

Province of **Ontario**
Division No. **09-Toronto**
Court No. **43212**
Estate No. **31-2560986**

NOTICE TO CREDITORS

**In the Matter of the Bankruptcy of
0984750 B.C. Ltd.
of the City of Vancouver
in the Province of British Columbia**

Interim Claim Status Report

May 12, 2020

INTRODUCTION

1. On February 5, 2019 (the “**Filing Date**”), Quadriga Fintech Solutions Corp., Whiteside Capital Corporation and 0984750 B.C. Ltd. (“**Quadriga**”) d/b/a Quadriga CX and Quadriga Coin Exchange (collectively, the “**Companies**”) were granted protection from their creditors by the Nova Scotia Supreme Court (the “**Nova Scotia Court**”) under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”). Pursuant to an Order of Justice Wood dated February 5, 2019, Ernst & Young Inc. (“**EY**”) was appointed as the monitor (the “**Monitor**”) of the Applicants.
2. On April 11, 2019, a Termination and Bankruptcy Assignment Order was issued by Justice Wood approving the process by which the Applicants’ CCAA proceedings would transition to bankruptcy proceedings (the “**Bankruptcy Proceedings**”) under the *Bankruptcy and Insolvency Act* (the “**BIA**”).

3. On April 15, 2019, each of the Applicants were assigned into bankruptcy. EY consented to act as Trustee-in-Bankruptcy (the “**Trustee**”) of each bankrupt estate, which role was affirmed at the First Meeting of Creditors held on May 2, 2019.
4. On June 27, 2019, the Nova Scotia Court issued an order approving the claims process to be undertaken by the Trustee (the “**Claims Process**”).
5. On September 10, 2019, the Nova Scotia Court granted an order transferring the Bankruptcy Proceedings to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). On September 24, 2019, the Office of the Superintendent of Bankruptcy issued revised certificates of appointment in respect of the Companies’ estates confirming the division and district of the Bankruptcy Proceedings had been transferred to Toronto, Ontario.

PURPOSE

6. The purpose of this Notice is to provide creditors with an interim update on the status of the claims process in respect of 0984750 B.C. Ltd.

UPDATE

7. The Claims Process approved by the Nova Scotia Court is in substance in accordance with the process set out in the BIA with certain modifications in light of the nature of Quadriga’s business being a cryptocurrency exchange. In particular, the Claims Process provides that users of Quadriga’s platform (the “**Affected Users**”) shall assert claims against Quadriga as at April 15, 2019 denominated in one or more of Canadian dollars, United States dollars or cryptocurrency units (Bitcoin, Bitcoin Cash SV, Bitcoin Cash, Bitcoin Gold, Litecoin and Ethereum).

8. As at May 6, 2020, the Trustee has received and is assessing claims filed against Quadriga in various currencies as follows:

	CLAIMS FILED	Base Currency or Crypto Units
Bitcoin	9,949	24,436.5474
Bitcoin Cash SV	2,912	7,093.4818
Bitcoin Cash	3,003	7,718.4992
Bitcoin Gold	2,564	18,031.2131
Litecoin	6,009	86,936.8888
Etherium	8,704	65,302.1451
CDN Dollars	8,973	\$ 90,297,731
US Dollars	672	\$ 6,014,338

9. In aggregate, the Trustee received 16,959 proofs of claim many of which included multiple currency components.
10. The Trustee anticipates that all claims will be converted to a Canadian dollar equivalent for distribution purposes. A determination as to the respective rates of currency conversion have yet to be determined.
11. The Trustee has not finalized its review of all Affected User proofs of claim and continues to follow up with certain Affected Users in this regard.
12. The Trustee notes that there are a number of proofs of claim that contain certain technical deficiencies (i.e. proofs of claim are unsigned). The Trustee also notes that in a number of cases, the claimant has asserted a preferred claim pursuant to Section 136 of the BIA without any support for the preferred claim status. The Trustee notes that it is of the view that all Affected User claims are unsecured claims without any preferred status. The Trustee also understands that Representative Counsel supports the Trustee's position with respect to Affected User claims not being subject to any priority as communicated in the materials provided to Affected Users on Representative Counsel's website. The Trustee expects that the technical deficiencies will be

remedied and the right to preferred status resolved without impacting the acceptance of the quantum of these claims. The Trustee notes that it may seek the Court's assistance to resolve such issues in the most cost-effective way possible.

13. The Trustee continues to follow up with certain claimants in respect of claims which differ from the amounts recorded in Quadriga's records. While this process has resulted in some adjustments to balances set out in particular proofs of claim, to date, such adjustments have not been material in relation to the aggregate balances pursuant to the proofs of claim as filed.
14. The Trustee notes that although the Trustee requested that Affected Users file claims on or by August 31, 2019, there is no claims bar date pursuant to the BIA. The Trustee continues to receive proofs of claim and will continue to process claims prior to the final distribution to creditors, however the Trustee does note that the volume of new claim submissions has slowed considerably.
15. As set out in the Trustee's Third and Sixth Reports, the Trustee has received production demands from Canada Revenue Agency ("CRA") in relation to an audit of 0984750 B.C. Ltd. pursuant to subsection 231.2(1) of the *Income Tax Act*. On April 14, 2020, the Court issued an order approving the production of information and documents in the Trustee's possession to CRA in response to their demand. The Trustee anticipates that once the production of these documents is complete, CRA will be in a position to commence their audit.
16. The Trustee notes that Quadriga failed to file tax returns in the ordinary course of business prior to the Bankruptcy Proceedings and accordingly the quantum of tax liabilities is currently unknown. The determination of a CRA tax claim against Quadriga is necessary prior to the Trustee declaring any distribution to Affected Users or creditors generally as tax claims rank *pari passu* with the unsecured claims of Affected Users.

Dated at the city of Toronto in the Province of Ontario, this 12th day of May, 2020.

ERNST & YOUNG INC.

Licensed Insolvency Trustee

acting its capacity as Trustee in Bankruptcy
of 0984750 B.C. Ltd. and not in its personal capacity



Sharon S. Hamilton
Senior Vice President



George Kinsman
Senior Vice President