

CANADA  
PROVINCE OF QUEBEC  
COURT NO.: 200-11-025040-182  
CASE NO.: 358421-0001

SUPERIOR COURT  
"Commercial Chamber"

IN THE MATTER OF THE PROVISIONAL  
ADMINISTRATION OF:

**MR. DOMINIC LACROIX**

"Defendant"

-and-

**RAYMOND CHABOT ADMINISTRATEUR  
PROVISOIRE INC.**

Emmanuel Phaneuf, M.Sc., CIRP, LIT

"Provisional Administrator"

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**AMENDED REPORT OF THE PROVISIONAL ADMINISTRATOR CONCERNING THE  
REQUEST TO OBTAIN A DECLARATORY JUDGMENT**

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TO THE HONORABLE JUDGE DANIEL DUMAIS, JCS, SITTING IN COMMERCIAL  
CHAMBER FOR THE DISTRICT OF QUEBEC

This report follows the request from the Financial Markets Authority's dated August 20, 2019, as well as the various subsequent related proceedings, specifically the request from the Provisional Administrator's to obtain a declaratory judgment on January 31, 2020.

March 25, 2020

RAYMOND CHABOT PROVISIONAL ADMINISTRATOR, INC.  
Provisional Administrator

By: [Signature]

Emmanuel Phaneuf, M.Sc., CIRP, LIT  
Designated person

Administrator

## 1. INTRODUCTION

- 1.1 This report follows the request<sup>1</sup> (the “Request”) of the Financial Markets Authority (the “AMF”) to modify the Provisional Administrator’s powers to allow the latter to return the assets as well as the amount frozen in case number 2017-023 of the Financial Markets Administrative Tribunal (“TAMF”) as well as in case number 17 CIV 7007 (CBA)(RML) from the *United States District Court Eastern District of New York* (“US Court”) recovered up to the present time to the investors.
- 1.2 The circumstances leading to and/or surrounding the filing of said request stem from the following :
- 1.2.1 A settlement reached between the *US Securities and Exchange Commission* (“SEC”), Dominic Lacroix (“Lacroix”) and Sabrina Paradis-Royer (“Paradis-Royer”) as well as a judgment by the US Court on October 2, 2019;
- 1.2.2 Statements made by Lacroix before the TAMF during a hearing on July 24, 2019 concerning the PlexCoin case;
- 1.2.3 Discussions occurring between the Provisional Administrator and the regulatory and tax authorities.
- 1.3 The purpose of this report is to inform the Court:
- 1.3.1 Of the measures taken by the Provisional Administrator subsequent to AMF’s request;
- 1.3.2 Of the developments occurring previously and subsequently to the Provisional Administrator’s request to obtain a declaratory judgment on January 31, 2020.
- 1.4 Ultimately, the Provisional Administrator seeks to obtain instructions from the Court, as well as certain clarifications, as to the content of the Transaction and Redistribution Plan (“Distribution Plan”) that should prevail, particularly the definition of admissible investors;
- 1.5 Considering the complexity of the case, this report also addresses the entirety of the issues raised by the Provisional Administrator under the current circumstances.
- 1.6 To facilitate reading of this report, the information is presented as follows:

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<sup>1</sup> AMF’s request was presented as part of a telephone hearing held on September 5, 2019 and was received by the Court as part of a decision issued on September 12, 2019. Subsequent to this hearing, on October 31, 2019, the Court agreed to postpone Distribution Plan’s submission date until November 4, 2019.

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## 2. TERMINOLOGY

2.1 To avoid any confusion in certain terms used below, the Provisional Administrator has prepared a glossary for the content of this report<sup>2</sup>.

2.2 The terms used in the subsequent sections should be interpreted as follows:

Term	Reference
PlexCoin(s)	Cryptocurrency or cryptotokens issued as part of the PlexCoin Project
Project PlexCoin	Cryptocurrency or cryptotoken project started principally by Lacroix and his partners resulting in the issuing of PlexCoins
IPO	" <i>Initial PlexCoin Offering</i> ", or the public introduction of PlexCoins on the digital assets market
PlexCorps	According to the white book <sup>3</sup> associated with PlexCoins, this is the entity behind the IPO. After verification and Lacroix's admission, no legal entity was constituted in the name of PlexCorps
PlexCoin Investors	All individuals who have acquired PlexCoins
Other Investors	All individuals who have invested in Lacroix's projects, with the exception of the PlexCoin Project

## 3. BACKGROUND

3.1 On August 30, 2019, the AMF filed a request to amend the powers of the Provisional Administrator's to allow for the preparation of a draft distribution plan.

3.2 It should be noted that the current Provisional Administrator and the work performed by the Provisional Administrator are limited to the PlexCoin Project. The Provisional Administrator is in no way interfering in

<sup>2</sup> This glossary applies only to the report's contents. It should not be confused with the various terms used in previous reports of the Provisional Administrator, past or pending requests filed by the various participants in the case or the Distribution Plan prepared by the Provisional Administrator.

<sup>3</sup> A white book is a collection of information concerning the issuance of a cryptocurrency.

Lacroix's other businesses or projects, several of which are under the supervision of various administrations under the Bankruptcy and Insolvency Act by the trustee Lemieux Nolet, particularly DL Innov Inc., FinaOne Inc. and Micro-Prets Inc.

- 3.3 The AMF request mentioned in paragraph 3.1 was and is still a continuation of the provisional administration. Subject to assets that Lacroix, Paradis Royer or individuals associated with them have appropriated for their personal benefit and subject to items that remain unknown, almost all assets related to the PlexCoin project have been recovered and/or secured by the Provisional Administrator, the AMF and the SEC.
- 3.4 The "investigation" portion of the Provisional Administrator's work is also reaching its end, with the distribution to investors of assets that have been recovered and/or secured becoming the next logical step in this administration.
- 3.5 It should be noted that substantial amounts of cash are still held by third parties, which remain under various freeze orders issued by Canadian and U.S. courts, all of which will be discussed below.
- 3.6 The AMF request was presented as part of a telephone hearing on the case held on September 5, 2019. At the conclusion of said hearing, Honorable Judge Daniel Dumais, j.c.s., ordered<sup>4</sup> the amendment of the Provisional Administrator's powers, specifically:

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

*AUTHORIZE the Provisional Administrator to communicate with the SEC and inquire about any pertinent information in connection with the "frozen" amounts related to the PlexCoin project."*

- 3.7 On November 4, 2019, following a deferment granted by the Court, the Provisional Administrator filed the Distribution Plan (Appendix 1).
- 3.8 The submission of the Distribution Plan initiated two (2) aggressive willful intervention actions from Mr. Jean-Yves Simard, Esq. (on behalf of the PlexCoin Investors) and Mr. Renald Poulin, Esq. (on behalf of the Other Investors).
- 3.9 These two actions, among other things, were the common thread for the of November 22 and December 20, 2019 hearings, during which and under the terms of which:
- 3.9.1 The above-mentioned appearances were received in part;
- 3.9.2 Two ad hoc committees were formed;
- 3.9.3 The requests for the payment of Mr. Simard's, Mr. Poulin's and the trustee Lemieux Nolet's fees from the assets recovered by the Provisional Administrator were dismissed<sup>5</sup>;
- 3.10 A request to obtain a declaratory judgment was filed by the Provisional Administrator on January 31, 2020 for the purpose of defining the terms set forth in the Distribution Plan.
- 3.11 A schedule suggested by the Provisional Administrator to the parties involved in the case was adopted by the Honorable Judge Daniel Dumais in an email sent February 6, 2020 (Appendix 2), entirely subjected to potential modifications following the filing of the Provisional Administrator's report.

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<sup>4</sup> Ref. judgment of September 12, 2019

<sup>5</sup> The decision to dismiss Mr. Simard's request was appealed. However, the Court of Appeals dismissed the permission to appeal the decision in the first instance rendered by the Superior Court.

3.12 The Provisional Administrator, the AMF and the SEC in the context of the most recent steps taken in this case, and more specifically the latest proceedings, seeks the redistribution of recovered assets. The recent measures taken by the Provisional Administrator are specifically part of this report, as are all the items listed in paragraph 1.4 of this report.

#### **4. SUMMARY OF THE SETTLEMENT REACHED BETWEEN LACROIX, PARADIS-ROYER, AND THE SEC AND THE DECISION OF THE US COURT ON OCTOBER 2, 2019**

4.1 Outside the provisional administration, the distribution is also set in the context of a settlement reached between the SEC, Lacroix and Paradis-Royer. Under this settlement, the latter specifically agreed to pay of a “*disgorgement and prejudgment interest*” in the amount of approximately USD4.9 million. Under this settlement, the SEC may propose a plan to distribute the recovered assets to PlexCoin Project investors, conditional upon the court’s approval.

4.2 As appearing in the judgment rendered by the US District Court on October 2, 2019 (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 to not 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 reflects the settlement reached between the parties involved.

4.4 In summary, in the context of the U.S. proceedings and the previously cited order, it appears that Lacroix and Paradis-Royer have surrendered control and have specifically committed not to oppose the release of assets to the Provisional Administrator.

#### **5. SUMMARY OF RELEVANT APPEARANCES AND DECISIONS BEFORE THE FINANCIAL MARKETS COURT**

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

5.2 As appearing in the stenographic notes of a hearing held July 24, 2019 before the TAMF (Appendix 4):

*“So, Mr. Lacroix acknowledges that the money in the Shopify, RBC, CIBC and Tangerine accounts that is targeted in the orders, I won’t list the numbers here, but we covered that together this morning, so, we all understand ...*

*It’s all the numbers, there will be some exceptions for Ms. Paradis-Royer, however, are [sic.], include money that originates from the PlexCoin project 100%, the sums therein. He agrees to the transfer of the sums in the accounts that I just listed, to transfer the money.*

*He acknowledges that the money comes from the sale of PlexCoin and that the purchasers received in exchange for payment, either by credit card or in cryptocurrency, PlexCoins.*

*He agrees that the amounts be managed by a third party for the purposes only of reimbursing purchasers who wish to be reimbursed.*

*This acknowledgement is made with no admission whatsoever relative to his involvement or the legality of the PlexCoin project. Mr. Lacroix reserves the right to make future requests concerning the methods of reimbursement. Mr. Lacroix reserves the right to keep any amount remaining, if applicable.*

*Relative to the RBC account in the name of Ms. Paradis-Royer, specifically, Mr. Lacroix acknowledges that the money in Ms. Paradis-Royer’s account, is money that comes from the PlexCoin project...”*

## **6. PARTICIPANTS IN THE CASE**

6.1 People who may have been shortchanged<sup>6</sup> by the various activities conducted by Lacroix may include investors in Project PlexCoin and possibly other investors and creditors of Lacroix and his many associated companies.

6.2 Subject to the information gathered, the Provisional Administrator presents a profile of each of the following groups and/or their respective interests/positions in subsequent sections:

6.2.1 PlexCoin Investors, or individuals who acquired PlexCoins as part of the IPO.

It should be noted that the IPO is included in the PlexCoin white book (Appendix 5), specifically describing the bonuses and expected proceeds resulting from the purchase of PlexCoins.

6.2.2 Other Investors

Based on the definition provided by Mr. Poulin to the Provisional Administrator, these investors represent individuals who had some entitlements against Lacroix, Paradis-Royer, DL Innov Inc., Micro-Prets Inc., or FinaOne Inc. relative to loans solicited by the aforementioned individuals or companies as part of the operation of said companies, with the exception of Lacroix, PlexCorps, DL Innov Inc., Micro-Prets Inc., or FinaOne Inc. creditors who are not “solicited lenders” as well as government authorities.

6.2.3 Regulatory Authorities

Regulatory authorities concerned with and involved in the case, other than the AMF and the SEC, include *Hong Kong Securities and Futures Commission* and *Monetary Authority of Singapore*, which have been involved on several levels in the investigation and present administration.

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<sup>6</sup> By the phrase “people who may have been cheated”, the Provisional Administrator means all individuals potentially having a receivable, whether or not it is liquid and payable, against Lacroix, his cronies and associated companies, as part of Lacroix’s activities and those of his companies. This is applicable to all activities conducted by Lacroix, directly or indirectly, whether they were lawful and legitimate or unlawful and illegitimate, with no distinction whatsoever, and without any representation or qualification by the Administrator in that sense.

It should be noted that Lacroix is the subject of prior monetary sentences issued by the Canadian courts. These amounts are in addition to those provided for by the U.S. courts. The TAMF may also, as part of the current proceedings, ordered Lacroix to pay various penalties.

#### 6.2.4 Canadian Tax Authorities

In addition to the tax receivables declared by Lacroix and his associated individuals, those estimated and/or already paid by the authorities, the Quebec Revenue Agency and the Canada Revenue Agency (the “ARC”) will probably make claims against Lacroix and Project PlexCoin, particularly about the appropriation of funds and capital gains resulting in taxes payable.

These receivables are discussed in the individuals excluded from the Distribution Plan.

#### 6.2.5 Other creditors of Lacroix and his associated companies

Creditors of Lacroix and his associated companies, other than the Other Investors, include different types of debts, including guaranteed debts on Lacroix’s personal residence and on the assets of his associated companies.

These debts are also discussed in the individuals excluded from the Distribution Plan.

## 7. PROFILE OF PLEXCOIN INVESTORS

7.1 Considering the nature of Project PlexCoin, identifying investors is a complex exercise. The very nature of the project was based on keeping the investors’ anonymity .

7.2 In this context, there are four ways to draw a profile of the Investors:

### I) Data gathered during the Project PlexCoin launch

7.2.1 In an ideal world, PlexCorps (Lacroix) would have established and maintained a list of investors at the time of issue and allocation of PlexCoins to investors as part of the IPO.

7.2.1.1 Investors had to create an account on the PlexCorps website to purchase PlexCoins and include an email address for contact purposes.

7.2.1.2 Consequently, a database had to have been built at the time of the IPO, including minimal information on each investor’s account, specifically including identifying information (email address) and the number of PlexCoins purchased during the IPO:

- In the bankruptcy documents of companies associated with Lacroix, the appointed trustee was not able to trace or recover such database from the equipment or information provided to him.
- The Provisional Administrator was certainly able to recover computer equipment. Without passwords, however, it is impossible to verify if the equipment contains such a database.
- Lacroix refuses to provide passwords and information about investors.
- It should be noted that if such a database had been recovered by the Provisional Administrator, its reliability would still be in doubt.

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

## II) How investments moved

7.2.2 The AMF and the SEC have both performed an in-depth analysis of the movement of funds (i.e., investments).

7.2.3 That being said, as part of their analysis, the authorities proceeded directly to an analysis of transactions made by investors desiring to purchase PlexCoins as part of the IPO:

7.2.3.1 Thus, having been informed by investors of certain transactions, they analyzed the blockchains of Bitcoin, Ethereum, and Litecoin to retrace investment transactions (purchases/payment sources) recorded on the respective blockchains and rebuilt the consolidating portfolios and ultimately identified each investment in said portfolios. This allowed them to trace the following investments<sup>7</sup>:

Summary of investments on November 1, 2017

Cryptocurrency	Number of investors*	Amount invested	Value (on Nov. 1)	Total Value (\$ US)	Ex. rate Nov. 1 2017	Total Value (\$ Can)
Bitcoin (BTC)	8 378	778,97 BTC	6 737,78 \$ US / BTC	5 248 528 \$	1,2885	6 762 729 \$
Ether (ETH)	2 378	4 323,68 ETH	289,42 \$ US / ETH	1 251 359 \$	1,2885	1 612 377 \$
Litecoin (LTC)	880	4 483,00 LTC	52,83 \$ US / LTC	236 837 \$	1,2885	305 164 \$
				<u>6 736 725 \$</u>		<u>8 680 270 \$</u>

7.2.3.2 In conjunction with the analysis of the previously mentioned blockchains, the authorities also gathered information concerning investments made by credit card from various payment processors:

- Several payment processors were used by PlexCorps (Lacroix and Paradis-Royer), specifically Stripe, Square, Wave, and PayPal.
- The particularity of transactions via a payment processor is that the processor may refuse to perform the transaction (for a variety of reasons, including insufficient funds or unauthorized transactions).
- Additionally, the investor may ask the payment processor to reverse a transaction (using the dispute process), after the payment was made by claiming the payment was fraudulent, for example.
- Following the analysis of all transactions, it appears that approximately 12,840<sup>8</sup> paid transactions occurred, involving approximately 8,949<sup>9</sup> investors.

<sup>7</sup> The exchange rate is the Bank of Canada's rate at noon. The source of information on Bitcoin and Ether comes from the AMF, and the information on Litecoin from the SEC.

<sup>8</sup> The number of transactions and the approximate number of investors were calculated with the most recent information available. The calculations are based on certain hypotheses of consolidation/grouping (all accounts with the same identifiable names were grouped together so as to count only one account). The information received from payment processors was not perfect (although it was very extensive), so the real numbers may be slightly different than those presented in this report. The number of transactions was evaluated by subtracting the number of transactions that were reimbursed by PayPal and Wave (i.e., 1,427 and 269, respectively) from the total number of transactions identified.

<sup>9</sup> This number refers to the investors using the Stripe platform. The number of investors using other platforms is not available.

- The net amounts handled are approximately USD 2,939,184 and CAN\$821,247 (excluding PayPal and Wave).
- The net amounts available (subject to freezes) from processors or in deposit accounts are, however, approximately CAN\$3.4M<sup>10</sup> as of today, all of which appear in the following table:

Summary of amounts recovered/frozen from payment processors

Subject/account	Date transferred SEC	Amount \$ CAN	Amount \$US	Ex. rate Bank of Canada March 19 2020	Total \$ CAN
Royal Bank of Canada*	S/O	265 395 \$	1 121 226 \$	1,4495	1 890 612 \$
Square inc.	15 oct 2019	- \$	467 667 \$	1,4495	677 884 \$
FBO Stripe Merchand Account	5 nov 2019	- \$	25 452 \$	1,4495	36 892 \$
FBO Stripe Merchand Account	5 nov 2019	- \$	267 102 \$	1,4495	387 164 \$
FBO Stripe Merchand Account	29 nov 2019	- \$	276 243 \$	1,4495	400 414 \$
		<u>265 395 \$</u>	<u>2 157 690 \$</u>		<u>3 392 967 \$</u>

\*Account in the name of Paradis-Royer

- The gap is explained by uncompleted transactions, reimbursements made by payment processors following claims of fraud (or other reasons) by cardholders, as well as amount used for personal purposes, particularly by Lacroix and individuals associated with him.
- However, this means that many initial purchasers may have received reimbursement despite having received PlexCoins.

7.2.3.3 However, the work performed by the authorities with regard to investors was not limited to the items described above. Not only did the authorities attempt to identify the number of investors (the same investor may have invested in different ways and on several occasions (through several cryptocurrency or credit card transactions), but they also attempted to reconcile information gathered from investors and from related/subsequent analyses using information published on the PlexCoin website and PlexCoin information available on the Ethereum blockchain. These analyses also allowed them to identify some portfolios = that received PlexCoins that were not connected with a real (paid) investment.

7.2.3.4 The work performed by the authorities identified approximately 30,000 investments for the purchase of PlexCoins in amounts totaling approximately CAN\$11M<sup>11</sup>.

### III) Profile of Ethereum portfolios affected by PlexCoin

7.2.4 Seeking to minimize the cost and avoid performing work already done by the authorities, the Provisional Administrator used a different approach to paint a profile of investors/investments and confirm the information so far gathered by the authorities.

<sup>10</sup> Specifically, the total includes amounts from all processors that were transferred to the SEC, which now have been converted into American currency. The total initially presented did not include sums held in Euros. Also, the exchange rate presented in the preceding table differs by 12% from the rate used in the initial report. It should be noted that the SEC also recovered a total of approximately CAN\$638,485 from Payward Inc. (Kraken) resulting from the conversion of cryptocurrency into dollars by the Provisional Administrator.

<sup>11</sup> These figures (number of investors and totals) present an estimate based on the latest analysis. The total may vary depending on the exchange rate used in the calculations.

- 7.2.5 Under such circumstances, the Provisional Administrator's goal is primarily to establish an investor profile, as defined in the Distribution Plan. Although the Provisional Administrator's goals may initially seem different from the authorities' main goals the results are convergent.
- 7.2.6 Given the work performed by the authorities and the information that they were able to reconcile published information<sup>12</sup> about the number of PlexCoins issued, the Provisional Administrator turned his focus on the analysis of portfolios affected by PlexCoin transactions on the Ethereum blockchain (in other words, those having received PlexCoins):
- 7.2.6.1 PlexCoin transactions are recorded on the Ethereum blockchain, so that PlexCorps did not have to develop its own blockchain. Ethereum allows third parties to use its blockchain technology and its related database for various digital assets/digital applications.
  - 7.2.6.2 Theoretically, for each purchase (investment) made by an investor as part of the IPO, PlexCorps assigned a number of PlexCoins based on the amount invested (i.e., the consideration made or the price paid). In fact, an email was sent to each investor following the purchase.
  - 7.2.6.3 *A priori*, PlexCorps controlled the Ethereum portfolio address on which PlexCoins were allocated. After that, the investor could ask for said PlexCoins to be transferred to an Ethereum portfolio that he/she controlled.
  - 7.2.6.4 That being said, the PlexCoins issued to investors all came from the same address, referred to as the distribution address.
  - 7.2.6.5 The PlexCoin white book also planned for the distribution of PlexCoins to the developers and to certain investors as bonuses (particularly the first purchasers). Thus, PlexCoins were issued from five addresses. However, only one address issued PlexCoins to investors as part of the IPO (i.e., the distribution address).
  - 7.2.6.6 The Provisional Administrator thus was able, following the analysis of PlexCoins issued from the distribution address, to identify the Ethereum addresses affected by PlexCoins from the initial issuance (originating specifically from the distribution address) and to identify the number of PlexCoins for each affected portfolio as well as the amounts invested.
  - 7.2.6.7 At the conclusion of his analysis, the Provisional Administrator met with AMF investigators to validate the results of his analysis. The Provisional Administrator's conclusions and those of the authorities are similar.
  - 7.2.6.8 There were 67,801,171.37 PlexCoins allocated from the distribution address between the launch of the PlexCoin project and November 1, 2017<sup>13</sup>. The Provisional Administrator ended its analysis on this date considering all of the freezes that were ordered, the notices given, and the protective measures established after that date.
  - 7.2.6.9 This number includes PlexCoins received by PlexCorps (or rather allocated to it), which, on Lacroix's admission, were issued to promote sales by generating fictitious activity.
  - 7.2.6.10 If the number of PlexCoins associated with PlexCorps is subtracted from the total amount issued, approximately 52M PlexCoins were issued to paying purchasers:

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<sup>12</sup> Ref. Publication on the PlexCorps website

<sup>13</sup> The Provisional Administrator used the date of November 1, 2017 since after this particular date, almost all PlexCoins had been distributed through the distribution address.

**Summary of PlexCoins issued**

Purpose	Quantity
PlexCoins issued from the source between the start and Nov. 1 2017	67,801,171.37
PlexCoins acquired by PlexCorps (0x977c95d357046b74b91f2385b7ddf1f11adcb2e9)	(13,564,117.72)
PlexCoins acquired by PlexCorps (0xe4172896f6ce2c84e3e4b79129447e5ebe6580e9)	(1,304,610.92)
PlexCoins acquired by PlexCorps (0x33bb47b69970eb5b5c4c857efa4fab180adc4ec0)	<u>(919,679.48)</u>
PlexCoins purchased by payment	<u>52,012,763.25</u>

7.2.6.11 According to the authorities, who did not limit their analysis to November 1, 2017, 55,638,107 PlexCoins were issued. A possible 2,673 additional Ethereum portfolio addresses were affected by PlexCoins after November 1, 2017.

7.2.6.12 According to our analysis, this amounts to nearly 14,325 portfolio addresses affected by the distribution of PlexCoins between the start and November 1, 2017.

7.2.6.13 The distribution of PlexCoins, in USD, among investors is summarized in the following table:

**Number of portfolios affected by PlexCoin**

Investment greater than:	Number of addresses	Investment less than:	Number of addresses
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	- \$	-

7.2.6.14 The cumulative amount of paid purchases below CAN\$250 still held by investors is on the order of \$702,248.

7.2.6.15 Along the same lines, the cumulative amount of paid purchases above CAN\$250 still held by investors (excluding PlexCoins issued to PlexCorps for free), is CAN\$10,287,113<sup>14</sup>.

**IV) Claims process**

7.2.7 The establishment of a claims process is another possible approach for collecting information, on condition that the information produced is validated and verified.

7.2.8 Until now, such a process has not been established by the Provisional Administrator. In the autumn of 2019, the Provisional Administrator planned to request approval of a claims process prior to undertaking the

<sup>14</sup> The exchange rate used for these calculations is 1.3 CAN\$/USD.

establishment of such a process, considering the many issues and questions raised in the situation that prevailed at the time the Distribution Plan was filed. This process is summarized in the section on the mechanics of the proposed distribution.

- 7.2.9 Nevertheless, as part of his administration, the Provisional Administrator has gathered extensive information originating from PlexCoin investors, corroborating much of the previously cited information. However, the information remains too incomplete to extrapolate a detailed list.

## Summary

- 7.3 In summary, each of the approaches discussed above has both advantages and disadvantages. Despite its shortcomings, the information presented so far provides a faithful indication of the reality of the situation, although some information remains to be clarified, subject to information already produced by investors.
- 7.4 Out of concern for precision, the Provisional Administrator notes that there is no anonymity in cryptocurrency/cryptotoken transactions. Transactions are not anonymous on this blockchain, but they are subject to a certain amount of “pseudonymity”. This assertion does not apply to all cryptocurrency transactions/all blockchains.
- 7.5 However, a methodology based on an amalgam of each of the methods previously described allows for the undisputed identification of investors and ensures that the information collected is precise and valid.

## 8. PROFILE OF OTHER INVESTORS

- 8.1 The Provisional Administrator, through his attorney, sent an email on February 6, 2020 to Mr. Poulin and Mr. Poirier (in his role as trustee in the bankruptcies of DL Innov Inc., Micro-Prets Inc. and FinaOne Inc.) to inquire about the profile of Other Investors, according to the expanded definition of investor proposed by them. Essentially, the request read as follows (Appendix 6):

*“To complete the Provisional Administrator’s files for the eventual hearing on the Request for Declaratory Judgment, we need to obtain all proofs of claim filed with the trustee in the context of the DL Innov. Inc, Micro-Prets Inc., and FinaOne Inc. cases, as well as a list of individuals filing a proof of claim and who qualify according to the definitions provided by Mr. Poulin to participate in the distribution of the Fund (as defined in the Distribution Plan).”*

- 8.2 The purpose of this request was to prepare a summary profile of the potential claims of Other Investors who may qualify under the expanded definition of investors proposed by Mr. Poulin as well as the Lemieux Nolet trustee and thus discuss a potential distribution.
- 8.3 The response obtained by the Provisional Administrator was limited to the following (Appendix 7):

*“Several proofs of claim have already been produced in support of the request of our investor clients.*

*I also believe that the lists of creditors have been produced.*

*We cannot confirm to you who qualifies as creditor investors. Several creditors identified on the lists certainly will be and possibly others who invested sums with Dominic Lacroix or the entities he controlled and of whom we are not aware at the present time.*

*We also do not know who qualifies under the initial definition and for what amount. We would like to have the details, if the provisional administrator is aware of them.*

*In addition, I am waiting to see if Mr. Phaneuf's report will summarize the amounts received and the possible distribution (number of creditors and possible monetary reimbursements) to PlexCoin creditors, who are privileged by the provisional administrator. He should have this information.*

[...]"

- 8.4 In the absence of relevant documents, the Provisional Administrator is unable to provide an accurate profile of Other Investors who would be admissible under the distribution recommended by Mr. Poulin and the Lemieux Nolet trustee.
- 8.5 The analysis of the partial documents produced in support of Mr. Poulin's requests and those obtained prior to the trustee<sup>15</sup> allows, with many conditions, to estimate a potential \$4.4 M in claims from more than 45 potential claimants. However, these numbers may vary significantly following a claims analysis.
- 8.6 It is important to note that the claims filed with the trustee or in the context of Mr. Poulin's measures, that the Provisional Administrator has been able to review, included unpaid interest. The Provisional Administrator is not able to evaluate the real portion of capital not recovered by these Other Investors. Considering the interest rates for loans that were agreed to and the dates on which these loans were made, it is highly likely that the amounts of unrecovered capital are 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 exclusively targets PlexCoin Investors. However, this plan has certain exclusions, specifically:
- 9.1.1 Debts of \$250 or less considering, on one hand, the funds available and, on the other, the costs related to the proposed claims process;
- 9.1.2 Debts of individual individuals who have purchased PlexCoins on the secondary market (resale market) in order to protect people who participated in the IPO;
- 9.1.3 Debts of all tax authorities against Lacroix, his associated companies, including all debts relative to tax payments for capital gains realized during the sale of cryptocurrency originating from PlexCoin Investors;
- 9.1.4 Claims of governmental authorities, such as fines and penalties imposed by the courts and regulatory authorities;
- 9.1.5 Debts of associated individuals or debts of third parties against Lacroix specifically regarding the PlexCoin Project:
- 9.1.5.1 According to Lacroix's claims, part of the sums amassed by the PlexCoin Project were used to finance the activities of companies associated with Lacroix, which decreases the possibility that such debt exists.
- 9.1.5.2 The Provisional Administrator has been able to determine the expenses paid from the cryptocurrencies paid by PlexCoin Investors to the benefit of Lacroix's companies. According to the AMF, the total amount that these companies received is on the order of \$297,000.
- 9.1.5.3 However, some individuals may have contributed, directly or indirectly, to financing Project PlexCoin and to its implementation. The Provisional Administrator is not able,

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<sup>15</sup> The Provisional Administrator refers to Appendix 8 of his report dated July 22, 2019.

however, to evaluate the basis for these claims and to establish the amounts that may be due to these individuals or even a list of potential creditors.

- 9.1.6 Debts of individuals associated with Lacroix and his companies;
  - 9.1.7 All other personal creditors of Lacroix, including, without limiting the scope of the following list: current known tax claims, potential tax claims based on undeclared income (appropriation of revenue), claims resulting from personal loans or sureties granted by Lacroix;
  - 9.1.8 The exclusion of claims by the authorities and any other claims do not seek to release Lacroix or to impede the parties involved from pursuing all claims or redress against Lacroix personally, but only seek to benefit investors.
- 9.2 In addition to the items previously mentioned, the definition of investors that was accepted for a possible distribution, according to the Distribution Plan, was also limited by the nature of the investment:
- 9.2.1 The Distribution Plan made a distinction between the initial PlexCoin purchasers (primary market related to the issuance of PlexCoins) and purchasers on the secondary market.
  - 9.2.2 After PlexCoins were issued on the primary market (as part of the IPO), they were exchanged, despite warnings and freeze orders by the regulatory authorities and the related publicity. These exchanges took place between investors, directly or by means of exchange platforms.
  - 9.2.3 A second distinction was made between individuals acquiring PlexCoins in exchange for real compensation and those receiving “free” PlexCoins during issuance, be it in the context of initial provisions set forth in the white book or in other ways, particularly individuals associated with Lacroix.
  - 9.2.4 To be exact, the assets recovered by the Provisional Administrator and those held by third parties and/or the authorities, which are subject to freeze orders came directly and exclusively<sup>16</sup> from investors (i.e., people having invested in the context of the IPO). The trail of recovered assets also demonstrates this fact, as more fully presented in section 13 of this report.
- 9.3 Considering the preceding, the beneficiaries (investors) targeted by the Distribution Plan are limited to the following individuals:
- 9.3.1 All individuals who acquired PlexCoins for payment on the primary market in exchange for fiat (i.e., legal currency) or in exchange for any other consideration, specifically cryptocurrency, excluding individuals associated with Lacroix or having participated in the PlexCoin Project in any other capacity than investor.
  - 9.3.2 To avoid any ambiguity, the Distribution Plan specifies that claims will be evaluated and fixed based on the value of the real consideration given at the time of the investment and/or the start of the investment. Thus, all amounts (both fiat and cryptocurrency) will be converted into Canadian dollars at the time of the investment/start of the investment (the “reference date”), which will be the reference amount for the purposes of the ensuing division.
  - 9.3.3 Finally, as mentioned, considering the divisibility of cryptocurrency and the costs associated with a possible distribution in this case, a threshold was set at CAN\$250 for admissible claims. The Provisional Administrator believes that the costs associated with claims management will be too high to justify a distribution for claims below this threshold.<sup>9.3.4</sup> Claims related to bonuses and any profit expected based on the white book were also excluded from the definition of debts admissible for distribution.

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<sup>16</sup> With the exception of a receivable in the amount of \$2,247.

- 9.4 The terms proposed by Mr. Poulin and the trustee allow Other Investors not to be included under the definition of excluded debts. As defined in the Distribution Plan, the term “Claim” designates, under the proposed terms:

*“any right of any Person against Lacroix, Sabrina Paradis-Royer, PlexCorps, DL Innov Inc., Micro-Prets Inc., or FinaOne Inc. relative to the paid acquisition of PlexCoins as part of the IPO or loans solicited by the individuals and/or companies named above in the context of the operations of said companies, excluding any Excluded Claim and subject to an evaluation on the merits by the Provisional Administrator”*

- 9.5 The definition of “Excluded Claims” is also proposed to be modified as follows:

*“The Claims of creditors of Lacroix, PlexCorps, DL Innov Inc., Micro-Prets Inc., or FinaOne Inc. who are not Investors, as well as any individuals associated with these creditors.*

*The Claims of Government Authorities regarding Lacroix, Sabrina Paradis-Royer, PlexCorps, DL Innov Inc., Micro-Prets Inc., or FinaOne Inc.*

*Claims of all individuals holding a security, a guarantee or any other lien published in the register of personal and real property (RDPRM) or the land registry with regard to the property of Lacroix, Paradis-Royer, PlexCorps, DL Innov Inc., Micro-Prets Inc., FinaOne Inc. or any individuals connected with them.”*

- 9.6 This new definition of excluded claims, however, does not mention interest paid (or receivable) to the benefit of Other Investors related to loans solicited by Lacroix and his associated companies.

- 9.7 The modifications proposed by Mr. Poulin and the trustee are also indifferent to any benefits that may have been received by Other Investors as part of the sums paid by the AMF to the receiver (Jean Lelièvre Syndic) who acted prior to the appointment of the trustee Lemieux Nolet. The AMF allowed the recovery of a total of \$249,351 by the receiver with regard to the cases of companies associated with Lacroix.

## **10. POSITION OF THE AUTHORITIES**

- 10.1 One of the primary concerns of all of the authorities remains the protection of the public. The return of recovered assets to the investors is also one of their objectives.

### **AMF**

- 10.2 It is the Provisional Administrator’s understanding that the AMF will defer to the court’s discretion as to the distribution of recovered assets as part of the provisional administration, subject to all additional representations that may be made during the hearing on such a distribution.

### **SEC**

- 10.3 The SEC continues to have an interest in these proceedings inasmuch as it foresees recommending to the court in *SEC v. PlexCorps, et al.*, 17-cv-07007-CBA-RML (E.D.N.Y.) that the recoveries on the final judgment rendered in this matter (the “U.S. assets”) be sent to the Provisional Administrator for the purpose of distribution.

- 10.4 The SEC does not take a position on the pending proceedings to authorize the claims of Other Investors as part of the proposed Distribution Plan and defers to the Court and the laws and precedence of the Quebec system.

- 10.5 However, the SEC requires expressed confirmation that, no matter what the Court's decision as to these pending proceedings, the American assets will only be used to compensate PlexCoin investors as currently defined in the Distribution Plan, and not to compensate or pay costs associated with the distribution of assets to others, including to Other Investors.

## TAX AUTHORITIES

- 10.6 The Quebec Revenue Agency has informed the AMF and the Provisional Administrator that it is in agreement with the Distribution Plan, conditional upon the ARC's position.
- 10.7 The ARQ's final position will be communicated in the coming days after consultation with the ARC.
- 10.8 The ARC is not now able to confirm to the Provisional Administrator its position regarding the Distribution Plan. The ARC has, however, indicated to the Provisional Administrator its concern as to the amendments proposed by the Other Investors represented by Mr. Poulin. The ARC has also indicated its desire to obtain clarifications as to clause 2.3 j) of the Distribution Plan.

## 11. IMPACT OF LACROIX'S BANKRUPTCY

- 11.1 As mentioned in paragraph 11.4, there remains a possibility that Lacroix will file a voluntary assignment as well as a possibility that Lacroix's creditors will petition for the latter in bankruptcy.
- 11.2 Additionally, this latter possibility was invoked several times by Mr. Poulin, particularly during the hearings of November 22 and December 20, 2019 and in his most recent discussions. This possibility was also raised in his email of February 16:

*"[...]"*

*You have certainly been informed of the federal government's claim (over \$8,000,000) against Dominic Lacroix. He is clearly insolvent and has to admit everything. The only asset that we are aware of and that has not been frozen by the Provisional Administrator is his possible claim against the AMF and the Provisional Administrator, the fruits of which were offered to his creditors prior to the bankruptcy of the companies he controlled. This offer was obviously refused, and the creditors decided to focus on the bankruptcies with the result we all are now aware of.*

*Is the Provisional Administrator that you represent aware of this insolvency and does that influence his requests to the Court? I admit to you that on reading the request for declaratory judgment and in the face of such obvious insolvency, our clients' options are quite narrow. The bankruptcy may affect all the creditors, including the tax authorities. I have to verify the creditors' position with their attorneys as to the preceding, all prior to the hearing set by Judge Dumais. It is possible that we will have additional requests for intervention."*

- 11.3 The Provisional Administrator does not have the benefit of having analyzed the claims and proceedings against Lacroix. A preliminary and incomplete analysis (not to say imperfect) of Lacroix's liabilities was already presented in the July 22, 2019 report submitted to the Court. According to the items listed by Lacroix, several debts will be contested.
- 11.4 In any event, if Lacroix does declare bankruptcy, beyond the qualification of the assets that are and are not part of the assets that will be allocated to the creditors, the trustee should be combined with:
- 11.4.1 Several estimated tax claims;
- 11.4.2 Several unliquidated claims of investors relative to the entirety of Lacroix's activities and possibly those of his associated companies;

- 11.4.3 Possible property claims on the part of investors.
- 11.5 In such a case, the Provisional Administrator will be required to address the court once again to respond to the same questions and issues raised in this report.
- 11.6 Additionally, it is not hard to imagine that such a proceeding could explode the costs surrounding the case at the expense of Lacroix's creditors and "investors in general". For him alone, the claims process in the context of bankruptcy would be cumbersome, while all claims, in whatever amount, would be considered and fixed according to the provisions of the Bankruptcy and Insolvency Act.
- 11.7 The assets in possession of the SEC and/or frozen might not be recovered for the benefit of creditors;
- 11.8 The total amount of debts that could benefit from a possible distribution would at least double in the context of a bankruptcy, thus diluting the reimbursement of investors (regardless of the definition authorized by the court).

## **12. STATUS OF THE COMBINED FUND**

- 12.1 The fund established for the purpose of distribution set forth in the Distribution Plan includes the following property:
  - 12.1.1 Cryptocurrency recovered by the Provisional Administrator and converted into fiat in accordance with the orders of September 5 and 14, 2018;
  - 12.1.2 Debts of Lacroix recovered by the Provisional Administrator;
  - 12.1.3 Amounts held and cryptocurrency by Kraken, seized by the Provisional Administrator and subject to freeze orders by the U.S. authorities;
  - 12.1.4 Amounts held by third parties, subject to freeze by the AMF and the SEC;
  - 12.1.5 The profit from the sale of computer and mining equipment acquired by Lacroix and seized by the Provisional Administrator;
  - 12.1.6 All additional proceeds that may be part of the execution of the undersigned's mandate, resulting from the initial investments of investors and/or creditors.
  - 12.1.7 All, net costs, fees and expenses of the Provisional Administrator.
- 12.2 The following table presents a summary of the assets realized up to this point by the Provisional Administrator as well as fees as of October 31, 2019 and disbursements incurred up to December 31, 2019:

**Interim statement of receipts and disbursements**

<b>Purpose</b>		<b>Total</b>
<b>RECEIPTS</b>		
1.	Profit from the sale of cryptocurrency	\$4,441,964
2.	Mining equipment	\$65,000
3.	Debtors (Giroux Maçonnerie Inc. Group)	\$2,247
4.	Interest	\$83,578
<b>Total receipts</b>		<b>\$4,592,789</b>
<b>DISBURSEMENTS</b>		
5.	Miscellaneous costs	
	Bank fees	\$10
	Courier	\$232
	Communications	\$56
	Travel expenses and other disbursements	\$5510
	Translation costs	\$1158
6.	Protective measures	
	Insurance	\$782
	Taking possession and inventory and evaluation	\$9,567
	Bailiff, investigation, computer services and surveillance	\$25,592
	Knox cryptocurrency security fees	\$250,000
	Abacus platform fees	\$50,000
7.	Fees (as of October 31, 2019)	
	Raymond Chabot Provisional Administrator Inc.	\$412,057
	Borden Ladner Gervais	\$560,598
8.	Sales taxes	
	TPS	\$65,626
	TVQ	\$130,770
<b>TOTAL DISBURSEMENTS</b>		<b>\$1,511,957</b>
<b>BALANCE</b>		<b>\$3,080,832</b>

12.3 The proceeds from the sale of cryptocurrencies comes from bitcoins recovered from Lacroix during the July 2018 hearing as well as from bitcoins recovered from Bylls.

12.4 The amounts resulting from recovered assets presented in the table above exclude amounts under freeze and/or held by the SEC totaling nearly \$4M. More precisely, this amount is comprised of the following:

**Summary of amounts held by third parties**

Subject/account	Date transferred SEC	Amount \$ CAN	Amount USD	Ex. rate Bank of Canada March 19 2020	Total \$ CAN
Royal Bank of Canada*	S/O	265 395 \$	1 121 226 \$	1,4495	1 890 612 \$
Square inc.	15 oct 2019	- \$	467 667 \$	1,4495	677 884 \$
FBO Stripe Merchand Account	5 nov 2019	- \$	25 452 \$	1,4495	36 892 \$
FBO Stripe Merchand Account	5 nov 2019	- \$	267 102 \$	1,4495	387 164 \$
FBO Stripe Merchand Account	29 nov 2019	- \$	276 243 \$	1,4495	400 414 \$
Payward inc. (Kraken)	5 dec 2019	- \$	440 486 \$	1,4495	638 485 \$
		<u>265 395 \$</u>	<u>2 598 176 \$</u>		<u>4 031 452 \$</u>

\*Account in the name of Paradis-Royer

### **13. SOURCE OF RECOVERED ASSETS**

- 13.1 The source of recovered cryptocurrencies<sup>17</sup> has been demonstrated on several occasions in the context of several representations to the TAMF and the Superior Court.
- 13.2 This same demonstration was made and presented by the Provisional Administrator as part of various proceedings and requests submitted before the Superior Court in the context of this matter.
- 13.2.1 As a review, all cryptocurrencies recovered from Lacroix's possession by the Provisional Administrator originated initially from 13 cryptocurrency portfolios that were consolidated into a single portfolio that was seized by the Provisional Administrator. These same 13 portfolios were comprised of cryptocurrencies transferred by PlexCoin Investors as part of the IPO. This cryptocurrency, specifically Bitcoins, was then converted in accordance with the order of July 5, 2018.
- 13.2.2 The cryptocurrency secured from Kraken also originated from PlexCoin investors, who had initially transferred it in consideration for PlexCoins. This cryptocurrency included Bitcoins, Ethers and Litecoins, which were converted by the Provisional Administrator following the order of September 14, 2018.
- 13.2.3 The amounts recovered by the payment processors and secured by various U.S. and Canadian freeze orders may also be directly linked to PlexCoin Investors. These amounts were collected directly by payment processors in consideration for PlexCoins that were allotted to investors. The accounts in which these sums were collected were never under the control of Lacroix or Paradis-Royer and were never affected by amounts other than payments made by PlexCoin Investors in the context of the purchase of PlexCoins (still in the context of the IPO).
- 13.2.4 The mining equipment recovered from MRA Paysagistes and Electr'auto also originates from cryptocurrency transferred by PlexCoin Investors, as detailed in the Provisional Administrator's report covering the sale of mining equipment.
- 13.2.5 The debtor account originates from an available balance with a third party. Considering the amount at stake, the Provisional Administrator did not attempt to precisely tie said balance to the property of PlexCoin Investors. Considering the freeze orders, the cryptocurrency converted by Lacroix and the dates in question, it remains quite probable that this sum originated originally from cryptocurrency converted into fiat by Lacroix to make purchases for his personal benefit.

### **14. MECHANICS OF THE DISTRIBUTION PLAN**

- 14.1 The Provisional Administrator is focused on the mechanics of a possible distribution when the court rules on the request for declaratory judgment and on the Provisional Administrator's capacity to distribute recovered assets.
- 14.2 The mechanics of a possible distribution are presented below, as is a broad outline of a claims process that will be proposed, if necessary:

#### **Mechanics of a possible distribution**

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<sup>17</sup> Cryptocurrency is not a recognized currency in virtue of the Currency Act of Canada. It is, however, an intangible asset that may be characterized as a movable asset. Cryptocurrency is recognized as a digital asset by governmental and tax authorities.

The traceability of cryptocurrency transactions on the respective blockchains, one of the significant idiosyncrasies of cryptocurrency, allows transaction history to be retraced and "cryptos" to be followed through each transaction. Contrary to cash, which can be deposited in a bank account, cryptocurrency is not necessarily a fungible good.

- 14.3 Since November 4, 2019, the Provisional Administrator has proposed to proceed with a distribution in the following manner:
- 14.3.1 The amounts realized or recovered will be collected and designated as the Combined Fund
  - 14.3.2 The Combined Fund will be divided on a pro rata basis between the target investors based on the amount of their claim.
  - 14.3.3 Investors with a valid claim that is accepted by the Provisional Administrator will have a choice of receiving the distribution in Canadian currency or in U.S. currency.
  - 14.3.4 Prior to proceeding with the payment of claims, the Provisional Administrator will issue and publish a distribution receipt 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 all claims that may be addressed to them with regard to the PlexCoin Project and the provisional administration.
- 14.4 Modifications to the definitions of investors and excluded individuals, as proposed by Mr. Poulin and the trustee, would have little impact on the establishment of a claims process and a subsequent distribution. The work associated with analyzing potential claims of PlexCoin Investors will remain complex.
- 14.5 The Provisional Administrator could very well envision the distribution of amounts recovered to this point as well as those recovered from the two investor categories (i.e., the Provisional Administrator can envision a distributions of the amounts he currently holds in this way and those held by the SEC or still under freeze orders in another). Such a process would avoid a duplication of the claims and distribution processes (a Canadian process conducted alongside a U.S. process). If necessary, the definitions of claims should, however, be precisely defined.
- 14.6 The specter of a possible bankruptcy by Lacroix referred to in Mr. Poulin's email of February 16, 2020 could muddy the waters, however, inasmuch as a dissociation of Lacroix's assets (i.e., his wealth) and those attributed to the investors designated by the Court in the context of the request to obtain a declaratory judgment is imprecise and opposable by an eventual trustee for Lacroix's bankruptcy.

### **Claims process**

- 14.7 The claims process suggested by the Provisional Administrator includes the following items:
- 14.7.1 Notice to investors/creditors, providing for, among other things:
    - i) Notifying investors who have already provided their contact information to the AMF, the SEC, or the Provisional Administrator;
    - ii) Publication on the AMF, SEC and Provisional Administrator's websites and in at least two relevant magazines (i.e., related to cryptocurrency) of the draft order approving the handling of claims and the Letter of Instructions, as defined in the draft;
    - iii) The notice will include pertinent information relative to the claims process, the schedule, the reference date, the claims form and relevant instructions for investors/creditors;
    - iv) Setting a claims threshold in the amount of CAN\$250;
    - v) Setting a deadline for the filing of claims (90 days after the judgment);

- vi) An order to the effect that any person failing to file a claim prior to the deadline will lose standing related to any distribution;
  - vii) The claims review mechanism (sending by the Provisional Administrator of a notice of review or denial of claims received and how to appeal decisions by the Provisional Administrator, as applicable), the appeals process and related order (any person failing to appeal will be presumed to have accepted the Provisional Administrator's decision);
  - viii) How to ask for assistance and the concurrence of other courts;
  - ix) Other general provisions.
- 14.8 To ensure the integrity of this process, for the purpose of admissibility of all claims, each investor must provide proof of his/her investment.
- 14.9 Beyond the usual required documents, the Provisional Administrator will make available to claimants a "Process for validating possession and initial investment" allowing PlexCoin holders to prove their possession of PlexCoins issued on the "Blockchain".
- 15. ESTIMATED COSTS ASSOCIATED WITH THE POSSIBLE CLAIMS PROCESS**
- 15.1 In addition to costs associated with pending proceedings and potential costs associated with possible contestations, the Provisional Administrator estimates that the costs associated with the claims and distribution process may become significant, based on the process used and the subsequent handling of claims.
- 15.2 Specifically, beyond legal costs and fees resulting from legal proceedings, the costs associated with the claims process are conditional on:
- 15.2.1 The number of possible claims;
  - 15.2.2 The handling required for each claim, particularly:
    - Verification of the claimant's identity;
    - Verifications required to ensure that the claim is within the limits of the proposed Plan's definitions (i.e., that the claimant meets the definition of Investor in the Plan);
    - Validation of the consideration (payment) of the initial investment (in \$ or in cryptocurrency) and supporting documents;
    - Validation of the assigned portfolio address and of the transfer, as applicable;
    - Validation of initial and current possession of PlexCoins (acquisition on the primary market and asset not resold) on the Ethereum blockchain;
    - In the case of credit card payment, validation that the payment processor did not provide reimbursement.
  - 15.2.3 The number of inadmissible claims for which the Provisional Administrator must send a notice of review and denial (i.e., contestation) and, as applicable, the costs associated with all subsequent proceedings.
- 15.3 The Provisional Administrator intends to use a claim form to be completed online to reduce and/or accelerate the handling and analysis and reduce the associated costs.

- 15.4 The definition of an admissible threshold for debts aims to mitigate the cost of a possible claims process. There are a substantial number of potential claims by PlexCoin investors, or close to 14,325, while only 4,479 potential claims are beyond the \$250 threshold established in the Distribution Plan.

## 16. CONCLUSIONS AND RECOMMENDATIONS

- 16.1 The request for appointment of the Provisional Administrator, the subsequent orders issued in this case, the steps taken and the actions taken by the AMF and the Provisional Administrator have several objectives, primarily the recovery of assets of Project PlexCoin investors and eventually the redistribution of those assets to PlexCoin Investors.
- 16.2 The Provisional Administrator has prepared a distribution plan in accordance with the instructions of the court and in response to the requests of the regulatory authorities.
- 16.3 The Provisional Administrator has no bias as to the definition of debts that should be admitted as part of a possible distribution plan. On the contrary, the Provisional Administrator has attempted to identify all of Lacroix's liabilities as part of his investigation. Additionally, the Provisional Administrator has attempted to explore with the authorities various distribution scenarios for the benefit of investors and creditors.
- 16.4 Various issues and items need clarification by the tribunal, particularly:
- 16.4.1 The Distribution Plan's content, specifically the definition of admissible investors;
  - 16.4.2 The ownership of recovered assets, or more precisely the characterization of a distinct set of assets, as appropriate;
  - 16.4.3 The mechanics of the distribution, particularly the claims process.
- 16.5 If investor claims are expanded to include Other Investors, the amounts that may be claimed should be the subject of a precise, consistent and fair definition. The Distribution Plan, as prepared, only targets "capital" investments that are paid investments and excludes any return, bonus or amount recovered by an investor. The proposed subsidies for Other Investors are on a different basis, since they are indifferent to any amounts that the latter might have received as a return. Logically, the claims of Other Investors, if such claims were considered in a revised plan, are comprised of the total capital invested minus any amounts received (whether as reimbursement of capital, interest or any other return) to establish and consider only their real loss. With a return rate of 35%, it is likely that a number of capital investment have been reimbursed.
- 16.6 In this case, the possibility of an unfavorable decision by the U.S. courts as to the recovery of assets under the SEC's control may be envisioned. If necessary, a joint distribution plan should be explored for the benefit of participants and investors.
- 16.7 The possibility of a bankruptcy by Lacroix adds a certain amount of confusion and may be not only very costly for investors, but inefficient inasmuch as a precise definition of beneficiaries targeted by the plan is adopted and the assets recovered by the Provisional Administrator are allocated to them.
- 16.8 The consequences of a bankruptcy also raise questions as to the benefit sought by such a step, primarily concerning investors.

## APPENDIXES

List of appendixes

<b>Appendix</b>	<b>Subject</b>
Appendix 1	Distribution plan prepared by the Provisional Administrator
Appendix 2	Email sent by the Honorable Judge Daniel Dumais, JCS, on February 6, 2020, concerning the schedule proposed by the Provisional Administrator
Appendix 3	Decision of the US District Court - Eastern District of NY on October 2, 2019
Appendix 4	Stenographic notes of a hearing held on July 24, 2019 before the TAMF
Appendix 5	Project PlexCoin white book
Appendix 6	Email from Mr. Hugo Babos-Marchand on February 6, 2020
Appendix 7	Email from Mr. Raymond Poulin on February 16, 2020



## CERTIFICATION

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This is to certify that the attached English language document, identified as Rapport modifié de l'Administrateur provisoire daté du 25 mars 2020(71156425.8) finale ENG is a true and accurate translation of the original French language document to the best of our knowledge and belief.

Executed this 8<sup>th</sup> day  
of April 2020

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