2019

Province of Nova Scotia
Division No. 01-Halifax
Court No. 43212
Estate No. 51-2498986

IN THE SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY

IN THE MATTER OF THE BANKRUPTCY OF 0984750 B.C. LTD. D/B/A QUADRIGA CX AND QUADRIGA COIN EXCHANGE

FIRST REPORT OF THE TRUSTEE

June 19, 2019

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INTRODUCTION

1. On February 5, 2019 (the "**Filing Date**"), Quadriga Fintech Solutions Corp., Whiteside Capital Corporation and 0984750 B.C. Ltd. ("**Quadriga**" or the "**Company**") d/b/a Quadriga CX and Quadriga Coin Exchange (collectively, the "**Applicants**") were granted protection from their creditors by the Nova Scotia Supreme Court (the "**Court**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Pursuant to an Order of Justice Wood dated February 5, 2019 (the "**Initial Order**"), Ernst & Young Inc. ("**EY**") was appointed as the monitor (the "**Monitor**") of the Applicants.

2. On April 11, 2019, a Termination and Bankruptcy Assignment Order (the "**Termination Order**") was issued by Justice Wood approving the process by which the Applicants' CCAA proceedings would transition to bankruptcy proceedings (the "**Bankruptcy Proceedings**") under the *Bankruptcy and Insolvency Act* (the "**BIA**").

3. On April 15, 2019, each of the Applicants were assigned into bankruptcy. Ernst & Young Inc. consented to act as Trustee-in-Bankruptcy (the "**Trustee**") of each bankrupt estate, which role was affirmed at the First Meeting of Creditors held on May 2, 2019. Five individuals were named as Estate Inspectors (the "**Inspectors**") at the First Meeting of Creditors including four (4) members of the Committee of Affected Users (the "**User Committee**") and one (1) individual from their legal team.

4. Capitalized terms not otherwise defined in this Report are defined in the Fifth Report of the Monitor dated June 19, 2019.

PURPOSE

5. The purpose of the First Report of the Trustee (the "**First Report**") is to provide the Court and stakeholders with an overview of the Trustee's proposed claims process (the "**Claims Process**") for soliciting claims against the Company and the proposed Order sought by the Trustee in respect of the Claims Process (the "**Claims Process Order**").

TERMS OF REFERENCE

6. In preparing this First Report, the Trustee has relied upon unaudited financial information, the Company's books and records, financial information prepared by the Company (the "**Information**") and discussions with the Applicants' directors, senior management team, consultants ("**Management**") and legal advisors. The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the *Chartered Professional Accountants Canada*

Handbook, and accordingly the Trustee expresses no opinion or other form of assurance in respect of the Information.

7. Except as otherwise stated, the Trustee's understanding of factual matters expressed in this Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Trustee.

8. The Trustee has relied upon the information available to it from Quadriga, its independent contractors and other parties with historical involvement with Quadriga. The Trustee has attempted to independently review and corroborate the information received, where possible.

9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

PROPOSED CLAIMS PROCESS

10. In order to eventually distribute the net proceeds of any recovered assets to creditors, the Trustee will seek to solicit information about Users' claims against Quadriga which was the operating entity of the Applicants.

11. In accordance with the Termination Order, a global proof of claim was filed by Representative Counsel on behalf of the Users of Quadriga, other than those who have opted out of representation by Representative Counsel, for purposes of the First Meeting of Creditors. However, the Trustee requires individual claim information from Users to assess individual claims and effect distributions to Users.

Proof of Claim and Instruction Letter

12. In order to solicit claims from Users, the Trustee has modified and supplemented the prescribed form of proof of claim in order to fit Quadriga's unique circumstances of having claims against it denominated in Cryptocurrency and Fiat. The Trustee has prepared a specific form of Instruction Letter and User Proof of Claim for these proceedings which the Trustee believes will assist Users in preparing their proofs of claim. A copy of the proposed form of Instruction Letter is attached hereto as **Appendix "A"** and a copy of the proposed form of User Proof of Claim is attached hereto as **Appendix "B".**

13. In order to provide notice of Users, the Trustee will post copies of the Instruction Letter and the User Proof of Claim on: (i) the Trustee's Website; (ii) the Representative Counsel's website located at www.millerthomson.com/en/quadrigacx; and (iii) Quadriga's subreddit located at www.reddit.com/r/quadrigacx. The Trustee will also email a copy of the Instruction Letter and User Proof of Claim to each User at the email address recorded in the Platform.

14. Users will be requested to complete and deliver their Proofs of Claim to the Trustee prior to 5:00 p.m. (Halifax time) on August 31, 2019 (the "**Claims Submission Date**").

15. The Trustee will review claims received by the Claims Submission Date and ensure claimants participate in any distributions made out of the estate to the extent of their valid accepted claim, if any. Users that do not file proofs of claim by the Claim Submission Date may not be eligible to participate in the initial distribution to creditors.

User Balance Information

16. The User Committee and Representative Counsel have expressed concern with the Platform site being offline as Users cannot access statement details or information necessary to complete their claims. The Trustee has worked with Representative Counsel to facilitate a process through which Users can access their individual account balances recorded within the Quadriga Platform to assist with claim filings. The Trustee is mindful of User privacy concerns which was also taken into account in preparing the claims process.

17. Users will be asked to verify their name, address, telephone number, Quadriga account number and email address, as well as to date and sign personally the proof of claim form in front of a witness. The Trustee may ask Users to provide additional information to verify their identity in order to prove their claim.

18. Users can review their Quadriga account balances as recorded in Quadriga's Platform (the "**Recorded Balances**") as at April 15, 2019 through the following web site https://userbalance.quadrigacxtrustee.com/. If Users agree with the Recorded Balances, they can fill in those amounts by currency type in the User Proof of Claim form and no supporting information will be required to prove the quantum of their claim. If Users disagree with the Recorded Balances, they may fill in different amounts and they must submit supporting documentation setting out the particulars of the discrepancies. Supporting documentation may include, a detailed listing of transactions making up the balances claimed, bank confirmations, receipts or bank statements supporting fiat deposits, bank statements or credit card statements supporting receipt of requested withdrawals,

blockchain transaction details with respect to Cryptocurrency deposits or withdrawals and/or email correspondence with Quadriga with respect to pending transactions or transactions not processed. Users can also specify if they believe their claim enjoys priority relative to other claims.

Review of Claims by Users

19. Section 124 of the BIA permits any creditor who submits a proof of claim to view other proofs of claim submitted by creditors. Representative Counsel and the User Committee have expressed a concern that the provision would permit disclosure of the personal information and identity of the Users. Broader concerns regarding privacy have been expressed by Users throughout the CCAA proceedings and the Bankruptcy Proceedings. The Court recognized this concern in its endorsement dated February 19, 2019 stating "[p]rivacy is a great concern and many users do not wish to be publicly identified in any fashion."

20. In order to resolve the issue, the Trustee has included relief in the Claims Process Order that if any creditor or User requests to review a proof of claim, it will be delivered to the requesting creditor or User on an anonymous basis without any personal or identifying information. If the creditor or User requires any information redacted by the Trustee, they must bring a motion to the Court on notice to the Trustee and Representative Counsel seeking disclosure of the information. The process will ensure personal information will only be disclosed in appropriate circumstances and balances competing interests of the Users' request for privacy and the need for creditors and Users to ensure only proper claims are accepted by the Trustee.

CONCLUSION

21. The Trustee is of the view that the Claims Process Order is appropriate and the process for soliciting User claims outlined above is reasonable and suitable for the circumstances of this case. The proposed User Proof of Claim and Instruction Letter are designed to solicit information required by the Trustee to assess the claims of the Users in a timely and cost-efficient manner. The Trustee is also of the view that soliciting information about amounts owed to the Users' in their base currency, as opposed to requiring Users to convert such claims into Canadian dollars, will streamline the completion of the forms by the Users and review of same by the Trustee.

22. The Trustee has worked with the User Committee and Representative Counsel in preparing these forms and understands that they are satisfied with the proposed form of User Proof of Claim and Instruction Letter.

All of which is respectfully submitted this 19th day of June 2019.

ERNST & YOUNG INC.
Licensed Insolvency Trustee
acting its capacity as Trustee in Bankruptcy
of 0984750 B.C. Ltd. and not in its personal capacity

____

George Kinsman CPA, CA, CIRP, LIT
Senior Vice President

Appendix A

2019

Province of Nova Scotia
Division No. 01-Halifax
Court No. 43212
Estate No. 51-2499072

IN THE SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY

IN THE MATTER OF THE BANKRUPTCY OF
0984750 B.C. LTD. DBA QUADRIGA CX.

INSTRUCTION LETTER

PLEASE REVIEW THE FOLLOWING CAREFULLY AS YOUR LEGAL RIGHTS AND CLAIMS AGAINST 0984750 B.C. LTD. DBA QUADRIGA CX ("QUADRIGA") MAY BE IMPACTED

By Order of the Supreme Court of Nova Scotia (the "**Court**") dated February 5, 2019, Quadriga was granted protection under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**"). On April 15, 2019, pursuant to the Order of the Court dated April 11, 2019, Quadriga made an assignment in bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**"). Ernst & Young Inc. was appointed as trustee in bankruptcy of Quadriga (in such capacity, the "**Trustee**").

A global proof of claim has been filed by Representative Counsel on behalf of Affected Users, other than those who have opted out, in accordance with the Termination and Bankruptcy Administration Order dated April 11, 2019. However, the Trustee now requires individual claim information. As such, it is necessary for each Affected User seeking to recover a distribution from the Quadriga estate to file an Affected User Proof of Claim as outlined herein.

You are receiving this Instruction Letter and enclosed Affected User Proof of Claim because according to the books and records of Quadriga, you were a user of the Quadriga platform and may be holding a balance in your personal account representing obligations payable by Quadriga to you in the form of: (i) cash obligations ($CDN or $USD); and/or (ii) obligations of various crypto currency.

If you wish to participate in any distributions that may be made out of the estate of Quadriga, the enclosed Affected User Proof of Claim form must be properly completed and delivered to the Trustee. The Trustee has requested that claims be submitted prior to <u>5:00 p.m. (Halifax time) on</u>

August 31, 2019 (the "**Claims Submission Date**") by hand delivery, courier, fax **OR** email as follows:

(a) to the Trustee:

Ernst & Young Inc.
Court-appointed Trustee of Quadriga
Ernst & Young Tower
100 Adelaide Street West
Toronto, Ontario M5H 0B3
Attn: Quadriga Trustee

Email: quadriga.trustee@ca.ey.com
Fax: 416-864-1174

If you file your Affected User Proof of Claim as directed by the Claims Submission Date, the Trustee will review your claim and ensure you participate in any distributions made out of the estate of Quadriga to the extent of your valid accepted claim, if any. If you do not file your Affected User Proof of Claim by the Claim Submission Date, you may not be eligible to participate in the initial distribution to creditors.

In completing the Affected User Proof of Claim, you must:

- ensure that you include your complete name, address, telephone number, Quadriga account number and email. **You may be asked to provide additional information to verify your identity**; and

- date and sign personally in front of a witness the Affected User Proof of Claim form.

Affected Users can review their Quadriga account balances as recorded in Quadriga's books and records (the "**Recorded Balances**") as at April 15, 2019 through the following web site https://userbalance.quadrigacxtrustee.com/. The Trustee recommends that Affected Users review the Recorded Balances prior to completing this proof of claim. If you agree with the Recorded Balances, you can fill in those amounts and types of currency and crypto currency in the Affected User Proof of Claim and no supporting information will be required. If you disagree with the Recorded Balances for your account, you may fill in different amounts and you must submit supporting documentation setting out the particulars of the discrepancies. Supporting documentation may include, but is not limited to, a detailed listing of transactions making up the balances claimed, bank confirmations, receipts or bank statements supporting fiat deposits, bank statements or credit card statements supporting receipt of requested withdrawals, blockchain transaction details with respect to cryptocurrency deposits or withdrawals and/or email correspondence with Quadriga with respect to pending transactions or transactions not processed. The Trustee may request additional information and supporting documentation to support your claim.

If you claim any priority with respect to any amounts owing to you by Quadriga, you must note it on the Affected User Proof of Claim and set out the details to support your priority claim. Section 136 of the BIA sets out specific categories of claims that may benefit from a priority status such as:

- Crown priority claims;
- Employee priority claims;
- Pension priority claims;
- Secured claims;
- Preferred claims (such as spousal and child support and claims of landlords).

If claiming priority under Section 136 of the BIA, please set out under which subsection you are claiming priority. You can find the text of Section 136 of the BIA at https://laws-lois.justice.gc.ca/eng/acts/b-3/page-37.html#h-27334. If you require additional information with respect to priorities of claims or completing your Affected User Proof of Claim, you may wish to consult with the Representative Counsel appointed in this matter (Miller Thomson LLP and Cox Palmer – see www.millerthomson.com/en/quadrigacx).

The Trustee is not aware of any preferred creditor claims owed to Affected Users based upon information currently available.

The Trustee may contact you to request additional information about your claim. The Trustee is entitled to disallow your Affected User Proof of Claim in whole or in part. If your claim is disputed in whole or in part, the Trustee will send you a Notice of Disallowance along with particulars as to how you may dispute the Notice of Disallowance.

If you believe you have claims against Quadriga Fintech Solutions Corp. and/or Whiteside Capital Corporation separate from any claims against Quadriga, you may obtain a creditor Proof of Claim from the Trustee's Website at www.ey.com/ca/quadriga and follow the instructions therein to complete and file any such Proof of Claim.

NOTE: Filing a false claim may be an offence under the BIA punishable by fine and/or imprisonment of up to one year.

Appendix B

2019

Province of Nova Scotia
Division No. 01-Halifax
Court No. 43212
Estate No. 51-2499072

IN THE SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY

IN THE MATTER OF THE BANKRUPTCY OF
0984750 B.C. LTD. DBA QUADRIGA CX AND QUADRIGA COIN EXCHANGE

AFFECTED USER PROOF OF CLAIM
AS AT APRIL 15, 2019

Instructions

In order to have a valid Claim as an Affected User of 0984750 B.C. Ltd. dba Quadriga CX and Quadriga Coin Exchange ("**Quadriga**"), this Affected User Proof of Claim form must be properly completed and delivered to Ernst & Young Inc. in its capacity as the trustee in bankruptcy of Quadriga (the "**Trustee**") prior to 5:00 p.m. (Halifax time) on August 31, 2019 (the "**Claims Submission Date**").

These instructions are provided to assist you in preparing the Affected User Proof of Claim form in a complete and accurate manner. DO NOT LEAVE ANY SECTIONS OF THE FORM BLANK.

General

You must ensure that you include your complete name, address, telephone number and Quadriga account number on the Affected User Proof of Claim form.

The Affected User Proof of Claim form must be dated, signed personally by the individual completing it, and witnessed. The Affected User Proof of Claim form is incomplete UNLESS it has been signed and witnessed.

If the individual completing the Affected User Proof of Claim form is not the Affected User himself/herself, but is completing on behalf of a corporation, he/she must state his/her position or title.

Particulars of Affected User

Full Legal Name:____

Full Mailing Address / Address Registered with Quadriga:

____

____

Quadriga Account Number: ____

Telephone Number Registered with Quadriga: __________________________

E-mail Address Registered with Quadriga: ____________________________

Attention (Contact Person): ___________________________________

Note: *You may be asked to provide additional information to verify your identity*.

A. Proof of Claim

I, ____ [name of Affected User or Representative of Affected User], of ________________________________ (City, Province) do hereby certify:

(a) that I *[check one]*

□ am the Affected User of Quadriga; OR

□ am ____ *(state position or title)* of

____________________________________ (*name of Affected User)*

(b) that I have knowledge of all of the circumstances connected with the Claim referred to below;

(c) the Claimant asserts its claim against Quadriga as at April 15, 2019:

(insert crypto currency quantities in all applicable boxes or fiat in source currency)

Bitcoin - units		

Bitcoin Cash SV - units		
Bitcoin Cash - units		
Bitcoin Gold - units		
Litecoin - units		
Etherium - units		
CDN$		
US$		

Note: *Affected Users can review their Quadriga account balance as recorded in Quadriga's books and records as at **April 15, 2019** through the following web site* https://userbalance.quadrigacxtrustee.com/ *which may assist the Affected Users in filling out this proof of claim. If you disagree with the balance recorded within Quadriga's books and records, you may fill in different amounts and submit supporting documentation setting out the particulars of the discrepancies.*

In respect of the said claim, the Claimant asserts as follows:

(check appropriate description)

( ) I claim a right to a priority *(Set out on an attached schedule details to support the priority claim)*.

( ) I do not claim a right to a priority.

D. Particulars of Claim:

The Particulars of the undersigned's total Claim are set out in the attached Schedule "A". Please note that Schedule "A" support materials **are not required** if your claim submission matches the Quadriga books and records amounts reported at https://userbalance.quadrigacxtrustee.com/. However, Affected Users **must file a proof of claim** with the Trustee to be eligible to receive a distribution from the Estate.

E. Filing of Affected User Proof of Claim

This Affected User Proof of Claim should be received by the Trustee no later than 5:00 p.m. (Halifax time) on the Claims Submission Date by hand delivery, courier, fax **OR** email as follows:

(a) to the Trustee:

Ernst & Young Inc.
Court-appointed Trustee of Quadriga
Ernst & Young Tower
100 Adelaide Street West
Toronto, Ontario M5H 0B3
Attn: Quadriga Trustee

Email: quadriga.trustee@ca.ey.com
Fax: 416-864-1174

If you file your Affected User Proof of Claim as directed by the Claims Submission Date, the Trustee will review your claim and ensure you participate in any distributions made out of the estate of Quadriga to the extent of your valid accepted claim, if any. If you do not file your Affected User Proof of Claim by the Claim Submission Date, you may not be eligible to participate in the initial distribution to creditors.

I, ________________, acknowledge that filing a false claim may be an offence under section 201 of the *Bankruptcy and Insolvency Act* that is punishable by fine and/or imprisonment of up to one year.

Dated at ____________________ this _________ day of _____________________, 2019.

Name and address of Witness:

____

____

Witness Signature

____

Name of Affected User

Per: ____________________________