projecting revenue of \$15.3M

I HAVE ALWAYS believed that shareholders should never be strangers to the companies in which they invest, the business of those companies or the CEO charged with increasing the value of their investment.

With this letter I aim to convey the relevance of Uphold’s unique business model and the scope of the disruption of global banking we are driving. I also hope to leave you with a clear understanding of Uphold’s achievements, the broader competitive landscape and what you can expect from us in 2016. You can count on a letter like this every 6 months, supplemented in the future with a conference call to engage me in direct dialog.

THE INTERNET OF MONEY™

The Internet has transformed the world by making information easy, free, instant, universally accessible and open to boundless innovation. In the early 1990s Halsey Minor, Uphold’s Founder and Chairman, built CNET, the world’s first comprehensive consumer-facing technology content publisher and the first ever profitable company on the Internet, before most people had even heard of the “web.” With Salesforce.com in the early 2000s, Halsey built another multi-billion dollar cloud-based software company when “cloud” still meant a fluffy white thing floating in the sky.

Halsey has always understood that companies that make information and data free, fast, easy, and universally accessible are always going to beat even the most established and well capitalized of incumbents.

Supply chains, communications, transport, entertainment, software - the Internet has redefined just about every aspect of life - except for the one thing nearly every person on planet earth uses every single day: Money. Money is information - how much you have, how much you owe, what denomination, etc. For the most part, money is comprised of the same bits and bytes as the words, data, pictures and music we zip around with our devices. But there is one crucial distinction, an added dimension: Money is spendable. Money has value.

Having spent the majority of my career at Barclays and Wells Fargo (my CV is [HERE](#), for those interested) two things are absolutely clear to me. First, the entire finance industry is long overdue for a profound disruption, the sort of disruption that can only happen when a real technology breakthrough emerges to transform an entire paradigm. Second, the buzzy “fintech” brands built on top of banks - Square, Stripe, ApplePay, Venmo, TransferWise, etc - are all subject to the full constraints of the old paradigm... therefore, they can offer nothing more than small, incremental improvements in speed, cost, and ease-of-use. These digital bolt-ons to analog legacy systems are the fax machines of finance. They are not paradigm busters.

After first meeting Halsey, it took me all of 2 minutes (not the 10 that has been reported) to decide to join Uphold. Uphold’s vision is more than just money transfer, investment, lending, payroll, payments or remittance. At CNET, Halsey made more than \$1.5 billion not by fixing magazines but by creating an entirely new industry that generated money from entirely new products which never existed before, like web publishing applications. Uphold is far more than the blockchain, virtual currencies, commodities, equities or any individual emerging technology or protocol. It is the comprehensive, radical and inevitable transformation of a centuries old industry.

THE SINE QUA NON OF THE INTERNET OF MONEY

Uphold enables spendable information or “IP Money”. Without IP Money that can move frictionlessly between users, there can be no Internet of Money. Just as the Internet supports every type of information - every language, category of music, video, book, movie, picture, words spoken into telephones, etc - any Internet of Money must eventually support every conceivable form of value, starting with what 99.99% of the world today considers ‘money’ - home currencies, what people use in their everyday lives.

For IP Money to function, for information to be spendable, both sides of a transaction must agree on its value. As with all money, this requires an impartial party that substantiates value. Today, countries have central banks; the Internet now has Uphold’s transparently-held full reserve that provides a real-time accounting of all obligations to members and all the assets that back those obligations. To frame it another way: what Google is to search, what Amazon is to inventory management and product distribution, what Facebook is to social, Uphold will be to money.

A golden thesis is an amazing thing. A proven track record is better yet, but the translation from theory to real world performance is the critical factor, the zero hour. Our platform is live. Our products and services are evolving rapidly. Demand is immense. We’re growing fast and the company is energised by a constant inflow of real and pressing use cases that shape Uphold’s innovation and drive the Company forward.

SUMMARY OPERATING METRICS FOR 2H15

Total \$USD equivalent value of transactions by our members for the past 12 months was **\$700.4M**; as of 17:00 PST Thursday 14th of January, the number hit **\$714.8M** (representing an increase of **2,070%** compared to 1H15). We have acquired **33,037 active members** across **174 countries**, representing an **increase of 89%** compared to 1H15, and adding **257 per day**, rising daily, who have

conducted a total of **381,634** individual transactions (representing an increase of 187% compared to 1H15), with an average transaction value of **\$1,873 per transaction**. The single largest transaction on our platform was **\$445,075**. Our reserve has grown by **987.23% overall** compared to 1H15.

Uphold's growth for the full year 2015 was extraordinary. Entering 1H16, that growth is accelerating. Skeptics might be tempted to view our results as "a big rise from a small base is the life of any start-up" yet no other fintech money platform or fintech company has **ever** achieved anywhere remotely close to \$700.4M of total volume in its first year of existence. **PLEASE SEE COMPANY VALUATION & COMPARABLES** below.

PARTNERSHIPS DRIVE GROWTH

Partnerships are Uphold's competitive advantage. When our partners succeed, we succeed. In 2H15 the Company had significant interest from partners. Uphold has two distinct, but equally important, partner groups: **Development Partners** and **Growth Partners**.

Development Partners: Uphold points much of its innovation towards its open APIs. With Uphold Connect™, any partner (developer, company, entrepreneur) can build an application or service that accesses Uphold's money platform to address local and global financial use-cases and opportunities. Leading the industry, Uphold has built cutting-edge Know Your Customer (KYC) and Anti-Money Laundering (AML) controls as core features of our platform, removing costly regulatory and compliance burdens for our development partners. Uphold currently has 200+ Development Partners building apps and services on top of the APIs.

Growth Partners: From remittance companies looking to leverage Uphold as a better way to manage their operational funds across multiple currencies to multinationals looking to replace their expensive (and disappearing) correspondent banks - Uphold helps its Growth Partners save time and money. Each Growth Partner adds to the Reserve, generates transactional revenue and exposes Uphold to the breadth of their respective ecosystems, creating powerful network effects. The Company currently has more than 230 active Growth Partner opportunities in its pipeline.

Our partners include:

Payments



Transfers



Crypto Currencies



Other Value Added Services



COMPANY VALUATION & COMPARABLES

Uphold is focused on long-term and sustainable value creation. The Company’s recent Series B1 Round, which closed in December 2015, valued the company at \$124.9M. The Company’s price-per-share is now \$2.06, a six month increase in share value of 14% compared to its recent Series B round and a 106% increase from its Series A round. Uphold has raised a total of \$20M from investors.

Several institutional investors have recently asked us to share how our capabilities, financing and operating metrics compare to other fintech startups and established legacy companies. The following analysis is based on public domain financial, market and business information.

FINTECH FINANCIAL COMPARABLES

Uphold’s current valuation is low relative to these other companies. Uphold has transacted \$700.4M, a lightning start, almost 34 times the volume transacted by Transferwise and 28 times the volume Circle transacted in their respective first years of operation.

Not only is the Company off to a faster start, Uphold has proven that it is demonstrably more effective at value creation, having generated far more transaction volume per invested dollar and per dollar of valuation than any of these other companies.

Company Name	Year Launched	Funding Stage	Total Funding	Current Valuation	Total Lifetime Transactions	Year 1 Total Transactions	Capital Efficiency Ratio*
Uphold	2014	Series B	\$20M	\$124.9M	\$714.8M	\$700.4M	2.8x
TransferWise	2011	Series E	\$92M	\$1B	\$3.5B	\$20M	0.7x
Coinbase	2012	Series C	\$107M	\$475M	\$3B	\$35M	1.6x
BitPay	2011	Series C	\$33M	\$190M	\$523M	\$4M	0.6x
Circle	2013	Series C	\$76M	\$250M	< \$80M	< \$25M	0.1x
Align Commerce	2014	Series A	\$13.5M	< \$30M	< \$7M	< \$3.5M	0.1x
itBit	2012	Series B	\$82M	\$150M	< \$195M	\$45M	0.3x
ABRA	2015	Series A	\$14M	< \$25M	\$0M	\$0M	0.0x

*Capital Efficiency Ratio: Total Transactions / Valuation / # of years in operation. All non Uphold data is public domain financial, market and business information obtained from public sources only. **ABRA** have not yet launched any product in any marketplace. Some companies have not disclosed certain basic facts about their business or operations. Uphold extrapolated (denoted by '<') its own calculation of (i) **Current Valuations** for **ABRA** and **Align Commerce** and (ii) **Total Lifetime** and **Year 1 Total Transactions** for **Circle**, **ItBit** and **Align Commerce**.

FINTECH CAPABILITY COMPARABLES

We've noted that the trend of others starting to use our lexicon, or bolting-on copycat features, is accelerating. Whilst flattering, it is important to point out they do this without these words or features benefiting from any natively comprehensive context or framework. Copying vs inventing is a legitimate strategy but it's only going to get more challenging for these companies, as hundreds of startups, establishing themselves around Uphold's APIs will soon become these companies' DIRECT competitors. Examples of this are already playing out:

- **Coinbase/itBit** → Regional exchanges Foxbit (Brazil), Bitso (Mexico) and Korebit (Korea) are integrating into Uphold's platform;
- **ABRA** → **AirTM** (a company built-on Uphold, powered by our open API) is already ahead in every conceivable metric except capital raised. With less than 6 months since launch, AirTM is adding users on a daily basis and has operations in 10 countries;
- **BitPay** → **Payzing** Launching in February with Uphold payment processing in Shopify stores. The concept of payment processing for bitcoin, as an isolated service, has failed. Uphold has many processors in its pipeline (which are not dependent on the mass market adoption of bitcoin);
- **TransferWise** → **Uphold** By 2H16, launching a number of key partnerships, Uphold's current projections have us surpassing TransferWise in transaction volume by 2018;
- **Circle** → **Uphold** Circle enables the conversion of USD to bitcoin and vice versa, something that Uphold does at lower cost, more transparently. We also enable the conversion of bitcoin to any of the 28 currencies or commodities that we support, not just USD;
- **Align Commerce** → **Uphold** Align lowers the cost of cross-border payments for businesses to a fee of 1.9%. Uphold is currently working with dozens of remittance and cross-border payment companies set to launch in 1H16, each one of which will directly compete with Align, providing our customers a much broader feature set at a drastically lower price (50bps and completely FREE under \$12K/yr).

Please see [APPENDIX 1 - FINTECH CAPABILITY COMPARISON](#) below for a clear and concise analysis and comparison of each company's respective products and services (including: platforms, fees, reach, market focus and overall capabilities).

Uphold believes that competition is enormously healthy and important for companies that seek to disrupt industries. We wish each and every one of these companies every success for the future!

LEGACY INDUSTRY LANDSCAPE

Banks and other large financial firms are trapped in the business models and technological limitations of an industry conceived centuries ago. Until very recently, they have been too fat, happy and protected by "too big to fail" to seriously innovate. Even with rising awareness of the need for innovation, the industry remains captive to its own constraints - saddled with heavy costs, inaccessible and unappealing to the young, poor or foreign, designed to be slow so as to hold onto client funds, and fixated on quarter-to-quarter market expectations.

Almost 2 years ago, the CEO of one of America's largest banks, reacting to the impact of Silicon Valley on his business, quipped, "They all want to eat our lunch. Every single one of them is going to try." Here, he was only partially correct. We are already eating his lunch, though the industry is too big and too slow to realize it yet. Case in point: in the 22 months since the above words were uttered, the institution in question has yet to ship a single noteworthy innovation.

Some legacy institutions have recently formed consortia to attempt to achieve by committee what they have failed to achieve individually. Groups such as R3 and IBM's Transaction Network are attempting to innovate with 'blockchain technology', an empty phrase that has already become the hallmark of the naive looking to sound tech-savvy. The blockchain is a data structure - a fascinating and powerful one, granted - but not particularly efficient. Basically, it's a database - a shared, networked database. Of themselves, these shared databases are incapable of making mass consumer bank interactions any cheaper, more accessible, or safer. They will become the empty walled gardens of finance.

MOVING FORWARD

The Company is projecting revenue of \$15.3M for the full year of 2016, driven by internal growth in members, transactions, and average transaction size, as well as from the contributions of several significant partner initiatives currently in development:

Equities (Broker/Dealer capabilities). Starting with a dozen or so exciting companies such as GOOG, TSLA, AAPL, DIS and BRK-B, members will be able to hold, transfer and spend value held in stocks, down to fractions of a single share. Adding stocks to the asset classes currently supported by Uphold (and having the product meet all regulatory requirements) is no mean feat. Introducing equities delivers on Uphold's promise of enabling our members to hold value in any form they want, and adds considerable stickiness to member engagement.

Universal Spendability. Through a partnership that we expect to announce in 1H16, value held on Uphold will be spendable (with the swipe of a card (physical or virtual), online, in-browser, in-app, or on device – one integrated, seamless product) wherever major credit cards are accepted, at zero cost. Today, value held on Uphold can only be spent at that thimble full of merchants, approximately 100K globally.

Peer-to-Peer Lending. In an exciting pilot project, Uphold will be working with a group of U.S. leading P2P lending, 'conscientious capital' and online marketplace companies to offer a loan marketplace on Uphold wherein members will both be able to access yield (by allowing our members and partners to lend their money) and access loans. Interest rates will be lower, particularly for socially and environmentally forward borrowers. The loans will not be externally syndicated to Wall St.

Expanding connections to legacy value networks. Today, Uphold members can add and remove value to and from their Uphold wallets with BTC, VOX, bank transfer, credit and debit cards. Starting in 1H16, Uphold will be connecting to bank and card networks in additional geographies, notably: Mexico, India, the Philippines and Brazil.

Alternative Assets. Uphold has the unique capability to provide liquidity and convertibility to otherwise illiquid digital assets. We're starting with the Voxel (VOX), the in-platform currency for Voxelus, a leading virtual reality content generation platform and marketplace. Voxel aims to become a proxy for the growth of virtual reality. In exchange for distribution and support of VOX, the first virtual currency with a clearly defined use case, Uphold owns 15% of the float. Uphold is in active dialog with other closed value network companies to launch similar initiatives, including in-game currencies, airline miles, loyalty points, etc.

Upcoming Partnership Rollouts. Uphold expects to finalize a number of important new partnerships that will be announced in the coming weeks. These partners include one of the world's

largest international trading organizations, Latin America's largest remittance company, one of the largest banking institutions in North America and a European remittance company with over 500K physical points of sale globally.

UPHOLD FOR GOOD

At Uphold, a central part of our mission is to develop products and services that enable financial inclusion as an empowerment tool for those excluded from existing banking systems, especially in developing countries. Fair financial services are a proven gateway to education, to health, to housing and personal development. Fair access to financial services, such as savings and credit, is a critical step in enabling widespread economic empowerment.

Uphold places equal value on business success and social benefit by waiving all fees and costs for non-profits and registered charities. As another way to give back, Uphold is committed to donating five percent of all pre-tax profits to charitable causes that make a demonstrable and positive difference in people's lives.

FINALLY, THANK YOU

Thanks to you, our shareholders, for the trust that you have placed in our vision and for your confidence in our strategy. We wouldn't be here without your steadfast support. I'd also like to thank Uphold's tireless employees and all of our members, who trust us with their hard-earned money.

Countless companies aspire to change the world. But very few ever gather the required elements for success. As CEO I couldn't have dreamt of a bigger opportunity, a more positive disruption of a more deserving industry. We've got the right vision, the right people and the right strategy. In the words of Alan Kay, "the best way to predict the future is to invent it".

I am deeply grateful to all of you for this once-in-a-lifetime opportunity. I'm energized by what we have to do and for the extraordinary journey we have ahead of us.



Anthony Watson

President & Chief Executive Officer, Uphold

I love hearing from you so please feel free to reach out to me anytime via Twitter: [@AnthonyWatson](https://twitter.com/AnthonyWatson)

APPENDIX 1 - FINTECH FEATURES COMPARISON MATRIX



	Uphold	TransferWise	Coinbase	Bitpay	Circle	Align Commerce	itBit
Services & Coverage							
FREE Member to Member OR Customer to Customer	YES completely free	NO	NO fees & costs apply	NO	YES	UNCLEAR not stated	NO
FREE Forex Exchange & Conversion no costs, fees or spreads	YES completely free	NO costs/fees/spreads apply	NO costs/fees/spreads apply	NO costs/fees/spreads apply	NO costs/fees/spreads apply	NO costs/fees/spreads apply	NO costs/fees/spreads apply
Send, Receive, and Store Bitcoin in all 190 countries	YES active members in 174 countries	NO	YES no breakout by country	UNCLEAR ¹	LIMITED 31 stated countries	LIMITED 60 stated countries	LIMITED US lead trading exchange, minimal non-US
Accept Bank Wire and/or Debit/Credit Cards	37 countries US, EEA, SWL, China; Mexico, India, Philippines 1H16; Brazil 2H16	53 countries	32 countries US, EU, CAN, SING	LIMITED merchants only 38 countries	LIMITED US bank wires & cards only	LIMITED bank wire in some countries. NO debit/credit cards	LIMITED US only bank wires. NO debit/credit cards
Direct Cash Deposits/Withdrawals	YES 11 countries today, 9 more in 1H16	NO	NO	NO	NO	NO	NO
Universal Spendability ²	YES launching 1H16	NO	LIMITED debit card for US customers only	NO	NO	NO	NO
Equities Broker/Dealer Services	YES launching 1H16	NO	NO	NO	NO	NO	NO US lead trading exchange only
Peer-to-Peer Lending	YES launching 1H16	NO	NO	NO	NO	NO	NO
Remittances	YES	YES	NO	NO	YES	YES	NO
100%+ Backed, Transparent Real-Time Reserve, Independently Audited	YES members value is 100% safe. Current reserve is 102.4%, exceeding obligations to members by 2.4%	NO	NO	NO	NO	NO	NO
Currencies & Commodities							
FIAT Currencies	43 currencies 23 today, 20 launching 1H16	49	4	9	1	none listed	3
Commodities	6 commodities 4 today, 2 launching 1H16	NO	NO	NO	NO	NO	9
Crypto Currencies	BTC & VOX	NO	BTC Only	BTC Only	BTC Only	BTC Only	BTC Only
Platform as a Service (PaaS)							
Ticker API	29 currencies & commodities	NO	5 currencies	9 currencies	3 currencies	NO	YES
Transactions API	29 currencies & commodities	NO	5 currencies	9 currencies	3 currencies	NO	NO
Trading API	29 currencies & commodities	NO	5 currencies	NO	NO	NO	YES
Reserve & Transparency API	YES	NO	NO	NO	NO	NO	NO
Anti-Fraud, KYC and AML as a Service	YES	NO	NO	NO	NO	NO	NO
Enhanced KYC using Social media	YES launching 1H16	NO	NO	NO	NO	NO	NO ⁴
PCI/DSS ⁵ Level 1 independent on-site 3rd party assessment	YES	NO ³	NO ³	NO	NO ³	NO	NO
Dark Web Threat Monitoring to fight fraud and security threats	YES⁶	NO	NO	NO	NO	NO	NO
Money Rails in/out OR on/off							
US Banks	FREE in FREE out up to \$12K/year, 0.5% after	Bank fees between \$20 to \$35 per transaction apply	FREE in 1% or banks fees for out	n/a	FREE in MAX \$3K per week	1.9% Forex Markup for out	\$10 - \$40
EU, EEA, SWL bank transfers	FREE in FREE out up to \$12K/year, 0.5% after	FREE in/out	€5 / €0.15 EU only not full EEA	n/a	NO US only	1.9% Forex Markup for out, EU only not full EEA	€8 - €70
Bitcoin BTC, Voxel VOX	FREE in FREE out up to \$12K/year, 0.5% after	NO	BTC only FREE in/out	BTC only FREE in/out	BTC only FREE in/out	BTC only FEES apply	BTC only FREE in/out
Visa / Mastercard	2.75% in and out	0.3%-3% in only	3% in only	n/a	2.9% in only	NO	NO
China and China UnionPay	3.8% in and out	1.5% + forex costs/fees/spreads. in only	NO	n/a	NO	NO	NO
Target Customers							
Charities	YES all fees waved except CC	not a stated focus	not a stated focus	not a stated focus	NO	NO	NO
Individuals	YES	YES	YES	NO	YES	NO	YES
Businesses	YES	YES	YES	YES	NO	YES	YES
Developers public / OPEN API	YES full public / OPEN API for all products & services	NO only custom Integrations	LIMITED wallets, info, exchange, checkouts	LIMITED merchant info	NO	LIMITED business info	LIMITED market data, exchange, trading

All information as of **09.00 PST 14 January 2016**. All non Uphold information is public domain obtained directly from the websites of the companies analysed or other public sources. **ABRA** have yet to launch any product in any marketplace and cannot be included in this analysis. **1. BitPay** states they service 240 countries. This is not possible as there are only 196 countries in the world. **2.** Single integrated payment solution that is physical card, in-browser, online, mobile and on device. **3.** Accepts Cards so most likely self certified, which poses risks at scale facing more stringent controls. **4.** Limited enhanced KYC using Equifax and residential history but not social. **5.** Payment Card Industry Data Security Standard **6.** Includes 24x7x365 Security Operations Center for monitoring and in partnership with Financial Services Information Sharing and Analysis Center (FS-ISAC) and the Retail Cyber Information Sharing Center (R-CISC).



Welcome to Uphold. The Internet of Money™

NOT AN OFFER TO PURCHASE SHARES

This letter is not an offer to buy or sell securities. Any sale of securities may only be made to accredited purchasers, and are subject to the terms of the private placement documents.

FORWARD LOOKING STATEMENTS

This letter contains certain “forward-looking statements” (as such term is defined in the United States Securities and Exchange Act of 1934, as amended) relating to future events, current and future contracts that may be awarded to the Company, projections and the financial performance of Uphold. Such statements are only predictions and may involve risks and uncertainties, resulting in the possibility that the actual events or performances will differ materially from such predictions. Major factors, which Uphold believes could cause the actual results to differ materially from the predicted results in the “forward-looking statements” include, but are not limited to, regulatory risks, the acceptance of money and crypto-currency value, the overall political and economic conditions in various nations, the ability to realize the benefits of a proposed transaction or contract, including the failure of a transaction or contract to materialise and the other developments that may arise in the broader competitive landscape.

DISCLAIMER

All non Uphold data, information and content (“data”) contained in this letter are based on the analyses and interpretations of public domain financial, market and business information, except where denoted, obtained from public sources only, believed to be reliable and is used in good faith. Uphold provides no warranties to the completeness or accuracy of this data.

ABOUT UPHOLD

Uphold enables anyone, anywhere to move, hold, convert and transact in any form of money or commodity instantly, securely and for free – on any device. Launched in November 2014 Uphold is the fastest growing money platform in the world and has powered over \$714.8M USD in transactions by tens of thousands of members (individuals, businesses and charities) across 174 countries, in 25 supported currencies and 4 commodities. By integrating with Uphold’s open API [Uphold Connect™](#), developers can fully leverage Uphold’s platform. Uphold is headquartered in Charleston with operations in Braga, London, Los Angeles, Mexico City, Mumbai, Portland, San Francisco, Sao Paulo and Shanghai. www.uphold.com or [Twitter](#), [Facebook](#), [LinkedIn](#) and [Instagram](#).