



McDonald
Vague

business recovery partners

**Bitcoinica Consultancy Limited
(In Liquidation)
(formerly known as Core Credit Limited
until 30 May 2012)
Liquidators' Twenty First Report
For the period from 10 July 2022 to 9 January 2023**

McDonald Vague Limited

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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. On 25 June 2022, Peri Micaela Finnigan resigned her position as liquidator, appointing Keaton Pronk as her successor.

Pursuant to Section 255(2)(d) of the Companies Act 1993 ("the Act"), the liquidators herewith report on the progress of the liquidation. This twenty first 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. A Draft Rehabilitation Plan has been approved by a large majority of rehabilitation creditors and subsequently received a confirmation order from the Tokyo District Court. While the Rehabilitation Plan is in effect there remain further decisions by MtGox Creditors before any distribution can be made. At this time, it is unknown when a distribution will be made to creditors.

Following a distribution, the LP liquidators note that they will be seeking directions from the High Court in New Zealand on various matters. Their full report to 1 November 2022 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 213 unsecured creditor claims filed in the Limited Partnership.

6 FUNDS / LIKELY OUTCOME

It is not possible at this stage to advise the likely outcome, as it is possible that litigation may still be required to gain access to the funds and bitcoins held by the bankrupt trading platform. Bitcoin security continues to be an issue, and prices continue to be volatile.

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 1
136 Greenlane East
Greenlane

P O Box 6092
Victoria Street West
Auckland 1142



Iain McLennan
LIQUIDATOR (Licence No: IP82)

Dated this 20th day of January 2023

Realisations and Distributions

Bitcoinica Consultancy Limited (In Liquidation) 10 January 2013 to 9 January 2023

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

LIQUIDATORS' TWENTY FIRST REPORT TO CREDITORS

Pursuant to Section 255 of the Companies Act 1993
[Applicable by virtue of Section 92 of the Limited Partnerships Act 2008]

BITCOINICA LIMITED PARTNERSHIP (IN LIQUIDATION)

Limited Partnership Number: 2558460

Reporting Period: 2 May 2022 – 1 November 2022

1. INTRODUCTION

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

On 22 May 2017 Anthony McCullagh resigned from the office of liquidator of Bitcoinica. Christopher Carey McCullagh, Chartered Accountant 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 (the **Act**).

This report refers to Christopher Carey McCullagh (IP39) and Stephen Mark Lawrence (IP67), both Licensed Insolvency Practitioners, as the **Liquidators**.

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) of the Act (applicable by virtue of section 92 of the LP Act). Any such application filed must be served on the Liquidators.

2. RESTRICTIONS

This report has been prepared in accordance with Section 255 of the Act. We take no responsibility for any incorrect information contained in this report that has been supplied by Bitcoinica's limited partners, advisors, creditors, claimants and other parties. 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. This document is a report to creditors and limited partners of Bitcoinica and is not to be reproduced or used for any other purpose without the Liquidators prior written consent. The Liquidators shall not be held 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 were held in accounts on the MtGox exchange. On 24 April 2014, MTGOX Co, Ltd (**MtGox**) was put into bankruptcy in Japan and then on 22 June 2018 the Tokyo District Court ordered the commencement of civil rehabilitation (**CR**) proceedings against MtGox. The former bankruptcy trustee, Nobuaki Kobayashi, Attorney-at-law, was appointed as the civil rehabilitation trustee (**MtGox Trustee**) for the purpose.

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PKF Corporate Recovery & Insolvency (Auckland) Limited is a member firm of the PKF International Limited and PKF New Zealand Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

On 15 March 2019, the MtGox Trustee approved Bitcoinica's 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

There have been considerable delays in the CR process, due to ongoing litigation by claimants against MtGox. This has prevented the MtGox Trustee from making a distribution to CR creditors, including Bitcoinica.

On 20 October 2021 the Tokyo District Court made a confirmation order of the Rehabilitation Plan for MtGox.

The Rehabilitation Plan is confidential, as required by the MtGox Trustee. This report is a public document, and so there is limited information that the Liquidators can provide. However, the MtGox Trustee makes some information public, and further information on the status of the CR proceedings is available on the MtGox website (www.mtgox.com) in both Japanese and English. Key points for the liquidation, taken from the information which the MtGox Trustee has made publicly available, can be summarised as follows (as translated by the MtGox Trustee):

- On 16 November 2021, the Rehabilitation Plan became final and binding.
- The MtGox Trustee subsequently petitioned for amendments to certain provisions of the Rehabilitation Plan.
- On 29 September 2022, the Tokyo District Court approved those amendments. The MtGox Trustee advised "The purpose of the amendments is to enable rehabilitation creditors to receive repayments under the Rehabilitation Plan smoothly, fairly, and safely, and to clarify matters that had not been made entirely clear in the Rehabilitation Plan. Therefore, the amendments have no adverse effect on rehabilitation creditors."
- The Tokyo District Court granted permission on the matters concerning payments to MtGox creditors, which included setting a deadline of 10 January 2023 by which date MtGox creditors must elect:
 - To receive either the "Early Lump-Sum Repayment" or "Final Repayment" option; and
 - To receive repayment in cash or BTC/BCH and cash, and also elect which currency.

As previously reported, the Liquidators intend to seek directions from the High Court of New Zealand, primarily in relation to the nature and valuation of claims in the liquidation and the proposed method of realisation and/or distribution of Bitcoinica's assets. The Liquidators will be unable to make any distribution to Bitcoinica's claimants until such a time that these Orders have been made by the Court.

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 platform users.

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 platform users.

6. UNSECURED CREDITORS

The Liquidators have received one further claim since the last report. The total is now 214 claims from platform users, comprising:

Bitcoins	- BTC107,215.07
Cash	- US\$309,895.64

While the Liquidators have been giving these claims careful consideration based on the information provided, the claims have not yet been accepted or rejected by the Liquidators.

The Liquidators have also received claims in respect of leveraged trading position. Claimants have been advised that the Liquidators cannot accept claims in respect of open positions, as they do not represent completed contracts giving rise to enforceable rights.

Any distribution by the Liquidators is contingent on the receipt of cash or cryptocurrency assets from its claims against MtGox.

7. PROPOSALS FOR COMPLETING THE LIQUIDATION

The Liquidators are awaiting a distribution of cash and/or cryptocurrency from MtGox.

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

As noted above, the Liquidators intend to seek directions from the High Court of New Zealand, primarily in relation to the nature and valuation of claims in the liquidation and the proposed method of realisation and/or distribution of Bitcoinica's assets. The Liquidators are unable to progress a distribution to Bitcoinica's claimants until these Orders have been granted and the claims admission process has been completed.

The Liquidators cannot contemplate the completion of the liquidation until these matters have been finalised.

8. STATEMENT OF RECEIPTS AND PAYMENTS

A Statement of the Liquidators' Receipts and Payments for the period 2 May 2022 to 1 November 2022 is **attached**.

9. ESTIMATED DATE OF COMPLETION

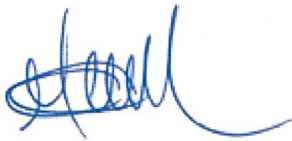
Due to the issues regarding the recovery of Bitcoinica's assets from MtGox, proposed Court applications and distribution process, we are unable to give an estimated date of completion of the liquidation.

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 platform users. As we have previously advised, we will report to claimants once any significant progress has been made in the liquidation.

DATED: 28 November 2022

SIGNED

A handwritten signature in blue ink, appearing to read 'H. Hall', with a long horizontal flourish extending to the right.

**CHRISTOPHER C McCULLAGH
JOINT & SEVERAL LIQUIDATOR**

**BITCOINICA LIMITED PARTNERSHIP
(IN LIQUIDATION)**

**STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE PERIOD FROM 2 MAY 2022 TO 1 NOVEMBER 2022
*Pursuant to Section 255 of the Companies Act 1993
[Applicable by virtue of Section 92 of the Limited Partnerships Act 2008]***

	\$
Opening Balance	<u>287</u>
Particulars of Receipts	
	<u>0</u>
Particulars of Payments	
	<u>0</u>
Closing Balance	<u><u>287</u></u>

NB: There are insufficient funds available to meet the full ongoing costs of the liquidation. Accordingly, the Liquidators have continued to accrue their fees and legal expenses. Some external funding has been received for payment of liquidators fees and legal expenses, which will need to be repaid along with the Liquidators unpaid costs. As at 1 November 2022, the Liquidators' fees and expenses (unpaid and funded) total \$825,550.26, including legal fees of approximately \$337,000. The costs will be paid, and funding repaid, if sufficient funds are recovered from the realisation of Bitcoinica's assets and legal claims. All amounts are exclusive of GST.