

CANADA
PROVINCE OF QUEBEC
COURT NO.: 200-11-025040-182
FILE NO.: 358421-001

SUPERIOR COURT OF JUSTICE
“Commercial Division”

IN THE MATTER OF THE PROVISIONAL
ADMINISTRATION OF:

DOMINIC LACROIX

“Defendant”

-and-

**RAYMOND CHABOT ADMINISTRATEUR
PROVISOIRE INC.**

Emmanuel Phaneuf, M.Sc., CIRP, LIT

“Provisional Administrator”

**AMENDED REPORT OF THE PROVISIONAL ADMINISTRATOR ON THE
APPLICATION FOR DECLARATORY JUDGMENT**

TO THE HONOURABLE JUSTICE DANIEL DUMAIS, J.C.S., SITTING IN THE
COMMERCIAL DIVISION FOR THE DISTRICT OF QUEBEC

This report is in response to the August 30, 2019 request of the *Autorité des marchés financiers*, and the various related proceedings that followed, including the January 31, 2020 request of the Provisional Administrator for declaratory judgment.

March 25, 2020

RAYMOND CHABOT ADMINISTRATEUR PROVISOIRE INC.
Provisional Administrator

By: (s) *Emmanuel Phaneuf*

Emmanuel Phaneuf, M.Sc., CIRP, LIT
Appointed Person

1. INTRODUCTION

- 1.1 This report has been prepared at the request¹ (the “Request”) of the *Autorité des marchés financiers* (the “AMF”) to amend the Provisional Administrator’s powers in order to allow the Provisional Administrator to distribute to investors certain assets and frozen funds recovered under case number 2017-023 with the *Tribunal administratif des marchés financiers* (“TAMF”) and case number 17 CIV 7007 (CBA)(RML) of the United States District Court Eastern District of New-York (“US Court”).
- 1.2 The circumstances leading up to the filing of the Request are due in particular to the following:
 - 1.2.1 An agreement being reached between the US Securities and Exchange Commission (“SEC”), Dominic Lacroix (“Lacroix”) and Sabrina Paradis-Royer (“Paradis-Royer”) and a US Court judgment on October 2, 2019;
 - 1.2.2 Representations made by Lacroix before the TAMF in connection with the July 24, 2019 hearing in the PlexCoin case;
 - 1.2.3 Discussions between the Provisional Administrator and regulatory and tax authorities.
- 1.3 The purpose of this report is to inform the Court regarding:
 - 1.3.1 Steps taken by the Provisional Administrator in connection with the AMF’s Request;
 - 1.3.2 Developments made prior and subsequent to the Provisional Administrator’s January 31, 2020 request for declaratory judgment.
- 1.4 Ultimately, the Provisional Administrator is seeking guidance from the Court, as well as certain clarifications as to the content of the Plan of Transaction and Redistribution (“Distribution Plan”) that should prevail, including the definition of Investors;
- 1.5 Given the complexity of the case, this report also addresses all of the issues raised by the Provisional Administrator in the current circumstances.
- 1.6 The information is presented as follows to facilitate the reading of this report:

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¹ The AMF’s Request was presented during a telephone hearing on September 5, 2019 and was received by the court in connection with a September 12, 2019 ruling. Subsequent to the hearing, on October 31, 2019, the court agreed to postpone filing of the Distribution Plan to November 4, 2019.

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2. TERMINOLOGY

- 2.1 To avoid confusion in some of the terms subsequently used, the Provisional Administrator has prepared a glossary of terms specific to the contents of this report.²
- 2.2 The terms used in the subsequent sections have the following meaning:

| Term | Reference |
|-------------------|--|
| PlexCoin(s) | Cryptocurrency or crypto-token issued in connection with the PlexCoin Project |
| PlexCoin Project | Cryptocurrency or crypto-token project launched by Lacroix and his partners, which led to the issuance of PlexCoins |
| IPO | Initial PlexCoin Offering, the introduction of PlexCoins on digital asset markets |
| PlexCorps | According to the white paper ³ relating to the PlexCoins, this is the entity behind the IPO. After verification and by Lacroix's admission, no legal entity has been created in the name of PlexCorps |
| PlexCoin Investor | Any person who acquired PlexCoins |
| Other Investors | Any person who invested in Lacroix's projects, other than the PlexCoin Project |

3. BACKGROUND

- 3.1 On August 30, 2019, the AMF filed a request to have the powers of the Provisional Administrator amended to make it possible to prepare a Distribution Plan.
- 3.2 It should be noted that this provisional administration and the Provisional Administrator's work are limited to the PlexCoin Project. The Provisional Administrator is not involved in any way in the administration of Lacroix's other affairs or projects, many of which are subject to various administrations pursuant to the *Bankruptcy and Insolvency Act* by Trustee Lemieux Nolet, in particular, DL Innov inc., FinaOne inc. and Micro-Prêts inc.

² The glossary applies to the contents of the report only. It should not be confused with the various terms used in previous reports of the Provisional Administrator, past or pending motions filed by the various parties to the file and the Distribution Plan prepared by the Provisional Administrator.

³ A white paper is an informational document relating to the issuance of a cryptocurrency.

- 3.3 The AMF's request referred to in paragraph 3.1 was and still is part of the continuity of the provisional administration. Subject to the assets that Lacroix, Paradis-Royer or persons related to these individuals granted themselves for their own personal benefit and subject to matters that may be unknown at this time, virtually all of the assets relating to the PlexCoin Project were recovered and/or secured by the Provisional Administrator, AMF and SEC.
- 3.4 As the "investigation" portion of the Provisional Administrator's administration is also coming to an end, the distribution to investors of the recovered and/or secured assets is the next logical step in this administration.
- 3.5 It should be noted, however, that a substantial amount of cash is still being held by third parties and is under the aegis of various freeze orders issued by Canadian and U.S. courts, which are all subsequently discussed.
- 3.6 The AMF's Request was presented during a telephone hearing on September 5, 2019. At the conclusion of this hearing, the Honourable Justice Daniel Dumais, j.c.s. ruled⁴ that the Provisional Administrator's powers be amended as follows:

"ORDERS the Provisional Administrator to file with the Court no later than October 30, 2019, a Distribution Plan to reimburse PlexCoin Project investors from the amounts recovered in this case;

AUTHORIZES the Provisional Administrator to contact the SEC to obtain any relevant information regarding the "frozen" funds for the PlexCoin Project." [Translation]

- 3.7 On November 4, 2019, following an extension granted by the Court, the Provisional Administrator filed the Distribution Plan (Appendix 1).
- 3.8 The filing of the Distribution Plan triggered the filing of two acts of aggressive voluntary intervention by M^{re} Jean-Yves Simard (on behalf of the PlexCoins Investors) and M^{re} Rénaud Poulin (on behalf of the Other Investors).
- 3.9 These two acts were, *inter alia*, the focus of the November 22, and December 20, 2019 hearings, at which and according to which:
- 3.9.1 The above-mentioned interventions were partially granted;
- 3.9.2 Two ad hoc committees were created;
- 3.9.3 The request for payment of the fees of M^{re} Simard, M^{re} Poulin and Trustee Lemieux Nolet from the funds recovered by the Provisional Administrator was denied;⁵
- 3.10 On January 31, 2020, the Provisional Administrator filed a request for declaratory judgment for the purposes of clarifying the terms of the Distribution Plan.
- 3.11 A schedule suggested by the Provisional Administrator to the parties involved in the case was approved by the Honourable Justice Daniel Dumais in a February 6, 2020 email, subject to possible amendments following the filing of the Provisional Administrator's report.
- 3.12 The Provisional Administrator's, the AMF's and the SEC's objective with respect to the most recent steps taken in this matter and, more specifically, the most recent proceedings, is to distribute the recovered assets. The Provisional Administrator's recent steps were specifically intended for this purpose, as stated in paragraph 1.4 herein.

⁴ Ref. September 12, 2019 ruling.

⁵ The decision to deny M^{re}. Simard's request was appealed. However, the Court of Appeal denied leave to appeal the Superior Court's trial court decision.

4. SUMMARY OF THE AGREEMENT BETWEEN LACROIX, PARADIS-ROYER AND THE SEC AND OF THE US COURT'S OCTOBER 2, 2019 DECISION

4.1 Outside the provisional administration, the distribution is also part of the context of a settlement reached between the SEC, Lacroix and Paradis-Royer. Under this settlement, the latter consented specifically to the payment of a “disgorgement and prejudgment interest” in the amount of approximately US\$4.9 million. Under the Order, the SEC may propose a plan to distribute collected funds to investors in the PlexCoin project, subject to Court approval.

4.2 As stated in the October 2, 2019 US Court decision (Appendix 3):

“IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that in any action by the Commission to enforce or collect upon this Final Judgment against any assets belonging to the Defendants or over which Defendants have any claim, interest, or property right recognized by applicable law, including but not limited to the assets listed in paragraph VII above and Appendix A hereto (the “Covered Assets”), and expressly including assets held outside the United States,

Defendants agree to cooperate, not oppose or object, and support and provide the Commission with any documents, including any signed agreement, consents, or releases, to enforce or collect upon this Final Judgment against such Covered Assets, and, for the avoidance of doubt, as Defendants have explicitly relinquished any property or other legal interest with respect to any funds or assets recovered by Emmanuel Phaneuf from the firm Raymond Chabot Administrateur Provisoire Inc. in the AUTORITÉS DES MARCHÉS FINANCIERS v. DOMINIC LACROIX, et al., No.: 200-11-025040-182, matter filed in Superior Court in Quebec Canada (the “Receiver”) and those funds or assets frozen or to be frozen by way of freeze orders rendered by the Tribunal administratif des marchés financiers in connection with the subject matter of this action,

Defendants agree not to interfere with any possible upcoming distribution proceedings to be undertaken by the Commission, the Receiver, the Autorité des marchés financiers in Québec, or by order of this Court.

The full surrender and disgorgement of all of the assets described in Appendix A to the Receiver shall satisfy the Defendants’ obligation to pay disgorgement and prejudgment interest ordered herein up to the value of such assets at the time of surrender to the Receiver.”

4.3 This decision also reflects the agreement reached between the parties involved.

4.4 In summary, in the context of the American proceedings and the previously cited order, it appears that Lacroix and Paradis-Royer have relinquished control and specifically agreed to not object to the turning over the assets to the Receiver.

5. SUMMARY OF THE REPRESENTATIONS AND RELEVANT DECISIONS BEFORE THE TRIBUNAL ADMINISTRATIF DES MARCHÉS FINANCIERS

5.1 In the same spirit as the settlement with the SEC and the subsequent ratification by the U.S. Courts, Lacroix and Paradis-Royer have also agreed to return to the PlexCoin Investors the recovered/frozen assets, thereby acknowledging that these sums came exclusively from the PlexCoin Project.

5.2 According to the stenographer’s notes in a hearing on July 24, 2019 before the TAMF (Appendix 4):

“Mr. Lacroix acknowledges that the funds in the Shopify, RBC, CIBC and Tangerine accounts covered by the orders, I won’t list the numbers here, but they were covered this morning, so we agree...”

It is all of the account numbers, there are exceptions for Ms. Paradis-Royer, however, where there are funds provided solely from the PlexCoin Project. He agrees to transfer the funds from the accounts I have just listed.

He acknowledges that the funds were from the sale of PlexCoins and that the buyers received PlexCoins in exchange for payment by credit card or in cryptocurrencies.

He agrees to the funds being managed by a third party for the sole purpose of repayment to buyers who wish to be refunded.

Such acknowledgement is without any admission as to his involvement in or the legality of the PlexCoin Project. Mr. Lacroix reserves rights with respect to any future inquiries regarding the terms of repayment and reserves rights regarding any residue.

With respect to the RBC account in particular, in Ms. Paradis-Royer's name, Mr. Lacroix acknowledges that the funds in her account are funds provided by the PlexCoin Project." [Translation]

6. STAKEHOLDERS IN THIS CASE

6.1 People potentially cheated⁶ by Lacroix's various activities may include PlexCoin Project investors as well as other investors and creditors of Lacroix and his numerous related companies.

6.2 Based on the obtained information, the Interim Administrator presents a profile of each of the following groups and/or their respective interests/positions in the sections below:

6.2.1 PlexCoin Investors, i.e., individuals who purchased PlexCoins following its IPO.

It should be noted that the IPO is part of the PlexCoin white paper (Appendix 5), which described, in particular, the bonuses and expected returns following the acquisition of PlexCoins.

6.2.2 Other Investors

According to the definition provided by M^{re} Poulin to the Provisional Administrator, these investors are individuals who may have claims against Lacroix, Paradis-Royer, DL Innov inc., Micro-Prêts inc. or FinaOne inc. with respect to loans solicited by the previously mentioned individuals and/or companies in connection with the said companies' operations, excluding creditors of Lacroix, PlexCorps, DL Innov inc., Micro-Prêts inc. or FinaOne inc. who are not "solicited lenders" or government authorities.

6.2.3 Regulatory authorities

Other than the AMF and the SEC, the *Hong Kong Securities and Futures Commission* and the *Monetary Authority of Singapore* have been involved in the current inquiry and administration on several levels.

It should be noted that Lacroix is the subject of certain prior monetary convictions issued by Canadian courts. In addition to these amounts, there are also amounts provided for by American courts. The TAMF may also, in the course of the current proceedings, order Lacroix to pay various penalties.

6.2.4 Canadian tax authorities

In addition to the tax liabilities declared by Lacroix and his related companies and those estimated and/or already assessed by the authorities, the *Agence du Revenu du Québec* and the Canada Revenue

⁶ The term "people potentially cheated", as used by the Provisional Administrator, means any individuals who potentially have a claim, whether or not liquid and payable, against Lacroix and his related companies in connection with the activities of Lacroix and his related companies. This applies to all activities carried on by Lacroix, directly or indirectly, whether lawful and legitimate or unlawful and illegitimate, without distinction whatsoever, and without any representation or qualification on the part of the Provisional Administrator to that effect.

Agency (“CRA”) could likely assert certain claims against Lacroix and the PlexCoin Project, including claims for appropriation of funds and capital gains resulting in taxes payable.

These claims are discussed in the section on persons excluded from the Distribution Plan.

6.2.5 Other creditors of Lacroix and his related companies

Creditors of Lacroix and his related companies, in addition to those of Other Investors, also include various types of claims, including certain secured claims on Lacroix’s personal residence and the assets of the related companies

These claims are discussed in the section on persons excluded from the Distribution Plan.

7. PLEXCOIN INVESTOR PROFILE

7.1 Given the nature of the PlexCoin Project, identifying investors is a complex exercise. In fact, the very nature of the project was intended to provide investors with anonymity.

7.2 In this context, there are four ways to define the Investors’ profile:

I) Data obtained when the PlexCoin Project was launched

7.2.1 In a perfect world, PlexCorps (Lacroix) would have drawn up and retained a list of investors when the PlexCoins were issued and distributed to such investors at the time of the IPO.

7.2.1.1 Investors were required to create an account on the PlexCorps website to purchase PlexCoins and enter an email address as sponsor.

7.2.1.2 A database was set up at the time of the IPO, which contained certain information on each investor’s account, including identification information (email address) and the number of PlexCoins acquired at the time of the IPO:

- In the bankruptcy files of companies related to Lacroix, the appointed trustee was unable to trace or retrieve such a database in the equipment or information he received.
- The Provisional Administrator was able to recover certain computer equipment. However, without knowing the passwords, it is impossible to validate whether such a database was stored on the recovered equipment.
- Lacroix refuses to provide both the passwords and investor information.
- It should be noted however, that if the Provisional Administrator had been able to recover such a database, its reliability would have been questionable.

7.2.1.3 In short, this information (initial database) is not available and the Provisional Administrator had to use other means to identify the investors.

II) The investment trail

7.2.2 The AMF and the SEC both undertook an analysis of the asset movements (i.e., investments).

7.2.3 That being said, the authorities proceeded with their analysis, beginning directly with an analysis of the investors’ transactions to purchase PlexCoins at the time of the IPO:

- 7.2.3.1 With information obtained from investors in some transactions, they analyzed the Bitcoin, Ethereum and Litecoin blockchains to trace the investment transactions (purchases and payment sources) recorded in the respective blockchains, reconstructed the consolidation portfolios and, ultimately, identified each investment in these portfolios. This work led to the identification of the following investments⁷:

Sommaire des investissements au 1er novembre 2017

| Cryptomonnaie | Nombre de transactions | Quantité investie | Valeur (au 1er nov) | Valeur total (\$ US) | Valeur total (\$ Can) |
|---------------|------------------------|-------------------|----------------------|------------------------|------------------------|
| Bitcoin | 8 378 | 780,5 BTH | 6 737,78 \$ US / BTH | 5 258 837,29 \$ | 6 776 011,85 \$ |
| Litecoin | 880 | 4 483 LTC | 289,42 \$ US / LTC | 1 297 469,86 \$ | 1 671 789,91 \$ |
| Ether | 2 378 | 4 328 ETH | 52,83 \$ US / ETH | 228 648,24 \$ | 294 613,26 \$ |
| Total | 11 636 | | | 6 784 955,39 \$ | 8 742 415,02 \$ |

- 7.2.3.2 Concurrently with the previously mentioned blockchain analysis, the authorities also obtained information regarding credit card investments from the various payment processors:

- PlexCorps (Lacroix and Paradis Royer), used several payment processors, i.e. Stripe, Square, Wave and PayPal.
- The special feature of transactions via a payment processor is that the payment processor may refuse to carry out the transaction (for various reasons, including insufficient funds or unauthorized transactions).
- Additionally, after the payment, the investor may request that a transaction be reversed (by disputing it), for example, if it is a fraudulent transaction.
- Following the analysis of all transactions, it appears that approximately 12,840⁸ transactions for consideration were carried out for approximately 8,949⁹ investors.
- The net amounts processed were estimated at US\$2,939,184 and C\$821,247 (excluding Paypal and Wave).
- However, net amounts available (subject to freezes) from processors or deposit accounts are estimated at approximately C\$3.4 million¹⁰ to date, as shown in the following table:

TABEAU

- The variance is due to transactions that were not completed or that were refunded through payment processors, following claims of fraud (among other reasons) by cardholders, as well as amounts used for personal purposes, notably by Lacroix and persons related to him.

⁷ The exchange rate is the Bank of Canada's mid-day rate. Bitcoin and Ether information was obtained from the AMF while Litecoin information was provided by the SEC.

⁸ The number of transactions as well as the approximate number of investors were calculated based on the most recent available information. These calculations are based on certain consolidation/combination assumptions (all identifiable accounts in the same name have been grouped together into a single account). Since information received from payment processors is not perfect (although a very large amount of information is available), the actual figures may differ slightly from those presented in this report. The number of transactions was assessed by subtracting the number of transactions refunded by PayPal and Wave (1,457 and 269 respectively) from the total number of transactions identified (14,566).

⁹ This number refers to investors via the Stripe platform. The number of investors via other platforms is not available.

¹⁰ This amount includes the amounts from all processors that were transferred to the SEC, which have been converted into U.S. dollars. The amount presented initially did not include sums held in euros. Moreover, the exchange rate presented in the above table differs from the one used in the initial report by 12%. It should be noted that the SEC has also recovered approximately C\$638,485 from Payward Inc. (Kraken) resulting from the conversion of cryptocurrencies into dollars by the Provisional Administrator.

- This would indicate, however, that many original purchasers potentially received a refund despite having received PlexCoins.

7.2.3.3 However, the work carried out by the authorities in relation to investors was not limited to the steps described above. The authorities not only tried to identify the number of investors (the same investor may have invested in different ways and on several occasions (via several credit card transactions or cryptocurrencies), but they also tried to reconcile the information gathered from the investors and their related/subsequent analysis with the information published on the PlexCorps website, which was available on the Ethereum blockchain with regard to the PlexCoin. Moreover, these analyses have made it possible to identify certain portfolios that received PlexCoins but which are not linked to an actual investment (for consideration).

7.2.3.4 The authorities' work made it possible to identify about 30,000 investors who made it possible to acquire PlexCoins for a consideration totalling about C\$11 million¹¹.

III) Profile of Ethereum portfolios affected by PlexCoin

7.2.4 In order to minimize costs and avoid repeating the work already performed by the authorities, the Provisional Administrator used a different approach to develop the profile of investors/investments and to confirm the information gathered thus far by the authorities.

7.2.5 In actual fact, the Provisional Administrator's objective was mainly to depict the portrait of the investors, as set out in the Distribution Plan. At the outset, this differs from the authorities' primary objectives, even though the results are consistent.

7.2.6 In light of the fact that the Provisional Administrator was aware of the work performed by the authorities and seeing that they informed him that they had been able to reconcile published information¹² on the number of PlexCoins issued, the Provisional Administrator instead focussed on an analysis of the portfolios affected by PlexCoin transactions on the Ethereum blockchain (in other words, that received PlexCoins):

7.2.6.1 PlexCoin transactions were recorded on the Ethereum blockchain since PlexCorps did not develop its own blockchain. Ethereum allows third parties to use its blockchain technology and databases for various digital assets and applications.

7.2.6.2 In theory, PlexCorps assigned a number of PlexCoins for each purchase (investment) made by an investor pursuant to the IPO, which was based on the consideration invested (i.e. the consideration or price paid). In reality, each investor received an email following their purchase.

7.2.6.3 Initially, PlexCorps controlled the Ethereum portfolio address where the PlexCoins were located. The investor could subsequently request that the PlexCoins be transferred to an Ethereum portfolio under the investor's control.

7.2.6.4 That being said, the PlexCoins issued to investors all came from the same address, namely the distribution address.

7.2.6.5 The PlexCoin white paper also provided for the distribution of PlexCoins to developers and some investors as a bonus (in particular, the first buyers). As a result, PlexCoins were issued from five addresses. However, only one address paid PlexCoins to investors in connection with the IPO (i.e., the distribution address).

7.2.6.6 Based on his analysis of the PlexCoins issued from the distribution address, the Provisional Administrator was able to identify the Ethereum addresses allocated to PlexCoins for the initial

¹¹ These figures (number of investors and amounts) present an estimate based on the most recent analyses. The amount can vary according to the exchange rate used for the calculations.

¹² Ref. Publication on the PlexCorps website.

issue (specifically from the distribution address) and identify the number of PlexCoins in each portfolio as well as the amounts invested.

- 7.2.6.7 Upon concluding his analysis, the Provisional Administrator met with the AMF investigators to validate his results. The Provisional Administrator and the authorities arrived at similar conclusions.
- 7.2.6.8 There were 67,801,171.37 PlexCoins issued from the distribution address between the PlexCoin Project launch and November 1, 2017¹³. The Provisional Administrator did not pursue his analysis beyond that date in light of the freeze orders issued in addition to the notices sent and conservatory measures taken after that date.
- 7.2.6.9 This includes PlexCoins received by PlexCorps (or, rather, that were allotted to it), which, by Lacroix's own admission, were issued to generate fictitious activity and promote sales.
- 7.2.6.10 If the number of PlexCoins issued allotted to PlexCorps is deducted from the total amount, there were about 52M PlexCoins issued to buyers for consideration:

Sommaire des PlexCoins émis

| Objet | Quantité |
|---|-----------------|
| PlexCoins émis de la source entre la genèse et le 1 nov 2017 | 67 801 171,37 |
| PlexCoins acquis par PlexCorps (0x977c95d357046b74b91f2385b7ddf1f1adcb2e9) | (13 564 117,72) |
| PlexCoins acquis par PlexCorps (0xe4172896f6ce2c84e3e4b79129447e5ebe6580e9) | (1 304 610,92) |
| PlexCoins acquis par PlexCorps (0x33bb47b69970eb5b5c4c857efa4fab180adc4ec0) | (919 679,48) |
| Plex achetés à titre onéreux | 52 012 763,25 |

- 7.2.6.11 According to the authorities, who did not limit their analysis to November 1, 2017, 55,638,107 PlexCoins were issued. Moreover, a potential 2,763 additional Ethereum portfolio addresses were used for PlexCoins after November 1, 2017.
- 7.2.6.12 Accordingly, based on our analysis, some 14,325 portfolio addresses were affected by the distribution of PlexCoins from initiation to November 1, 2017.
- 7.2.6.13 The distribution of PlexCoins, in \$US, among investors is summarized in the following table:

Nombre de portefeuilles affectés par du PlexCoin

| Investissement supérieur à : | Nombre d'adresse | Investissement inférieure à : | Nombre d'adresse |
|------------------------------|------------------|-------------------------------|------------------|
| 100 000 \$ | 4 | 100 000 \$ | 14 321 |
| 50 000 \$ | 9 | 50 000 \$ | 14 316 |
| 25 000 \$ | 26 | 25 000 \$ | 14 299 |
| 10 000 \$ | 109 | 10 000 \$ | 14 216 |
| 5 000 \$ | 297 | 5 000 \$ | 14 028 |
| 1 000 \$ | 1 596 | 1 000 \$ | 12 729 |
| 500 \$ | 2 695 | 500 \$ | 11 630 |
| 250 \$ | 4 479 | 250 \$ | 9 846 |
| 100 \$ | 8 137 | 100 \$ | 6 188 |
| 50 \$ | 9 905 | 50 \$ | 4 420 |
| 25 \$ | 11 212 | 25 \$ | 3 113 |
| 10 \$ | 12 369 | 10 \$ | 1 956 |
| 1 \$ | 13 679 | 1 \$ | 646 |
| - \$ | 14 325 | - \$ | - |

¹³ The Provisional Administrator used the date of November 1, 2017, since after this specific date, virtually all of the PlexCoins had been distributed according to the distribution address.

7.2.6.14 The amount of purchases for consideration under C\$250 that investors still hold is about \$702,248.

7.2.6.15 Similarly, the amount of purchases for consideration over C\$250 that investors still hold (excluding PlexCoins paid to PlexCorps for no consideration) is about C\$10,287,113¹⁴.

IV) Claim Process

7.2.7 Establishing a claims process is also a possible approach to collecting information, provided that the information produced is validated and verified.

7.2.8 The Provisional Administrator has not implemented such an approach to date. The Provisional Administrator had planned to request approval of a claim process in the fall of 2019 before initiating such a process, considering the numerous issues and questions raised due to the situation that prevailed at the time the Distribution Plan was filed. This process is described in the proposed Distribution Plan structure section.

7.2.9 Notwithstanding the foregoing, in the course of his administration, the Provisional Administrator has nevertheless obtained considerable information from PlexCoin investors, which corroborates some of the aforementioned information. However, the information remains too incomplete to extrapolate a detailed list.

Recap

7.3 In summary, there are advantages and disadvantages to all of the above approaches. Nevertheless, the information presented to date gives a fair indication of the facts, although some information must still be clarified, subject to the information already produced by investors.

7.4 For the sake of clarity, the Provisional Administrator points out that there is no anonymity in cryptocurrency/crypto-token transactions, particularly with regard to Bitcoin blockchain transactions. In fact, transactions are not anonymous on this blockchain; they are, however, subject to a certain “pseudonymity” This assertion does not apply to all cryptocurrency/blockchain transactions.

7.5 However, a methodology based on an amalgamation of each of the methods described above makes it possible to accurately identify investors and ensures that the information collected is accurate and valid.

8. PROFILE OF OTHER INVESTORS

8.1 Through his attorney, the Provisional Administrator sent an email on February 6, 2020 to M^{re} Poulin and to Mr. Poirier (in his capacity as Trustee in the bankruptcies of DL Innov inc., Micro-Prêts inc. and FinaOne inc.) to ask about the profile of Other Investors, based on the expanded definition of investors that they proposed. Basically, the request stated (Appendix 6):

“As part of the preparation of the Provisional Administrator’s case file for the eventual hearing on the Request for Declaratory Judgment, we would need to obtain all the proofs of claim filed with the Trustee in the DL Innov inc., Micro-Prêts inc. and FinaOne inc. cases and a list of individuals who filed a proof of claim and who qualify, based on the definitions provided by M^{re} Poulin, to participate in the fund distribution (as defined in the Distribution Plan).”

8.2 The purpose of the request was to prepare a summary of potential claims from Other Investors who would satisfy the expanded definition of investor proposed by M^{re} Poulin and Trustee Lemieux Nolet and thus comment on a potential distribution.

¹⁴ The exchange rate used is CAN\$1.3/\$US.

8.3 The Provisional Administrator received the following reply (Appendix 7):

“Several proofs of claim have already been produced in support of our investor clients’ claims.

I also believe that the creditor lists have been prepared.

We cannot confirm who will qualify as investor creditors. Several of the creditors on the lists will qualify and possibly others who have invested with Dominic Lacroix or entities he controlled and that we are not aware of at this time.

We are not aware of who qualified under the initial definition and for what amount. We would appreciate getting details if the Provisional Administrator has any information.

In fact, I expect that Mr. Phanuef’s report will summarize the amounts collected and potential distribution (number of creditors and possible distribution amounts) to PlexCoin creditors, who are the preferred creditors for the Provisional Administrator. He should have this information.

[...]”

- 8.4 In the absence of relevant documentation, the Provisional Administrator is unable to prepare an accurate profile of the Other Investors who might qualify for the distribution recommended by M^{tre} Poulin and Trustee Lemieux Nolet.
- 8.5 Based on an analysis of the partial documents prepared to support M^{tre} Poulin’s request as well as those previously obtained from the Trustee,¹⁵ (albeit subject to numerous limitations), it seems that there could be \$4.4M worth in claims from more than 45 potential claimants. These figures could nevertheless vary significantly following an analysis of the claims.
- 8.6 It is important to note that claims filed with the Trustee or in connection with M^{tre} Poulin’s activities that the Provisional Administrator was able to review include unpaid interest. The Provisional Administrator is not able to assess the actual proportion of capital that the Other Investors have not yet recovered. Considering the interest rate on the loans and the date they were granted, it is very likely that the amount of unrecovered capital is considerably less than the amounts mentioned in the previous paragraph.

9. PARTIES EXCLUDED FROM THE DISTRIBUTION PLAN

- 9.1 The Distribution Plan submitted by the Provisional Administrator on November 4, 2019 related exclusively to the PlexCoin Investors. However, this plan provided for the following exclusions:
- 9.1.1 Claims of \$250 and under, given the funds available, on the one hand, and the cost of the proposed claim process on the other;
 - 9.1.2 Claims from individuals who acquired PlexCoins in a secondary market (resale market) with the objective of protecting individuals who participated in the IPO;
 - 9.1.3 Claims from the tax authorities regarding Lacroix and his related companies, including all claims with respect to tax assessment for capital gains on the sale of cryptocurrencies from PlexCoin Investors;
 - 9.1.4 Claims made by government authorities, such as fines and penalties imposed by courts and regulatory authorities;
 - 9.1.5 Related party or third-party claims against Lacroix made specifically with respect to the PlexCoin Project;

¹⁵ Refer to Appendix 8 of the Provisional Administrator’s July 22, 2019 report.

- 9.1.5.1 According to Lacroix's claims, part of the sums collected in the PlexCoin Project would have been used to finance the activities of companies related to Lacroix, which would reduce the possibility that such a claim exists.
- 9.1.5.2 The Provisional Administrator was able to determine expenses paid from the cryptocurrencies paid by PlexCoin Investors to Lacroix's companies. According to the AMF, these companies benefited from a total amount of about \$297,000.
- 9.1.5.3 Nevertheless, certain individuals may have contributed, directly or indirectly, to the funding of the PlexCoin Project and its implementation. However, the Provisional Administrator is not in a position to assess the merits of these claims and establish the amounts that could be owed to these persons or even a list of potential creditors.
- 9.1.6 Claims made by individuals related to Lacroix and his companies;
- 9.1.7 All other personal claims made to Lacroix, including, but not limited to: current known tax claims, potential tax claims due to undeclared income (appropriation of income), claims arising from personal loans or guarantees granted by Lacroix;
- 9.1.8 Claims made by various authorities as well as other claims that were not intended to discharge Lacroix or prevent the parties in question from pursuing claims or recourse against Lacroix, rather it was simply for the benefit of the investors.
- 9.2 In addition to the elements mentioned above, the definition of investors that was admitted for eventual distribution, according to the Distribution Plan, was also limited due to the nature of the investment:
 - 9.2.1 In fact, the Distribution Plan provided for a distinction between the initial PlexCoins buyers (on the PlexCoin primary market) and buyers on the secondary market.
 - 9.2.2 PlexCoins were exchanged subsequent to their issuance on the primary market (as part of the IPO), despite warnings and blocking measures from regulatory authorities and related advertising. These exchanges took place between different investors, either directly or through exchange platforms.
 - 9.2.3 A second distinction was also made between persons having acquired PlexCoins in exchange for actual compensation and those having received PlexCoins "for no consideration", at the time of issue, whether in the context of the initial provisions set out in the white paper or otherwise, including persons related to Lacroix.
 - 9.2.4 For greater clarity, the assets recovered by the Provisional Administrator and those in the hands of third parties and/or authorities that are the subject of the freeze orders come directly and exclusively¹⁶ from the investors (i.e., the people who invested in the IPO). This is evidenced by the trail of assets recovered, as further discussed in section 13 of this report.
- 9.3 In view of the foregoing, the beneficiaries (investors) covered by the Distribution Plan were therefore limited to the following persons:
 - 9.3.1 All persons who acquired PlexCoins for consideration in the primary market in exchange for fiat (i.e. legal tender) or in exchange for any other consideration, including cryptocurrencies, excluding persons related to Lacroix or who have participated in the PlexCoin Project in any capacity other than as an investor.
 - 9.3.2 For greater clarity, the Distribution Plan provided that claims would be valued and collocated on the basis of the value of the actual consideration offered at the time of the investment and/or the origination of the investment. Accordingly, all amounts (fiat and cryptocurrency without distinction)

¹⁶ Except for one claim in the amount of \$2,247.

would be converted into Canadian dollars at the time of investment/origination of the investment (the “Reference Date”), which would constitute the Reference Amount for subsequent sharing.

- 9.3.3 Finally, as mentioned, in view of the divisibility of the cryptocurrency and the costs associated with a potential distribution in the context of the case, an eligible claim threshold was set at C\$250. The Provisional Administrator is of the opinion that the costs associated with claims management could be too high to justify distribution to claims below this threshold.
- 9.3.4 Claims related to the enhancement as well as any return expected under the white paper were also excluded from the definition of eligible claim for distribution.
- 9.4 The terms proposed by M^{re} Poulin and the Trustee make it possible for Other Investors to diverge from the definition of Excluded Claims. The term “Claim”, as defined in the Distribution Plan, would mean, according to the proposed terms:

“the rights of any Person against either Lacroix, Sabrina Paradis-Royer, PlexCorps, DL Innov inc., Micro-Prêts inc. or FinaOne inc. with respect to the purchase of PlexCoins for consideration in connection with the IPO or loans solicited by these individuals and/or companies in connection with the operations of said companies, excluding any Excluded Claim and subject to assessment of their merit by the Provisional Administrator.” [Translation]

- 9.5 The definition of Excluded Claim would also be modified as follows:

“Claims of creditors of Lacroix, PlexCorps, DL Innov inc., Micro-Prêts inc. or FinaOne inc. who are not Investors, as well as persons related to these creditors.

Claims of Government Authorities regarding Lacroix, Sabrina Paradis-Royer, PlexCorps, DL Innov inc., Micro-Prêts inc. or FinaOne inc.

The claims of any individual holding a lien, guarantee or other lien published in the Registre des droits personnels et réels mobiliers (RDPRM) or the Registre foncier with respect to the assets of Lacroix, Sabrina Paradis-Royer, PlexCorps, DL Innov inc., Micro-Prêts inc., FinaOne inc. or any Person related to them.”

- 9.6 However, this new definition of Excluded Claim is silent as to the interest paid to or receivable from the Other Investors with respect to the loans solicited by Lacroix and his related companies.
- 9.7 The amendments proposed by M^{re} Poulin and the Trustee also disregard any benefits that could have been received by the Other Investors in connection with the amounts paid by the AMF to the receiver (Jean Lelièvre Syndic) who was acting prior to the appointment of Trustee Lemieux Nolet. In fact, the AMF allowed the recovery of sums totalling \$249,351 from the receiver with respect to the files of the companies related to Lacroix.

10. AUTHORITIES POSITION

- 10.1 One of the authorities’ main goals is to protect the public. The return of recovered assets for the benefit of investors is also part of the objectives sought.

AMF

- 10.2 It is the Provisional Administrator’s understanding that the AMF defers to the discretion of the court with respect to the distribution of the assets recovered under the interim administration, subject to any additional representations that may be made at the hearing on such distribution.

SEC

- 10.3 The SEC continues to have an interest in these proceedings insofar as it is considering recommending to the Court in SEC v. PlexCorps, et al., 17-cv-07007-CBA-RML (E.D.N.Y) that its collections on the final judgment entered in that case (the “U.S. Funds”) be sent to the interim receiver for distribution.

- 10.4 The SEC takes no position on the pending motion seeking to allow the Intervening Creditors' claims under the proposed distribution plan, deferring to the Court and the laws and precedent of the forum.
- 10.5 The SEC does, however, request express confirmation that, regardless of the ruling, the U.S. Funds will be used only to compensate investors in PlexCoin, as currently defined in the Plan, and not to compensate, or pay any costs associated with the distribution of estate assets to, others, including the Intervening Creditors.

TAX AUTHORITIES

- 10.6 The Agence du Revenu du Québec has informed the AMF and the Provisional Administrator that it agrees with the Distribution Plan, subject to the position taken by the CRA.
- 10.7 However, the final decision made by the ARQ will be transmitted in the coming days, after consultation with the CRA.
- 10.8 The CRA is unable to confirm its position regarding the Distribution Plan to the Provisional Administrator to this day. However, the CRA has notified the Provisional Administrator of its concerns regarding the amendments proposed by the Other Investors, represented by Mtre. Poulin. The CRA has also stated that it would like to receive clarifications regarding item 2.3 i) in the Distribution Plan.

11. IMPACT OF LACROIX'S BANKRUPTCY

- 11.1 As mentioned in 11.4, it is possible that Lacroix will file a voluntary assignment and it is also possible that Lacroix's creditors could force him into bankruptcy.
- 11.2 Moreover, the latter possibility was raised on numerous occasions by M^{tre} Poulin, particularly in the context of the November 22 and December 20, 2019 hearings and in his most recent exchanges. This possibility was also mentioned in his email of February 16, 2020:

« [...] »

Lastly, I'm sure you are aware of the federal claim (over \$8,000,000) against Dominic Lacroix. He is clearly insolvent and everyone has to concede that. The only asset that we know of that has not been frozen by the Provisional Administrator is his potential claim against the AMF and the Provisional Administrator, the proceeds of which were offered to his creditors before the bankruptcy of the companies he controlled. This offer was obviously refused and the creditors decided to give preference to bankruptcies with the consequences that we are now all aware of.

Does the Provisional Administrator that you represent recognize this insolvency and does this have any influence on his claims to the Court? I must confess that, upon reading the application for declaratory judgment and in the face of this obvious insolvency, our clients' options are rather slim. Bankruptcy will possibly be imposed on all creditors, including the tax authorities. I will have to check with the creditors' attorneys to find out their position on the above before the hearing set by Justice Dumais. It is possible that we may have requests for additional interventions. [Translation]

- 11.3 The Provisional Administrator did not have the benefit of having analyzed the claims and proceedings against Lacroix. A preliminary and incomplete (but not imperfect) analysis of Lacroix's liabilities was subsequently presented in the July 22, 2019 report to the Court. According to the matters mentioned by Lacroix, several claims would be contested.
- 11.4 In any case, in the event of Lacroix's bankruptcy, beyond the qualification of the assets which may or may not be part of the patrimony that will be devolved to the creditors, the trustee will have to deal with:

11.4.1 Numerous estimated tax claims;

- 11.4.2 Numerous unresolved claims from investors in connection with all of Lacroix's activities and potentially those of its related companies;
- 11.4.3 Potential claims for property by investors.
- 11.5 In such a case, the Provisional Administrator will be once again required to apply to the court in order to address the same questions and issues raised in this report.
- 11.6 Moreover, it is not unreasonable to imagine that such a procedure could cause the costs of the file to escalate, at the expense of Lacroix's creditors and of "investors in general". The claims process in a bankruptcy context will be tedious, and all claims, regardless of their amount, will have to be considered and collated in accordance with the provisions of the *Bankruptcy and Insolvency Act*.
- 11.7 Assets in the SEC's possession or that are frozen might not be recovered for the benefit of creditors;
- 11.8 The total amount of claims that could benefit from a possible distribution will double, at the very least, in a bankruptcy context, thereby diluting the investors' recovery (however it may be defined by the court).

12. STATEMENT OF ACCUMULATED FUNDS

- 12.1 The accumulated funds for the projected distribution in the Distribution Plan included the following goods:
 - 12.1.1 Cryptocurrencies recovered by the Provisional Administrator and converted into fiat in accordance with the September 5 and 14, 2018 Orders;
 - 12.1.2 Lacroix's debts recovered by the Provisional Administrator;
 - 12.1.3 Funds and cryptocurrencies held by Kraken, seized by the Provisional Administrator subject to freeze orders by the U.S. authorities;
 - 12.1.4 Funds held by third parties subject to a freeze by the AMF and SEC;
 - 12.1.5 Proceeds from the realization of computer and mining equipment acquired by Lacroix and seized by the Provincial Administrator;
 - 12.1.6 Any additional future realizations in connection with execution of the undersigned mandate resulting from investors and/or creditors' initial investments.
 - 12.1.7 Net of the Provisional Administrator's costs, fees and expenses.
- 12.2 The following table summarizes the assets realized to date by the Provisional Administrator as well as the fees up until October 31, 2019 and the disbursements up until December 31, 2019:

Relevé intérimaire des recettes et débours

| Objet | Total |
|---|---------------------|
| RECETTES | |
| 1. Produit de réalisation des cryptomonnaies | 4 441 964 \$ |
| 2. Équipements de minage | 65 000 \$ |
| 3. Débiteurs (Groupe Giroux Maçonnerie inc.) | 2 247 \$ |
| 4. Intérêts | 83 578 \$ |
| Total des recettes | 4 592 789 \$ |
| DÉBOURS | |
| 5. Frais divers | |
| Frais bancaires | 10 \$ |
| Courrier | 232 \$ |
| Communication | 56 \$ |
| Frais de déplacement et autres débours | 5 510 \$ |
| Frais de traduction | 1 158 \$ |
| 6. Mesures conservatoires | |
| Assurance | 782 \$ |
| Prise de possession et inventaire et évaluation | 9 567 \$ |
| Frais huissier, enquête, services informatiques et surveillance | 25 592 \$ |
| Frais gardiennage de cryptomonnaies Knox | 250 000 \$ |
| Frais de la plateforme Abacus | 50 000 \$ |
| 7. Honoraires (au 31 octobre 2019) | |
| Raymond Chabot Administration Provisoire inc. | 412 057 \$ |
| Borden Ladner Gervais | 560 598 \$ |
| 8. Taxes de vente | |
| TPS | 65 626 \$ |
| TVQ | 130 770 \$ |
| TOTAL DES DÉBOURS | 1 511 957 \$ |
| SOLDE | 3 080 832 \$ |

12.3 The proceeds from realizing the cryptocurrencies come from the bitcoins recovered from Lacroix during the July 2018 hearing as well as bitcoins recovered from Bylls.

12.4 The amounts arising from the Recovered Assets presented in the above table exclude amounts frozen and/or held by the SEC totalling approximately \$4M. More specifically, this amount consists of:

Sommaire des sommes détenues par des tiers

En possession de la SEC ou sous contrôle des autorités

| Objet / compte | \$ |
|-------------------------------|------------------|
| - FBO Stripe Merchant Account | 385 237 |
| - Royal Bank of Canada* | 1 722 989 |
| - Kraken | 569 641 |
| | <u>2 677 866</u> |

*Compte au nom de Paradis-Royer

13. SOURCE OF RECOVERED ASSETS

13.1 The source of the recovered cryptocurrencies¹⁷ was indicated several times in connection with hearings of the TAMF and the Superior Court.

¹⁷ Cryptocurrencies are not legal tender under the *Currency Act* of Canada. However, they are an intangible asset that can be qualified as a movable asset. The government and tax authorities recognized cryptocurrency as a digital asset. The traceability of cryptocurrency transactions on the different respective

- 13.2 The Provisional Administrator also presented the source in connection with various proceedings and requests filed with the Superior Court in relation to the current process.
- 13.2.1 As a reminder, all of the cryptocurrencies recovered from Lacroix by the Provisional Administrator originated from 13 cryptocurrency portfolios, which were consolidated into a single portfolio that was seized by the Provisional Administrator. These same 13 portfolios were made up of the cryptocurrencies transferred by the PlexCoin Investors pursuant to the IPO. These cryptocurrencies, more specifically, Bitcoins, were subsequently converted into fiat currency in accordance with the July 5, 2018 Order.
- 13.2.2 The cryptocurrencies recovered from Kraken also came from the PlexCoin Investors, which had initially been transferred in exchange for PlexCoins. These cryptocurrencies included Bitcoins, Ether and Litecoins, which were converted into fiat currency by the Provisional Administrator pursuant to the September 14, 2018 Order.
- 13.2.3 The sums recovered by the payment processors and secured by the various American and Canadian freezes can also be directly linked to the PlexCoin Investors. These sums were collected directly by the payment processors in exchange for PlexCoins that were allocated to the investors. The accounts in which these sums were collected never included any funds other than payments made by PlexCoin Investors in connection with the purchase of PlexCoins (again in connection with the IPO).
- 13.2.4 The mining equipment recovered from MRA Paysagistes and Electr'auto also comes from the cryptocurrencies transferred by the PlexCoin Investors, as detailed in the Provisional Administrator's report on the sale of the mining equipment.
- 13.2.5 The debit account comes from a balance available from a third party. In view of the amount involved, the Provisional Administrator did not attempt to specifically link this balance to the PlexCoin Investors' assets. Considering the freeze orders, the cryptocurrencies that Lacroix converted and the dates involved, it is highly likely that such an amount initially came from cryptocurrencies converted into fiat by Lacroix for the purpose of making purchases for his personal benefit.

14. DISTRIBUTION PLAN PROCESS

- 14.1 The Provisional Administrator has considered the possible distribution process, should the Court decide on the application for declaratory judgment and the Provisional Administrator's ability to distribute the recovered assets.
- 14.2 The potential distribution process is presented below, as well as an outline of the claim process that will be proposed, if such a process becomes applicable:

Potential distribution process

- 14.3 The Provisional Administrator was proposing to undertake the following distribution as of November 4, 2019:
- 14.3.1 The funds realized or to be recovered will be accumulated and designated as Accumulated Funds.
- 14.3.2 The Accumulated Funds will be shared on a pro rata basis among the investors in question, according to the amount of their claim.

blockchains, which is one of the important characteristics of cryptocurrency, makes it possible to trace the history of the transactions and to follow each one's "cryptos". Unlike cash, which can be deposited in a bank account, cryptocurrency is not necessarily a tradable commodity.

- 14.3.3 The distribution will be made in either Canadian or U.S. dollars, at the discretion of investors with a valid claims that have been accepted by the Provisional Administrator.
- 14.3.4 Before proceeding with the payment for the claims, the Provisional Administrator will issue and publish a distribution slip on its website, which will be submitted to the Court for approval.
- 14.3.5 The effect of the distribution will be to release the Provisional Administrator, the AMF and the SEC from any claims that may be made against them in respect of the PlexCoin Project and the Interim Administration.
- 14.4 The amendments to the definitions of Excluded Investors and Excluded Persons, as proposed by M^{tre} Poulin and the Trustee, would have little impact on the implementation of a plan for making claims and subsequent distributions. The work involved in analyzing potential claims by PlexCoin Investors will remain complex.
- 14.5 The Provisional Administrator could consider the distribution of funds recovered to date, as well as those to be recovered from two categories of investors (i.e. the Provisional Administrator could consider the distribution of the amounts currently held in such a manner and those held by the SEC or still otherwise frozen in another manner). Such a process would avoid duplication of the claim and distribution processes (a Canadian process and a U.S. process). However, where appropriate, the definitions of claims would have to be clearly defined.
- 14.6 The prospect of Lacroix's potential bankruptcy mentioned in M^{tre} Poulin's February 16, 2020 email could, however, cloud the issue, to the extent that the separation between Lacroix's assets (i.e. patrimony) and those vested in the investors designated by the Court in the context of the application for declaratory judgment is not precise and opposable to a potential trustee in the event of Lacroix's bankruptcy.

Claim process

- 14.7 The claim process suggested by the Provisional Administrator includes the following steps:
 - 14.7.1 Notice to investors/creditors, which includes, among other things:
 - i) Sending a notice to investors who have already forwarded their contact information to the AMF, SEC or Provisional Administrator;
 - ii) Posting on the AMF, SEC and Provisional Administrator's websites and at least two relevant magazines (i.e. in the cryptocurrency filed) of the project Order approving the processing of the claims and the Instruction letter, as defined in the project;
 - iii) Including within the Notice any relevant information regarding the claims process, timing, reference date, claim form and relevant instructions to the investors;
 - iv) Stating that the minimum claim amount is C\$250;
 - v) Setting a deadline for submitting claims (i.e. 90 days after the ruling);
 - vi) Including an order to the effect that any person who fails to deposit a claim before the deadline will be denied any rights related to the distribution;
 - vii) Outlining the claim review process (notice by the Provisional Administrator of the review or rejection of the Claims received and the procedures for appealing the Provisional Administrator's decision, if any), the procedures for appeal and the order in respect thereof (any person who fails to object shall be deemed to have accepted the decision of the Provisional Administrator);
 - viii) Soliciting the assistance and cooperation of other tribunals;
 - ix) Other general provisions.

- 14.8 For the purposes of any claim's eligibility and in order to ensure the integrity of such a process, each investor will be required to prove his or her investment.
- 14.9 In addition to the usual documentation requirements, the Provisional Administrator will make an "Initial Detention and Investment Validation Process" available to claimants, which would allow PlexCoin holders to prove ownership of PlexCoins issued on the Blockchain.

15. ESTIMATED COSTS OF THE POTENTIAL CLAIM PROCESS

- 15.1 In addition to the costs associated with the pending proceedings and the possible costs associated with their potential challenges, the Provisional Administrator believes that the costs associated with the claims and distribution process could be significant, depending on the process put in place and the subsequent processing.
- 15.2 More specifically, in addition to the legal costs and fees resulting from the legal proceedings, the claim process costs depend on:
 - 15.2.1 The number of possible claims;
 - 15.2.2 The processing time required for each claim, specifically with regards to:
 - Checking the claimant's identity;
 - Undertaking the requisite checks to ensure that the claims are within the Distribution Plan's parameters (i.e. that the claim satisfied the definition of the Investor);
 - Validating the consideration of the initial investment (in \$ or cryptocurrency) and supporting documentation;
 - Validating the portfolio address assigned and the transfer, as appropriate;
 - Validating the initial and current PlexCoin holding (purchased on the initial market and asset not sold) on the Ethereum Blockchain;
 - In the case of a credit card payment, validating that there was no refund by the payment processor.
 - 15.2.3 The number of ineligible claims for which the Provisional Administrator will be required to provide notice of review and rejection (i.e., dispute) and, if applicable, the costs of any subsequent proceedings;
- 15.3 The Provisional Administrator intends to deploy a claim form to be completed online in order to reduce and/or expedite the processing and analysis of the claims and to reduce related costs.
- 15.4 The definition of an eligible claim threshold was intended to mitigate the costs of an eventual claims process. There is indeed a substantial number of potential claims from PlexCoin investors, nearly 14,325, while only 4,479 possible potential claims exceed the \$250 threshold set out in the Distribution Plan.

16. CONCLUSIONS AND RECOMMENDATIONS

- 16.1 The motion for the appointment of the Provisional Administrator, the subsequent orders rendered in the present proceeding, the steps and actions taken by the AMF and the Provisional Administrator had several

objectives, including primarily the recovery of the assets of the PlexCoin Investors and the eventual redistribution of those assets to the PlexCoin Investors.

- 16.2 The Provisional Administrator prepared a distribution plan in accordance with court directions and that responded to requests from regulatory authorities.
- 16.3 The Provisional Administrator has no prejudice as to the definition of the claims that should be admitted under any distribution plan. On the contrary, the Provisional Administrator has attempted to identify all of Lacroix's liabilities in his investigation. Moreover, the Provisional Administrator has attempted to explore alternative distribution scenarios with the authorities for the benefit of investors and creditors.
- 16.4 There are a number of issues and matters that will require clarification by the court, including the following:
 - 16.4.1 The contents of the Distribution Plan, particularly with regards to the definition of Investors;
 - 16.4.2 The ownership of the assets recovered or, specifically, the qualification of a separate patrimony, if any;
 - 16.4.3 The distribution process, including the claims process.
- 16.5 In the event that the investor claim is extended to include Other Investors, the amounts that may be claimed will have to be precisely and, above all, consistently and equitably defined. The Distribution Plan, as prepared, only pertains to "capital" investments and investments made in exchange of consideration and excludes any returns, bonuses or other amounts recovered by an investor. The proposed changes to include Other Investors are on a different basis because they do not take into account any amounts that they may have received as return on investments. The logic would be for claims from Other Investors, if considered in a revised plan, to consist of capital invested less all amounts received (either as a repayment of capital, interest or any other form of return) to establish and consider only the actual loss of such amounts. With a return rate of 35%, it is likely that a number of capital investments have been reimbursed.
- 16.6 In such a case, the possibility of an unfavourable decision of the U.S. courts as to the recovery of the assets under SEC control will have to be considered. If appropriate, a joint distribution plan could be explored for the benefit of stakeholders and investors.
- 16.7 The possibility of Lacroix's bankruptcy adds a certain level of confusion and could prove not only very costly for investors, but also ineffective in so far as a precise definition of the intended beneficiaries of the plan is adopted and the assets recovered by the Provisional Administrator are assigned to them.
- 16.8 The consequences of bankruptcy also raise questions as to the benefit sought by such an approach, particularly for investors.

APPENDIX

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