

Court File No. & Estate No. CV-19-627184-00CL (31-2560674)
CV-19-627185-00CL (31-2560984)
and CV-19-627186-00CL (31-2560986)

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

**IN THE MATTER OF THE BANKRUPTCY OF QUADRIGA FINTECH
SOLUTIONS CORP., WHITESIDE CAPITAL CORPORATION AND 0984750 B.C.
LTD. D/B/A QUADRIGA CX AND QUADRIGA COIN EXCHANGE**

MOTION RECORD
(RE: APPROVAL OF SETTLEMENT AGREEMENT)
(Returnable October 16, 2019)

October 7, 2019

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Trustee-in-Bankruptcy**

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SOLUTIONS CORP., WHITESIDE CAPITAL CORPORATION AND 0984750 B.C.
LTD. D/B/A QUADRIGA CX AND QUADRIGA COIN EXCHANGE**

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TAB 1

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**ONTARIO
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**IN THE MATTER OF THE BANKRUPTCY OF QUADRIGA FINTECH SOLUTIONS
CORP., WHITESIDE CAPITAL CORPORATION AND 0984750 B.C. LTD. D/B/A
QUADRIGA CX AND QUADRIGA COIN EXCHANGE**

**NOTICE OF MOTION
(RE: APPROVAL OF SETTLEMENT AGREEMENT)
(Returnable October 16, 2019)**

Ernst & Young Inc. (“**EY**”), in its capacity as the Trustee in Bankruptcy (the “**Trustee**”) of 0984750 B.C. Ltd. d/b/a Quadriga CX and Quadriga Coin Exchange (“**Quadriga**”), Quadriga Fintech Solutions Corp. (“**Fintech**”) and Whiteside Capital Corporation (“**Whiteside**”) (the “**Companies**”) under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”), will make a Motion to the Justice presiding over the Commercial List on October 16, 2019 at 10:00 a.m. at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An order (the “**Settlement Approval Order**”), substantially in the form of the draft order attached at Tab 4 to the Motion Record, that:
 - (a) approves the Settlement Agreement dated October 3, 2019 (the “**Settlement Agreement**”) between the Trustee, Jennifer Robertson, the Estate, Thomas Beazley and the Controlled Entities;
 - (b) approves and ratifies the execution of the Settlement Agreement by the Trustee, and Representative Counsel on behalf the Official Committee in respect of certain release provisions, and authorizes and directs the Trustee take such additional

steps and execute such additional documents as may be necessary or desirable in order to complete the transactions contemplated by the Settlement Agreement;

- (c) declares that all transfers of the Settlement Assets by Quadriga to Jennifer Robertson, the Estate/Gerald Cotten, Thomas Beazley and the Controlled Entities (collectively, the “**Settling Parties**”) are “transfers at undervalue” and voided and set aside as against the Trustee;
- (d) declares that any Settlement Assets that were not directly transferred by Quadriga to the Settling Parties, were acquired with assets/property or proceeds of assets/property that were transferred to the Settling Parties by Quadriga and such transactions are “transfers at undervalue” and voided and set aside as against the Trustee, and as such, the Settlement Assets of the Settling Parties are property of the Quadriga estate vested in the Trustee (including any accrued income forming part of the Settlement Assets);
- (e) approves the compromises, releases, and injunctions set out in the Settlement Agreement;
- (f) varies the Asset Preservation Order of the Nova Scotia Court dated April 11, 2019 to reflect the terms and effect of the Settlement Agreement, and orders continuation of the disclosure obligations by third parties set out in the Assets Preservation Order; and

2. An order (the “**Transfer Order**”), substantially in the form of the draft order attached at Tab 5 of the Motion Record, directing the applicable land registrars in Nova Scotia and British Columbia to enter the Quadriga estate or the Trustee as holding title to the real estate properties transferred pursuant to the Settlement Agreement.

3. Such further and other relief as counsel may request and the Court deems just.

THE GROUNDS FOR THE MOTION ARE:

Background¹

4. The Companies were involved in the business of operating a cryptocurrency exchange, which provided a platform for trading cryptocurrencies;

5. Following the death of the Companies' chief executive officer, Gerald Cotten, the Companies were granted protection from their creditors by the Nova Scotia Supreme Court under the *Companies' Creditors Arrangement Act* (the "CCAA") on February 5, 2019;

6. EY was appointed Monitor of the Companies (the "**Monitor**"). The Monitor conducted an investigation of Quadriga's business and affairs, as reported in the Fifth Report of the Monitor dated June 19, 2019 (the "**Fifth Report**");

7. The Monitor's investigation uncovered significant concerning conduct by the Companies' and Mr. Cotten, including:

- (a) "cash" transactions that the Monitor was unable to verify;
- (b) significant transfers of cryptocurrency from Quadriga's platform to competitor exchanges and personal accounts controlled by Mr. Cotten;
- (c) substantial transfers of funds from Quadriga to Mr. Cotten personally and other related parties; and
- (d) missing fiat funds and cryptocurrency reserves;

8. The Monitor found that Mr. Cotten and his wife, Jennifer Robertson, used funds from Quadriga to purchase personal assets and to support their lifestyle;

9. The Monitor obtained an asset preservation order (the "**Asset Preservation Order**") on April 11, 2019, on a consensual basis with Ms. Robertson as part of a first step in recovering the assets that it believed had originated from the Companies and constituted preferences or transfers at undervalue under the BIA (or could otherwise be subject to a cause of action);

¹ Capitalized terms not otherwise defined in this Notice of Motion have the meaning ascribed to them in the Settlement Agreement.

10. Also on April 11, 2019, the Court issued the Termination and Bankruptcy Assignment Order, approving the process by which the CCAA proceedings would transition to bankruptcy proceedings under the BIA. EY was made the Trustee;

The Settlement Agreement

11. The Trustee entered extensive and arm's length negotiations with counsel to Ms. Robertson shortly after the Fifth Report was released as part of its effort to recover assets transferred from the Companies to Ms. Robertson, Mr. Cotten's estate (the "**Estate**"), and the assets of entities owned by Ms. Robertson or the Estate (the "**Controlled Entities**");

12. The negotiations were successful and resulted in the Settlement Agreement; Under the Settlement Agreement, the Quadriga estate will acquire nearly all of the assets currently owned by Ms. Robertson, the Estate, and the Controlled Entities. The Trustee will also acquire certain assets owned by Ms. Robertson's step-father, Mr. Thomas Beazley. The Trustee, once it has possession of these assets (the "**Settlement Assets**"), intends to liquidate them for the benefit of Quadriga's stakeholders, including the Affected Users of the Quadriga platform;

13. The Settlement Agreement further provides that Ms. Robertson will provide the Trustee with her cooperation in respect of certain key matters, including with respect to asset and information disclosure;

14. The Trustee's position is that approving the Settlement Agreement and the other relief sought on this Motion will provide significant benefits to the Companies' estates and their stakeholders, as the Settlement Agreement improves the expected distributions for creditors, avoids litigation, and entails other benefits;

15. The Settlement Agreement was negotiated in consultation with Representative Counsel, the Estate Inspectors and the Official Committee, who together represent Quadriga's most significant stakeholder group, the Affected Users. The Trustee understands that each of these parties support approval of the Settlement Agreement and the Estate Inspectors have formally ratified the Settlement Agreement;

Transfers at Undervalue

16. The Settlement Assets were acquired by the Settling Parties either directly from Quadriga or using assets or property originally transferred by Quadriga within the past five (5) years, with most, if not all, of the Settlement Assets being acquired within the three (3) years prior to the CCAA filing;

17. The Settling Parties were non-arm's length parties with the Companies under the BIA;

18. As detailed in the Fifth Report, the Trustee believes the evidence available to it suggests that Quadriga was insolvent for a significant duration prior to the CCAA filing as the Companies had limited profitability and Mr. Cotten withdrew significant funds deposited by Affected Users of the Quadriga platform using alias accounts with artificially created deposits;

Transfer Order

19. The Transfer Order will assist with transferring title of the Settlement Assets which are real property to the Quadriga estate in an efficient and cost-effective manner;

20. The Transfer Order does not affect any encumbrances registered against the Settlement Assets which are real property;

Asset Preservation Order

21. The terms of the Asset Preservation Order require amendment in order to reflect the terms of the Settlement Agreement, including the transfer of various assets to the Trustee, and the extension of disclosure obligations following the Effective Date of the Settlement Agreement;

General

22. The provisions of the BIA, including sections 96(1), 98(1), 98(2) thereof, and the inherent and equitable jurisdiction of this Court;

23. Rules 1.04, 1.05, 2.03, and 37 of the *Rules of Civil Procedure*, RRO 1990, Reg 194, as amended; and

24. Such further grounds as counsel may advise and this Court may see fit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the motion hearing:

25. The Fourth Report of the Trustee, dated October 7, 2019;

26. Affidavit of Jennifer Robertson sworn October 3, 2019; and

27. Such further and other materials as counsel may advise and this Court may permit.

October 7, 2019

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**IN THE MATTER OF THE BANKRUPTCY OF QUADRIGA
FINTECH SOLUTIONS CORP., WHITESIDE CAPITAL
CORPORATION AND 0984750 B.C. LTD. D/B/A QUADRIGA
CX AND QUADRIGA COIN EXCHANGE**

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding commenced at Toronto

**NOTICE OF MOTION
(RETURNABLE OCTOBER 16, 2019)**

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TAB 2

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SOLUTIONS CORP., WHITESIDE CAPITAL CORPORATION AND 0984750
B.C. LTD. D/B/A QUADRIGA CX AND QUADRIGA COIN EXCHANGE**

FOURTH REPORT OF THE TRUSTEE

October 7, 2019

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INTRODUCTION

1. On February 5, 2019 (the “**Filing Date**”), Quadriga Fintech Solutions Corp., Whiteside Capital Corporation and 0984750 B.C. Ltd. (“**Quadriga**”) 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. was appointed as the monitor (the “**Monitor**”) of the Applicants.
2. On February 28, 2019, the Nova Scotia Court issued an Order (the “**Rep Counsel Order**”) appointing Miller Thomson LLP and Cox & Palmer as representative counsel (“**Representative Counsel**”) of the affected users of the Quadriga platform except for certain individuals who opt-out of representative in accordance with the Rep Counsel Order (the “**Affected Users**”).
3. 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**”).
4. On April 15, 2019, each of the Applicants were assigned into bankruptcy. Ernst & Young Inc. consented to act as Trustee-in-Bankruptcy (the “**Trustee**”) of each bankrupt estate, which role was affirmed at the First Meeting of Creditors held on May 2, 2019. Five individuals were named as Estate Inspectors (the “**Inspectors**”) at the First Meeting of

Creditors including four (4) members of the Committee of Affected Users (the “**Official Committee**”) and one (1) individual from their legal team.

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). 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.
6. Capitalized terms not otherwise defined in this Report are defined in the Settlement Agreement dated October 3, 2019 (the “**Settlement Agreement**”) between the Trustee, Jennifer Robertson, Jennifer Robertson in her capacity as executor of the estate of Gerald Cotten (the “**Estate**”), Thomas Beazley and certain entities party thereto.

PURPOSE

7. The purpose of the Fourth Report of the Trustee (the “**Fourth Report**”) is to provide the Court and stakeholders with the Trustee’s recommendation regarding the Settlement Agreement and to support the Trustee’s request for an Order (the “**Settlement Approval Order**”) that, among other things:
 - (a) Approves the Settlement Agreement;
 - (b) Approves and ratifies the execution of the Settlement Agreement by the Trustee, and Representative Counsel on behalf the Official Committee in respect of certain release provisions, and authorizes and directs the Trustee take such additional

steps and execute such additional documents as may be necessary or desirable in order to complete the transactions contemplated by the Settlement Agreement;

- (c) Declares that all transfers of the Settlement Assets by Quadriga to Jennifer Robertson, the Estate/Gerald Cotten, Thomas Beazley and the Controlled Entities (collectively, the “**Settling Parties**”) are “transfers at undervalue” and voided and set aside as against the Trustee;
- (d) Declares that any Settlement Assets that were not directly transferred by Quadriga to the Settling Parties, were acquired with assets/property or proceeds of assets/property that were transferred to the Settling Parties by Quadriga and such transactions are “transfers at undervalue” and voided and set aside as against the Trustee, and as such, the Settlement Assets of the Settling Parties are property of the Quadriga estate vested in the Trustee (including any accrued income forming part of the Settlement Assets);
- (e) Approves the compromises, releases, and injunctions set out in the Settlement Agreement; and
- (f) Varies the Asset Preservation Order of the Nova Scotia Court dated April 11, 2019 to reflect the terms and effect of the Settlement Agreement, and orders continuation of the disclosure obligations by third parties set out in the Asset Preservation Order.

TERMS OF REFERENCE

8. In preparing this Fourth Report, the Trustee has relied upon unaudited financial information, the Company's limited books and records and financial information prepared by the Company (the "**Information**"). The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook*, and accordingly the Trustee expresses no opinion or other form of assurance in respect of the Information.
9. Except as otherwise stated, the Trustee's understanding of factual matters expressed in this Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Trustee.
10. The Trustee has relied upon the information available to it from Quadriga, its independent contractors and other parties with historical involvement with Quadriga. The Trustee has attempted to independently review and corroborate the information received, where possible.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

BACKGROUND

12. During the CCAA proceedings, the Monitor commenced an investigation of Quadriga's business and affairs pursuant to section 23(1)(c) of the CCAA. The investigation was

preliminarily reported on in the Fifth Report of the Monitor dated June 19, 2019 (the “**Fifth Report**”), a copy of which is attached to this Fourth Report as Appendix “A”.

13. The Fifth Report outlined various concerns of the Monitor regarding the activities of Quadriga and Gerald Cotten, the Companies’ former chief executive officer. The concerns included, among other things:
 - (a) The Monitor was unable to locate traditional books and records, and the limited records available for review and limited parties available with institutional knowledge, made the investigation of Quadriga’s business and affairs challenging;
 - (b) Quadriga’s operating infrastructure was significantly flawed from a financial reporting and operational control perspective;
 - (c) The Monitor was unable to locate basic corporate records or accounting records, including records documenting the location of Quadriga’s cryptocurrency and fiat currency reserves between third party payment processors, bank accounts, wallet addresses and third party exchanges;
 - (d) There appeared to be no segregation of assets between funds of Quadriga and funds of Affected Users;
 - (e) Quadriga engaged in significant “cash” transactions and the Monitor was unable to verify if cash deposits were properly recorded;

- (f) The Monitor was unable to locate any records for security passwords associated with wallet addresses meant to hold cryptocurrency reserves or adequate safeguard procedures to transfer passwords which were solely held by Mr. Cotten;
- (g) Quadriga relied extensively upon the services of third party payment processors to administer its fiat treasury functions. It did not appear there were adequate governance arrangements, oversight or reporting functions in relation to fiat currency maintained by these third parties. For example, there appeared to be no segregation between funds of Affected Users and Quadriga funds held by these third party payments processors and Quadriga appears to have had no ability to track and reconcile funds held by third party payment processors;
- (h) Cryptocurrency of Affected Users was not maintained exclusively in Quadriga's hot and cold wallets. Significant volumes of cryptocurrency from Quadriga's platform were transferred to competitor exchanges, some of which was transferred into personal accounts controlled by Mr. Cotten. In addition, substantial amounts of cryptocurrency were transferred to wallet holders whose identity the Monitor has been unable to confirm;
- (i) It appears that cryptocurrency of Affected Users was transferred off the Quadriga platform to these exchanges and traded on these exchanges and in some circumstances used as security for a margin trading account established by Mr. Cotten. Trading losses incurred and incremental fees charged by exchanges adversely affected Quadriga's cryptocurrency reserves;

- (j) Mr. Cotten created certain accounts (the “**Identified Accounts**”) on the Quadriga platform under aliases where it appears that fictitious cryptocurrency and fiat funds were deposited and used to trade within the Quadriga platform resulting in inflated revenue figures, artificial trades with Affected Users and ultimately the withdrawal of cryptocurrency deposited by Affected Users;
 - (k) Substantial funds were transferred to Mr. Cotten personally and other related parties; and
 - (l) Substantial fiat funds and cryptocurrency reserves expected to be held by Quadriga on behalf of Affected Users are unable to be located.
14. As set out above, the Monitor’s investigation revealed that Mr. Cotten periodically transferred significant cryptocurrency and other funds outside of Quadriga. In certain instances, these transfers were for significant amounts of fiat currency directed to Mr. Cotten personally and used to fund personal expenses and the purchase of personal assets. In other instances, transfers were made directly to Ms. Robertson and used to pay personal expenses and purchase personal assets in her name or the name of companies which Ms. Robertson controlled.
15. As examples of the transfers of property from Quadriga to fund the purchase of personal assets of Mr. Cotten and Ms. Robertson, the Trustee is aware of the following:
- (a) Third party payment processors, which held deposits from Affected Users, were instructed on various occasions by Mr. Cotten to distribute significant amounts of funds directly to Mr. Cotten, Ms. Robertson or related companies;

- (b) In a particular instance, a bank account of Mr. Cotten was solely funded with transfers from a third party payment processor and the account still held significant funds at the time of Mr. Cotten's death;
 - (c) In at least one instance, the funds from a third party payment processor were directed to a solicitor that acted for Mr. Cotten and Ms. Robertson in connection with a real estate acquisition in the week following the transfer;
 - (d) Quadriga transferred various funds to Ms. Robertson who in turn lent the funds to Robertson Nova Property Management Inc. ("**RNPM**") to fund the purchase of the real estate owned by that company;
 - (e) Mr. Cotten instructed Affected Users in certain instances to fund their accounts on the Quadriga platform by transferring funds to a bank account of a separate company personally owned by Mr. Cotten; and
 - (f) The Identified Accounts were used in certain instances to transfer cryptocurrency from Quadriga to personal wallet addresses of Mr. Cotten.
16. At the time of Mr. Cotten's death, he and Ms. Robertson owned, directly or indirectly, significant cash holdings, 16 real estate properties in Nova Scotia, real estate property in British Columbia, vehicles, a sailing vessel and a personal aircraft amongst other assets. Moreover, Mr. Cotten and Ms. Robertson incurred significant personal, living and travel related expenses.
17. Most of these transfers from Quadriga and subsequent purchases of personal assets by Mr. Cotten and Ms. Robertson with funds originating from Quadriga occurred within

three (3) years of the CCAA filing. For example, of the 16 real estate properties owned by the Estate, Ms. Robertson and RNPM, the first was purchased on May 12, 2016 and 14 of the real estate properties were purchased after January 1, 2017.

18. To the Monitor's knowledge, neither Mr. Cotten nor his wife had any material sources of income other than the funds they received from Quadriga. As reported in the Fifth Report, the Monitor was unable to locate any documents indicating compensation properly distributed to Mr. Cotten (either in the form of salary, dividends or otherwise) except for an employment agreement from 2015 indicating an annual salary for Mr. Cotten of \$65,000 per annum.
19. The Monitor understands that Mr. Cotten did not file personal tax returns for 2014, 2015 or 2017, and although Mr. Cotten did file a tax return in 2016, no income from Quadriga was reported in that year. Tax returns filed for 2017 and 2018 subsequent to Mr. Cotten's death as part of the probate estate process also reported no income from Quadriga.
20. Tax returns filed by Ms. Robertson in 2015 and 2016 reported total income less than \$60,000 per year. In 2017, Ms. Robertson reported total income of less than \$5,000 to the CRA. None of the reported income was income from Quadriga.

ASSET PRESERVATION ORDER

21. On April 11, 2019, the Monitor obtained an asset preservation order (the "**Asset Preservation Order**") issued by the Nova Scotia Court. The Asset Preservation Order was obtained with the consent of Ms. Robertson. The Asset Preservation Order required Ms. Robertson, the Estate and various other related entities to disclose all of their

respective assets to the Trustee and refrain from selling or disposing of such assets except with the consent of the Monitor. A copy of the Asset Preservation Order is attached to this Fourth Report as Appendix “B”.

22. In the Fifth Report, the Monitor indicated that due to its findings, it intended to seek the recovery of the assets subject to the Asset Preservation Order as it appeared the assets originated from the Companies and constituted preferences or transfers at undervalue under the BIA or may be subject to other causes of action asserted by the Trustee. The Fifth Report indicated that the Monitor had engaged in initial discussions with Ms. Robertson regarding the assets subject to the Asset Preservation Order. The Second Report of the Trustee dated August 26, 2019 also indicated that the Trustee had been engaged in productive discussions with counsel to Ms. Robertson regarding the recovery of the assets. Ms. Robertson has been cooperative with the Trustee in administering the terms of the Asset Preservation Order.

THE SETTLEMENT AGREEMENT

23. Shortly after filing the Fifth Report and following on earlier conversations, counsel to Ms. Robertson presented the Trustee with a settlement offer that involved returning most of her assets, the assets of the Estate and the assets of entities owned by Ms. Robertson or the Estate (the “**Controlled Entities**”) to the Trustee. Subsequent negotiations between the parties produced an agreement acceptable to the Trustee and the Inspectors. The Trustee was of the view that a negotiated settlement was preferable to pursuing claims through litigation if it could achieve acceptable terms with Ms. Robertson as any litigation would likely result in the Quadriga estate incurring significant legal expenses

and may only result in a recovery for the estate after an extended timeline necessary to obtain a determination in respect of the Trustee's claims.

24. The Trustee consulted with Representative Counsel and the Inspectors throughout the negotiations. The Trustee also engaged with the Official Committee as any agreement was likely to result in a release provided on behalf of Affected Users to ensure finality for the Settling Parties.
25. The settlement negotiations were extensive and conducted at arm's length and ultimately resulted in the Settlement Agreement whereby nearly all of the assets of Ms. Robertson, the Estate, and the Controlled Entities will be transferred to the Trustee, along with a vehicle being returned to the Quadriga estate by Ms. Robertson's step father.
26. When the Trustee takes possession of the Settlement Assets, its intention is to liquidate them for the benefit of Quadriga's stakeholders, including the Affected Users. In the case of certain rental properties, a new property manager has been engaged by RNPM. The property management contract will be assigned to the Trustee should the Settlement Agreement be approved by the Court and the property manager will manage the portfolio of real estate until the Trustee is able to sell such properties. The net rental income will accrue for the benefit of the Quadriga estate. Further, in accordance with the Asset Preservation Order, certain of the assets have already been liquidated with the cooperation of Ms. Robertson and the consent of the Trustee and Representative Counsel. The proceeds of such dispositions have been deposited into accounts with counsel to Ms. Robertson. If the Settlement Agreement is approved, those funds would be transferred to the Quadriga estate.

SUMMARY OF THE SETTLEMENT AGREEMENT

27. The Settlement Agreement is attached to this Fourth Report as Appendix “C”.
28. The primary objective of the Settlement Agreement is to facilitate the return of the assets of Ms. Robertson, the Estate and the Controlled Entities to the Quadriga estate. The Settlement Agreement achieves this objective as the Quadriga estate will acquire nearly all of the assets currently owned by Ms. Robertson, the Estate, and the Controlled Entities. Through the Settlement Agreement, the Trustee will also obtain continued cooperation from Ms. Robertson on various issues, including asset and information disclosure matters that may assist with additional recovery efforts by the Trustee. Further, the Quadriga estate will also recover certain assets from Mr. Beazley.
29. The key terms of the Settlement Agreement are summarized below in the following chart:

Settlement Agreement Summary	
Parties to the Settlement Agreement	<ul style="list-style-type: none">• The Trustee• Robertson• Robertson, in her capacity as the executor of the Estate• Beazley• Controlled Entities (including, RNPM, Robertson Nova Consulting Inc., Megacorp Incorporated, 2379164 Ontario Inc., and Jennifer Robertson as trustee of The Seaglass Trust)• Official Committee (in respect of certain provisions providing releases on behalf of Affected Users)
Effective Date	The Settlement Agreement becomes effective when all of its conditions have been satisfied and the Trustee delivers a certificate to this effect.

Settlement Agreement Summary	
Settlement Assets	<p><i>Robertson Settlement Assets</i></p> <p>Other than the Excluded Assets, Robertson will transfer to the Trustee, her right, title and interest in all assets including cash, investments, vehicles, loans (and related security), real estate (including the Kinross Property, which is to be vacated by October 31, 2019), personal belongings, and any further assets identified in the future.</p> <p><i>Estate Settlement Assets</i></p> <p>Other than the Excluded Assets, the Estate will transfer to the Trustee, its right, title and interest in all assets, including cash, investments, vehicles (including all boats, planes and cars), precious metals, claims and refunds (namely, those with respect to probate taxes), and any further assets identified in the future.</p> <p><i>Controlled Entities Settlement Assets</i></p> <p>The Controlled Entities will transfer to the Trustee any assets, their right, title and interest in all assets, including cash, investments, real estate, loans (and related security), vehicles, and any further assets identified in the future.</p> <p><i>Beazley Settlement Assets</i></p> <p>Beazley will transfer to the Trustee any assets (a) transferred to Beazley by the Companies and/or Cotten either directly or indirectly; or (b) purchased using proceeds of assets transferred to Beazley by Quadriga and/or Cotten either directly or indirectly, including a 2017 Toyota Tacoma truck.</p>

Settlement Agreement Summary	
Excluded Assets	<p>Robertson and the Estate will retain certain Excluded Assets. Robertson's Excluded Assets are limited to:</p> <ul style="list-style-type: none">(i) Cash, in the amount of \$90,000 plus the cash in one account where she received distributions under the Asset Preservation Order up to a maximum of \$10,000;(ii) Investments contained in Robertson's registered retirement savings account with a current market value of approximately \$20,000;(iii) A 2015 Jeep Cherokee with an estimated black book value of \$19,000;(iv) Certain jewellery, including her wedding band, with an estimated aggregate fair market value of \$8,700;(v) Personal furnishings, up to a maximum aggregate appraised value of \$15,000;(vi) Clothing and similar personal effects; and(vii) Issued and outstanding shares of the Controlled Entities and Quadriga Fintech Solutions Corp. <p>The Excluded Assets to be retained by the Estate are solely the issued and outstanding shares of the Controlled Entities (for greater certainty, which includes CX Solutions) and Quadriga Fintech Solutions Corp.</p>
Disclosure Obligations	<p>Robertson is to provide the Trustee with a sworn statement describing, among other things, the nature, value and location of (i) present assets owned by herself, the Estate and the Controlled Entities or any affiliates or related parties of each of them; and (ii) past assets owned by herself, the Estate and the Controlled Entities in the past five (5) years.</p> <p>Beazley is to provide the Trustee with a sworn statement describing, among other things, the nature, value and location of (i) present assets that were transferred to Beazley by the Companies and/or Cotton or purchased using proceeds of assets transferred from the Companies, Cotten and Robertson; and (ii) past assets that were transferred to Beazley by the Companies and/or Cotton or purchased using proceeds of assets transferred from the Companies, Cotten and Robertson in the past five (5) years.</p> <p>Robertson and Beazley agree to each be examined under oath by the Trustee pursuant to section 163 of the BIA.</p>

Settlement Agreement Summary	
Miscellaneous Agreements	<ul style="list-style-type: none">(i) The Trustee agrees to the unfreezing of the Excluded Assets and any of Robertson's credit cards.(ii) The Quadriga estate agrees to pay the reasonable legal fees and disbursements of Robertson's legal counsel in connection with the implementation of the Settlement Agreement and the Cooperation Obligations, among other things.(iii) Potential reimbursement by the Quadriga estate to Ms. Robertson in respect of (a) income tax liabilities of RNPM for net rental income to a maximum amount of \$7,500; and (b) income tax liabilities of the Estate in respect of investment income earned by Mr. Cotten up to a maximum amount of \$200,606, in the event that she is personally liable for the tax liabilities, the tax liabilities rank in priority to the Trustee's claims against RNPM and the Estate, as applicable, and the amounts are due and payable upon the earlier of the discharge of the Trustee and December 31, 2020. Other than these specified liabilities, the Trustee and the Companies' estates have no responsibility for any tax liabilities of Ms. Robertson, the Estate, Mr. Beazley or the Controlled Entities.(iv) The Quadriga estate agrees to reimburse Robertson up to a maximum of \$25,000 for actual and documented out-of-pocket expenses incurred within six (6) months of the Effective Date in respect of (a) preparing and filing Tax Returns on behalf of the Estate and the Controlled Entities; or (b) any bankruptcy, liquidation or wind-up proceedings in respect of the Controlled Entities.
Conditions to the Settlement Agreement	<p>The following are conditions to the Settlement Agreement and occurrence of the Effective Date:</p> <ul style="list-style-type: none">(i) Court approval of the Settlement Agreement;(ii) Assignment of a loan made by RNPM and Ms. Robertson which is secured by a charge over real property in Calgary, Alberta;(iii) Ratification and approval of the Settlement Agreement by the Inspectors;(iv) Robertson and Beazley must satisfy their disclosure obligations; and(v) Mr. Beazley and his wife must deliver to the Trustee a release of

Settlement Agreement Summary	
	any and all rights and claims to the Estate Settlement Assets.
Releases	<p>In broad terms, the Trustee and the Official Committee on behalf of Affected Users will release and forever discharge Robertson, the Estate, the Controlled Entities and Beazley of and from any and all claims related to receipt of the Settlement Assets and the Excluded Assets and any involvement or conduct with respect to the Companies and/or Cotten.</p> <p>Robertson, the Estate, the Controlled Entities and Beazley will release and forever discharge (a) the Companies and Trustee of and from various claims and (b) all rights and claims to the Settlement Assets. Further, Robertson, the Estate, the Controlled Entities and Beazley will not be entitled to file a proof of claim in the BIA proceedings against estates of the Companies.</p>
Conditional Nature of Release	<p>The releases provided by the Trustee and the Official Committee may be rescinded and voided if it is determined by this Court that:</p> <ul style="list-style-type: none">(i) Robertson wilfully failed to disclose assets that were required to be disclosed under the Settlement Agreement;(ii) Beazley wilfully failed to disclose assets that were required to be disclosed under the Settlement Agreement;(iii) Robertson and/or Beazley identify or become aware of any assets which were required to be disclosed under the Settlement Agreement and fail to notify the Trustee of such assets or fail to take reasonable steps to assist with transferring such assets to the Trustee if such assets are Settlement Assets; or(iv) Robertson and/or Beazley breach any of their Cooperation Obligations following the Effective Date.
No Further Claims	<p>The Trustee and the Affected Users agree to not start, continue or participate in any claims against Robertson, the Estate, the Controlled Entities or Beazley in any way related to receipt of Settlement Assets and the Excluded Assets, any involvement or conduct with respect to the Companies and/or Cotten.</p> <p>Robertson, the Estate, the Controlled Entities and Beazley agree to not start, continue or participate in any claims against the Trustee or the Companies in any way related to, among other things, the Settlement Assets.</p>
Cooperation Obligations	The Settlement Agreement includes certain ongoing Cooperation Obligations for Robertson, the Estate, the Controlled Entities and Beazley, including

Settlement Agreement Summary	
	<p>among other things:</p> <ul style="list-style-type: none">(i) Robertson, the Estate, the Controlled Entities and Beazley shall cooperate with the Trustee as reasonably requested to implement the Settlement Agreement, including the transfer of the Settlement Assets;(ii) To facilitate the implementation of the Settlement Agreement, Robertson agrees to (a) remain as a director of any Controlled Entities where she previously held a role as director; and (b) to remain in her role as executor of the Estate;(iii) Robertson and/or the Estate agree to file a motion in a California court to obtain data from Google LLC;(iv) Robertson, the Estate and the Controlled Entities agree to provide, among other things, documents and information specified in the Asset Preservation Order;(v) To the extent not already provided, Robertson and Beazley agree to provide the Trustee with (a) documents and information related to the business of the Companies, (b) certain communications, and (c) encryption keys or passwords to access such documents and information; and(vi) Robertson agrees to provide the Trustee with any additional reasonable cooperation determined to be reasonably necessary by the Trustee.

APPROVAL OF THE SETTLEMENT AGREEMENT

30. The Trustee is requesting Court approval of the Settlement Agreement as the relief set out in the Settlement Approval Order is required to fully implement the transactions contemplated by the Settlement Agreement. For example, the Representative Counsel Order of the Nova Scotia Court provided that the Official Committee could “reach any settlement agreements... and compromise rights, entitlements or claims of Affected Users, *subject to approval of the Court* [emphasis added].” The Trustee and other parties to the Settlement Agreement, also believe Court approval is appropriate in respect of

these arrangements due to the importance of the Settlement Agreement to the Bankruptcy Proceedings.

31. The Trustee believes that the Settlement Agreement provides significant benefits to the Quadriga estate, Affected Users and other stakeholders and should be approved by this Court. The benefits of the Settlement Agreement include, among other things:
- (a) Realization of the Settlement Assets will materially improve the expected distributions to Quadriga's stakeholders as their estimated cumulative net realizable value is approximately \$12 million;
 - (b) The Settlement Agreement allows the Trustee to avoid the significant cost of litigating its claims against Ms. Robertson, the Estate and the Controlled Entities;
 - (c) The value of the Excluded Assets being retained by Ms. Robertson is relatively minimal and includes a number of items that the Trustee expected to generate minimal value in a liquidation. The estimated aggregate net realizable value of the Excluded Assets is likely less than the costs that would have been incurred in pursuing the Trustee's claims against Ms. Robertson, the Estate and the Controlled Entities;
 - (d) The Settlement Agreement will permit the Trustee to realize on the Settlement Assets in a timely manner whereas prolonged litigation could result in delayed recovery and ultimately delayed distributions to Quadriga's stakeholders and/or result in the depreciation of the value of certain Settlement Assets while the litigation was ongoing;

- (e) Following implementation of the Settlement Agreement, Ms. Robertson will no longer be entitled to payments under the Asset Preservation Order which may have continued during any litigation with Ms. Robertson;
 - (f) The Settlement Agreement secures certain cooperation obligations from Ms. Robertson and Mr. Beazley which will assist with (i) the Trustee's investigation; (ii) efficiently transferring and monetizing the Settlement Assets; (iii) avoiding the costs associated with replacing the executor of the Estate which may have been necessary outside of a negotiated settlement; and (iv) identifying and pursuing potential other sources of recovery for the Quadriga estate and Affected Users; and
 - (g) Avoids any cost and delay in respect of any determination of the validity of the secured loan provided by Ms. Robertson immediately prior to the initial application to finance the CCAA proceedings.
32. As noted above, the Trustee also negotiated the Settlement Agreement in consultation with Representative Counsel, the Inspectors and the Official Committee, which are representative of Quadriga's most significant stakeholder group, the Affected Users. The Trustee understands that each of these parties support the approval of the Settlement Agreement and the Official Committee (which includes the Inspectors) has approved the Settlement Agreement.

THE SETTLEMENT APPROVAL ORDER

Transfers at Undervalue

33. The Settlement Approval Order includes certain declarations that prior transfers of assets or property to the Settling Parties are “transfers at undervalue” under the BIA and therefore voided and set aside as against the Trustee. Additionally, as a result of the declarations and findings, the Quadriga estate will be deemed to have a property interest in the Settlement Assets, including Settlement Assets of the Settling Parties acquired with other assets or property transferred by Quadriga to the Settling Parties and Settlement Assets which are the result of income earned by the Settling Parties on assets or property transferred by Quadriga.

34. Sections 96(1) and 98 of the BIA provide the following:

96 (1) On application by the trustee, a court may declare that a transfer at undervalue is void as against, or, in Quebec, may not be set up against, the trustee — or order that a party to the transfer or any other person who is privy to the transfer, or all of those persons, pay to the estate the difference between the value of the consideration received by the debtor and the value of the consideration given by the debtor — if

...

(b) the party was not dealing at arm’s length with the debtor and

(i) the transfer occurred during the period that begins on the day that is one year before the date of the initial bankruptcy event and ends on the date of the bankruptcy, or

(ii) the transfer occurred during the period that begins on the day that is five years before the date of the initial bankruptcy event and ends on the day before the day on which the period referred to in subparagraph (i) begins and

(A) the debtor was insolvent at the time of the transfer or was rendered insolvent by it, or

(B) the debtor intended to defraud, defeat or delay a creditor.

...

98 (1) If a person has acquired property of a bankrupt under a transaction that is void or voidable and set aside or, in the Province of Quebec, null or annulable and set aside, and has sold, disposed of, realized or collected the property or any part of it, the money or other proceeds, whether further disposed of or not, shall be deemed the property of the trustee.

(2) The trustee may recover the property or the value thereof or the money or proceeds therefrom from the person who acquired it from the bankrupt or from any other person to whom he may have resold, transferred or paid over the proceeds of the property as fully and effectually as the trustee could have recovered the property if it had not been so sold, disposed of, realized or collected.

35. The Trustee believes the transfer at undervalue tests under the BIA and related remedies, are supported by the results of the investigation to date, and the affidavit evidence to be provided by Ms. Robertson in connection with this motion regarding her knowledge of the source of the Settlement Assets.
36. The results of the Trustee's investigation and Ms. Robertson's evidence support a finding that the Settlement Assets originated from Quadriga and/or were funded with property that originated from Quadriga as no other source of funding for significant asset accumulation is apparent to the Trustee based on evidence reviewed to date. The Trustee believes it has a property interest in the Settlement Assets under the provisions governing transfers at undervalue set out in the BIA. The requested relief in the Settlement Approval Order would establish that interest in a manner consistent with the relief that

the Trustee believes it would have obtained if it had pursued its claims against the Settling Parties through litigation.

37. In the Fifth Report, the Monitor made the following observations regarding the potential profitability of Quadriga:

102. As the Company appears to have failed to maintain traditional books and accounting records and produced no accounting reports or financial statements since 2015, the Monitor is unable to estimate the profitability of Quadriga. However, the Monitor has analyzed the limited information available and notes certain information below.

103. The Platform did not track operating costs, however, it does appear to track fee revenues charged on individual transactions. The Monitor notes that given the lack of reporting capability, the Monitor is unable to assess the reasonableness of these numbers.

104. Attached below is a summary of the Quadriga fee revenues reported within the Platform for the period 2014 through 2019 adjusted to remove fees earned on transactions processed through the Identified Accounts. Fiat fees (CDN and USD) have been adjusted to Canadian equivalent dollars and the Cryptocurrency fees are reported in the currency earned.

	Currency	2014	2015	2016	2017	2018	2019	Total
Deposit Fees	CDN	\$3,138	\$46,500	\$116,380	\$5,677,680	\$4,606,313	\$29,822	\$10,479,833
Withdrawal Fees	CDN	-	\$6,713	\$109,085	\$1,537,760	\$2,402,319	\$5,323	\$4,061,200
Trade Fees	CDN	\$13,304	\$130,807	\$286,168	\$9,546,762	\$8,396,152	\$89,620	\$18,462,813
		\$16,442	\$184,020	\$511,633	\$16,762,202	\$15,404,784	\$124,765	\$33,003,846

	Currency	2014	2015	2016	2017	2018	2019	Total
Trade Fees	BTC	37	338	344	870	429	12	2,030
	ETH			1,564	9,618	3,050	131	14,363
	LTC				6,640	4,393	119	11,152
	BCH				587	206	10	803
	BTG				156	469	48	673
	BSG					25	5	30

105. It appears that Quadriga generated modest revenues between 2014 and 2016. The popularity of Cryptocurrency and the commodity value appreciation served as a catalyst for Quadriga's rapid revenue growth and the fees earned in 2017 and 2018.

106. Although operating expenses appear not to have been tracked or accounted for the Monitor has been able to identify a series of obligations incurred or costs which the organization would likely have funded including:

- (a) TPP fees (\$11.8 million paid to two processors between 2017 and 2018); quantum paid to other TPPs is unknown;
- (b) Ethereum Classic splitter contract loss of 67,000 ethereum (approximately \$13 million at the time of the loss) associated with an Ethereum Classic splitter contract in 2017);
- (c) Operating costs including legal fees, independent contractor fees, general operating costs including technology services and AWS server fees and corporate taxes (if applicable) although not filed;
- (d) Amounts paid or transferred to Mr. Cotten or Ms. Robertson and related entities;
- (e) Fees and trading losses associated with Cryptocurrency transferred to external Exchanges including Cryptocurrency transition sites; and
- (f) Fees and trading losses associated with margin accounts.

107. It is possible that the above obligations or costs exceeded the fee revenue earned by Quadriga and resulted in a deficiency in Funds held on behalf of Users. In addition, the freezing of Fiat through the CIBC Interpleader Motion described in the Initial Affidavit and First Report created additional liquidity issues, impacting Quadriga's ability to fund withdrawal requests from Users.

38. In addition, the Monitor described in the Fifth Report the use of Identified Accounts. The most significant of the Identified Accounts was an account held in the name of Chris Markay (the "**Chris Markay Identified Account**"). As noted in the Fifth Report, the

Identified Accounts were credited with significant unsupported deposits, and subsequently significant transfers of cryptocurrency were then made from the Chris Markay Identified Account off the Quadriga platform, including to other exchanges where the cryptocurrency was liquidated for unaccounted for cash and used for margin trading that resulted in significant losses. An estimate of the transferred cryptocurrency was noted in the Fifth Report as follows:

93. In addition to trades within the Quadriga Platform, the Monitor independently verified through blockchain analysis that large volumes of Cryptocurrency were withdrawn from Quadriga through the Chris Markay Account. It appears that although the Chris Markay Account may have been funded with Unsupported Deposits, real Cryptocurrency was transferred out.

94. A summary of the Chris Markay Cryptocurrency withdrawal values by year and by currency follows:

Currency	2016	2017	2018	Total
Btc	6,753.11	4,972.48	6,087.54	17,813.13
Eth	402,749.17	602,482.22	68,573.33	1,073,804.72
Ltc	-	25,298.93	165,365.67	190,664.60
Bch	-	9,512.40	4,927.72	14,440.12
Btg	-	-	1,800.00	1,800.00
Etc	34,459.13	-	-	34,459.13

39. In the Third Report of the Monitor dated March 1, 2019 (the “**Third Report**”), which is appended to this Fourth Report as Appendix “D”, the Monitor analyzed Quadriga’s known bitcoin reserves (the most significant cryptocurrency traded on the Quadriga platform) using public blockchain information. The Third Report noted that it appeared Quadriga did not have any bitcoin reserves in its cold wallets since April 2018 and never had bitcoin reserves equal to the amount bitcoin owed to Affected Users as of the Filing Date. Specifically, the Third Report noted the following:

45. The Monitor understands that prior to the Filing Date, the Applicants made significant efforts to identify and locate any additional cold wallet addresses or other wallet addresses that may contain cryptocurrency reserves. However, to date, the Applicants have not been able to identify any other wallet addresses that may have been used to store reserves of bitcoin or other cryptocurrencies. The Monitor continues to work with representatives of the Applicants and internal blockchain resources to determine if any other cold wallet addresses or other wallet addresses with cryptocurrency reserves exist.

46. The Monitor has commenced a preliminary review of the transactional activity of the Identified Bitcoin Cold Wallets utilizing public blockchain records. This analysis conducted by the Monitor indicates the following:

(a) From April 2014 to approximately April 2018, aggregate bitcoin month end balances in the Identified Bitcoin Cold Wallets ranged from a low of nil to a peak of approximately 2,776 bitcoin. The average aggregate month end balance over the four-year period was approximately 124 bitcoin. In April 2018, the remaining bitcoin in the Identified Bitcoin Cold Wallets was transferred out bringing the balances down to nil. Other than the Sixth Wallet, there have been no deposits into the Identified Bitcoin Cold Wallets since April 2018 except for the inadvertent transfer of bitcoin by the Applicants as disclosed in the First Report.

(b) Post April 2018, the Sixth Wallet appears to have been used to receive bitcoin from another cryptocurrency exchange account and subsequently transfer the bitcoin to the Quadriga hot wallet. As of the date of the Third Report, the Sixth Wallet contains no cryptocurrency. The last transaction from the Sixth Wallet was initiated on December 3, 2018.

(c) Certain of the bitcoin in the Identified Bitcoin Cold Wallets appear to have been transferred to accounts at other cryptocurrency exchanges. As set out at paragraph 38 of the Third Report it is not possible to ascertain with absolute certainty from public information who the owner of an address is, however, the tools and sources utilized by the Monitor indicate that certain receiving wallet addresses from transactions in the Identified Bitcoin Cold Wallets are

wallet addresses associated with identifiable cryptocurrency exchanges. As indicated above, the Monitor has reached out to various cryptocurrency exchanges to identify possible accounts controlled by Quadriga or Mr. Cotten and receive transactional information in respect of any such accounts.

47. The Monitor has made inquiries of the Applicants as to the reason for the lack of cryptocurrency reserves in the Identified Bitcoin Cold Wallets since April 2018. To date, the Applicants have been unable to identify a reason why Quadriga may have stopped using the Identified Bitcoin Cold Wallets for deposits in April 2018, however, the Monitor and Management will continue to review the Quadriga database to obtain further information.

40. As set out above, the Trustee is also aware of material acquisitions in the name of one or more of the Settling Parties, in each of 2016, 2017 and 2018, including acquisition of real estate properties, vehicles, jewellery, and funds gifted or loaned to other parties. The acquisition of such significant assets using Quadriga's funds, likely deposited by Affected Users, would have further reduced the available funds to satisfy the liabilities owed to Affected Users.
41. Based on the cumulative information available to the Trustee, the Trustee believes that it is reasonable to reach the conclusion that "the debtor was insolvent at the time of the transfer or was rendered insolvent by it" as contemplated in section 96(1)(a) of the BIA.

Variation of the Asset Preservation Order

42. As part of the Settlement Approval Order, the Trustee is requesting this Court amend the Asset Preservation Order of the Nova Scotia Court to unfreeze the Settlement Assets and the Excluded Assets to permit the transactions contemplated by the Settlement Agreement to occur. As part of the Orders of the Nova Scotia Court dated September 10, 2019 (the "**Transfer Orders**") transferring the Bankruptcy Proceedings to Ontario, the

Nova Scotia Court declared that this Court “may seize any matter related to or ancillary to the [Bankruptcy] Proceedings.” Copies of the Transfer Orders are attached to this Fourth Report as Appendix “E”.

43. With that authorization, the Trustee believes it would be appropriate for this Court to amend an order of the Nova Scotia Court to permit implementation of the Settlement Agreement in an efficient manner and avoid the cost and delay associated with seeking separate relief from the Nova Scotia Court.

CONCLUSION

44. For the reasons set out in this Fourth Report, the Trustee recommends that the Court approve the Settlement Agreement and grant the other relief requested in the Settlement Approval Order.

All of which is respectfully submitted this 7th day of October 2019.

ERNST & YOUNG INC.

Licensed Insolvency Trustee

acting in its capacity as Trustee in Bankruptcy
of Quadriga Fintech Solutions Corp., Whiteside Capital Corporation and
0984750 B.C. Ltd. and not in its personal capacity



Sharon S. Hamilton
Senior Vice President



George Kinsman
Senior Vice President

APPENDIX “A”

IN THE SUPREME COURT OF NOVA SCOTIA

IN THE MATTER OF:

Application by Quadriga Fintech Solutions Corp., Whiteside Capital Corporation and 0984750 B.C. Ltd. dba Quadriga CX and Quadriga Coin Exchange (collectively referred to as the “Applicants”), for relief under the Companies’ Creditors Arrangement Act

FIFTH REPORT OF THE MONITOR

June 19, 2019

June 19, 2019

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IN THE SUPREME COURT OF NOVA SCOTIA**IN THE MATTER OF:**

Application by Quadriga Fintech Solutions Corp., Whiteside Capital Corporation and 0984750 B.C. Ltd. dba Quadriga CX and Quadriga Coin Exchange (collectively referred to as the “Applicants”), for relief under the Companies’ Creditors Arrangement Act

FIFTH REPORT OF THE MONITOR**June 19, 2019****INTRODUCTION**

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

Proceedings”) under the *Bankruptcy and Insolvency Act* (the “**BIA**”). On April 15, 2019, each of the Applicants were assigned into bankruptcy.

PURPOSE

3. The purpose of the Fifth Report of the Monitor (the “**Fifth Report**”) is to provide the Court and stakeholders with an interim report on the Monitor’s investigations into the business and affairs of the Applicants and its previous sole director Gerald Cotten.
4. The investigation, realization and distribution process for the benefit of the affected users will continue to be pursued via the Bankruptcy Proceedings. Future reports associated with these activities will be completed by Ernst & Young Inc. acting in its capacity as Bankruptcy Trustee (the “**Trustee**”).
5. The Monitor has structured the Fifth Report as follows (all capitalized terms are as defined in the balance of the Fifth Report):
 - (a) Investigation Update
 - i. Executive Summary;
 - ii. Interim Investigation Procedures;
 - iii. Overview of Quadriga Business;
 - iv. Affected Users;
 - v. Recoveries to Date;
 - vi. Recovery Efforts on Devices and Accessible Information;

- vii. Security of the Operating Platform and AWS Data;
- viii. Books and Records;
- ix. Quadriga Operating Platform and Database;
- x. Blockchain Analysis;
- xi. Operational Issues;
- xii. Potentially Inappropriate Use of Affected Users' Funds;
- xiii. Gerald Cotten Platform Activities;
- xiv. Quadriga Profitability Comments; and
- xv. Next Steps in the Investigation

(b) Third Party Payment Processor Update

TERMS OF REFERENCE

6. In preparing this Fifth Report, the Monitor has relied upon unaudited financial information, the Company's books and records, financial information prepared by the Company (the "**Information**") and discussions with the Applicants' directors, senior management team, consultants ("**Management**") and legal advisors. The 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 ("**GAAS**") pursuant to the *Chartered Professional Accountants Canada*

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

7. Except as otherwise stated, the Monitor's understanding of factual matters expressed in this Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.
8. The Monitor has relied upon the information available to it from Quadriga, its independent contractors and other parties with historical involvement with Quadriga. The Monitor has attempted to independently review and corroborate the information received, where possible. The Monitor notes the lack of formal books and records and inability to access certain encrypted devices have limited the Monitors review. Given Mr. Cotten's death, a key corporate representative was not available and the Monitor was not able to seek an explanation or justification, if any, for the preliminary observations and findings outlined herein. The comments below reflect the Monitor's current understanding and assessment of the information received to date. The Monitor notes further information could arise during the course of the Bankruptcy Proceedings, which may impact some of the observations below and the Monitor's understanding and assessment are necessarily preliminary. The Monitor believes it is important for the Court and Users to have the opportunity to review the results of the investigation to date. The Report is subject to the limitations expressed herein.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

INVESTIGATION UPDATE

Executive Summary

10. The Monitor's preliminary investigation identified the following principal concerns which it believes contributed to the current situation facing Quadriga and its Users:
 - (a) Quadriga's operating infrastructure appears to have been significantly flawed from a financial reporting and operational control perspective. Activities were largely directed by a single individual, Mr. Cotten and as a result, typical segregation of duties and basic internal controls did not appear to exist;
 - (b) No accounting records have been identified by the Monitor and there appears to have been no segregation of assets between Quadriga Funds and User Funds. Funds received from and held by Quadriga on behalf of Users appear to have been used by Quadriga for a number of purposes other than to fund User withdrawals. With its available infrastructure, Quadriga does not appear to have had visibility into its profitability, if any;
 - (c) The Company appears to have engaged in significant "cash" transactions. The Monitor has been unable to verify if cash deposits were deposited into accounts containing User Funds and or properly recorded;
 - (d) The Monitor has been unable to locate basic corporate records including the location and security passwords associated with Quadriga's Fiat and Cryptocurrency inventories between TPPs, bank accounts, wallet addresses and third-party exchanges. In addition, the Monitor understands passwords were held

by a single individual, Mr. Cotten and it appears that Quadriga failed to ensure adequate safeguard procedures were in place to transfer passwords and other critical operating data to other Quadriga representatives should a critical event materialize (such as the death of key management personnel);

- (e) The Company relied extensively upon the services of TPPs to administer its fiat treasury functions. Adequate governance arrangements, oversight or reporting functions in relation to Fiat maintained by these third parties does not appear to have been in place;
- (f) User Cryptocurrency was not maintained exclusively in Quadriga's hot and cold wallets. Significant volumes of Cryptocurrency were transferred off Platform outside Quadriga to competitor exchanges into personal accounts controlled by Mr. Cotten. It appears that User Cryptocurrency was traded on these exchanges and in some circumstances used as security for a margin trading account established by Mr. Cotten. Trading losses incurred and incremental fees charged by exchanges appear to have adversely affected Quadriga's Cryptocurrency reserves. In addition, substantial amounts of Cryptocurrency were transferred to wallet holders whose identity the Monitor has been unable to confirm;
- (g) Mr. Cotten created Identified Accounts under aliases where it appears that Unsupported Deposits were deposited and used to trade within the Platform resulting in inflated revenue figures, artificial trades with Users and ultimately the withdrawal of Cryptocurrency deposited by Users; and

- (h) Substantial Funds were transferred to Mr. Cotten personally and other related parties. The Monitor has not located any support justifying these transfers.

Interim Investigation Procedures

- 11. The investigation into Quadriga's business and affairs has been challenging due to the limited books and records available to review, limited parties with institutional knowledge, reporting limitations within the Platform, the complexities of blockchain analysis coupled with limited reliable data, and Quadriga's reliance upon TPPs to facilitate the Fiat treasury functions through multiple service providers, all combined with the volume of transactions processed by the Company.
- 12. The Monitor continues its efforts to assemble supporting documentation and information necessary to analyze Quadriga's business and affairs. To date, the Monitor has:
 - (a) taken possession of an inventory of devices belonging to Mr. Cotten reportedly used in the day to day management of the business. Certain of these devices have been accessed by the Monitor and a preliminary analysis of the contents conducted. In other cases, the devices are encrypted and as a result, the Monitor has been unable to access the content;
 - (b) been unable to locate any traditional books and records, including accounting records documenting Quadriga's financial results and operations following 2016. Quadriga appears not to have maintained a general ledger or traditional accounting records since at least 2016;

- (c) obtained access to certain of Mr. Cotten's e-mail and other communication records. The Monitor understands Mr. Cotten used multiple communication methods and services, including encrypted e-mail services and chat communications which cannot be accessed;
- (d) held preliminary discussions with two of the Directors and with certain of the primary independent contractors having institutional knowledge of Quadriga's business and affairs;
- (e) preserved the Platform, including all transactional details maintained therein necessary to evaluate User claims;
- (f) assembled and analyzed Fiat transaction records from certain TPPs. Efforts by the Trustee to secure additional TPP information including bank account statements from various financial institutions involved with the Quadriga business are ongoing;
- (g) assembled and analyzed Cryptocurrency records and performed preliminary blockchain analysis using information obtained from the Platform and independent third-party exchanges where Mr. Cotten maintained accounts. Efforts by the Trustee to obtain additional transaction details with unresponsive third-party exchanges linked to the Quadriga business and accounts maintained by Mr. Cotten are continuing;
- (h) reviewed the initial investigative report prepared by an external consultant following Mr. Cotten's death;

- (i) held preliminary discussions with Mr. Cotten's widow, Jennifer Robertson, in relation to assets under her control now subject to the Asset Preservation Order; and
- (j) responded to communications from regulatory agencies and communicated the Monitor's interim information and assessments to law enforcement and regulatory officials and cooperated with agency requests where made.

Overview of Quadriga Business

- 13. The nature of Quadriga's business has been described in earlier Reports and affidavits filed in the CCAA proceedings. As noted in this Fifth Report, the manner in which the Quadriga business in practice operated differed from the preliminary description. Below is the Monitor's understanding of the overall Quadriga business model.
- 14. Quadriga operated a cryptocurrency exchange platform allowing Users to store, buy and sell various cryptocurrencies from its online operating platform (the "**Platform**") through its website at www.quadrigaex.com. Users could transact in Canadian dollars, US dollars (collectively "**Fiat**"), Bitcoin, Bitcoin Cash S.V., Bitcoin Cash, Bitcoin Gold, Litecoin and Ethereum (collectively "**Cryptocurrency**"). Quadriga earned transaction fees as a percentage of all Fiat transactions and Cryptocurrency trades on the Platform. Users were not charged a fee to deposit or withdraw Cryptocurrency to or from the Platform.
- 15. The Platform allowed Quadriga users (the "**Users**") to create accounts on the Platform (the "**Accounts**") and deposit Fiat and Cryptocurrency (collectively "**Funds**") into those Accounts with Quadriga. Deposits were initiated by Users logging into his/her Account,

creating a deposit transaction and sending Funds to Quadriga via one of the approved Quadriga deposit methods. A Quadriga representative would then manually verify the receipt of Funds and note the deposit as having been received in the Platform. The Users' Account was then credited with the applicable currency. Users could then place buy or sell orders on the Platform to trade Fiat for Cryptocurrency, exchange Cryptocurrency for another Cryptocurrency, or trade Cryptocurrency for Fiat. If a counterparty for an order was found within the Platform a trade would occur resulting in the Users' respective Fiat and Cryptocurrency Account holdings being debited and/or credited with applicable Funds less transaction fees.

16. The terms and conditions on Quadriga's website governing the use of the Platform are attached as **Appendix "A"**.

Fiat Transactions

17. Due to the nature of its business, Quadriga was limited in its ability to open or maintain bank accounts in its name and had to rely upon third party payment processors ("TPPs") to administer its Fiat treasury functions including storing Fiat deposited by Users. Quadriga entered into arrangements with a number of different parties that acted as TPPs. Users could deposit and withdraw Fiat through several processing options including cash transactions, bank wires, electronic fund transfers, credit card postings and postal money orders, generally all managed through TPP accounts. Custody of User Fiat was maintained within the TPP bank accounts.
18. Upon creating a Fiat deposit transaction on the Platform and sending Funds, users would generally upload support documentation associated with the Fiat deposit to the Platform.

The support documentation was tagged to the particular deposit transaction. This appeared to allow Quadriga representatives to determine to which TPP account the Fiat was sent and to verify receipt. Support documentation uploaded by Users for Fiat deposits typically included either originating bank account details, e-mail correspondence, credit card information, customer addresses, tracking numbers, voucher codes, copies of bank drafts, wire details or other bank verification support as applicable.

19. In reviewing a small selected sample of User deposit records on the Platform, the Monitor identified various User Fiat deposits where no supporting documentation appears to have been uploaded. In the majority of those instances, deposits were recorded as having been made via “Cash deposits” or “Admin Adjustments”. The Monitor also identified other instances where Account deposits were made through methods where supporting documentation should have been available, such as wire confirmation or e-transfers, but no supporting documentation was located in the Platform. As a result, it has not been possible for the Monitor to verify whether the deposits were actually made or to which TPP accounts funds were deposited. The Platform does not maintain supporting documentation or information for Fiat withdrawals.
20. Different TPPs provided different processing options for the Company. Certain TPPs were payment processing companies offering services to Quadriga pursuant to written agreements while other TPPs were simply independent contractors involved with Quadriga who agreed to use their personal or corporate bank accounts to process Quadriga transactions, often without any formal written agreement in place. The Monitor has also identified several personal bank accounts and credit card accounts in the name of Mr. Cotten or parties related to Mr. Cotten that were used by Quadriga for processing Fiat

transactions. The Platform does not appear to contain a comprehensive listing of all of the Fiat accounts utilized by Quadriga.

Cryptocurrency Transactions

21. Users could also deposit, trade and withdraw Cryptocurrency through the Platform. For deposits, Users were provided a hot wallet address (the “**User Wallet**”) to send Cryptocurrency onto the Quadriga exchange. A User Wallet was typically (although not always) an address set up uniquely for a single User. Users did not control the private keys of the User Wallets. The individual User Wallets were provided solely to enable transfers from outside the Platform to the Platform in a way that inbound Cryptocurrency transactions could be associated with the appropriate User Account. The User Wallets were controlled by Quadriga and Cryptocurrency received through User Wallets were pooled by Quadriga and transferred out of the User Wallets.
22. Cryptocurrency deposits, once confirmed, were credited to the User Accounts. Quadriga maintained custody and control of the Cryptocurrency on behalf of the Users while their funds were on the Platform. Unlike Fiat transactions, User initiated Cryptocurrency transactions through the Platform (deposits/withdrawals) were processed automatically by the Platform subject to sufficient Cryptocurrency being available to complete a transaction.
23. The Platform recorded both the receiving wallet and the destination wallet details associated with all Cryptocurrency deposits and withdrawals in and out of the Platform. As such, it is possible to utilize these wallet details for individual Cryptocurrency transactions to independently verify the transfer of Cryptocurrency against public blockchain information.

24. To a certain extent, Quadriga operated in a similar fashion to a traditional brokerage institution in that Users could view their individual Account holdings but User Fiat and Cryptocurrency assets were maintained in general pooled accounts pending future User transaction activity. As Quadriga hot wallet inventory levels increased, portions of the Cryptocurrency were reportedly transferred to cold wallets for safe storage. From the Monitor’s investigation to date, the Monitor understands that custody and control of the Cryptocurrency holdings, including the decision as to where to maintain Cryptocurrency reserves, was primarily determined by Mr. Cotten.
25. As set out in the Third Report of the Monitor, the Monitor’s investigation has revealed that Quadriga last used its designated bitcoin cold wallets in April 2018.

Affected Users

26. The data within the Platform indicates that as at the Filing Date, approximately 76,000 Users were owed a combination of Fiat and Cryptocurrency by Quadriga. Account holdings reported within the Platform as at the Filing Date, in base currency and Canadian dollar equivalent values ¹ translated as at the Filing Date are as follows:

	Bitcoin	Bitcoin Cash SV	Bitcoin Cash	Bitcoin Gold	Bitcoin Litecoin	Bitcoin Ethereum	CDN Dollars	US Dollars
Units	26,295	9,621	10,233	25,489	122,743	89,924	\$66,959,075	\$5,469,882
Cdn Exchange (Feb 5, 2019)	\$4,550.25	\$80.55	\$153.88	\$12.58	\$44.95	\$140.62	\$1.00	\$1.31
CDN Equivalent	\$119,646,913	\$774,941	\$1,574,602	\$320,653	\$5,517,309	\$12,645,120	\$66,959,075	\$7,180,315
CDN Equivalent Fiat Holdings				\$74,139,390				
CDN Equivalent Cryptocurrency Holdings				\$140,479,538				
CDN Equivalent Total Holdings				\$214,618,928				

¹ Cryptocurrency to Canadian dollar values are based upon prices reported on the website

27. The Canadian dollar equivalent value of Quadriga Fiat and Cryptocurrency obligations to Users reflected in Quadriga's database as at the Filing Date totalled \$74.1 million and \$140.5 million respectively or \$214.6 million in aggregate. These values differ from previously reported values as source code reports generated by Quadriga's independent contractor have been refined during the CCAA proceedings.

Recoveries To Date

28. As outlined in previous Reports of the Monitor, significant effort was required to identify TPPs that may have held Fiat as at the Filing Date and to effect the transfer of such Fiat from the TPPs to bank accounts established by the Monitor. Attached as **Appendix "B"** is the Monitor's Final Statement of Receipts and Disbursements (the "**SRD**") of the Disbursement Account reporting all banking transactions within the CCAA proceedings.
29. The Monitor has recovered Fiat totalling \$31.5 million from various sources. Subsequent to the bankruptcy date, the Trustee has recovered an additional \$0.5 million. The Trustee has identified and is pursuing the recovery of an additional approximately \$900,000 from one of the TPPs as a result of its investigation and information obtained pursuant to earlier Orders of this Court. Other Fiat recoveries from TPPs who have not responded to the Monitor's requests for information or various Court Orders will continue to be pursued by the Trustee. As and when additional potential TPPs are identified, the Trustee will pursue information and Quadriga Property from these parties.

30. The Monitor has also taken possession of or identified Cryptocurrency valued, in Canadian equivalent dollars as at the Filing Date, at approximately \$1.0 million as follows:

Bitcoin	61.33029548
Bitcoin Cash	33.31773499
Bitcoin Gold	2,661.91654095
Litecoin	851.72720131
Ethereum	960.36200048
Bitcoin in Quadriga Cold Wallets not currently accessible	104.335082 ²

31. Total Funds (Fiat and Cryptocurrency) realized by the Monitor/Trustee approximates \$33.0 million. Actions taken to locate missing Account holdings are outlined in this Fifth Report.

Recovery Efforts on Devices and Accessible Information

32. Quadriga represented itself as being one of Canada's largest cryptocurrency exchanges serving over 360,000 registered Users. Notwithstanding the size of the operation in terms of transactional values and volumes processed, specifically during 2017 and 2018, Quadriga was effectively a small operation with what appears to be limited corporate infrastructure and limited controls in respect of its operations. The face of the Company and the controlling mind of the business appears to have been Mr. Cotten. To date, the Monitor has been unable to locate any corporate records, to the extent such records exist, other than the limited materials found on electronic devices controlled by Mr. Cotten, TPP service provider records and data contained within the Platform. The Monitor notes other parties may have been involved in working with Mr. Cotten in implementing the

² As reported within the Monitor's First Report, on February 6, 2019, Quadriga inadvertently transferred 104 bitcoins valued at approximately \$468,675 to Quadriga cold wallets which the Company is currently unable to access.

arrangements described in this Report, however further information is required to identify others' involvement with certainty.

33. Quadriga did not maintain physical servers to retain supporting documentation associated with the business in the form of historical report retention, correspondence files, e-mail servers or other business communications. The Monitor understands that multiple communication services, e-mail systems and chat services, including encrypted communication methods were used at various intervals by Mr. Cotten and Quadriga contractors for business correspondence.
34. The Monitor has taken physical possession of a number of known electronic devices used by Mr. Cotten. It is not clear if other devices were used by Mr. Cotten or other parties within Quadriga as logs or records of devices do not appear to have been maintained. In respect of the devices now in the Monitor's possession, three of the electronic devices (a USB stick, large MacBook laptop computer and Mr. Cotten's home computer) were found to be encrypted (the "**Encrypted Devices**"), and as such, their contents have not been accessed to date. The Monitor took forensic images of the large MacBook laptop computer and Mr. Cotten's home computer. In addition, other unencrypted devices, including two cell phones and a small MacBook laptop computer (the "**Unencrypted Devices**") have also been imaged. The Monitor has accessed the images of the Unencrypted Devices and a preliminary review of the data was conducted including efforts to locate potential passwords for the Encrypted Devices, access wallet information with respect to possible previously unidentified Cryptocurrency reserves and to review general communications and other file documents providing information in relation to Quadriga's operations.

35. The Monitor notes that after Mr. Cotten's death but prior to the CCAA filing, different Company representatives and an external consultant engaged to locate missing Cryptocurrency had possession of the Unencrypted and Encrypted Devices. A limited inventory of Cryptocurrency was retrieved from the Unencrypted Devices, returned to the Company and used to fund User withdrawal requests prior to the Filing Date.
36. The external consultant prepared a report detailing his investigation efforts, a copy of which has been provided to and reviewed by the Monitor.
37. The Monitor was advised that Quadriga maintained a Fastmail account with email addresses for Mr. Cotten and all of the individuals that worked as independent contractors to Quadriga. The Monitor has been able to recover e-mails stored on Quadriga's Fastmail account. The Monitor has also recovered certain text messages stored on Mr. Cotten's Unencrypted Devices.
38. The Monitor understands that Mr. Cotten used a Gmail account and email address for communications related to Quadriga's business. The Trustee is currently pursuing efforts to obtain access to these e-mail communications. Discussions with Google indicate that it may require the Trustee to obtain a court order in the United States of America. Additionally, the Monitor's review of Mr. Cotten's available email and text correspondence indicates that he may have used various encrypted text messaging services. To date, the Monitor has been unable to access any of these communications.
39. The Monitor reviewed text and e-mail threads from the accessible information which provided insights with respect to communication with TPPs and Fiat movements between entities including transfers to Mr. Cotten or entities related to him.

40. As set out above, the Monitor has not been able to locate complete records or logs of devices or forms of electronic communications used by Mr. Cotten or others in their roles at Quadriga. The Monitor has identified numerous examples where Mr. Cotten requested that individuals he was communicating with through email or unencrypted text messaging transition communications from these unencrypted methods to encrypted texts, telegram or messaging methods. The reasons for the usage of different email accounts and encrypted messaging services remains unclear.

Security of the Operating Platform and AWS Data

41. Pursuant to the terms of the Platform Access Order dated March 5, 2019, Amazon Web Services Inc. (“AWS”) was authorized and directed to grant the Monitor with full and complete access to all AWS accounts in the name of Gerald Cotten or the Applicants. The Monitor made arrangements with AWS to ensure the AWS accounts are maintained so that the Platform and the Users’ transaction details necessary to adjudicate claims within the Bankruptcy Proceedings may be preserved. This includes efforts to ensure that all material on the AWS servers that make up the Platform infrastructure and other digital assets located within the AWS accounts including backup copies of the Platform data, the Platform source code, documents, files and access logs are retained.
42. The AWS server architecture was complex in nature and involved a series of more than thirty (30) running servers. Quadriga backed up the Platform on an hourly basis and maintained copies of all backups within AWS. The Monitor undertook several activities to preserve the Platform data as follows:

- (a) snapshots (backup copies) of identified storage devices (58 Volumes totalling approximately 7.4 Terabytes of data) associated with the Platform and servers were made and have been stored in a separate and isolated AWS environment only accessible to the Monitor;
 - (b) other files and folders located within the AWS environment which include approximately seventy (70) terabytes of data were also isolated and preserved in the same environment; and
 - (c) obtained access to cryptographic security keys used to provide interactive login access to the Platform back-end servers.
43. In addition to preserving the AWS servers and data within the Platform, the Monitor also sought control over the internet domain name “quadrigacx.com” by writing to the internet domain name registrar. The domain name is not registered to Quadriga, however, the registrar has been advised of these insolvency proceedings.

Books and Records

44. The Monitor has been unable to locate any evidence to suggest that Quadriga maintained any traditional books or accounting records since at least 2016. There are no indications that the Company maintained a general ledger accounting system, nor has the Monitor located any evidence of the existence of any accounting reports or financial statements since 2016, Corporate tax returns were not prepared or filed with the Canada Revenue Agency (the “CRA”) and no HST filings were submitted. Quadriga engaged independent

consultants to assist with the operations, however, the Monitor has not located any records detailing the specific amounts paid to these independent consultants.

45. The Monitor has not located any documents that track operating expenses, including, independent contractor fees, TPP processing fees, third party exchange fees, server maintenance obligations, bank charges, communication services, marketing services, legal fees, compensation distributed to Mr. Cotten and others (either in the form of salary, dividends or otherwise) or taxes payable (if any). The Monitor understands that operating expenses were processed through Quadriga's extensive TPP network which frequently involved paying these expenses out of accounts funded with deposits from Users. As described further in this Fifth Report, the Monitor has obtained access to certain TPP records and bank statements and analysis of this information by the Trustee is ongoing.

Quadriga Operating Platform and Database

46. The Monitor obtained access to and control of the Platform and has been guided through its innerworkings by its architect and primary administrator. The Monitor understands the Platform evolved as Quadriga expanded from modest beginnings in 2015 serving a few thousand customers to a Platform managing over 360,000 customer profiles processing millions of transactions annually. The Platform has been internally developed primarily by a single individual, and so the system architecture has not been formally documented. The Monitor was granted administrative access rights to the Platform and is now able to review User specific transaction activities recorded within the Platform and the supporting documents in relation to system User transactions (both Fiat and Cryptocurrency). In

addition, the Monitor has been able to obtain a general understanding of how the system worked.

47. The User facing Platform was designed and operated as an effective tool to facilitate the service offerings provided by Quadriga (buying, selling and trading of Cryptocurrencies) and provided Users visibility into their respective Account holdings and transaction details. The Monitor reviewed various aspects of the Platform to understand how the system recorded customer information and maintained transaction support data. The Platform contains personal information and transaction support documentation on an individual User and transaction basis as described in this Fifth Report.
48. Generally, the Platform as an administrative tool to manage the Quadriga business lacks critical infrastructure and design in terms of:
 - (a) Accounting and profitability analysis capabilities;
 - (b) General ledger accounting and segregation of fund capabilities of total Fiat and Cryptocurrency holdings between User Funds and Quadriga Funds;
 - (c) Information with respect to relevant TPPs, bank account or wallets where assets are held;
 - (d) Asset tracking (Fiat and Cryptocurrency holdings) by TPP, bank account, wallet address or exchange location; and
 - (e) General administrative or internal controls embedded within the Platform.

49. The Platform has no reporting or accounting functionality. Although transaction fees are charged and recorded within the Platform on a transaction by transaction basis and User Account holdings are adjusted when fees were earned, the Platform does not generate reports aggregating revenues by period. Furthermore, the Monitor has been unable to locate evidence of Quadriga expenditures being recorded or tracked within the Platform or elsewhere. The Platform does not provide any visibility into whether Quadriga was operating profitably or not. It is unclear whether Quadriga had visibility into its financial position.

50. Users deposited Fiat and Cryptocurrency with Quadriga and their User Accounts were credited. Funds were maintained in TPP bank accounts or Quadriga pooled wallets. Quadriga then provided direction to TPPs with respect to the use or transfer of the Fiat. It is not clear however, that Quadriga maintained any current tracking with respect to the balance that should have been held by TPPs at any given point in time. With respect to Cryptocurrency, Quadriga was the custodian of the Cryptocurrency and controlled any transfers out of Quadriga wallets.

51. While Quadriga earned fees as a result of User transactions, the Monitor has not identified any detailed accounting of these fees or any process to transfer amounts relating to earned fees from TPP accounts containing User Funds to other accounts representing Quadriga Funds. There does not appear to have been any segregation of User Funds from Quadriga Funds. It appears that Quadriga accessed pooled Fiat in TPP accounts and Cryptocurrency holdings to fund its operations as required. Furthermore, the Monitor's investigation revealed that Mr. Cotten periodically transferred significant Fiat and Cryptocurrency

outside of Quadriga. The Monitor has not located any accounting to support these transfers.

52. To date, the Monitor has not located any evidence to suggest that Quadriga had the ability to track and reconcile pooled Funds by TPP, bank account, wallet address or exchange. The Monitor anticipated that definitive and accessible lists of accounts or wallet addresses would have been maintained and regular reconciliations performed to properly account for all Funds. The Platform does not report total Funds available nor does it identify specific accounts (bank account or wallet addresses) where Funds should be stored and no reconciliation efforts appear to have been maintained by the Company. The Monitor has reviewed correspondence between Mr. Cotten and certain TPPs in which Mr. Cotten inquires as to the balance being held by the TPP at a point in time. This further suggests that no tracking or accounting of Funds held by Quadriga existed.
53. User Account obligations as at the Filing Date indicate Quadriga ought to have held \$74.1 million and \$140.5 million of Fiat and Cryptocurrency respectively. The Platform does not report and Quadriga does not track where these Funds, if they do exist, were to have been physically, or in the case of Cryptocurrency, digitally maintained.
54. The Monitor understands that historically, limited access rights to the Quadriga operating system were granted to various internal Quadriga personnel based on their respective roles and responsibilities within the organization. The Monitor understands that as at the Filing Date, Mr. Cotten and the independent contractor responsible for maintaining the Platform were the only two individuals with full administrative privileges to the Platform.

55. The Platform is capable of and did in some instances track administrator activity. Activities of authorized administrators engaged by Quadriga to perform administrative functions such as Fiat deposit and withdrawal approvals or the establishment and approval of new Users to the Platform were tracked and recorded to maintain a record of which contractors approved or modified specific transactions within the Platform.

56. However, while standard access logs recorded certain administrator activity within the Platform, these access logs did not capture activity by those administrators with full administrative rights. As such, since Mr. Cotten had full access rights to the Platform, the system did not record Mr. Cotten's activities within the site. The Monitor was advised that the decision not to record Mr. Cotten's administrative activities was done at his request. The Monitor notes that access log tracking activity by all administrators, even those with the highest levels of access is a common and expected feature of any software application similar to the Platform.

57. The Monitor also notes that it does not appear that Quadriga had appropriate protocols in place with respect to safeguarding the location and accessibility of Cryptocurrency reserves and relevant passwords to access such reserves. Supplemental safeguard options including the use of a "dead-man switch" which would provide critical password information upon the death of a key principal of the organization. The Monitor is advised that Mr. Cotten indicated to family members that he had established a dead-man switch prior to his death. Family members were expecting to receive an email with critical Quadriga operating information within days of Mr. Cotten's passing. Neither the Monitor nor others involved with the organization are aware of a dead-man switch email having been received.

KYC Requirements

58. Quadriga's standard operating protocols did require Users to provide and management to retain Know Your Client ("KYC") information for Users transacting in Fiat. Quadriga Users transacting only in Cryptocurrency were not required to produce KYC personal information. KYC information could be provided by producing Equifax verification, through in person Canada Post verification or by uploading specified personal information such as pictures of passports, drivers' licenses and other personal identifying information.
59. The Monitor examined a small sample of User Account details as part of its investigation. KYC User information, where available, supplied to Quadriga has been saved directly within the Platform. The data is not masked in any way. Administrative access such as the access previously utilized by the independent consultants and Mr. Cotten and the access granted to the Monitor allows access to view KYC information for any User. Given the sensitivity of this personal information, the Monitor has restricted Platform access internally to a small number of Monitor / Trustee representatives who require access to the Platform to administer these proceedings.
60. In its sample User account review, the Monitor also attempted to note whether KYC support documents were consistently supplied. From the small sample, the Monitor notes that it appears that in general, the KYC requirements were followed but there are instances in which it was not.
61. Mr. Cotten's administrative privileges permitted him to override the KYC requirements within the Platform. The Monitor understands that Mr. Cotten reportedly overrode the KYC proof of personal information requirement on various occasions to approve new

Users to the Platform who Mr. Cotten was familiar with. In addition, Mr. Cotten appears to have used his administrative privileges to create customer account profiles without KYC information within the Platform, as further described below. The Monitor has not attempted to confirm how many of the 363,000 Quadriga customers have KYC details.

Blockchain Analysis

62. The Monitor was initially advised that Quadriga maintained minimal levels of Cryptocurrency within its hot wallets as Mr. Cotten reportedly moved most Cryptocurrency to cold wallet storage to protect Quadriga from hacking or virtual theft. As previously reported in the Monitor's Third Report, six (6) bitcoin cold wallet addresses (the "**Cold Wallets**") were disclosed and investigated. To date, cold wallets for any other forms of Cryptocurrency have not been identified to or by the Monitor.
63. Analysis of public blockchain records indicate the Cold Wallets had not been used since April 2018 other than to fund and receive bitcoin with a competitor exchange and that Cold Wallet holdings prior to April 2018 were inconsequential in relation to total User deposits.
64. The Monitor's preliminary blockchain analysis indicates that instead of maintaining Cryptocurrency within Quadriga controlled cold wallets, large volumes of Cryptocurrency were transferred out of Quadriga controlled wallets to accounts at competitor exchanges maintained in Mr. Cotten's personal name.
65. The Monitor has been able to obtain blockchain transaction details from two competitor exchanges with accounts held in the name of Mr. Cotten (the "**Exchange Accounts**"). One of the Exchange Account data sets is complete as it was received directly from the

Exchange. The other Exchange Account data set was indirectly received and appears to be primarily complete but is missing some transaction information.

66. The transactional analysis of the Exchange Accounts indicates the competitor exchanges received multiple forms of Cryptocurrency from Quadriga wallets from 2016 through 2019 including 9,450 bitcoin; 387,738 Ethereum and 239,020 Litecoin. Many of these holdings were converted into other Cryptocurrencies (primarily bitcoin). The conversion of User Cryptocurrency into other currencies through competitor exchanges resulted in incremental fees being incurred and currency exchange fluctuations relative to the original currency generating gains and losses. In addition, it appears that the activity in the Exchange Accounts resulted in overall trading losses.

67. The Monitor's blockchain analysis did indicate that a portion of the Cryptocurrency holdings within the Exchange Accounts, after trading activity, was returned back to Quadriga. The Monitor also noted that of the remaining Cryptocurrency not returned to Quadriga, 5.6 bitcoin appear to have been transferred to wallet addresses which the Monitor understands to be controlled by Mr. Cotten. As well, approximately 1,426.2 bitcoin were transferred from the Exchange Accounts to wallet addresses in respect of which the Monitor has no information as to the beneficial owner or understands the beneficial owner to be a party other than Mr. Cotten. In addition, the Monitor also noted that smaller amounts of other forms of Cryptocurrency were transferred to Mr. Cotten's wallets or wallets for which the beneficial owner was a third party or unknown person. As at the Filing Date neither of the Exchange Accounts held any Cryptocurrency.

68. The Monitor also learned from one of the Exchanges that Mr. Cotten had established a margin account that traded various Cryptocurrencies extensively (67,000 individual transactions). The margin account trades involved multiple currencies including DASH, OMG, ZEC and DOGE among others which are not tradeable on Quadriga. The margin account trading activities were subject to substantial fees and generated substantial losses. As a result of the losses, the Exchange liquidated a significant portion of the Cryptocurrency in the account to satisfy the margin shortfall thereby reducing the net inventory of Cryptocurrency available to be returned to Quadriga.
69. The Monitor's investigation identified a third Exchange Account (the "**Third Exchange**") (an offshore exchange) used by Mr. Cotten. The Monitor has received transaction information relating to the Third Exchange from a Quadriga contractor. The information obtained does not include full account information and details regarding the originating wallet addresses of Cryptocurrency deposits and receiving location of fiat withdrawals. The Monitor understands that there are approximately eight (8) bitcoin currently maintained within the Third Exchange account.
70. Although the Monitor has corresponded with the Third Exchange to attempt to obtain full account details, the position of the Third Exchange has been that given its jurisdiction and regulatory requirements, it is unable to provide the Monitor with the transaction information or the remaining bitcoin. However, the Monitor has been advised that the Third Exchange has provided account details to local law enforcement authorities in the jurisdiction of the Third Exchange. Accordingly, the Trustee is attempting to recover the information through formal channels.

71. The transaction information available to the Monitor with respect to the Third Exchange indicates that 21,501 bitcoin were deposited into the account in Mr. Cotten's name. While the Monitor's investigation suggests that at least some of the bitcoin originated from Quadriga, it is unclear whether all of the bitcoin originated from Quadriga given the lack of originating wallet information as set out above.
72. It appears that Mr. Cotten liquidated all of the bitcoin deposited in the account on the Third Exchange (except for eight (8) bitcoin) for the equivalent of approximately \$80,000,000 Canadian dollars over the course of three years. To date, the Monitor has been unable to account for what happened to the proceeds of the sale of the Cryptocurrency through the Third Exchange.
73. The Third Exchange operates in a different manner than the Exchange Accounts in that the Third Exchange facilitates transactions between buyers and sellers allowing them to select their specific counterparty and utilizes an escrow feature to complete transactions rather than the Exchange taking custody of the transacting Funds. The Monitor has identified two specific trading partners within the Third Exchange who were the counterparties to significant transaction volume and value with Mr. Cotten.
74. The Trustee will continue to pursue information from external Exchanges and to review transactions involving the movement of Quadriga Cryptocurrency out of Quadriga wallets.

Operational Issues

75. Prior to 2017, Quadriga operated as a modest start up cryptocurrency exchange platform with limited customers, revenues, operating protocols and systems. Quadriga's operating

growth exploded in 2017 with expanding customer demand as market prices for many cryptocurrencies appreciated rapidly.

76. The Monitor has been advised that Quadriga struggled to keep up with operational demands both in terms of approving new customers onto the Platform and transactional processing. The limitations within the Platform infrastructure as set out above, including the lack of reporting capabilities, lack of accounting within the Platform and what appears to be ineffective controls were not addressed despite the significant growth in transaction volume and value.
77. Specific to Fiat processing, additional TPPs were engaged to assist Quadriga as volumes increased. The Monitor initially identified nine (9) TPPs involved with Quadriga. In addition, the Monitor has identified several bank accounts and other financial facilities in the names of Mr. Cotten, Ms. Robertson or corporations controlled by them that were also used to process Quadriga Fiat transactions. The Monitor estimates that more than forty (40) financial accounts have been used by or on behalf of Quadriga since inception. It appears that limited governance arrangements or contracts were implemented to ensure User Fiat was protected in the TPPs' custody. Some of the TPPs engaged were offshore entities.
78. The use of TPPs resulted in significant TPP fees and expenses being incurred. For example, fees paid by Quadriga to only two (2) of its significant TPPs between 2017 and 2018 exceeded \$11.8 million.
79. The Monitor understands that in general, financial institutions declined to open bank accounts for which the purpose was to receive and disburse funds connected to a