S-212302

No: S______
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*
R.S.C. 1985 c. B-3

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF ENCOREFX INC.

REPORT OF THE PROPOSED MONITOR

ERNST & YOUNG INC.,

March 10, 2021

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OF ERNST & YOUNG INC.,
PROPOSED MONITOR IN THE CCAA PROCEEDINGS OF
ENCOREFX INC.
Effective as at March 10, 2021

INTRODUCTION AND PURPOSE OF THIS REPORT

1. On March 30, 2020 (the "**Bankruptcy Date**"), EncoreFX Inc. ("**EncoreFX**" or the "**Company**") filed an assignment into bankruptcy (the "**BIA Proceedings**"). Ernst & Young Inc. ("**EYI**") consented to act as the licensed insolvency trustee (the "**Trustee**") in the estate of EncoreFX (the "**Estate**"). A description of the business of EncoreFX is provided below.

2. Pursuant to s. 69.3(1) of the *Bankruptcy and Insolvency Act (Canada),* RSC 1985, c B-3 (the "**BIA**"), a stay of proceedings (the "**Stay**") has been in effect with respect to EncoreFX since the Bankruptcy Date.

3. A first meeting of creditors (the "**FMOCs**") in the bankruptcy of EncoreFX occurred on May 7, 2020, at which point the creditors of EncoreFX, a) affirmed the appointment of the Trustee, and b) appointed inspectors in the Estate (the "**Inspectors**").

4. The Trustee has retained the services of MLT Aikins LLP ("**MLT Aikins**") to represent it in the BIA Proceedings.

5. The Trustee published the materials tabled at the FMOCs on a website that it had set up in respect of the BIA Proceedings at www.ey.com/ca/EncoreFX (the "**Website**"). EYI intends to continue to use the Website during the proposed proceedings under the *Companies' Creditors Arrangement Act* (Canada), RSC 1985, c C-36 (the "**CCAA**" and "**CCAA Proceedings**" respectively) in order to make timely updates to ensure all stakeholders have access to the most current information regarding the Company.

6. The stakeholders with the largest claims filed against the Estate of EncoreFX are as follows:

  a) Gustavson Capital Corporation ("**GCC**") who has filed a secured claim against the Estate in the amount of CAD $35,900,000 (the "**GCC Secured Claim**"); and

  b) Mr. Andreas Wrede ("**Mr. Wrede**") who filed a "**Property Claim**" in the amount of CAD $28,966,893 (the "**Wrede Property Claim**").

7. The Trustee estimates total "**Claims**" filed against EncoreFX of approximately CAD $94,100,000; and accordingly, the Claims of GCC and Mr. Wrede represent approximately 70% of the total claims filed against the Estate.

8. As is described in detail below, the Trustee issued or delivered in draft notices of disallowance to disallow the GCC Secured Claim as a Secured Claim and the Wrede Property Claim as a Property Claim.

9. In late 2020, GCC, Mr. Wrede, and the Trustee commenced negotiations with respect to a global settlement of the various Claims filed against EncoreFX which would allow for a prompt distribution of the funds in the Estate available for distribution to the Company's creditors with Proven Claims (as defined in the Plan).

10. Following extensive discussions with GCC and Mr. Wrede, an analysis by the Trustee of available legal remedies and continuous consultation with the Inspectors with respect to same, in early to mid January 2021, GCC and Mr. Wrede presented a term sheet which outlined the terms of a proposed settlement transaction (the "**Term Sheet**") that sought to achieve and expedite a global settlement and resolution of the various Claims against EncoreFX through a proceedings to be commenced under the CCAA (the "**Settlement Transaction**"). In particular, the Settlement Transaction contemplates, *inter alia*, the following:

a) the Trustee would file an application with this Honourable Court for an Order to convert the BIA Proceedings to CCAA Proceedings where EYI (the "**Proposed Monitor**") would be appointed by this Honourable Court as "**Monitor**" to administer the CCAA Proceedings;

b) the Proposed Monitor would apply for Orders of this Honourable Court approving, *inter alia*:

i. a "**Claims Process**" to determine the claims of creditors ("**Claims**") and establish a claims bar date by which creditors must file a "**Proof of Claim**" in the CCAA Proceedings:

ii. the filing of a Plan of Compromise and Arrangement (a "**Plan**") under the provisions of the CCAA; and

iii. a procedure for calling a "**Creditors' Meeting**" to consider and to vote on the Plan, which, if approved by the Requisite Majority (defined below) of creditors at the Creditors' Meeting and sanctioned by this Honourable Court, compromises the Proven Claims (as defined in the Plan) of Affected Creditors (defined below) against the Company.

11. On January 15, 2021, the Inspectors in the Estate of the Bankruptcy of EncoreFX Inc. approved the Term Sheet which included the procedures noted above. The Trustee, GCC, and Mr. Wrede (the "**Term Sheet Parties**") formally executed the Term Sheet upon approval of same by the Inspectors.

12. On March 10, 2021, the Trustee filed a Petition with this Honourable Court for an Order (the "**Conversion Order**") for certain relief, including, but not limited to:

a) a declaration the BIA Proceedings and the appointment of EYI as Trustee be continued under the CCAA (the "**CCAA Conversion**") and EY will be discharged as Trustee in the BIA Proceedings;

b) a declaration that all orders pronounced by the Honourable Madam Justice Fitzpatrick in the BIA Proceedings (the "**Bankruptcy Orders**") apply to and are continued under the CCAA Proceedings, except as amended by the terms of the Conversion Order;

    i. the pronouncement of a stay of proceedings (the "**CCAA Stay Period**") up to and including March 25, 2021 (the "**Comeback Date**");

    ii. an Order that appoints EYI as Monitor in the proposed CCAA Proceedings;

    iii. an Order that authorizes the Proposed Monitor to file with this Honourable Court a Plan; and

    iv. a declaration that the Proposed Monitor shall maintain possession and control of EncoreFX's property (similar to a receiver); and continue to carry on EncoreFX's business in a manner consistent with the preservation of the business and the property and other ancillary relief with respect to same.

13. The Proposed Monitor has also filed a Notice of Application returnable on or before the Comeback Date for a hearing (the "**Comeback Hearing**") to apply for certain relief, including, but not limited to Orders:

    a) extending the CCAA Stay Period to June 8, 2021 (75 days following the Comeback Date);

    b) approving a "**Claims Process Order**"; and

    c) approving a "**Creditor's Meeting Order**".

14. The purpose of this report of the Proposed Monitor (the "**Proposed Monitor's Report**") is to advise this Honourable Court with respect to the following:

    a) the appointment of the Proposed Monitor;

    b) the background related to the BIA Proceedings;

c) a general overview of the Plan, including the proposed terms thereof;

d) the Proposed Monitor's commentary on the Plan, including in respect of the fairness to the General Unsecured Creditors (defined below);

e) a summary of the Claims Process Order;

f) a summary of the Creditor's Meeting Order;

g) an overview of the 13-week cash flow projection; and

h) the Proposed Monitor's recommendations.

TERMS OF REFERENCE

15. In preparing this Proposed Monitor's Report, the Proposed Monitor has been provided with, and in making the comments herein relied upon, unaudited financial information, the Company's books and records, financial information prepared by the Company, and discussions with key individuals within the Company. The Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance in respect of such information contained in this Proposed Monitor's Report.

16. Certain information referred to in this Proposed Monitor's Report consists of forecasts and projections. The Proposed Monitor 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 pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance in respect of the Information.

17. Future oriented financial information referred to in this report was prepared based on estimates and probable and hypothetical assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not

readily and currently ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be material.

18. This Proposed Monitor's Report has been prepared for the use of this Honourable Court and the Petitioner's stakeholders as general information relating to the Company. Accordingly, the reader is cautioned that this Proposed Monitor's Report may not be appropriate for any other purpose. The Proposed Monitor assumes no responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Proposed Monitor's Report contrary to the provisions of this paragraph.

19. Capitalized terms not defined in this Proposed Monitor's Report have the meaning ascribed to them in the Plan, or any other Order referenced in the Proposed Monitor's Report.

20. All references to dollars are in Canadian Currency unless otherwise noted.

APPOINTMENT OF THE PROPOSED MONITOR

21. EYI is currently acting as the Trustee in bankruptcy in the Estate of the EncoreFX. The BIA does not prevent a trustee in bankruptcy from acting as monitor if BIA proceedings are converted to CCAA proceedings. Further, section 11.7(2) of the CCAA does not identify acting as trustee in bankruptcy as one of the restrictions preventing that party from acting as monitor.

22. EYI further confirms that it fulfills the requirement of section 11.7(1) of the CCAA, and that neither EYI nor its affiliates, directors and officers is subject to the restrictions referred to in section 11.7(2)(a) and (b) of the CCAA.

23. Moreover, the senior officers of EYI that would be responsible for the administration of the proposed CCAA Proceedings have administered the BIA Proceedings of EncoreFX since

the Bankruptcy Date and possess a unique understanding of the issues of EncoreFX, claims of creditors, and avenues for future recoveries.

24. A summary of the activities undertaken by the Trustee (with the approval of Inspectors) in the BIA Proceedings since the Bankruptcy Date is provided below.

25. Based on the foregoing and given the administrative efficiencies that would result from EYI's familiarity with the affairs and stakeholders of EncoreFX, EYI has consented to act as the Monitor in these CCAA Proceedings. A copy of the EYI Consent to Act is attached hereto as **Appendix "A"**.

BACKGROUND

History of EncoreFX

26. EncoreFX is a Federal Corporation incorporated under the *Canada Business Corporations Act*, RSC 1985, c C-44. EncoreFX Ltd., EncoreFX (Australia) Pty Ltd., and EncoreFX (NZ) Limited are wholly owned foreign subsidiaries of EncoreFX. The Trustee attached a copy of a corporate organization chart provided by management in its First Report, which was filed within the BIA Proceedings.

27. EncoreFX was incorporated on September 15, 2014, and began operating with its head office in Victoria, British Columbia. Over the next few years, EncoreFX opened branch offices in the cities of Vancouver, Calgary, Edmonton, Saskatoon, Regina, Winnipeg, Toronto, Ottawa, Kitchener, and Mississauga. EncoreFX employed a workforce of approximately 150 personnel as at the Bankruptcy Date.

28. EncoreFX also established subsidiaries in Australia and New Zealand due to those countries having similar economic conditions to Canada and it carried on significant operations in those countries. EncoreFX, via its subsidiaries, carried on significant operations in those countries.

29. EncoreFX further established EncoreFX Ltd. (the "**US Subsidiary**"), a United States subsidiary incorporated in Washington State in the United States. In recent years, the US Subsidiary underwent a lengthy process to obtain licenses.

30. As discussed above, EncoreFX is in the business of providing foreign exchange ("**FX**") risk management and cross-border payment services predominantly to small and mid-size enterprise clients that import or export products from/to foreign markets and base their pricing on foreign currencies. The Company sold the following FX risk management services to its clients to mitigate their exposure to fluctuating FX rates: FX spot transactions and FX derivative contracts (including forward contracts and options) (the "**EncoreFX Derivatives**"). It should be noted that to the best of the knowledge of EncoreFX, EncoreFX's primary client base entered into foreign exchange contracts with EncoreFX to manage the foreign exchange exposures in their business and <u>not for speculation on the movement of FX rates</u>.

The EncoreFX Derivatives

31. The EncoreFX Derivatives are referred to as "over-the-counter" derivatives, because they are not traded on a market or securities exchange, but rather negotiated with each counterparty (EncoreFX and its client) at the time they are consummated.

32. A very basic illustration of one of the EncoreFX Derivatives is a forward contract, which allows a client to lock in a specific exchange rate today for a currency to be purchased or sold in the future. A client may choose to lock in a specific rate today for many reasons including that it aligns with, a) their budget FX rate, or b) the FX rate that was utilized when it costed or priced the goods or services being imported or exported.

33. In the following example, Client A is importing goods from the United States for resale in Canada and must pay their supplier USD $1,000,000 on June 30, 2020. Client A based the ultimate pricing of goods being imported for resale on their budget rate of USD/CAD 1.40 which was the then current FX rate. In order to mitigate the risk that fluctuating FX

rates could have on its gross margins, Client A enters into a forward contract with EncoreFX and commits to buying USD$1,000,000 on June 30, 2020 at an exchange rate of 1.40 (i.e. Client A will pay CAD $1,400,000 to purchase USD $1,000,000).

34. If the exchange rate on June 30, 2020 is 1.35, then the market value of USD being purchased is equal to CAD $1,350,000 and Client A would be paying $50,000 more to settle the contract as at June 30, 2020 and as a result of the forward contract booked have a "realized foreign exchange loss" of $50,000. Client A; however, is no worse off as a result of booking the forward contract at 1.40 because they were able to convert funds at their budgeted rate and achieve their expected gross margins.

35. Conversely, if the exchange rate on June 30, 2020 is 1.45, then market value of the US being purchased is equal to CAD $1,450,000 and Client A would be paying $50,000 less than the market value as a result of the forward contract booked thereby resulting in a deemed "realized foreign exchange gain". Client A is better off having booked the forward contract as they were able to purchase the USD at a better than market rate and they were able to convert funds at their budgeted rate to achieve their expected gross margins.

36. The 'market value' of all of the EncoreFX Derivatives products sold to clients fluctuates every second of every day once entered into due to movements in underlying FX rates; and at any given time, the market value is out-the-money ("**OTM**"), in-the-money ("**ITM**") or at-the-money ("**ATM**"). In simplistic terms:

a) an OTM position means that the FX rate and other factors moved against the client and if the contract were to be liquidated, the client would owe EncoreFX an amount equal to the dollar value of the OTM position;

b) an ITM position means that the FX rate and other factors moved in favour of the client and if the contract were to be liquidated, EncoreFX would owe the client an amount equal to the dollar value of the ITM position; and

c) an ATM position means there was little to no change in FX rates and neither party owes the other.

The Treasury Function

37. EncoreFX's Treasury Department was responsible for continually monitoring the aggregate FX exposure that arose from the sale of EncoreFX Derivatives to clients.

38. The Treasury Department used sophisticated trading platforms to monitor this exposure and assess overall netting of EncoreFX Derivatives bought and sold to clients. Netting was only allowed for if the currencies and contract tenures were the same.

39. Once netting was factored in and / or when currency exposures reached a predetermined threshold outlined in the Company policy, the Treasury Department would book hedging transactions (a simple example being a buy or sell position forward contract that moved in value the opposite way of the contracts being hedged) with one of its third-party banking counterparties (the "**Liquidity Providers**") to eliminate the Company's FX exposure.

40. EncoreFX had signed standard the International Swaps and Derivatives Association, Inc. ("**ISDA**") agreements (the "**ISDA Agreements**") with its Liquidity Providers that required the Company post security or 'margin' to cover the credit and market risk that Liquidity Provider were taking on when entering into FX derivative contracts with EncoreFX.

41. The Company was required to post initial margin with its Liquidity Provider, which was generally a percentage of the notional value of the contract booked (i.e. if EncoreFX booked a contract to sell USD $1,000,000, the initial margin was calculated at say 1% of USD $1,000,000 then EncoreFX would have to pay a deposit of USD $10,000 to the Liquidity Provider).

42. EncoreFX was also required to post OTM margin with Liquidity Providers equal to the value of all OTM contracts (i.e. if EncoreFX had various derivatives booked with a Liquidity Provider and on a net basis those derivatives were OTM USD $500,000, then EncoreFX would have to pay USD $500,000 in OTM margin to the Liquidity Provider).

The Credit Function

43. In order to be competitive within its industry, EncoreFX offered credit to certain clients booking EncoreFX Derivatives. The credit terms offered included no initial margin and OTM limits up to a predetermined amount (i.e. the client's derivative contract would have to be OTM greater than say USD $500,000 before EncoreFX would require the client to pay margin).

44. Prior to granting credit to clients, EncoreFX's credit department would perform a detailed credit assessment and would extend terms that were in line with the client's financial strength.

45. Once the assessment was finalized, EncoreFX would issue and the client would sign a credit facility agreement ("**Credit Facility Agreement**") that outlined the terms under which credit was granted.

46. Credit terms were reviewed by the Credit Department on a periodic basis (i.e. quarterly or annually) depending on the client's credit classification.

Reasons for Insolvency

47. Beginning in March 2020, global FX markets began to observe atypical levels of volatility mainly driven by the impact that COVID-19 was having on the global economy. In particular, the US Dollar (USD) strengthened in a significant way against some of the world's most traded currencies, including against the Canadian, Australian and New Zealand dollars in which the majority of the EncoreFX Derivatives were booked.

48. Due to this extreme market volatility, a number of EncoreFX's clients (and its subsidiaries' clients) were OTM on their transactions; and as a consequence, EncoreFX was left OTM with its Liquidity Providers.

49. Under the terms of its ISDA Agreements, EncoreFX was required to pay significant additional margin to its Liquidity Providers to cover the value of OTM contracts.

50. Many of EncoreFX's clients had exceeded the OTM thresholds outlined in their Credit Facility Agreements and were subject to margin calls (the "**OTM Clients**"). The Trustee was advised that EncoreFX attempted to work with many of the OTM Clients to address margin calls owing however many clients' businesses had been negatively impacted by COVID-19 and they were unable to honour the terms of their Credit Facility Agreements.

51. In the days leading up to the bankruptcy, the Trustee was advised that EncoreFX management determined that even if all OTM amounts owing could be collected from clients over time, there was no short-term liquidity available to the Company to meet its obligations and EncoreFX made the decision suspend all trading activity as at Sunday, March 29, 2020 (prior to the opening of trading on Monday, March 30, 2020).

52. The Trustee notes that it was first approached by the Company with respect to the financial distress of the Company on March 26th, 2020; and thereafter, in the days that followed entertained several discussions to consider various restructuring options available to EncoreFX both formally and informally. The decision to suspend trading (with respect to new transactions) and to file the assignment into bankruptcy was made on eve of March 29th (as noted above, the day before markets resumed trading the following Monday).

53. The Australian and New Zealand subsidiaries were also placed into Voluntary Administration (formal insolvency proceedings in those countries). Ernst & Young Inc. is acting as the Administrator in insolvency proceedings of the Australia and New Zealand entities.

THE BIA PROCEEDINGS

54. The Trustee's actions and undertakings in the administration of the Estate are described in detail in the Trustee's First Report, Second Report, Third Report and Fourth Report to this Honourable Court (collectively, the "**Trustee's Reports**"). In summary, the Trustee:

a) recovered cash balances in the Company's sixty-one bank accounts held at fourteen separate financial institutions located in Canada and internationally;

b) settled and recovered approximately CAD $12,678,401 of collateral posted by the Company with its Liquidity Providers;

c) closed-out open transactions with 288 OTM Clients resulting in OTM positions (receivables) of approximately $64 million and commenced collection efforts against the OTM Clients (including the filing of 92 Statements of Claim);

d) collected or settled OTM receivables of approximately CAD $13,826,289 to date;

e) completed a sale transaction for the Canadian business infrastructure assets of EncoreFX to Global Reach Group Limited, a United Kingdom based company that provides similar FX backed risk management services and cross-border payments solutions to EncoreFX before it ceased trading, where the amount of the transaction totalled CAD $100,000;

f) completed a sale transaction for 100% of the shares of the US Subsidiary to StoneX Group Inc., a United Stated based financial services company, where the amount of the transaction totalled USD $200,000 plus an amount equal to the estimated net working capital of the US Subsidiary at the completion of the transaction;

g) terminated and facilitated filings under WEPPA for approximately 149 former EncoreFX employees;

h) recovered CAD $481,367 directly from PAD Customers (defined below) or Double Dip Customers (defined below) in respect of the EFT Reversals (defined below) who initiated EFT Reversals;

i) recovered CAD $4,339,615 and USD $1,171,279 from the Bank of Montreal ("**BMO**") representing amounts which BMO had debited from the EncoreFX operating accounts after the Bankruptcy Date, less the amounts which the Trustee has settled with PAD Customers (defined below) or Double Dip Customers (defined below) in respect of the EFT Reversals (defined below);

j) reviewed and responded to numerous property claims ("**Property Claims**") filed by creditors in the Estate to date, including the Claim filed by Mr. Wrede;

k) reviewed and responded to the secured creditor claim of GCC; and

l) closed-out open transactions with 178 ITM Clients resulting in ITM positions (unsecured liabilities) of approximately $11 million.

55. The Trustee has entered into an agreement to mediate with twelve (12) OTM Clients represented by two legal counsel regarding claims that the Trustee commenced against those OTM Clients, which mediation is expected to occur in early April 2021.

56. A statement of receipts and disbursements of the Trustee to March 9, 2021 is attached hereto as **Appendix "B"**.

THE GCC SECURED CLAIM

57. GCC is the only known creditor with a security registration against EncoreFX. On May 6, 2020, GCC filed the GCC Secured Claim with the Trustee in the approximate amount of CAD $35,900,000.

58. On June 5, 2020, the Trustee sought and received the approval from the Inspectors to proceed with an investigation to determine if the GCC Secured Claim could be postponed or set aside, as a result of factors including, but not limited to, GCC not being an arm's length creditor (s. 137(1) of the BIA), and whether the GCC Secured Claim (or a portion thereof) could be characterized as an equity claim (s.140.1 of the BIA).

59. The Trustee reviewed the substantive documentation of EncoreFX and GCC in relation to the GCC Secured Claim and pursuant to s. 163(1) of the BIA, the Trustee's legal counsel conducted examinations of Mr. Peter Gustavson, Ms. Briony Bayer and Mr. Paul Lennox,

in order to gather sufficient and appropriate evidence required to support the Trustee's determination on the GCC Secured Claim.

60. On September 25, 2020, the Trustee presented its findings and recommendation to disallow the GCC Secured Claim pursuant to s. 135(2) of the BIA to the Inspectors, who approved the Trustee with proceeding to issue a notice of disallowance to GCC to disallow the GCC Secured Claim as a secured claim in the Estate and to take any further future actions as may be required for final determination on the GCC Secured Claim.

61. On or about November 10, 2020 the Trustee delivered a draft notice of disallowance of the Secured Proof of Claim to Jones Emery Hargreaves Swan LLP ("**Jones Emery**"), counsel to GCC.

PROPERTY PROOF OF CLAIMS

62. Given the nature of EncoreFX's business, a significant number of clients filed property proofs of claim (the "**Property Claims**"). A total of 84 Property Claims, with a total approximate value of CAD $46,371,787 have been filed with the Trustee, to date.

63. Property Claims can generally be categorized into four categories. The four general categories of Property Claims and the total claims filed under each are summarized below:

Category	**No.**	**$ CAD Amount**
In-Flight Claims	34	$5,009,446
Holding Claims	24	$30,754,557
Margin Call Claims	22	$6,852,430
Miscellaneous	4	$3,755,354
Total	**84**	**$46,371,787**

64. In-Flight Claims relate to customer funds paid into EncoreFX's accounts in the days leading up to the Bankruptcy Date for the purpose of a specific transaction that was not completed by EncoreFX following the Bankruptcy Date.

65. Holding Claims relate to customer funds paid to EncoreFX before the Bankruptcy Date, which EncoreFX allocated to the customer's internal holding account while EncoreFX was awaiting instructions on how or when to transact these funds.

66. Margin Call Claims relate to client funds paid to EncoreFX before the Bankruptcy Date under a forward or option contract to cover unfavourable market fluctuations in excess of limits set out in their Credit Facility Letter.

67. Miscellaneous Claims do not fit into the above three categories and involve a number of mixed claims.

68. The current status of the 84 Property Claims filed is as follows:

Current Status	**No.**	**$ CAD Amount**
Property Claims – Admitted	3	$2,074,573
Property Claims – Withdrawn	1	$3,672,428
Property Claims - Disallowed		
Disallowed – No appeal filed	56	$4,279,340
Disallowed – Still within appeal period	2	$458,389
Disallowed – Appeal filed	19	$33,271,719
Disallowed – Appeal settled	3	$2,615,338
Total Property Claims Filed	**84**	**$46,371,787**

69. To date, twenty-two (22) customers (the "**Appealed Property Claimants**"), with a total of $35,887,057 in Property Claims, have appealed the Trustee's decision to disallow their Property Claims (the "**Appealed Property Claims**"). Three appeals of customers with a

total of $2,615,338 have been settled, and 19 customers, with a total of $33,271,719 in Property Claims, have outstanding appeals, which are broken down as follows:

Category	**No.**	**$ CAD Amount**
In-Flight Claims	5	$1,436,070
Holding Claims	6	$29,575,015
Margin Call Claims	8	$2,260,634
Total	**19**	**$33,271,719**

70. The Proposed Monitor notes that with the exception of the Appealed Property Claims classified as "**Margin Call Claims**" above (the "**Margin Call Claims**"), the Appealed Property Claims generally represent Claims by parties who advanced real money (i.e. cash) into "pooled" bank accounts of EncoreFX within a very close proximity of the Bankruptcy Date respecting:

a) spot transactions or drawdowns to close out OTM or ITM transaction(s) in which the Company received the customer's incoming payment in the days leading up to the Bankruptcy Date but had not yet processed the outgoing payment in return; and

b) funds for future transaction(s) in which the Company was awaiting further instruction.

71. The Proposed Monitor has distinguished the Margin Call Claims from the other Appealed Property Claims as the Proposed Monitor is of the view that the Margin Call Claims are not property claims but should be treated as unsecured claims.

72. **Accordingly, irrespective of whether Appealed Property Claims are in fact true Property Claims by law, the Proposed Monitor is of the view that they are commercially distinguishable from claims by other parties for financial losses**

incurred with respect to closed-out ITM positions ("ITM Creditors") or other typical unsecured creditor claims.

73. Under the BIA Proceedings, the Trustee intended to have the appeals of the Appealed Property Claims heard by this Honourable Court by category due to each category sharing similar and common facts and characteristics, in an effort to expedite resolution and to minimize professional costs to be borne by the Estate and the Appealed Property Claimants.

74. Mr. Wrede is the largest Appealed Property Claimant of EncoreFX, with an approximately $29 million CAD Property Claim which falls under the category of Holding Claim. Legal counsel for Mr. Wrede and the Trustee agreed to deal with the appeal of the Trustee's disallowance of the Wrede Property Claim by way of a trial of an issue pursuant to s. 187(8) of the BIA.

THE EFT REVERSALS

75. In the Trustee's Reports, the Trustee noted that on the Bankruptcy Date, the Trustee notified the Company's financial institutions that EncoreFX had filed a voluntary assignment into bankruptcy and the Trustee instructed each financial institution to freeze all debit and credit accounts, leaving the accounts open only to accept deposits. The Company maintained its primary banking facilities with BMO.

76. EncoreFX used accounts with BMO (the "**BMO Accounts**") to facilitate electronic funds transfers ("**EFTs**") with the Company's clients pursuant to standard, pre-authorized debit ("**PAD**") agreements.

77. Subsequent to Bankruptcy Date, a number of EncoreFX's clients (the "**PAD Customers**") instructed their financial institutions to reverse pre-authorized payments made to EncoreFX prior to the bankruptcy (the "**EFT Reversals**"). The EFT Reversals were purportedly effected pursuant to the *Rules of the Canadian Payments Act*, R.S.C. 1985,

c. C-21 (the "**CPA Rules**"), and specifically, Rule H1 – Pre-Authorized Debits, which resulted in the return of funds from EncoreFX's BMO accounts.

78. The Trustee has taken the position that the EFT Reversals, which were initiated by the PAD Customers and processed by BMO, constitute a breach of the Stay. In the three days that followed the Bankruptcy Date, EFT Reversals totaling approximately CAD $4,900,000 and USD $2,300,000 (the "**Initial Reversals**") were debited directly from the frozen BMO Accounts.

79. BMO continued to process the EFT Reversals subsequent to the Trustee having transferred the balances of the BMO Accounts to accounts at the Royal Bank of Canada controlled by, and in the name of, the Trustee. From April 2, 2020 to on or around April 14, 2020, additional EFT Reversals totaling approximately CAD $3,900,000 and USD $800,000 were paid to PAD Customers by BMO (the "**Subsequent Reversals**"). These Subsequent Reversals were <u>not</u> processed against the BMO Accounts but paid directly to the PAD Customers by BMO. BMO has recorded the Subsequent Reversals in a loss account in the name of EncoreFX.

80. The Trustee advised BMO that it has taken the position that, amongst other things, the processing of the EFT Reversals against the BMO Accounts contravened the Stay. The Trustee has completed standard dispute forms and instructed BMO to dispute each of the EFT Reversals processed against the operating accounts of the Company.

81. On or about April 8, 2020, MLT Aikins sent a demand letter to the PAD Customers who carried out EFT Reversals notifying that the EFT Reversals were in contravention of the Stay and demanding that any PAD Payments transferred or reversed on or following the Bankruptcy Date be immediately returned to the Trustee.

82. On or about July 15, 2020, MLT Aikins sent follow-up demand letters to a subset of PAD Customers who effected EFT Reversals after EncoreFX completed the requested wire transactions (the "**Double Dip Customers**"). In other words, the Double Dip Customers received a double recovery, as EncoreFX delivered funds to a third-party beneficiary designated by the Double Dip Customers, and the Double Dip Customers still credited their accounts with an EFT Reversal.

83. As of the date of this Application, the Trustee has collected from all but one of the Double Dip Customers, namely AgraCity Crop and Nutrition Ltd. ("**AgraCity**"). The Trustee has taken the position that that AgraCity owes EncoreFX CAD $314,544.20 (collectively, the "**Double Dip Amount**"). The Trustee has filed an application to recover the Double Dip Amount owed by AgraCity.

84. The Trustee has settled a number of the EFT Reversals; and continues to exercise all available rights and remedies to seek to recover the EFT Funds.

85. In order to resolve the contested matters between BMO regarding the EFT Reversals and facilitate the filing of the Plan described herein, BMO agreed to repay the Estate sum of CAD $4,339,614 and USD $1,171,279 (the "**EFT Funds**") representing the amounts which BMO had debited from the EncoreFX operating accounts after the Bankruptcy Date less the amounts which the Trustee has settled with PAD Customers or Double Dip Customers. BMO paid these amounts into the Estate in February 2021 such that the amounts would be available for distribution in accordance with the terms of the Plan.

86. In exchange for receipt of funds, the Trustee agreed to allow BMO to file an unsecured claim for losses incurred with respect to the EFT Reversals; and accordingly, BMO will stand to recover a portion of these losses should the Plan be affirmed by the Company's creditors and approved by this Honourable Court.

THE SETTLEMENT TRANSACTION

87. Various Claims have been asserted against EncoreFX including the Secured Claim of GCC as well as the Appealed Property Claims and unsecured claims. While the Trustee has delivered a draft notice of disallowance of the Secured Proof of Claim to Jones Emery, counsel to GCC, and disallowed the Appealed Property Claims, the Trustee's positions are under appeal and/or remain subject to extensive and uncertain litigation in the BIA Proceedings.

88. If the outstanding litigation validates that the GCC Secured Claim and the Appealed Property Claims are valid, the Trustee notes that little to no recovery would be available to unsecured creditors. However, even if it the outstanding litigation results in a determination that the Trustee properly disallowed the GCC Secured Claim and the Appealed Property Claims, the Trustee is of the view that process of litigating of all these Claims would, a) deplete the funds available for distribution to creditors, and b) delay a distribution to creditors for an extended period of time given that the quantum of those Claims exceeds the proceeds in the Estate available for distribution to creditors.

89. It is noted above that in late 2020, representatives of GCC, Mr. Wrede and the Trustee (defined above as the Term Sheet Parties) commenced discussions around a potential global settlement of the various Claims asserted against EncoreFX which would allow for a prompt distribution of the funds in the Estate available for distribution to EncoreFX's creditors.

90. BMO later became part of these discussions as a requisite to a global settlement was achieving a resolution of the outstanding EFT Funds as amongst BMO and the Estate.

91. As noted at paragraphs 10 and 11 of this report, in early to mid January of 2021, GCC and Mr. Wrede presented the Term Sheet to the Trustee. The Term Sheet was approved by the Inspectors on January 15, 2021 and was formally executed by the Term Sheet Parties later that day.

THE CCAA PLAN

Overview and Objective

92. The Plan seeks to avoid depletion of the Estate's assets resulting from extensive and uncertain litigation and to achieve a balance of the equities of the stakeholders of EncoreFX. The Plan aims to achieve this by providing a global resolution of the Affected Claims (as defined in the Plan) as against the Estate of EncoreFX by way of the distribution of all funds and other assets recovered by the Trustee, and that may be recovered by the Proposed Monitor under the CCAA Proceedings after the CCAA Conversion.

93. The Trustee has determined through due diligence, including detailed discussions and negotiations with the GCC, Mr. Wrede, BMO, and the Inspectors within the BIA Proceedings, that the global resolution outlined in the Term Sheet and this Plan and implemented through a liquidating CCAA proceeding will result in the best recovery for the Affected Creditors (defined below).

94. In particular, the Plan simplifies recovery of assets and distribution of proceeds to the Affected Creditors (defined below) by:

    a) resolving contested matters regarding the secured claim of GCC as further described hereinafter;

    b) resolving contested matters with BMO regarding the EFT Funds; and

    c) establishing a framework to assess and resolve the Property Claims, including the Wrede Property Claim;

    d) establishing a framework to assess and to resolve the outstanding OTM Claims (receivables) that the Trustee has been seeking to recover for the benefit of the Estate; and

    e) establishing a pool of funds to distribute to the General Unsecured Creditors of EncoreFX.

95. The Proposed Monitor notes that the Plan provides at minimum a 16% recovery to the General Unsecured Creditors; which in the Proposed Monitor's view is on the very high end of recoveries received by unsecured creditors in the context of a bankruptcy and liquidation.

96. Moreover, based on the analysis provided below, the Proposed Monitor is of the view that the Plan: (a) very likely provides General Unsecured Creditors with a superior recovery than they would otherwise receive should the BIA Proceedings continue, and (b) allows for a distribution in the very near future that would otherwise not be feasible given the outstanding litigation between the Trustee on behalf of the Estate, GCC, and the Appealed Property Claimants.

97. The terms of the Plan contemplate that Affected Claims will receive a partial payment of their Proven Claims (as defined in the Plan) in full satisfaction of their Proven Claims (as defined in the Plan).

98. The Plan, if sanctioned by this Honourable Court, will involve the payment or compromise, on the terms described therein, of the Affected Claims against EncoreFX.

99. The terms of the Settlement Transaction, and the Plan proposed pursuant thereto, propose EYI as the Monitor of EncoreFX.

Oversight Committee

100. Upon the granting of the Conversion Order, the Inspectors shall be deemed to resign and each of GCC and Wrede shall nominate one person who, together with the Monitor, will form an oversight committee (the "**Oversight Committee**").

101. The purpose of the Oversight Committee shall be, *inter alia*, to review and approve settlements in respect of the Estate Claims (as defined in the Plan), Claims regarding EFT Reversals, Property Claims, and generally deal with the continued realization of the assets of EncoreFX.

102. The Oversight Committee shall not incur any liability with respect to any steps and actions taken in fulfilling their mandate except for gross negligence or willful misconduct.

103. The Proposed Monitor is of the view that the creation and composition of the Oversight Committee is appropriate as GCC and Mr. Wrede represent the overwhelming majority of the value of the GCC Secured Claim and Property Claims. Accordingly, GCC and Mr. Wrede should be entitled to oversee the administration of the Estate within the CCAA Proceedings.

Classification of Creditors

104. For voting and distribution purposes, the Plan shall have three (3) classes ("**Classes**" or "**Affected Creditor Classes**") of creditors (collectively, the "**Affected Creditors**"):

Class	Description
Secured Creditor	The class of secured creditor shall comprise of GCC with respect to the GCC Secured Claim.
Property Claimants	The class of property claimants shall comprise of Affected Creditors who have Appealed Property Claims (excluding the Margin Call Claims).
General Unsecured Creditors	The class of General Unsecured shall comprise any other remaining creditors which have general unsecured claims (the "**General Unsecured Claims**"), including: i. Employee Claims; ii. ITM Creditors; iii. Margin Deposits Claims where the claimant: a) did not submit a Property Proof of Claim; b) submitted a Property Proof of Claim which has been disallowed by the Trustee on a final basis or determined by this Honourable Court or any other court of competent jurisdiction to not have a Property Claim; c) received a notice from the Trustee pursuant to section 81(4) of the BIA and failed to file a

	Property Proof of Claim within the prescribed period; iv. Claims in respect of In-Flight Claims or Holding Claims where the claimant: d) did not submit a Property Proof of Claim; e) submitted a Property Proof of Claim which has been disallowed by the Trustee on a final basis or determined by this Honourable Court or any other court of competent jurisdiction to not have a Property Claim; f) received a notice from the Trustee pursuant to section 81(4) of the BIA and failed to file a Property Proof of Claim within the prescribed period. v. trade creditors; and vi. BMO in respect of its EFT Claim.

Treatment of Proven Distribution Claims

105. The Plan contemplates a compromise and settlement with the Affected Creditors with proven distribution claims, meaning Proven Claims (as defined in the Plan) which have been approved by the Proposed Monitor or this Honourable Court for the purposes of distribution ("**Proven Distribution Claims**"), based on the following consideration to paid to each Class:

a) **Secured Creditor**: In full and final satisfaction of the GCC Secured Claim, the Secured Creditor will receive:

i. a distribution from the Current Funds and EFT Funds (the "**Secured Claim Distribution**") of $12,000,000;

ii. an accepted preferred claim of $4,944,475 (the "**Secured Preferred Claim**"); and

iii. an accepted deficiency claim equal to $18,944,475 (the "**Secured Deficiency Claim**").

b) **Property Claimants**: In full and final satisfaction of the Property Claims, the Property Claimants whose Property Claims constitute Proven Claims (as defined in the Plan) will receive:

i. a distribution from the Current Funds and EFT Funds equal to 66.67% of their respective Property Claim (the "**Property Claim Distributions**"); and

ii. an accepted deficiency claim equal to the amount of their Property Claim minus any amounts received from the Property Claim Distribution (the "**Property Deficiency Claims**"). The amount of any accepted Property Claim shall be net of any amounts owing by the Property Claimant to the Estate in respect of any "OTM" positions, or any other debt owed to the Estate by the Property Claimant.

c) **General Unsecured Creditors**: In full and final satisfaction of the General Unsecured Claims, the General Unsecured Creditors may elect to receive a distribution from the Current Funds and EFT Funds (the "**Unsecured Claim Distributions**") equal to either:

i. 100% of their respective General Unsecured Claim with respect to the first $5,000 of their General Unsecured Claim, or

ii. 16% of their respective General Unsecured Claim.

For those General Unsecured Creditors who are owed $5,000 or less and for those General Unsecured Creditors who are owed between $5,000 and $31,250 and who elect to accept $5,000 in full and final satisfaction of their claims (collectively, the "**Convenience Creditors**"), then in each such case the Convenience Creditors shall be deemed to have voted in favour of the Plan.

The amount of any accepted General Unsecured Claim shall be net of any amounts owing by the General Unsecured Creditors to the Estate as determined by the Monitor or this Honourable Court in respect of any OTM Positions, or any other debt owed to the Estate by the General Unsecured Creditor.

Disputed Claims

106. The portion of an Affected Claim which has not been allowed or accepted by the Proposed Monitor as a Proven Distribution Claim and which has not been resolved (the "**Disputed Claims**") will be permitted to vote at the meeting of creditors. However, Disputed Claims will not be eligible to receive a distribution pursuant to the Plan until settlement or final determination of the Disputed Claim is achieved in accordance with the Claims Process Order and this Plan.

107. On the date that the distribution is to be issued by the Monitor (the "**Distribution Date**"), the distributions relating to Disputed Claims will be held in escrow in a reserve (the "**Disputed Claims Reserve**") until settlement or final determination.

Timing of Distributions under the Plan

<u>Available Funds</u>

108. The funds available for distribution to the Affected Creditors will comprise of the following:

   a) funds held in the Proposed Monitor's bank account (inclusive of the EFT Funds) (the "**Current Funds**") which are available for distribution on the date when the Plan is approved by the Honourable Court for implementation ("**Plan Implementation Date**");

   b) additional funds to be recovered in respect of the OTM Claims; and

   c) any additional funds recovered by the Proposed Monitor or Trustee on behalf of the Estate (collectively, the "**Available Funds**").

Initial Distributions

109. Should the Plan be approved by:

a) the "**Required Majority of Creditors**" or each Class (representing not less than 66 2/3% in value of the Votes Cast (as defined in the Plan) and 50% in number of the Votes (as defined in the Plan) with Affirmative Votes (as defined in the Plan) present and voting in person or by proxy at the Creditor's Meeting (as defined in the Plan)); and

b) this Honourable Court by pronouncement of a "**Sanction Order**" meaning an order to be made in the CCAA Proceeding that among other things, sanctions, authorizes and approves the Plan;

the Monitor will make the following payments:

c) payment of Certain Crown Claims, if any, pursuant to s. 6(3) of the CCAA;

d) payment of employee amounts owing pursuant to s. 6(5) of the CCAA and s. 81.3(1) of the BIA (collectively, with the s. 6(3) Crown Claims, (the "**Priority Payables**"); and

e) deposit $4,000,000 from the Current Funds into a separate account (the "**Administrative Reserve**") for the purpose of funding the Proposed Monitor to continue to pursue the Estate Claims (as defined in the Plan) and for any other reasonable costs and expenses of the Estate.

110. On the Distribution Date, the Proposed Monitor will reserve sufficient funds for the Administrative Reserve, the Disputed Claims Reserve, and any other amount ordered by this Honourable Court or any amount determined by the Proposed Monitor as necessary and advisable to reserve in order to facilitate the orderly and efficient administration of the Plan (the "**Additional Reserve**").

111. On the Distribution Date and upon the payment or reserve of the Priority Payables, the Disputed Claims Reserve, if any, the Administrative Reserve and the Additional Reserve,

if any, and subject to paragraph 108 below, the Proposed Monitor shall make the following payment (the "**Initial Distribution**"):

a) *first*, to the General Unsecured Creditors in respect of the Unsecured Claim Distributions; and

b) *second*, to the Secured Creditor and the Property Claimants in respect of the Secured Claim Distribution and the Property Claim Distributions.

112. Should the Available Funds, after the above noted reserves and payments, be insufficient to pay the amounts described in paragraph 107, the Proposed Monitor will withhold from the Secured Claim Distribution and the Property Claim Distribution, (the "**Withheld Amounts**"), on a *pro rata* basis, the amount necessary to pay the Unsecured Claim Distribution in full and to maintain the Administrative Reserve, the Disputed Claims Reserve and the Additional Reserve (collectively, the "**Reserves**").

113. As Available Funds and funds become available from the Disputed Claims Reserve and the Additional Reserve, such funds will be distributed on a *pro rata* basis to the Secured Creditor and to the Property Claimants with Proven Distribution Claims for payment of the Withheld Amounts until the Withheld Amounts have been paid in full.

<u>Subsequent Distributions</u>

114. The Proposed Monitor will distribute the Available Funds in excess of the Initial Distributions and the Reserves (the "**Remaining Funds**"), as follows:

a) *first*, to the Secured Creditor in satisfaction of the Secured Preferred Claim; and

b) *second*, following payment in full of the Secured Preferred Claim, *pro rata* amongst the Secured Deficiency Claim, and the Property Deficiency Claims (collectively, the "**Subsequent Distributions**").

115. Subsequent Distributions will only be paid by the Proposed Monitor when the Remaining Funds exceed the sum of the Disputed Claims Reserve, the Additional Reserve and

$5,000,000, and at intervals to be determined by the Oversight Committee (as defined in the Plan) or by this Honourable Court.

116. The funds remaining, if any, in the Reserves upon the Proposed Monitor's completion of its obligations under the Plan will be distributed to the Secured Creditor and the Property Claimants with Proven Distribution Claims in accordance with the Plan and paragraph 110 above.

CONDITIONS FOR APPROVAL OF THE PLAN

117. The Proposed Monitor is of the view that the conditions for implementation of the Plan as described in Article 9.2 of the Plan are standard and customary. Should the Plan satisfy the conditions described above, the Proposed Monitor anticipates facilitating the payment of the Initial Distributions under the Plan in May 2021. An indicative timeline is provided below.

Event	Date	Description
Creditor's Meeting Date	April 27, 2021	Creditors meet to vote on the Plan
Sanction Order	Week of May 3, 2021	Hearing to approve the Sanction Order
Satisfaction of Conditions Precedent as defined in the Plan	Week of May 17, 2021	Estimated to occur over two weeks
Plan Implementation Date	Week of May 17, 2021	Monitor to file its certificate upon satisfaction of conditions
Subsequent Distributions	TBD	Timing of payment of any Subsequent Distributions depends on timing and outcome of future recoveries.

PROPOSED MONITOR'S COMMENTS ON THE PLAN

118. The Proposed Monitor is of the view that the Plan:

a) achieves the objectives described Paragraph 92 above;

b) avoids extensive and uncertain litigation that would deplete the funds available for distribution to creditors;

c) was carefully considered and approved by the Inspectors by way of the Term Sheet, where the Inspectors include creditors elected to represent creditor interests in the BIA Proceedings;

d) provides certainty of outcome by crystallizing and providing for a distribution to each of the Affected Creditor Classes, and in particular:

   i. provides a 66.67% recovery to the Appealed Property Claimants with Proven Distribution Claims but excluding the Margin Call Claims;

   ii. provides General Unsecured Creditors with at least a 16% recovery which is a superior recovery than they would otherwise receive should the litigation of outstanding matters continue; and

   iii. provides an initial distribution of $12 million to the Secured Creditor which is a fraction of the amount claimed;

e) resolves the contested matter with BMO with respect to the EFT Reversals; and

f) allows for a distribution in the very near future that would otherwise not be feasible given the outstanding litigation between the Trustee on behalf of the Estate, GCC, and the Appealed Property Claimants.

119. The Plan avoids litigation and removes the uncertainty that surrounds the future distributions to be paid. Rather, the Plan provides certainty of outcome by crystallizing and providing for a distribution to each of the Affected Creditor Classes.

120. The alternative to the Plan is the continuation of the liquidation proceedings of the Company and litigation of the GCC Claim and the Appealed Property Claims which could result in unlimited range of possible recoveries to General Unsecured Creditors as depicted in the analysis attached as **Appendix "C"** and summarized below:

EncoreFX Inc.
Estimated Distribution Analysis under various Bankruptcy Scenarios

		BANKRUPTCY				PLAN
		Scenario 1	Scenario 2	Scenario 3	Scenario 4	
Key Assumptions/Inputs:						
Appealed Property Claims		*100% Admitted*	*100% Disallowed**	*100% Admitted*	*75% Admitted**	*66.67% Admitted*
GCC Secured Claim		*100% Secured*	*100% Secured*	*100% Unsecured**	*$14,000,000 Secured**	*$12,000,000 Secured*
Estimated Cash Available for Distribution	**$**	**41,752,885**	**41,752,885**	**41,752,885**	**41,252,885**	**38,337,442**
Estimated Creditor Claims						
Appealed Property Claims		31,011,085	-	31,011,085	23,258,314	20,674,057
GCC Secured Claim		32,926,771	32,926,771	-	14,000,000	12,000,000
General Unsecured Creditors		30,152,878	61,163,963	63,079,650	56,832,421	30,152,878
Total Estimated Creditor Claims	**$**	**94,090,735**	**94,090,735**	**94,090,735**	**94,090,735**	**62,826,935**
Estimated Creditor Recovery %						
Appealed Property Claims		100.0%	0.0%	100.0%	75.0%	66.7%
GCC Secured Claim		32.4%	99.6%	0.0%	42.5%	36.4%
General Unsecured Claims		**0.0%**	**14.4%**	**16.9%**	**6.8%**	**18.5%** **

**Portion of Appealed Property Claims or Secured Claim not admitted as a Property Claim or a Secured Claim are included as general unsecured claims.*

***Total aggregate distribution to general unsecured creditors under the Plan exceeds 16% and estimated at 18.5% due to signficant number of unsecured creditors having their Proven Claim paid in full or to receive a distribution in excess of 16%.*

121. As is noted above, the Proposed Monitor estimates that the 16% recovery to the General Unsecured Creditor Class is a superior outcome to creditors in nearly every probably scenario identified by the Proposed Monitor; and accordingly, **the Proposed Monitor recommends that creditors vote in favour of the Plan.**

THE CLAIMS PROCESS

Summary

122. Should this Honourable Court grant the Conversion Order, the Proposed Monitor has filed a motion with this Honourable Court returnable within 10 days of the date of the granting of the Conversion Order requesting an order (the "**Claims Process Order**") approving a claims process (the "**Claims Process**") for determining the claims of creditors ("**Claims**") and to establish a claims bar date by which creditors must file a Proof of Claim in the

CCAA Proceedings. The proposed forms and notices for the Claims Process are included as schedules to the draft Claims Process Order, a copy of which is appended to the Notice of Application for the Comeback Hearing as Schedule "C". Capitalized terms describing the Claims Process, and as set out below, shall have the meaning ascribed to them in the Claims Process Order.

123. The purpose of the Claims Process is to, *inter alia*:

a) notify Known Creditors of the amounts owed to them as of the CCAA filing date (as reflected in the books and records of EncoreFX) and the characterization of such amounts (the "**Claim Amount Notice**");

b) provide an opportunity for creditors that do not agree with the amount or characterization of the indebtedness to file a Proof of Claim by no later than 4:00PM (Pacific Standard Time) on April 21, 2021 (the "**Claims Bar Date**");

c) require a creditor who has not received a Claim Amount Notice or who does not agree with the Claim Amount Notice, to file a Proof of Claim by no later than 4:00PM (Pacific Standard Time) on the Claims Bar Date;

d) provide the Proposed Monitor the ability to revise and/or to disallow Proofs of Claim (a "**Notice of Revision or Disallowance**" or "**NORD**"); and

e) allow a creditor to dispute the Notice of Revision or Disallowance provided to such creditor (a "**Notice of Dispute**" or "**NOD**") and provide a mechanism for resolving such disputes.

124. Failure of the creditor to file a Proof of Claim in respect of a Claim included in the List of Claims and the Notice to Creditor by the Claims Bar Date or a subsequent Notice of Dispute within the time stipulated in the Claim Process Order will result in the following:

a) the Claim of the creditor shall be deemed to have been accepted for all purposes at the amount and categorization set out in the Claim Amount Notice or in an accepted Proof of Claim;

b) the Claim of the creditor shall be deemed to be the Claim as set out in the Notice of Revision or Disallowance;

c) the Proposed Monitor's Notice of Revision or Disallowance in respect of such Creditor's Claim shall be final and binding on all persons and there shall be no further right to appeal, review or recourse to this Court or any other Court or tribunal in respect of the Proposed Monitor's Notice of Revision or Disallowance; and

d) all other claims of such creditor, if any, shall be forever estopped, extinguished and barred.

125. Failure of the creditor, who has not already submitted a BIA Proof of Claim or who was not provided a Claim Amount Notice, to submit a Proof of Claim by the Claims Bar Date will result in the following:

a) be forever barred, estopped and enjoined from asserting or enforcing any such Claim (or filing a Proof of Claim with respect to such Claim) against EncoreFX and such Claim shall be forever extinguished;

b) not be permitted to vote on any Plan on in respect of any such Claim;

c) not be permitted to participate in any distribution under any Plan; and

d) not be entitled to receive further notice in the CCAA Proceedings.

Creditor Notification

126. Forthwith and in any event within one (1) business day following the date of the Claims Process Order, the Proposed Monitor, on behalf of EncoreFX, will mail a package containing the Notice to Creditor, the List of Claims, a blank Proof of Claim Form with a Proof of Claim instruction letter and such other materials as the Proposed Monitor may consider appropriate or desirable (the "**Claims Package**") to each Known Creditor (as defined in the Creditor's Meeting Order"). Templates for the Claims Package are attached to the Claims Process Order.

127. Forthwith and in any event within one (1) business day following the date of the Claims Process Order, the Proposed Monitor will post the Claims Package on the Website until the Claims Bar Date.

128. Forthwith and in any event within five (5) business days following the date of the Claims Process Order, the Proposed Monitor shall cause the Notice to Creditor to be published for one business day in the *Vancouver Sun*, the *Victoria Times Colonist* and *The Globe and Mail* (collectively the "**Claims Process Newspaper Notice**"). A template for the Notice to Creditor is attached to the Claims Process Order.

Proposed Timeline

129. A timeline of the procedural steps for the Claims Process is as follows:

Activity	**Deadline**
Court approval of Claims Process Order	Thursday, March 25, 2021
Proposed Monitor to mail Claims Process Documents to creditors	Friday, March 26, 2021
Proposed Monitor to post Claims Process Documents to the Website	Friday, March 26, 2021
Proposed Monitor to advertise Claims Process Newspaper Notice	On or before Tuesday, March 30, 2021
Claims Bar Date	Thursday, April 21, 2021
Deadline for Proposed Monitor to send a Notice of Revision or Disallowance ("**NORDs**")	Friday, April 22, 2021
Deadline for persons to submit a Notice of Dispute to Proposed Monitor ("**NODs**")	the day which is ten (10) days after the date of the NORD
Deadline for persons to file and serve a Claim Application (as defined at paragraph 35 of the Claims Process Order) regarding any NODs	Friday, May 7, 2021

Claims Bar Date

130. It is the view of the Proposed Monitor that the Claims Bar Date is reasonable and appropriate for, *inter alia*, the following reasons:

a) If approved by this Honourable Court, the Claims Bar Date would be twenty-one (21) days following the anticipated Court approval date, which is consistent with the deadline for filing a proof of claim pursuant to a Division 1 Proposal under the BIA;

b) The commencement of the BIA Proceedings has been approximately eleven months prior to the commencement of the proposed Claim Process. The Trustee provided every known creditor of EncoreFX with a Proof of Claim and an extract of the Statement of Affairs detailing the amounts owed to each creditor. It is the view of the Proposed Monitor that EncoreFX's creditors have accordingly been provided an additional eleven months to become aware of these insolvency proceedings and to contact EYI to update the accuracy of the EncoreFX's books and records;

c) the BIA Proceedings have been well publicized, so most creditors are aware of EncoreFX's insolvency;

d) creditors that are required to file a Proof of Claim will be advised of the Claims Process through:

    i. receipt of the Claims Package directly to their last known e-mail or mailing address;

    ii. the Claims Process Newspaper Notice, which will advertise the Claims Process in the jurisdictions where the majority of EncoreFX's operations and creditors are located or where services were sold prior to the filing date; and

    iii. the posting of Claims Package on the Proposed Monitor's website;

e) creditors who disagree with a Notice of Revision or Disallowance will have fourteen (14) days to provide a Notice of Dispute; and

f) in preparing for these insolvency proceedings, the Proposed Monitor, with the assistance of key individuals at EncoreFX, undertook significant efforts to verify the financial records of EncoreFX and is satisfied that EncoreFX's books and records are materially accurate.

131. The majority of creditors will receive a Claim Amount Notice. If the Claim Amount Notice is acceptable to the creditor, then they are not required to do anything further in the Claims Process. The Proposed Monitor expects that the majority of EncoreFX's creditors have either already filed a Proof of Claim or will not be filing Proofs of Claim.

132. The Proposed Monitor is of the view that in the event that a creditor is required to file a Proof of Claim, the Claims Process will provide such creditor with sufficient and timely notification to allow it to submit a Proof of Claim prior to the Claims Bar Date.

Claims Adjudication Process

133. Following the Claims Bar Date, the Proposed Monitor, shall review the Proofs of Claim received to determine if the Proposed Monitor is prepared to allow with the Proofs of Claim as filed. In the event of a dispute, the Claims Process Order provides a mechanism to address disputes through the issuance of NORDs and any subsequent NODs.

Summary Regarding Claims Process Order Sought

134. The Proposed Monitor is seeking the Claims Process Order which declares, *inter alia*:

a) the provisions of the CCAA Process Order shall apply to all proceedings within this CCAA Proceeding;

b) the Claims Bar Date of April 21, 2021 shall apply to all proceedings in this CCAA Proceeding;

c) any creditor of EncoreFX (as defined in the Plan and discussed in further detail below) who received a Claim Amount Notice and who has accepted the determination of the amount of the Claim of such person shall be deemed to have a Proven Claim (as defined in the Plan) for the amount of the Claim Amount Notice as determined by the Proposed Monitor or as subsequently agreed to by the Proposed Monitor and that creditor without the necessity to file a Proof of Claim in this CCAA Proceeding; and

d) all BIA Proof of Claims delivered by a creditor to EYI within the BIA Proceedings, including without limitation, all Disputed Claims within the BIA Proceedings, shall continue to be governed by the applicable rules and processes as prescribed in the BIA, *mutatis mutandis*, including, without limitation, all prescribed timelines, onera, rights of appeal, and rights of examination or discovery.

135. Proposed Monitor proposes that the Proven Claims (as defined in the Plan) should be relied upon for purposes of establishing the voting (the "**Proven Voting Claims**") and distribution amount regarding Proven Distribution Claims for each creditor respecting the Plan.

MEETING OF CREDITORS

Notice of Creditor's Meeting

136. Should this Honourable Court grant the Conversion Order, the Proposed Monitor has filed a motion with this Honourable Court returnable the week of March 22, 2021 requesting an order approving a procedure of a creditor's meeting (the "**Creditor's Meeting**") to consider and vote on the Plan (the "**Creditor's Meeting Order**").

137. The Creditor's Meeting Order directs that the Proposed Monitor shall send the following documents (collectively referred to as the "**Meeting Materials**") to Known Creditors (as defined in the Creditor's Meeting Order) by prepaid regular mail, courier, fax or e-mail, at the last known address by no later than March 26, 2021:

a) the Notice of Meeting to Affected Creditors;

b) Proxy in the form attached as Schedule "E" to the Creditor's Meeting Order; and

c) the Plan Information Letter.

138. The Meeting Materials will advise the Affected Creditors that any other materials may be obtained from the Proposed Monitor's Website or provided upon written request.

139. Further, the Proposed Monitor will publish, as soon as practicable and no later than March 30, 2021, a notice of the Creditor's Meeting, in substantially the form attached as Schedule "D" to the Creditor's Meeting Order, in the *Vancouver Sun, the Victoria Times Colonist* and *The Globe and Mail* newspapers.

140. Pursuant to the terms of the Plan, the Proposed Monitor, shall be authorized to make modifications, amendments or supplements ("**Additional Information**") to such materials, including the Plan as the Proposed Monitor may determine, and the Proposed Monitor shall distribute or make available such Additional Information by one or more of the following methods determined in its discretion: (a) posting on the Website; (b) newspaper advertisement in one Saturday edition of the Vancouver Sun or The Globe and Mail; (c) pre-paid regular mail, e-mail, fax or delivery (in person or by courier); or (d) such other reasonably practicable method in the circumstances.

Procedure for Creditor's Meeting

141. Pursuant to the Creditor's Meeting Order (if approved by this Honourable Court), the Monitor will be authorized to call, hold and conduct a Creditor's Meeting to consider and to vote on the Plan.

142. Due to COVID-19 pandemic and to promote and maintain safe social distancing, the Creditor's Meeting is proposed to be held by video-conferencing technology (Microsoft Teams) beginning at 10:00 a.m. (Pacific Standard Time) on April 27, 2021 or such other

date as the Creditor's Meeting may be adjourned to in accordance with the provisions of the Plan.

143. The Creditor's Meeting will be held and conducted in accordance with the provisions of the Creditor's Meeting Order, notwithstanding the provisions of any other agreement or instrument or this Proposed Monitor's Report.

144. An officer of the Proposed Monitor will act as the chair of the Creditors' Meeting (the "**Chair**") and decide all matters relating to the rules, procedures and conduct of the Creditor's Meeting in accordance with the terms of the Plan, the Creditor's Meeting Order, as approved by this Honourable Court, and any further Order of this Honourable Court.

145. The quorum of the Affected Creditor Class required at the Creditor's Meeting shall be one (1) voting Creditor present in person or by proxy and entitled to vote at the Creditor's Meeting. If the requisite quorum is not present at the Creditor's Meeting, then the Creditor's Meeting shall be adjourned by the Chair to such date, time and place as may be decided by the Chair in his or her sole discretion. The Chair shall decide on the manner of giving notice to the Affected Creditor Class of any rescheduled meeting and may, if he or she deems it appropriate, restrict such notice to a notice posted on the Website.

146. An Affected Creditor with a Proven Voting Claim shall be entitled to attend and vote at the Creditor's Meeting in person or by proxy. To vote by proxy an Affected Creditor must submit the Proxy (as defined in the Creditor's Meeting Order) to the Chair on or before 5:00 pm (Pacific Standard Time) on the business day prior to the Creditor's Meeting or deposited with the Chair before the beginning of the Creditor's Meeting.

Voting at the Creditor's Meeting

147. At the Creditor's Meeting, the Chair shall direct the votes with respect to the Resolution to approve the Plan and any amendments, variations or supplements to the Plan that are made in accordance with the terms thereof.

148. The Proposed Monitor may appoint scrutineers for the supervision and tabulation of the attendance, quorum and votes cast at the Creditor's Meeting and any person to act as secretary at the Creditor's Meeting.

149. Voting at the Creditor's Meeting will be conducted as follows:

a) on a resolution pertaining to the approval of the Plan, a written ballot containing information sufficient to derive a result regarding the Required Majority of Creditors (as defined in the Creditor's Meeting Order); and

b) on a resolution on any matter, a vote by a majority of votes cast on a vote by a show of hands, unless the Chair decides, in his or her sole and absolute discretion, to hold such vote by way of ballot.

150. The only creditors entitled to vote at the Creditor's Meeting shall be Affected Creditors with Proven Voting Claims or their proxy holders as of the date of the Creditor's Meeting, as well as certain creditors with Disputed Claims as described at paragraphs 102 and 149.

151. Any General Unsecured Creditor with a Proven Claim (as defined in the Plan) pursuant to which it shall be entitled to receive 100% of its Proven Claim (as defined in the Plan) or 100% of its Claim Amount Notice, shall be deemed to vote in favour of the Plan and the Proposed Monitor shall be deemed to be, and shall be vested with the right to vote each such General Unsecured Claim in favour of the resolution to approve the Plan and for the purposes of voting, each General Unsecured Claim shall constitute one (1) vote and the value of each such General Unsecured Claim shall be the amount of the Proven Claim (as defined in the Plan) or the Claim Amount Notice of that General Unsecured Creditor.

152. The General Unsecured Creditors that have elected, through the filing with the Proposed Monitor of the Convenience Creditor Form (as defined in the Claims Process Order), to receive the fixed distribution in full and final settlement of their Proven Claim (as defined in the Plan)shall be deemed to have voted their Proven Claim (as defined in the Plan) in favour of the Plan.

153. At the Meeting, for each Affected Creditor's Disputed Claim, the Proposed Monitor shall keep a separate record of votes cast by anyone entitled to vote holding Disputed Claims. The votes cast in respect of any Disputed Claim shall not be counted for any purpose unless, until and only to the extent that such Disputed Claim is finally determined to be a Proven Voting Claim in accordance with the Claims Process Order.

Reporting on the Creditor's Meeting

154. The Proposed Monitor shall file its report to this Honourable Court as soon as reasonably practicable after the Creditor's Meeting with respect to:

a) the voting results of the Affected Creditor Class with respect to the approval of the resolution to approve the Plan;

b) the effect on the results of the vote had the Affected Creditors holding Disputed Claims also voted the amount of their Affected Claims that were disputed for voting purposes; and

c) any other matter that the Monitor considers relevant with respect to the Sanction Hearing.

OVERVIEW OF THE 13-WEEK CASH FLOW PROJECTIONS

155. In order to fulfill the requirements of section 10(2)(a) of the CCAA, the Proposed Monitor has prepared a cash flow forecast, on a weekly basis, for the 13 weeks ending June 4, 2021 (the "**CCAA Cash Flow**").

156. The CCAA Cash Flow is attached hereto as **Appendix "D"**.

157. As set out therein, the anticipated receipts represent the estimated reimbursement to be received from BMO and the collection of approved settlements with OTM Clients. The anticipated expenses to be incurred are for professional fees, payroll expenses, information technology services and general administration expenses.

158. The CCAA Cash Flow for the 13 weeks ending June 4, 2021 (the "**Forecast Period**") has been prepared based on the probable and hypothetical assumptions noted below; to the extent that actual events may vary from these assumptions the results will vary from the forecast and these variances may be material.

159. The CCAA Cash Flow is predicated on the following primary assumptions:

a) OTM Settlements will be received from OTM Clients in accordance with the approved settlement agreements and at the correct amounts and within the agreed upon payment terms; and

b) The fees and disbursements of the Proposed Monitor and its legal counsel in facilitating and administering the Plan will be incurred evenly over each month of the forecast period.

PROPOSED MONITOR'S RECOMMENDATIONS

160. Based on the foregoing, the Proposed Monitor recommends that the Affected Creditors vote in favour of the Plan on the following basis:

a) The Plan provides a global resolution to all outstanding matters and enhancing the funds available for distribution by avoiding depletion of funds from litigation in the BIA Proceedings.

b) The Plan achieves a balance of the equities of the various stakeholders of EncoreFX by providing a distribution to each of the Affected Creditor Classes.

c) The Plan guarantees and provides a superior return to the General Unsecured Creditors, which is otherwise uncertain in the BIA Proceedings.

d) The Plan provides the largest percentage recovery to the Property Claimants who unknowingly paid funds into EncoreFX comingled accounts and who did not receive the benefit of the corresponding FX transaction.

e) The Plan provides an expedited distribution to the Affected Creditors that may otherwise be prolonged in the BIA Proceedings.

f) The Plan is supported by the Secured Creditor, Mr. Wrede (the largest Property Claimant) and BMO (the largest General Unsecured Creditor).

g) From a non-monetary viewpoint, the Plan provides for a global resolution and an expedited distribution to the Affected Creditors. For the majority of Affected Creditors this will conclude their involvement in the EncoreFX proceedings which have been ongoing for approximately one year, and to focus on their continued business operations during the COVID-19 pandemic and these unprecedented times.

161. Based on the forgoing, the Proposed Monitor recommends that this Honourable Court grant an Order:

a) authorizing and directing the filing of the Plan as described herein;

b) authorizing the Claims Process Order;

c) authorizing the Creditor's Meeting Order;

d) approving the form of materials to be distributed to the creditors affected by the Plan; and

e) setting the conditions for approval of the Plan in order for the Plan to be sanctioned by the Court.

All of which is respectfully submitted this 10th day March, 2021.

ERNST & YOUNG INC.
In its capacity as Proposed Monitor of
EncoreFX Inc. and not in its personal capacity

Per:

Mike Bell, CPA, CA, CIRP, LIT
Senior Vice President

Peter Venetsanos, CPA, CA, CIRP, LIT
Vice President

APPENDIX A

No: S______
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT* R.S.C. 1985 c. B-3

AND

IN THE MATTER OF ENCOREFX INC.

PETITIONER

CONSENT TO ACT

Ernst & Young Inc. hereby consents to act as Monitor of the Petitioner pursuant to the Companies' Creditors Arrangement Act.

DATED at Vancouver, British Columbia, this [4]th Day of March, 2021.

ERNST & YOUNG INC.

Per:______________________
Mike Bell, CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX B

In the Bankruptcy of EncoreFX Inc.
Estimated Statement of Receipts and Disbursements
As at March 9, 2021

Appendix B

	Mar-09 $ CAD	
Cash Receipts		
Cash Accounts		
Island Savings	51	
Toronto Dominion Bank	1,371,155	
Bank of Montreal	2,818,796	
Bank of Montreal - Harris Bank	6,627,903	
ATB Financial	39,965	
Connexus Credit Union	31,188	
Citibank	1,635,407	
ANZ	4,009,358	
	16,533,824	
Receipts from Liquidity Providers		
Deutsche Bank	7,624,481	
Goldman Sachs	5,053,920	
	12,678,401	
OTM Close outs	12,912,787	[2]
OTM Close Outs - Held In trust by MLT Aikins	857,775	
	13,770,562	
BMO Reimbursement of EFT Reversals	5,822,454	
Proceeds from Sale of EncoreFX Inc.	100,000	
EFT Reversals	481,367	
Global Reach - Cost Reimbursement, net	324,154	
Proceeds from Sale of EncoreFX Ltd, net	744,690	
Other	103,144	
Total Cash Receipts	**50,558,596**	
Cash Disbursements		
Bank Charges	3,068	
Bond Premium	6,000	
Computer and IT services	268,798	
Filing Fees	150	
GST paid on disbursements	3,004	
Legal fees/disbursements	2,149,244	
GST on legal fees	105,163	
PST on legal fees	144,635	
Other misc disbursements	34,697	
Payment of Property Claims	2,067,971	
Payroll and employee benefits	1,667,453	
Rent Payments	347,572	
Trustee's Fees	2,456,008	
GST charged on Trustee remuneration	122,901	
Utilities	81,543	
Total Cash Disbursements	**9,458,206**	
Total Cash Available	**41,100,390**	

[1] USD balances converted using exchange rate of 1.2660 per Bank of Canada as at March 8, 2021
[2] Payment from Agrocenter Belcan ($55,725) deposited and included in TD account balance.

APPENDIX C

EncoreFX Inc.
Estimated Distribution Analysis under various Bankruptcy Scenarios

APPENDIX C

	Notes		BANKRUPTCY Scenario 1[2]	Scenario 2[2]	Scenario 3[2]	Scenario 4[2]	Plan
Estimated Cash Receipts							
Cash on Hand	*3*	$	41,100,390	41,100,390	41,100,390	41,100,390	41,100,390
OTM Collections - Approved but not yet received	*4*		2,066,595	2,066,595	2,066,595	2,066,595	973,052
OTM Collections - Estimate	*5*		3,821,900	3,821,900	3,821,900	3,821,900	500,000
Total Estimated Cash Receipts			**46,988,885**	**46,988,885**	**46,988,885**	**46,988,885**	**42,573,442**
Estimated Cash Disbursements							
Employees - Super Priority	*6*		(236,000)	(236,000)	(236,000)	(236,000)	(236,000)
Administration Costs	*7*		(5,000,000)	(5,000,000)	(5,000,000)	(5,500,000)	(4,000,000)
Total Estimated Cash Disbursements			**(5,236,000)**	**(5,236,000)**	**(5,236,000)**	**(5,736,000)**	**(4,236,000)**
Total Estimated Cash Available for Distribution	*8*	$	**41,752,885**	**41,752,885**	**41,752,885**	**41,252,885**	**38,337,442**
Estimated Creditor Claims							
Appealed Property Claims	*10*		**31,011,085**	**-**	**31,011,085**	**23,258,314**	**20,674,057**
GCC Secured Claim	*11*		**32,926,771**	**32,926,771**	**-**	**14,000,000**	**12,000,000**
Unsecured Claims	*12*						
Funds In-Flight			1,078,129	1,078,129	1,078,129	1,078,129	1,078,129
Holding Account			2,272,308	2,272,308	2,272,308	2,272,308	2,272,308
Margin Deposits			445,947	445,947	445,947	445,947	445,947
ITM Positions			10,757,099	10,757,099	10,757,099	10,757,099	10,757,099
Employees			3,830,137	3,830,137	3,830,137	3,830,137	3,830,137
Suppliers			685,455	685,455	685,455	685,455	685,455
Property Claims - Unsecured			-	31,011,085	-	7,752,771	-
GCC Secured Claim - Unsecured			-	-	32,926,771	18,926,771	-
BMO Claim - Unsecured			11,083,804	11,083,804	11,083,804	11,083,804	11,083,804
Total Unsecured Creditors			**30,152,878**	**61,163,963**	**63,079,650**	**56,832,421**	**30,152,878**
Total Creditor Claims		$	**94,090,735**	**94,090,735**	**94,090,735**	**94,090,735**	**62,826,935**
Total $ Distribution by Creditor Type	*13*						
Appealed Property Claims			31,011,085	-	31,011,085	23,258,314	20,674,057
GCC Secured Claim			10,657,445	32,808,255	-	14,000,000	12,000,000
General Unsecured Claims			**-**	**8,782,747**	**10,657,445**	**3,892,084**	**5,564,222**
OSB Levy			84,354	161,882	84,354	102,486	-
Contingency			-	-	-	-	99,164
Total Estimated Distribution		$	**41,752,885**	**41,752,885**	**41,752,885**	**41,252,885**	**38,337,442**
Creditor Recovery %	*14*						
Appealed Property Claims			100.0%	0.0%	100.0%	75.0%	66.7%
GCC Secured Claim			32.4%	99.6%	0.0%	42.5%	36%
General Unsecured Claims			**0.0%**	**14.4%**	**16.9%**	**6.8%**	**18.5%**

Notes and Assumptions used to prepare the estimated analysis are provided on the accompanying page.

(1) Balances presented in the analysis represent estimates based on currently available information. Actual results and balances may vary materially based on a variety of factors including, but not limited to, additional property proof of claims and proof of claims filed and admitted in the proceedings.

(2) Bankruptcy scenarios presented represent a limited number of numerous scenarios that may likely occur in the proceedings. Assumptions for the bankrutpcy scenarios provided in the anaylsis are as follows:

Creditor Type	Bankruptcy				Plan
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	
Appealed Property Claims	*100% Admitted as Property Claim*	*100% Disallowed as Property Claim**	*100% Admitted as Property Claim*	*75% Admitted as Property Claim**	*66.67% Admitted as Property Claim*
GCC Secured Claim	*100% Admitted as Secured*	*100% Admitted as Secured*	*100% Admitted as Unsecured*	*$14,000,000 Admitted as Secured ***	*$12,000,000 Admitted as Secured*

**Under the Bankruptcy scenarios, any portion of an Appealed Property Claim disallowed or not admitted as a Property Claim is admitted as a general unsecured claim.*

***Under the Bankruptcy scenarios, unless otherwise noted, the portion of the GCC Secured Claim not admitted as a Secured Claim is admitted as a general unsecured claim.*

(3) Estimated Cash on Hand is as reported in the Estimated Statement of Receipts & Disbursements as provided in the Proposed Monitor's Report dated March 10, 2021.

(4) OTM Collections - Approved but not yet received represent collections from OTM Clients with settlements previously approved by the inspectors in the BIA Proceedings and with payment plans. Under the Plan, the amount is adjusted to reflect the estimated portion of the settlement amounts likely to be received by May 2021 for inclusion in the Initial Distributions.

(5) OTM Collections - Estimate represents a general estimate for future collections from OTM clients for which settlement agreements have not been obtained to date. These OTM collections are not assured and litigation likely required for future collection from these OTM clients. For purposes of this analysis, a conservate estimate of 25% recovery on the remaining unsettled OTM Positions is used. Under the Plan, the amount is adjusted to reflect the estimated OTM settlements that may be received by May 2021 for inclusion in the Initial Distributions.

(6) The Employee Super Priorty represents employee claims required to be paid pursuant to section 81.3(1) of the BIA. These are identified as Priorty Payables in the Plan.

(7) The estimated administration costs likely to be incurred in the continued administration of the BIA Proceedings contemplate adminsitration costs and professional fees to be incurred to pursue litgation for resolution of matters including, but not limited to, the GCC Secured Claim, the Appealed Property Claims and for litigation for collection from OTM clients yet to pay or without an approved settlement agreement. Under the Plan, this represents the Administrative Reserve and is reduced to $4M due to the Plan providing resolution to the GCC Secured Claim and Appealed Property Claims.

(8) Under the bankruptcy scenarios, Total Estimated Cash Available for Distribution represents the total estimated cash likely available for distribution upon the completion of the BIA Proceedings. Based on the numerous matters still unresolved, the date of completion for the BIA Proceedings is unknown at this time. Under the Plan, the Total Estimated Cash available for Distribution represents the total estimated cash likely available for distribution at the Initial Distribution date.

(9) Creditors are classified into one of three creditor classes: (1) Appealed Property Claims; (2) Secured Creditor; and (3) General Unsecured Creditors.

(10) Appealed Property Claims represent the Property Claims relating to Funds-in-Flight or Holding Account balances which were disallowed by the Trustee but an appeal to the Trustee's disallowance filed. The Appealed Property Claims do not include Property Claim appeals filed by customers relating to Margin Deposits. The Appealed Property Claims if admitted, will require funds to be paid to the Property Claimants in priority to the Secured Creditor and General Unsecured Creditors. Under the bankruptcy scenarios, the Appealed Property Claim balance is adjusted based on the assumptions noted in (2) above. Under the Plan, the Appealed Property Claims are shown at 66.67% of the total current Property Claim value.

(11) The GCC Secured Claim represents the secured creditor claim filed by Gustavson Capital Corporation. Under the bankruptcy scenarios, the GCC Secured Claim is adjusted based on the assumptions noted in (2) above. Under the Plan, the GCC Secured Claim is admitted as a secured claim of $12M with no amount included as a general unsecured claim.

(12) General unsecured creditors represent all other creditors not Appealed Property Claims or Secured Creditor. The amounts shown are as provided in the Company's books and records. Included in the general unsecured creditors is the BMO claim that was agreed to as part of the settlement with BMO for repayment of the EFT funds to the estate. Under the bankruptcy scenarios, the total general unsecured creditors balance is adjusted based on the assumptions relating to the Appealed Property Claimaints and Secured Creditor as noted in (2) above.

(13) Total $ Distribution by Creditor Type represents the estimated total distribution paid to each Creditor Class based on the assumptions noted in (2) above. Under the BIA Proceedings, the Appealed Property Claimants and Secured Creditor may be paid in priority to the general unsecured creditors for the portion of their claims admitted as a Property Claim or a Secured Claim. Based on the quantum of the Appealed Property Claims and Secured Creditor Claim, it is possible that the general unsecured creditors could receive a distribution of $Nil if such claims are determined as valid and to be admitted. Distributions paid to the Secured Creditor or to the general unsecured creditors under the BIA Proceedings are subject to an OSB levy.

(14) Creditor Recovery % represents the estimated percentage payout that may be received by the creditor classes. Under the bankruptcy scenarios, general unsecured creditors may receive a distribution ranging from $Nil to 16.9%. Alternatively, under the Plan, general unsecured creditors receive a guaranteed aggregate distribution of 18.5%. This is due to a signficant majority of general unsecured creditors being paid in full (unsecured creditors with proven claims under $5,000) or receiving a distribution in excess of 16% (unsecured creditors with proven claims between $5,000 and $31.250) under the terms of the Plan.

APPENDIX D

No. ____________
Vancouver Registry

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. c-36, AS AMENDED

AND

IN THE MATTER OF ENCOREFX INC.

PETITIONER

PROPOSED MONITOR'S REPORT ON CASH FLOW STATEMENT

Ernst & Young Inc. ("**EY**"), the proposed Monitor of EncoreFX Inc. ("**Monitor**"), has developed the assumptions and prepared the attached statement of projected cash flow as of the 10th day of March, 2021 for the period March 10, 2021 to June 4, 2021 ("**Cash Flow**"). All such assumptions are disclosed in the notes to the Cash Flow.

The hypothetical assumptions contained in the Cash Flow are reasonable and consistent with the purpose of the Cash Flow as described in the Notes to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Monitor and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual events will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in the Notes thereof using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated: [03/10/2021]

Ernst & Young Inc., in its capacity as the proposed Court-Appointed Monitor of EncoreFX Inc, and not in its personal capacity

In the CCAA Proceedings of EncoreFX Inc
Cash Flow Forecast
For the 13 week period ending June 4, 2021

APPENDIX D

		1	2	3	4	5	6	7	8	9	10	11	12	13	
		12-Mar-21	**19-Mar-21**	**26-Mar-21**	**02-Apr-21**	**09-Apr-21**	**16-Apr-21**	**23-Apr-21**	**30-Apr-21**	**07-May-21**	**14-May-21**	**21-May-21**	**28-May-21**	**04-Jun-21**	**Total**
OPENING CASH BALANCE		41,100,390	41,608,561	41,728,945	41,728,895	41,473,397	41,510,772	41,631,156	41,763,106	41,833,056	41,673,559	41,758,509	41,893,892	(0)	**41,100,390**
RECEIPTS															
OTM Collections - Previously Approved	(2)	508,221	135,434	-	61,553	37,425	135,434	32,000	-	27,553	-	35,434	-	-	**973,052**
OTM Collections - Estimated New Settlements	(3)	-	-	-	-	-	-	100,000	100,000	100,000	100,000	100,000	-	-	**500,000**
Deposit Interest	(4)	-	-	-	13,000	-	-	-	-	13,000	-	-	-	-	**26,000**
		508,221	**135,434**	**-**	**74,553**	**37,425**	**135,434**	**132,000**	**100,000**	**140,553**	**100,000**	**135,434**	**-**	**-**	**1,499,052**
DISBURSEMENTS															
Professional Fees	(5)	-	-	-	(300,000)	-	-	-	-	(300,000)	-	-	-	-	**(600,000)**
Payroll	(6)	-	(15,000)	-	(15,000)	-	(15,000)	-	(15,000)	-	(15,000)	-	(15,000)	-	**(90,000)**
IT and administrative expenses	(7)	-	-	-	(15,000)	-	-	-	(15,000)	-	-	-	(15,000)		**(45,000)**
		-	**(15,000)**	**-**	**(330,000)**	**-**	**(15,000)**	**-**	**(30,000)**	**(300,000)**	**(15,000)**	**-**	**(30,000)**	**-**	**(735,000)**
OPERATING CASH FLOW		**508,221**	**120,434**	**-**	**(255,447)**	**37,425**	**120,434**	**132,000**	**70,000**	**(159,447)**	**85,000**	**135,434**	**(30,000)**	**-**	**764,052**
OTHER DISBURSEMENTS															
Bank Fees		(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	-	**(600)**
Priority Payables	(8)	-	-	-	-	-	-	-		-	-	-	(236,000)	-	**(236,000)**
Administrative Reserve	(9)	-	-	-	-	-	-	-		-	-	-	(3,389,564)	-	**(3,389,564)**
Initial Distribution	(10)	-	-	-	-	-	-	-		-	-	-	(38,238,279)	-	**(38,238,279)**
		(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(41,863,893)	-	**(41,864,443)**
NET CASH FLOW		**508,171**	**120,384**	**(50)**	**(255,497)**	**37,375**	**120,384**	**131,950**	**69,950**	**(159,497)**	**84,950**	**135,384**	**(41,893,893)**	**-**	**(41,100,390)**
ENDING CASH BALANCE		**41,608,561**	**41,728,945**	**41,728,895**	**41,473,397**	**41,510,772**	**41,631,156**	**41,763,106**	**41,833,056**	**41,673,559**	**41,758,509**	**41,893,892**	**(0)**	**(0)**	**(0)**

NOTES AND ASSUMPTIONS

(1) The 13 week cash flow statement has been prepared to estimate the cash position over the 13 week forecast period for the purpose of funding the Initial Distribution as defined in section 6.2 of the Plan.

(2) OTM Collections - Previously Approved represent collections from OTM Clients with settlements previously approved by the inspectors in the BIA Proceedings and with payment plans.

(3) OTM Collections - Estimate represents an estimate for future collections from OTM clients currently without settlement agreements that may be received by the end of May 2021 for inclusion in the Initial Distributions.

(4) Deposit interest represents estimated mothly interest earned from the Montior's bank accounts.

(5) Professional fees represent professional fees of the Monitor and the Monitor's legal counsel. Professional fees are estimated to be incurred evenly each month of the forecast period.

(6) Payroll represent bi-weekly payroll paid to former EncoreFX employees retained to assist the Monitor in the proceedings.

(7) IT and administrative expenses relate to monthly IT related costs for continued access to EncoreFX IT platforms and financial records.

(8) Payment of Priority Payables as per section 4.9 of the Plan.

(9) Payment of the Administrative Reserve as per section 6.4 of the Plan. The Administrative Reserve of $4M is reduced by $610,436 for payment of the Initial Distribution in full and to account for professional fees and administrative costs incurred subsequent to the Conversion Order. Upon approval of the Plan, professional fees and administrative costs will be deducted from the Administrative Reserve.

(10) Payment of the Initial Distribution as per section 6.2 of the Plan.

APPENDIX E

CONSOLIDATED
FINANCIAL STATEMENTS

Consolidated Financial Statements of

ENCOREFX INC.

For the year ended December 31, 2019
(Unaudited)

ENCOREFX INC.

Consolidated Statement of Financial Position
December 31, 2019 with comparative information for 2018
(Unaudited)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 39,743,140	$ 33,360,097
Transactions pending settlement	81,346,626	33,744,024
Foreign currency derivatives	24,399,112	39,596,385
Prepaid expense and other current assets	703,457	627,161
	146,192,335	107,327,667
Capital assets	3,013,057	915,956
Intangible assets	783,261	352,431
Other assets	268,214	289,713
	$ 150,256,867	$ 108,885,767
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,295,240	$ 2,298,798
Transactions pending settlement	86,171,556	33,693,952
Client deposits	4,884,817	3,268,248
Foreign currency derivatives	20,220,761	32,169,724
Due to related party	17,514,186	19,763,730
	132,086,560	91,194,452
Lease liabilities	2,363,659	108,478
	134,450,219	91,302,930
Shareholder's equity:		
Share capital	35,000,100	35,000,100
Deficit	(18,801,762)	(17,298,084)
Accumulated other comprehensive loss	(391,690)	(119,179)
	15,806,648	17,582,837
	$ 150,256,867	$ 108,885,767

ENCOREFX INC.

Consolidated Statement of Comprehensive Loss
Year ended December 31, 2019 with comparative information for 2018
(Unaudited)

	2019	2018
Foreign exchange and interest income	$ 25,019,167	$ 17,145,827
Operating expenses:		
Salaries and benefits	19,302,297	15,428,850
Office and general	2,771,144	3,125,507
Software licensing	1,768,163	1,399,251
Transaction costs	970,997	892,487
Professional fees	842,225	623,935
	25,654,826	21,470,030
Loss before interest, tax and amortization	(635,659)	(4,324,203)
Interest expense	140,191	28,664
Income tax	96,560	-
Amortization	1,223,992	264,632
Net loss	(2,096,402)	(4,617,499)
Other comprehensive loss (income)[1]	272,511	(40,824)
Total comprehensive loss	$ (2,368,913)	$ (4,576,675)

1. Represents item that may be reclassified to profit and loss in the future

ENCOREFX INC.

Consolidated Statement of Changes in Equity
Year ended December 31, 2019 with comparative information for 2018
(Unaudited)

	Share capital	Retained earnings (deficit)	Accumulated other comprehensive loss	Total shareholder's equity
Balance, December 31, 2017	$ 35,000,100	$ (13,169,083)	$ (160,003)	$ 21,671,014
Equity-settled share based payments	-	488,498	-	488,498
Net loss	-	(4,617,499)	-	(4,617,499)
Exchange differences on translation of foreign operations	-	-	40,824	40,824
Balance, December 31, 2018	$ 35,000,100	$ (17,298,084)	$ (119,179)	$ 17,582,837
Equity-settled share based payments	-	592,724	-	592,724
Net loss	-	(2,096,402)	-	(2,096,402)
Exchange differences on translation of foreign operations	-	-	(272,511)	(272,511)
Balance, December 31, 2019	$ 35,000,100	$ (18,801,762)	$ (391,690)	$ 15,806,648

ENCOREFX INC.

Consolidated Statement of Cash Flows
Year ended December 31, 2019 with comparative information for 2018
(Unaudited)

	2019	2018
Cash flows from operating activities:		
Net loss	$ (2,096,402)	$ (4,617,499)
Items not involving cash:		
Amortization	1,223,992	264,632
Gain on disposal of capital assets	-	(29,697)
Equity settled share-based payments	592,724	488,498
Unrealized market-to-market loss (gain)	3,248,310	(3,825,471)
Changes in non-cash working capital items:		
Decrease (increase) in net transactions pending settlement	4,868,474	(3,798,571)
Increase in prepaid expense and other current assets	(65,994)	(138,943)
Decrease (increase) in other assets	21,499	(15,742)
Increase in accounts payable and accrued liabilities	986,903	691,865
Increase (decrease) in client deposits	1,616,569	(6,787,131)
	10,396,075	(17,768,060)
Cash flows from investing activities:		
Acquisition of capital assets	(3,311,701)	(675,897)
Acquisition of intangible assets	(434,456)	(366,846)
	(3,746,157)	(1,042,743)
Cash flows from financing activities:		
Proceeds from lease liabilities	2,255,181	-
Proceeds from (payments to) related party	(2,249,544)	15,935,129
	5,637	15,935,129
Increase (decrease) in cash and cash equivalents	6,655,555	(2,875,674)
Effect of movements in exchange rates on cash and cash equivalents	(272,511)	(24,140)
Cash and cash equivalents, beginning of the year	33,360,097	36,259,911
Cash and cash equivalents, end of the period	$ 39,743,140	$ 33,360,097

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated Financial Statements of

ENCOREFX INC.

For the year ended December 31, 2019
(Unaudited)

ENCOREFX INC.

Statement of Financial Position
(Unaudited)

	Dec 31, 2019	Dec 31,2018
Assets		
Current assets:		
Cash and cash equivalents	$ 33,341,711	$ 29,068,791
Transactions pending settlement	72,531,701	33,372,628
Foreign currency derivatives	24,076,369	38,181,239
Prepaid expense and other current assets	672,158	487,748
	130,621,939	101,110,406
Investment in subsidiaries	6,395,110	5,506,968
Capital assets	1,771,235	810,409
Intangible assets	715,070	352,431
Other assets	48,289	61,007
	139,551,643	107,841,221
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,262,128	$ 1,507,911
Transactions pending settlement	77,470,103	33,356,836
Client deposits	4,605,802	2,659,225
Foreign currency derivatives	20,153,094	31,168,970
Due to related parties	17,692,315	21,438,137
	122,183,442	90,131,079
Lease liabilities	1,147,897	93,976
	123,331,339	90,225,055
Shareholder's equity:		
Share capital	35,000,100	35,000,100
Deficit	(18,779,796)	(17,383,934)
	16,220,304	17,616,166
	139,551,643	107,841,221

ENCOREFX INC.

Statement of Comprehensive Loss
(Unaudited)

	For the period ended Dec 31, 2019	For the year ended Dec 31,2018
Revenue	$ 18,543,296	$ 13,154,992
Operating expenses:		
Salaries and benefits	13,048,437	10,536,952
Office and general	1,887,847	2,052,553
Software licensing	1,608,711	1,217,602
Transaction costs	846,025	733,330
Professional fees	204,891	555,049
	17,595,911	15,095,486
Operating income (loss)	947,385	(1,940,494)
Less: market equalization payments	2,103,347	2,479,609
Net loss before interest and amortization	(1,155,962)	(4,420,103)
Interest expense	82,803	25,835
Amortization	848,948	206,048
Net loss and comprehensive loss	$ (2,087,713)	$ (4,651,986)

ENCOREFX INC.

Statement of Changes in Equity
(Unaudited)

	Share capital	Retained earnings (deficit)	Total shareholder's equity
Balance, December 31, 2017	$ 35,000,100	$ (13,121,318)	21,878,782
Equity-settled share based payments	-	389,370	389,370
Loss for the period	-	(4,651,986)	(4,651,986)
Balance, December 31, 2018	$ 35,000,100	$ (17,383,934)	$ 17,616,166
Equity-settled share based payments	-	691,851	691,851
Loss for the period	-	(2,087,713)	(2,087,713)
Balance, December 31, 2019	$ 35,000,100	$ (18,779,796)	$ 16,220,304