



McDonald
Vague

business recovery partners

**Bitcoinica Consultancy Limited
(In Liquidation)
(formerly known as Core Credit Limited
until 30 May 2012)**

**Liquidators' Fourteenth Report
(for the period from 10 January 2019
to 9 July 2019)**

McDonald Vague Limited

Level 10, 52 Swanson Street,
Auckland Central

PO Box 6092, Wellesley Street,
Auckland 1141, New Zealand

p: 09 303 0506

f: 09 303 0508

e: insol@mvp.co.nz

www.mvp.co.nz

1 INTRODUCTION AND APPOINTMENT

Iain McLennan and Peri Micaela Finnigan, Insolvency Practitioners of Auckland, were appointed jointly and severally as liquidators of Bitcoinica Consultancy Limited on 10 January 2013.

Pursuant to Section 255(2)(d) of the Companies Act 1993 ("the Act"), the liquidators herewith report on the progress of the liquidation. This fourteenth report should be read in conjunction with the liquidators' previous reports. This report is being sent to all shareholders and all creditors who have filed a claim in the liquidation.

A Statement of Realisations and Distributions is **attached**.

2 RESTRICTIONS

This report has been prepared in accordance with section 255(2)(d) of the Act. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever to any party as a result of the circulation, publication, reproduction or use of this report.

We reserve the right (but are under no obligation) to review and, if we consider necessary, revise this report in respect of any information existing at the date of this report which becomes known to us after that date.

3 CONDUCT OF THE LIQUIDATION DURING THE PRECEDING SIX MONTHS

Asset Realisations

Bitcoinica Consultancy Limited (In Liquidation) ("BCL") is the General Partner of the Limited Partnership, Bitcoinica LP (In Liquidation) ("the Limited Partnership").

The liquidators of BCL continue to assist the liquidators of the Limited Partnership to recover the assets held on the trading platform (MTGOX Co, Ltd) for the benefit of investors.

The liquidators understand that the Japan based trading platform has undergone civil rehabilitation proceedings and a civil rehabilitation trustee has been appointed. There have been delays in the rehabilitation trustee making a distribution to creditors due to ongoing litigation. At this time it is unknown when a distribution will be made or the amount available for creditors.

Following a distribution the LP liquidators note that they will be seeking legal advice on various matters. Their full report to 31 May 2019 is **attached**.

4 INVESTIGATIONS

When possible, the liquidators continue to assist the liquidators of the Limited Partnership in their efforts to access and realise the bitcoins.

5 CREDITORS' CLAIMS

5.1 Secured Creditors

BCL did not have any secured creditors according to the Personal Property Securities Register.

5.2 Preferential Creditors

BCL did not have any employees, and was not registered with the IRD at the time of liquidation therefore, there are no preferential creditors.

5.3 Unsecured Creditors

As at the date of preparing this report no unsecured creditors' have lodged claims. There have been 204 unsecured creditor claims filed in the Limited Partnership.

6 FUNDS / LIKELY OUTCOME

Bitcoins continue to trade at positive levels, however, it is not possible at this stage to advise the likely outcome, and it is possible that litigation may be required to gain access to the funds and bitcoins held by the bankrupt trading platform.

7 MATTERS DELAYING THE COMPLETION OF THE LIQUIDATION

The following matters are outstanding:

- Assist the Limited Partnership liquidation/liquidators;
- Potential action to recover funds and bitcoins; and
- Any distribution issues.

8 ESTIMATED DATE OF COMPLETION

Based on the above the liquidators cannot estimate when they will be in a position to retire as liquidators. This will depend upon the liquidation of the Limited Partnership.


9 CONTACT DETAILS

Enquiries should be directed to Keaton Pronk on DDI (09) 969 1518 or by email to kpronk@mvp.co.nz.

The Liquidators can be contacted at:

McDonald Vague Limited
Level 10, 52 Swanson Street
Auckland 1010

P O Box 6092
Wellesley Street
Auckland 1141



IAIN McLENNAN
LIQUIDATOR

DATED this th10 day of July 2019

Realisations and Distributions

Bitcoinica Consultancy Limited (In Liquidation) 10 January 2013 to 9 July 2019

Realisations	Cash Received \$
Funds from liquidation of the Limited Partnership	4,340
Total Realisations	\$4,340
 Payments	
Liquidators Fees	
Liquidators Fees	4,340
Total Liquidators Fees	\$4,340
 Total Payments	\$4,340
 BALANCE HELD	\$Nil

Note: the above figures are GST exclusive

LIMITED PARTNERSHIPS ACT 2008

**LIQUIDATORS' FOURTEENTH REPORT TO CREDITORS
OF
BITCOINICA LIMITED PARTNERSHIP (IN LIQUIDATION)
Limited Partnership Number: 2558460**

Reporting Period: 2 November 2018 – 1 May 2019

***Pursuant to Section 255 of the Companies Act 1993
(In accordance with Section 92 of the Limited Partnerships Act 2008)***

1. INTRODUCTION

On 1 November 2012 Anthony John McCullagh, Chartered Accountant and Stephen Mark Lawrence, RITANZ Accredited Insolvency Practitioner of PKF Corporate Recovery & Insolvency (Auckland) Limited, were jointly and severally appointed as liquidators of the Bitcoinica Limited Partnership ('Bitcoinica') by an order of the High Court in Auckland, New Zealand, pursuant to section 89(1) of the Limited Partnerships Act 2008 ('LPA08').

On 22 May 2017 Anthony McCullagh resigned from the office of liquidator of Bitcoinica. Christopher Carey McCullagh, Chartered Accountant and RITANZ Accredited Insolvency Practitioner of PKF Corporate Recovery & Insolvency (Auckland) Limited was appointed as joint & several liquidator in his place, in accordance with section 283(2) of the Companies Act 1993 ('CA93').

Any creditor who wishes to challenge the Liquidators' fees as set out in this report may do so by an application with leave of the High Court of New Zealand under section 284(1) CA93 (and by virtue of s92 LPA08). Any such application filed must be served on the Liquidators.

2. RESTRICTIONS

This report has been prepared pursuant to s255 CA93 and in accordance with s92 LPA08 based on information contained in the records and information supplied to us by Bitcoinica's limited partners, advisors, creditors and other parties. We have not carried out an audit of the records. Accordingly, we retain the right to amend particulars if we consider it necessary in light of information which becomes available to us after the date of this report. The Liquidators shall not be responsible for any losses resulting from the reliance of any person on information contained in, or derived or omitted from this report.

3. ACTION UNDERTAKEN SINCE OUR LAST REPORT

As previously reported, Bitcoinica's cash and bitcoin ('BTC') assets are held in accounts on the MtGox exchange. On 24 April 2014, MTGOX Co, Ltd ('MtGox') was put into bankruptcy in Japan and Bitcoinica's claims in the MtGox bankruptcy were subsequently accepted by the bankruptcy trustee. The bankruptcy trustee valued the claims at JPY 3,289,835,190 (or USD 31,742,910) as at 24 April 2014.

The value of the crypto currencies held by the bankruptcy trustee has increased significantly since 2014, therefore it was expected that creditor claims in the bankruptcy would be paid in full, and a surplus could be available to MtGox's shareholders. In November 2017 an application was filed to commence civil rehabilitation ('CR') proceedings for MtGox. On 22 June 2018 the Tokyo District Court ordered the commencement of CR proceedings against MtGox and appointed the bankruptcy trustee as a CR trustee ('Rehabilitation Trustee').

PKF Corporate Recovery & Insolvency (Auckland) Limited • Tel +64 9 302 0521 • Fax +64 9 302 0536
Level 15, Swanson House, 12-26 Swanson Street • Auckland 1010 • PO Box 3678 • Auckland 1140
Email: admin@pkfcr.co.nz • www.pkfcr.co.nz.

In October 2018, the Liquidators submitted three new claims with the Rehabilitation Trustee. On 15 March 2019, the Rehabilitation Trustee approved these claims and valued them for voting purposes at JPY 54,784,003,387. Bitcoinica's total approved claims in the CR are as follows:

Claim Type	Amount of Claims	Delay Damages	Total
BTC	64,672.98010549	-	64,672.98010549
BCH	64,672.98010549	-	64,672.98010549
USD	134,809.01	34,924.76	169,733.77
EUR	45.82	11.87	57.69
GBP	5.15	1.33	6.48
PLN	17.64	4.56	22.20

Subsequently, we were notified that a "self-approved rehabilitation claim" under a fourth username utilised by Bitcoinica had been disapproved by the Rehabilitation Trustee. The account balance was only USD 511.78 (no BTC or BCH). We sought to file a petition for this claim to be approved, but as we have received no further information from Bitcoinica's officers to support the claim, the claim cannot be proven. Furthermore, the claim is of a nominal value and it is uneconomical to pursue the matter further.

We understand that the Rehabilitation Trustee is experiencing delays in the CR process, due to ongoing litigation by claimants against MtGox. This is preventing the Rehabilitation Trustee from making a distribution to the creditors of MtGox (including Bitcoinica). It is unknown at this stage what assets will be available for distribution to MtGox creditors, when a distribution will be made and in what form the distribution will be made (i.e. fiat currency and/or BTC). Once Bitcoinica has received a distribution from MtGox, the Liquidators will be in a position to progress the liquidation with the intention of making a distribution to its creditors.

We received further funding from a creditor which allowed us to instruct Japanese lawyers to attend the creditors meeting for the MtGox CR held in Tokyo on 20 March 2019 on our behalf, and to report back to us.

The Liquidators had instructed lawyers to provide an opinion on, amongst other things, the legal nature of bitcoins under New Zealand law, the valuation of creditor claims and creditor entitlements in the liquidation. However, due to the commencement of MtGox CR procedure, that opinion has been put on hold. Once we have clarity on the CR plan we will instruct our lawyers to provide their opinion on how we are best to proceed with the liquidation. As previously stated, the Liquidators then intend to seek directions from the High Court of New Zealand, primarily in relation to the valuation of creditor claims and the proposed method of distribution of Bitcoinica's assets.

4. SECURED CREDITORS

As previously reported, Ator Limited (a company associated with the majority limited partner Wendon Group Incorporated ('Wendon')) holds a General Security Agreement ('GSA') over all present and after acquired personal property of Bitcoinica. Ator Limited and Wendon have both agreed to subordinate any claims they may have in the liquidation after the claims from Bitcoinica's exchange-user creditors.

5. PREFERENTIAL CREDITORS

Wendon, as the applicant creditor in the liquidation proceedings, was awarded costs of \$6,701.00 by the High Court. As noted above, Wendon has advised that it wishes to subordinate its claim after the claims of Bitcoinica's exchange-user creditors.

6. UNSECURED CREDITORS

The Liquidators have received unsecured claims from 204 creditors, broken down as follows:

Bitcoins	- BTC104,714.45
Cash	- US\$323,240.64
Leveraged Trading Positions (Net balance)	- US\$276,134.60

These claims have not yet been accepted or rejected by the Liquidators.

Any distribution by the Liquidators to Bitcoinica's creditors is contingent on the receipt of a distribution from the MtGox bankruptcy. At this stage, we do not know when a distribution will be made by the Trustee, or how much Bitcoinica will receive, and in what form the distribution will be made (i.e. fiat currency and/or BTC).

7. PROPOSALS FOR COMPLETING THE LIQUIDATION

In August 2018 the Liquidators wrote to all creditors who had previously filed claims in the liquidation, requesting the completion of amended claim forms and the provision of further supporting information. We are in the process of reviewing the information received, with a view to admitting or rejecting creditor claims in due course. Due to the nature of the supporting information received, we may need to seek directions from the High Court of New Zealand prior to accepting or rejecting claims.

We are unable to progress a distribution to creditors until a distribution is made to Bitcoinica from the MtGox bankruptcy. Once the method and quantum of distribution from MtGox is known, then the Liquidators will be able to determine the method of distribution to Bitcoinica's creditors.

8. STATEMENT OF REALISATIONS AND DISTRIBUTIONS

A Statement of the Liquidators' Realisations and Distributions for the period 2 November 2018 to 1 May 2019 is **attached**.

9. ESTIMATED DATE OF COMPLETION

Due to the issues regarding the recovery of Bitcoinica's assets from the MtGox bankruptcy, we are unable to give an estimated date of completion of the liquidation.

10. OTHER INFORMATION

Please direct all enquiries regarding this liquidation to bitcoinica@pkfcr.co.nz. For economic reasons we are unable to respond individually to the large volume of correspondence that we continue to receive from Bitcoinica's customers. As we have previously advised, we will report to creditors once any significant progress has been made in the liquidation.

SIGNED



**CHRISTOPHER C McCULLAGH
JOINT & SEVERAL LIQUIDATOR**

31/05/19
DATED

**BITCOINICA LIMITED PARTNERSHIP
(IN LIQUIDATION)**

**STATEMENT OF REALISATIONS AND DISTRIBUTIONS
FOR THE PERIOD 2 NOVEMBER 2018 to 1 MAY 2019
Pursuant to Section 255 of the Companies Act 1993
(In accordance with Section 92 of the Limited Partnerships Act 2008)**

	\$
Opening Balance	\$ 4,791
Particulars of Realisations	
Advance from Funding Creditors	9,500
	\$ 9,500
Particulars of Distributions	
Apostille Fees	169
Bank Fees	15
Legal Fees (Japan)	6,195
Notarial Services	115
Postage and Courier	252
	\$ 6,746
Closing Balance	\$ 7,545

NB: There are insufficient funds available to meet the full ongoing costs of the liquidation. The Liquidators have continued to accrue their unpaid fees and NZ legal expenses, which will be paid if sufficient funds are recovered from the realisation of Bitcoinica's assets and legal claims.

As at 1 May 2019, the Liquidators' accrued fees and expenses total \$294,072 including legal fees of approximately \$93,000. This balance is exclusive of GST.