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April 17, 2019 **Via Fax**

The Honourable Justice Michael J. Wood
Supreme Court of Nova Scotia
The Law Courts
1815 Upper Water Street
Halifax, Nova Scotia

Dear Justice Wood:

Re: Application by Quadriga Fintech Solutions Corp., Whiteside Capital Corporation and 0984750 B.C. Ltd. dba Quadriga CX and Quadriga Coin Exchange for relief under the *Companies' Creditors Arrangement Act* – Hfx No. 484742

Submissions for Motion returnable April 18, 2019 at 9:30 a.m.

We are counsel for Ernst & Young Inc. ("**EY**") in its capacity as the monitor (the "**Monitor**") of 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**"). On February 5, 2019, the Applicants were granted protection from their creditors under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to the Initial Order (the "**Initial Order**") of the Nova Scotia Supreme Court (the "**Court**").

These submissions should be read in conjunction with the Fourth Report of the Monitor dated April 1, 2019 (the "**Fourth Report**").[1]

A. Issues

The submissions address the following issues before the Court:

(a) The proposed extension of the stay of proceedings under the Initial Order;

(b) The requested relief with respect to POSConnect Inc. ("**POSConnect**") and BillerFY Labs Inc. ("**BillerFY**"), Costodian Inc. ("**Costodian**"), ePad Registry Inc. ("**ePad**") and any other entity under the control of Mr. Jose Reyes that acted as a third party payment processor on behalf of the Applicants (collectively, the "**Reyes Parties**");

[1] All capitalized terms used but not defined herein have the meaning ascribed to them in the Fourth Report.

(c) The provisions in the Termination and Bankruptcy Assignment Order dealing with the Separate Account held by the Monitor pursuant to the Banking Arrangement Order, relating to Costodian claimed fees; and

(d) The letter sent to the Court by Black BanX Inc. ("**Black BanX**").

B. Background

On April 8, 2019, the Monitor brought a motion before the Court (the "**April 8 Motion**") seeking to transition the CCAA proceedings in respect of the Applicants to proceedings under the *Bankruptcy and Insolvency Act* (the "**BIA**") and the return of any property of the Applicants and information and documentation from the Applicants' third party payment processors (the "**Third Party Payment Processors**"). At the April 8 Motion, the Court adjourned the Monitor's request to extend the stay of proceedings and the relief requested by the Monitor in respect of POSConnect, BillerFY and ePad.

On this motion the Monitor is seeking substantially similar relief that it sought at the April 8 Motion. A notice of motion in respect of the relief by the Monitor at this motion was served on the Service List and posted on the Monitor's Website on Thursday, April 11, 2019. The Monitor is not aware of any opposition to the stay extension relief being sought. The Monitor has worked with POSConnect and BillerFY's counsel on revised language for the Third Party Processor Order as described herein.

Copies of the draft Stay Extension Order and draft Order in respect of POSConnect and the Reyes Parties sought by the Monitor are attached to these submissions as Schedules "1" and "2", respectively.

C. Submissions

1. Stay Extension

Pursuant to section 11.02 of the CCAA, the Court may extend the stay of proceedings with respect to debtor companies where: (a) circumstances exist that make the order appropriate; and (b) the debtor companies have acted and are acting in good faith and with due diligence. The Fourth Report outlined the activities that need to be completed prior to the dismissal of the CCAA proceedings and the Monitor believes it is appropriate for the stay of proceedings to continue until the proceedings are dismissed.

At the April 8 Motion, the Monitor requested an extension of the stay of proceedings until the CCAA Termination Time (as defined by Order (Re: Termination and Bankruptcy Assignment Order) dated April 11, 2019). The CCAA Termination Time was to occur upon the Monitor completing certain activities in the CCAA proceedings and filing a certificate upon seven (7) days' notice to interested parties. The Court expressed certain reservations with respect to extending the stay to an indeterminate date as the stay of proceedings could continue indefinitely without Court supervision and interested parties may not have an opportunity to seek to lift the stay. To address the concern the Monitor has revised the relief to request an extension of the stay of proceedings until the earlier of (i) the CCAA Termination Time; and (ii) June 28, 2019. The proposed stay extension will allow the stay to terminate without further court appearances if the activities in the CCAA proceedings can be completed by June 28, 2019 which will reduce costs of administering the proceedings. It will also provide the Court and stakeholders comfort that the stay of proceedings will not continue indefinitely and there will be an opportunity to seek to terminate the stay of proceedings if the CCAA proceedings are not completed in the short term.

2. Third Party Payment Processors

In addition to these supplementary submissions with respect to the specific issues with POSConnect and the Reyes Parties, the Monitor relies upon their submissions provided in respect of the April 8 Motion, a copy of which is attached hereto.

a. POSConnect

Following the April 8 Motion, POSConnect provided the Monitor with online access to the Quadriga account with POSConnect. The online account provides the information and documentation required by the Monitor and the Monitor is not seeking additional relief ordering production of information and documentation from POSConnect at this time. The Monitor may request additional information from POSConnect at a later date and reserves its rights to seek such further information pursuant to the BIA or further relief from the Court.

The POSConnect account indicates that there is a balance of $281,338.12, which the Monitor believes to be Quadriga property. The Monitor is requesting that POSConnect return $278,000 of the funds with the balance remaining to pay any fees that may be incurred for maintaining access to the POSConnect account.

b. Reyes Parties

At the April 8 Motion, counsel for the Reyes Parties raised primarily two objections to the relief sought by the Monitor: (i) the Reyes Parties objected to producing original documents to the Monitor; and (ii) the Reyes Parties wanted to be compensated for producing information and documentation with respect to the funds that the Reyes Parties held on behalf of Quadriga. Following the April 8 Motion, the Monitor reached out to counsel for the Reyes Parties to attempt to resolve any outstanding issues.

As indicated at the April 8 Motion, the Monitor does not require original documents and modified the language in the draft Order to state the Reyes Parties are only required to produce copies of documents.

In respect of the issue of payment for producing information and documentation, the Monitor submits that the Reyes Parties are not entitled to any compensation for producing information and documentation to the Monitor. As set out in the Fourth Report, the Payment Services and Custody of Funds Agreement between Quadriga and BillerFY sets out that BillerFY agreed to hold Quadriga's funds in segregated accounts in BillerFY's books and records and BillerFY was responsible for recording the amounts and locations of the custody assets. Further, BillerFY was also required to provide Quadriga with "periodical reports, transaction advice and/or statements of accounts relating to the Custody Assets." The Monitor submits that under these provisions BillerFY is required to produce account statements and information without additional extraordinary compensation. Further, the Monitor expects that a payment processor should be in a position to produce records of the transactions and related bank statements without excessive or time consuming efforts. The Monitor understands that the Reyes Parties are prepared to provide initial information downloaded for the Monitor and thereafter the Monitor will determine whether further statements or information or reports are required.

Additionally, as set out in the Monitor's prior submissions, it is common in insolvency proceedings that third parties will be required to produce documentation and accounting records to Court appointed officers with respect to the debtors' property. Section 164 of the BIA states:

> 164(1) Where a person has, or is believed or suspected to have, in his possession or power any of the property of the bankrupt, or any book, document or paper of any kind relating in whole or in part to the bankrupt, his dealings or property, or showing that he is indebted to the bankrupt, **he may be required by the trustee to produce the book, document or paper for the information of the trustee, or to deliver to him any property of the bankrupt in his possession**.

Section 164 of the BIA does not require the trustee-in-bankruptcy to pay the third party to account for the property of the bankrupt. Similarly, paragraphs 4 – 6 of the Model Receivership Order in Nova Scotia grants specific powers to Receivers to compel books, documents, contracts and accounting records from any person and does require the Receiver to compensate the third parties. Similar principles should govern for information to be provided pursuant to CCAA proceedings.

The Monitor has also asked Jose Reyes to confirm the identity of any other entitles through which Quadriga transactions were processed, so that the Third Party Processor Order may be amended to include these parties. The draft order has been amended to reflect the additional identified parties.

c. Provisions in the Termination and Bankruptcy Assignment Order dealing with the Separate Account

At the April 8, 2019 hearing, counsel to Costodian raised a concern in respect of the manner in which the Separate Account, being held by the Monitor pursuant to the Banking Arrangement Order, was addressed in paragraph 5 of the draft order. The Monitor has discussed the provision with counsel and the parties have agreed to revise as follows:

> In connection with the Termination and Bankruptcy Assignment Order granted April 8, 2019, Costodian Inc. shall be entitled to the benefit of and is hereby granted a charge (the "**Costodian Charge**") on the Property (as defined in the Initial Order), which charge shall not exceed $778,213.94 (plus interest accruing thereon at the rate established by the relevant bank for the bank account referenced in this paragraph) as security for payment of funds held in account 100-845-7 (Transit #00004) (the "**Separate Account**"), to the extent it is finally determined by this Court that Costodian Inc. is entitled to some or all of such funds. The Costodian Charge shall be subject to all the terms and conditions and be entitled to all the benefits outlined in paragraphs 38-42 of the Initial Order. Costodian Inc. or its assignee shall have no right to take any enforcement steps as a secured creditor in respect of the Costodian Charge unless and until a final order is made by this Court entitling Costodian Inc. to payment of all or a portion of the funds secured by the Costodian Charge. For greater certainty, the Costodian Charge shall not be rendered invalid or unenforceable by any bankruptcy Order made in respect of the Applicants. The Costodian Charge shall be terminated, discharged and released effective on (a) consent of Costodian Inc. and the Trustee in Bankruptcy of Quadriga, or (b) a further Order of this Court.

3. Black BanX Letter

On April 16, 2019, the Monitor received a copy of the letter from Black BanX Inc. ("**Black BanX**") that was sent to the Court. The letter asserted that Black BanX had no relationship with Quadriga which solely dealt with WB21 Pte Ltd. ("**WB21 Pte**"), a Singaporean entity. The letter also suggests that Blank BanX started operations on January 1, 2019. A copy of the letter from Black BanX is attached as Schedule "3".

The information outlined in the letter is inconsistent with the information obtained by the Monitor, and included in the Fourth Report, which notes that WB21 Inc., the predecessor name to Blank BanX Inc. and for which Mr. Gastauer is sole director, was incorporated on January 2, 2018 and changed its name to Black BanX Inc. on January 16, 2019. It also appeared to the Monitor that Black BanX, WB21 Pte, and other affiliated entities operated as a single organization accepting deposits from customers in various jurisdictions. Therefore, the Monitor believes that Black BanX could have possession of or access to information with respect to Quadriga's funds. As set out in the Fourth Report, the Monitor previously requested a copy of any agreement that existed between WB21 Pte and Quadriga. Black BanX or WB21 Pte have not produced any agreement or other documentation. The Monitor continues to believe the Order granted by the Court was appropriate in the circumstances.

If Black BanX or WB21 Pte have any issue with the relief obtained to the Monitor (on notice to both parties), the Monitor submits that Black BanX and WB21 Pte should be required to bring a motion on notice to the Monitor and other interested parties to amend or vary the Order granted by the Court. If Black BanX or WB21 Pte intend to bring such a motion, the Monitor is willing to work with them on scheduling an appropriate timetable.

Yours truly,

Elizabeth Pillon

EP/kl

cc. Service List

Schedule "1"

[Attached]

2019 Hfx No. 484742

IN THE SUPREME COURT OF NOVA SCOTIA

IN THE MATTER OF: Application by Quadriga Fintech Solutions Corp., Whiteside Capital Corporation and 0984750 B.C. Ltd. d/b/a Quadriga CX and Quadriga Coin Exchange (collectively referred to as the "**Companies**" and the "**Applicants**"), for relief under the *Companies' Creditors Arrangement Act*

ORDER
(Re Ancillary Termination and Bankruptcy Assignment Order)

BEFORE THE HONOURABLE JUSTICE MICHAEL J. WOOD

UPON MOTION, in the proceedings of Quadriga Fintech Solutions Corp. ("**Fintech**"), Whiteside Capital Corporation ("**Whiteside**"), and 0984750 B.C. Ltd. dba Quadriga CX ("**Quadriga**") and Quadriga Coin Exchange ("**Exchange**") under the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**"), by Ernst & Young Inc. ("**EY**"), in its capacity as Court-appointed Monitor of the Applicants (the "**Monitor**");

UPON READING the Fourth Report of the Monitor dated April 1, 2019;

AND UPON HEARING the submissions of counsel for the Monitor and counsel to Costodian Inc., and such other individuals who appeared and were heard on the Motion;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. If necessary, the service of the Notice of Motion, the Motion Record and supporting documents are hereby abridged and service is hereby deemed adequate notice so that the Motion is properly returnable today and further service thereof is hereby dispensed with.

2. In connection with the Termination and Bankruptcy Assignment Order granted April 8, 2019 (the "**Bankruptcy Order**"), Costodian Inc. shall be entitled to the benefit of and is hereby granted a charge (the "**Costodian Charge**") on the Property (as defined in the Initial Order dated February 5, 2019 (the "**Initial Order**")), which charge shall not exceed $778,213.94 (plus interest accruing thereon at the rate established by the relevant bank for the bank account referenced in this paragraph) as security for payment of funds held in account 100-845-7 (Transit #00004) (the "**Separate Account**"), to the extent it is finally determined by this Court that Costodian Inc. is entitled to some or all of such funds. The Costodian Charge shall be subject to all the terms and conditions and be entitled to all the

benefits outlined in paragraphs 38-42 of the Initial Order. Costodian Inc. or its assignee shall have no right to take any enforcement steps as a secured creditor in respect of the Costodian Charge unless and until a final order is made by this Court entitling Costodian Inc. to payment of all or a portion of the funds secured by the Costodian Charge. For greater certainty, the Costodian Charge shall not be rendered invalid or unenforceable by any bankruptcy Order made in respect of the Applicants. The Costodian Charge shall be terminated, discharged and released effective on (a) consent of Costodian Inc. and the Trustee in Bankruptcy of Quadriga, or (b) a further Order of this Court.

3. The Stay Period (as defined by the Initial Order) is extended to the earlier of (a) the CCAA Termination Time (as defined by the Bankruptcy Order); and (b) June 28, 2019.

General

4. The aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction outside of Nova Scotia is requested to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

5. This Order and all of its provisions are effective as of 12:01 a.m. Atlantic Standard Time on the 18th day of April, 2019.

Issued at Halifax, Province of Nova Scotia, this ____ day of April, 2019.

____

Schedule "2"

[Attached]

2019 Hfx No. 484742

IN THE SUPREME COURT OF NOVA SCOTIA

IN THE MATTER OF: Application by Quadriga Fintech Solutions Corp., Whiteside Capital Corporation and 0984750 B.C. Ltd. d/b/a Quadriga CX and Quadriga Coin Exchange (collectively, the "**Applicants**"), for relief under the *Companies' Creditors Arrangement Act*

ORDER
(Re Third Party Payment Processors – POS Connect Inc., Costodian Inc., BillerFY Labs Inc., ePADregistry Inc., POSConnect Inc., Armourga Financial Group Corp. and Interbank Smart Ledger Consortium Corp.)

BEFORE THE HONOURABLE JUSTICE MICHAEL J. WOOD

UPON MOTION, in the proceedings of Quadriga Fintech Solutions Corp., Whiteside Capital Corporation, and 0984750 B.C. Ltd. dba Quadriga CX and Quadriga Coin Exchange (collectively, the "**Applicants**"), under the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**") by Ernst & Young Inc. ("**EY**"), in its capacity as Court-appointed Monitor and/or trustee-in-bankruptcy of the Applicants in respect of any proceedings under the *Bankruptcy and Insolvency Act* (Canada) (the "**Monitor**");

UPON READING the Fourth Report of the Monitor dated April 1, 2019;

AND UPON HEARING counsel to the Applicants, counsel for the Monitor, Representative Counsel of the Affected Users and such other individuals who appeared and were heard on the Motion;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. If necessary, the service of the Notice of Motion, the Motion Record and supporting documents are hereby abridged and service is hereby deemed adequate notice so that the Motion is properly returnable today and further service thereof is hereby dispensed with.

Costodian, BillerFY, ePADregistry, Armourga and Interbank

2. Costodian Inc. ("**Costodian**"), BillerFY Labs Inc. ("**BillerFY**"), ePADregistry Inc. ("**ePAD**"), Armourga Financial Group Corp. ("**Armourga**") and Interbank Smart Ledger Consortium Corp. ("**Interbank**") shall forthwith deliver copies of all books, documents, and accounting records, and any other papers, records and information related to Property that Costodian, BillerFY, ePAD, Armourga or Interbank hold or previously held,

including account statements in respect of bank accounts that hold or held Property, deposit and withdraw transaction information related to the Property that Costodian, BillerFY, ePAD, Armourga or Interbank hold or held, the identities of depositors of Property and recipients of Property that Costodian, BillerFY, ePAD, Armourga or Interbank hold or held, directions received by Costodian, BillerFY, ePAD, Armourga and/or Interbank from the Applicants in respect of distribution of Property and other information and documents reasonably required to ascertain the location of the Applicants' Property.

3. Within ten (10) business days of the Order, Costodian, BillerFY, ePAD, Armourga and Interbank shall deliver any Property in the possession of Costodian, BillerFY, ePAD, Armourga or Interbank to the Monitor.

POSConnect

4. Within ten (10) business days of the Order, POSConnect shall deliver $278,000, being Property in the possession of POSConnect, to the Monitor.

General

5. Any dispute regarding the amount of Property held by Costodian, BillerFY, ePAD, Armourga, Interbank and POSConnect shall be determined by this Court on a motion returnable on at least seven (7) days' notice to the applicable parties in respect of the dispute.

6. All of the terms of this Order shall continue to apply in any proceedings in respect of the Applicants under the *Bankruptcy and Insolvency Act* (Canada) *mutatis mutandis*.

7. The aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction outside of Nova Scotia, including the United States or Singapore, is requested to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

8. This Order and all of its provisions are effective as of 12:01 a.m. Atlantic Standard Time on the 18th day of April, 2019.

Issued at Halifax, Province of Nova Scotia, this ____ day of April, 2019.

____

Schedule "3"

[Attached]

BLACK BANX

Black Banx | 88 Queens Quay West | Toronto | Ontario | M5J 0B8 | Canada

The Honourable Justice Michael J. Wood
Nova Scotia Supreme Court
1815 Upper Water St.
Halifax, NS
B3J 1M3

April 15th, 2019

Hfx No. 484742

The Honourable Justice Michael J. Wood,

In response to your Order dated April 11th, 2019 we would like to notify that Black Banx Inc., never had a business relation with any of the "Quadriga" entities listed in your order. We started our business operations on January 1st, 2019. Before that date we have not been providing services to any third party.

Therefore we do not hold any records, books, documents or other information regarding the entities related to "Quadriga". Further we do not hold any property or assets belonging to "Quadriga" or any of the entities listed in your order.

Black Banx Inc. is a legal entity incorporated under Canadian law. WB21 Pte. Ltd. is a separate legal entity incorporated under Singapore law. Black Banx Inc. does not have the same directors or shareholders as WB21 Pte. Ltd. Thus, Black Banx Inc. does not agree to being addressed collectively as "WB21". Please contact WB21 Pte. Ltd. directly for any matters related to this case.

Kind regards,

Phillip Gastauer
Director