IN THE HIGH COURT OF NEW ZEALAND
WELLINGTON REGISTRY

I TE KŌTI MATUA O AOTEAROA
TE WHANGANUI-A-TARA ROHE

CIV-2023-485-411

Under the	Part 19 of the High Court Rules and Part 7 of the Trusts Act 2019
In the matter of	an application concerning **CRYPTOPIA LIMITED (IN LIQUIDATION)**
And	
In the matter of	an application for directions by **DAVID IAN RUSCOE** and **MALCOLM RUSSELL MOORE** of **GRANT THORNTON NEW ZEALAND LIMITED**
	Applicants

AFFIDAVIT OF DAVID IAN RUSCOE

Dated: 13 October 2023

BUDDLEFINDLAY

Barristers and Solicitors
Wellington

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I, **DAVID IAN RUSCOE**, of Wellington, Chartered Accountant, swear:

1. I am a Chartered Accountant by profession and partner in the Wellington office of the firm Grant Thornton. I am also a licensed insolvency practitioner. I am authorised to swear this affidavit on behalf of the applicants.

2. This affidavit is filed in addition to my earlier affidavit of 31 July 2023 in order to provide the Court with further evidence that may be relevant to the determination of this application.

3. I have attached marked **DIR2** a paginated bundle of documents to which I refer below. Documents in that bundle are referred to as DIR2-xx, where "xx" is a reference to the page number of that bundle.

Update on the claims portal

4. We began serving this application on account holders on 17 August 2023 (noting that given the number of account holders, email updates need to be sent in batches to avoid crashing the servers). A copy of the update posted on our website is exhibited to this affidavit at **DIR2-1**. Since that date, we have had 1,065 new registrations in the claims portal.

5. Based on our previous valuation in October 2020 of the cryptocurrencies held by Cryptopia, by 17 August 2023 84.7% of account holders, by value, had interacted with the claims process in some way (see **DIR2-3**).

6. Based on an updated valuation in February 2023 by a third-party market maker, a total of 81% of account holders, by value, have interacted with the liquidators in some way. 26% of account holders (by value) have opened the invitation to register (but not registered). 19% of invitations to register (by value) have been sent but do not appear to have been opened. 30% of account holders (by value) have completed the claims portal process to date (ie, accepted their balances). The remainder are at some other stage of the claims process.

7. I have attached at **Schedule 1** of this affidavit a table summarising the progress of all account holders through the claims portal, based on the February 2023 valuation.
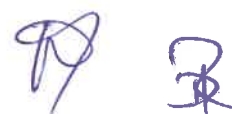
Indicative timeline

8. To assist the Court's consideration of the *Re Benjamin* and *Re Instant Cash Loans* orders sought, I set out a proposed timeline for distribution below. This timeline is indicative only, and depends on the date that orders are made in this application and on the number of account holders who participate.

9. We are making progress towards building the systems and infrastructure required to distribute the cryptocurrency to account holders by direct transfer. At this stage, I anticipate that the systems and infrastructure will be ready to undertake an interim distribution (which I discuss at [86] to [87] of my previous affidavit) toward the end of March 2024.

10. As I explain at [82] of my previous affidavit, part of the purpose of the interim distributions is to give account holders who have not participated in the claims process confidence that they will receive a distribution of cryptocurrency. As such, we want to give account holders who have not yet registered in the claims portal a reasonable period of time to register after the first interim distributions are made and before the *Re Benjamin* orders we have sought come into effect.

11. Assuming that directions were made by the end of March 2024, we expect that a Soft Cut-Off Date of 30 June 2024 would be reasonable. We expect that we could give notice in fairly short order after orders are made. Assuming that we provide notice on 31 March 2024, that would give account holders just over three months after directions are made, notice is given, and the interim distributions first take place.

12. Because most of the systems and infrastructure will already be in place for BTC and DOGE account holders following the interim distributions in March 2024, we anticipate being able to commence the Phase 1 distributions (once *Re Benjamin* orders come into effect) shortly after the proposed Soft Cut-Off Date of 30 June 2024.

13. To minimise transaction and processing costs, we expect that we will make continuous distributions from early July 2024 until the Phase 2 distributions. Those distributions will likely be phased or batched depending on the number of account holders in each trust (because each cryptocurrency holding will need to be conveyed in a separate transaction).

14. We consider that a period of six months will be sufficient time for account holders who have registered in the claims portal to complete the process and become eligible for a distribution. Accordingly, we are comfortable that a Final Cut-Off Date of 31 December 2024 would be achievable. We would commence the Phase 2 distributions in short order after the Final Cut-Off Date in early 2025.

15. We cannot estimate at this stage how long the Phase 2 distributions will take us to complete. That will depend heavily on the number of account holders that ultimately participate. At this stage, we assume that we will be in a position to wind up the trusts, and seek any directions required from the Court, in around June 2025.

16. At this stage, depending on how many trust assets remaining unclaimed, the most likely course of action to wind up the trusts will be to convert all remaining unclaimed cryptocurrency holdings to fiat and seek to transfer that to the Treasury pursuant to s 149 of the Trusts Act 2019. That conversion is necessary because s 149 applies only to money or financial products (defined in s 7 of the Financial Markets Conduct Act 2013 as a debt security, equity security, managed investment product or derivative). We would also, in line with s 149(2), provide accounts to the Treasury setting out each account holder's cryptocurrency holding and the fiat equivalent. We would, at some point before that, finally communicate to all remaining account holders advising them of the destination of the trust property, should any account holder wish to claim it.

Separate accounts for trust administration and liquidation

17. At [111] to [115] of my previous affidavit I set out the costs that have been incurred to date. I said that we had incurred:

    (a) NZD737,622 in the liquidation of Cryptopia.

    (b) NZD21,357,561 in the administration of the trusts.

18. I want to correct those figures. Following that affidavit, we again reviewed our ledgers to ensure that all of our costs, and our lawyers' costs, had been correctly attributed to each. Some of our costs prior to Gendall J's judgment in 8 April 2020 holding that the cryptocurrencies were held on trust had not been correctly attributed to liquidation costs.

19. We have also updated those figures to include receipts and payments up to the end of September 2023.

20. The updated payments, following that review, are NZD24,265,274:

    (a) ~NZD1.41 million in the liquidation of Cryptopia.

    (b) ~NZD22.85 million in the administration of the trusts.

    A copy of the separate ledgers is exhibited to this affidavit at **DIR2-4.**

21. I also want to correct paragraph [118] of my previous affidavit when I said that NZD6,828,709 will need to be reimbursed to the company. NZD6,828,709 has been spent from company assets. That amount needs to be adjusted for funds spent in the liquidation of Cryptopia and the updated figures set out above. The adjustments made from my previous affidavit represent the recoding of GST refunds and GST on Receipts attributable to each cost base as well as the classification of funds held in a separate NZDT bank account for the benefit of its holders at the date of liquidation. At this point, the amount spent from company assets is estimated to be ~NZD5,999,737 (from which the expenses attributed to the liquidation of Cryptopia will need to be deducted before reimbursement). At the time of any distributions, we will adjust this sum for any further liquidation related expenses.

Cost allocation models

22. To assist the Court in determining this application, we have prepared an excel spreadsheet with a worked example of how each of the cost allocation models we considered would work. The spreadsheet was prepared on the following basis:

    (a) We considered that the 'separate trusts, by holding' model discussed at 129(c) of my previous affidavit was unprincipled. As I explain at [130] and Schedule 2 of that affidavit, this model would result in only two high-value trusts bearing all trust administration costs, with the other lower-value trusts contributing nothing. We did not consider that to be fair or equitable to account holders in those high value trusts, particularly when steps had been taken in respect of all of the trusts. Accordingly, we have not included a worked example of this model.

(b)   The numbers used in the worked example are not the actual numbers of cryptocurrencies held or their values, although the scales between the examples are similar. This preserves the confidentiality of the actual Cryptopia portfolio.

(c)   The worked example is intended to illustrate the models proposed at a high level. It does not account for transaction costs or the process of reimbursement for costs and Hacked losses.

23.   We created three example trusts and four example account holders to model the impacts of the cost allocation models on each holding. The example trusts were:

(a)   **ACoin:** Holds a large percentage of Cryptopia's total holdings and has a large number of account holders.

(b)   **BCoin:** Holds a moderate percentage of Cryptopia's total holdings and has a moderate number of account holders.

(c)   **CCoin:** Holds a small percentage of Cryptopia;s total holdings and has a small number of account holders.

24.   The example account holders were:

(a)   **User A** - Large Value Holder – holds all three currencies.

(b)   **User B -** Mid Value Holder – only holds two currencies.

(c)   **User C** - Low Value holder – holds all three currencies.

(d)   **User D** - Single High Value Currency holder (ACoin).

25.   A copy of the worked example is exhibited to this affidavit at **DIR2-5 and summarised at DIR-7.**

Deceased account holders

26.   On 16 September 2023, Mr Watts KC contacted our lawyers with some questions arising from my earlier affidavit of 31 July 2023. One of those questions was whether the liquidators intended to ask the court to endorse ignoring any entitlements of estates of deceased accountholders who may not have responded because those administering the estate were not contacted or were not aware of the holding.

27. I understand that my lawyers responded on 28 September 2023 advising that although a direction was not sought from the court specifically on that point, that would be the effect of the *Re Benjamin* orders sought in our originating application (as it would be for any account holder who had not taken any step to register in the claims portal).

28. The reason for that is because it is impossible for us to identify among 960,000 account holders with a positive account balance whose assets may have passed into others' hands. We have pursued all avenues open to us to ensure that account holders, and any person who may be in control of an account holder's assets, are aware of Cryptopia's liquidation and the claims portal (I refer to [73] and [74] of my earlier affidavit, and the summary of all mass communications with account holders exhibited to that affidavit at **DIR1-233**). We have emailed the registered email address of each account, posted on our website, and posted on social media channels (both Grant Thornton's and Cryptopia's).

29. Beyond that, there is very little that the liquidators can realistically do to contact account holders who have not registered in the portal.

30. To the extent that a deceased account holder's executor is aware of that account holder's holding with Cryptopia and has contacted us, we have assisted the estate as much as possible to register in the claims portal so that we will be able distribute the account holder's holding to the administrator.

31. By way of example, our customer service portal received a request in April 2021 from a deceased account holder's estate administrator. Our customer service team requested a copy of ID and proof of death and probate, and the administrator was also able to provide some details about the account holdings based on the deceased's bank account transactions.

Mistaken deposits

32. At [28] to [32] of my previous affidavit I discussed the deposit tracker issue, when some account holders deposited cryptocurrency (to new or old deposit addresses) post-liquidation despite directions from Cryptopia management, and the liquidators, not to use those deposit addresses.

33. For context, we estimate that there have been around 12,000 deposits of various cryptocurrencies which are, in the aggregate, valued at ~855k NZD currently.

34.   I said that we believed that those deposits ought to be treated as mistaken deposits rather than as trust property and, if unclaimed, treated as company property. I still believe that the deposits ought to be treated as mistaken deposits, because they were never pooled with the general trust property. However, I think that the most likely analysis is that some type of trust has been created with Cryptopia as trustee holding the mistaken deposit on trust for the specific account holder the deposit was intended to go to. Accordingly, I do not believe that the mistaken deposits can be treated as company property.

35.   As I explain at [32] of my previous affidavit, the liquidators where possible propose to transfer those mistaken deposits to the account holder they were intended for upon receipt of proof of the deposit. We propose to put account holders on notice of the fact that mistaken deposits were received after the date of liquidation in the (proposed) 31 March 2024 notice of *Re Benjamin* orders, and request that account holders who believe they are the intended recipients contact customer service with proof of the deposit. We also propose that the directions in respect of low or no value trusts (directions 4.1 to 4.4) should also apply to mistaken deposits.

36.   After the Final Cut-Off Date, depending on the deposits that remain unclaimed, we will consider more targeted communications regarding the mistaken deposits. If, after those communications, the deposits remain unclaimed, then we propose to deal with those in the same manner as the unclaimed holdings of the cryptocurrency trusts, set out at [16] above.

Distributing trust assets where cryptocurrency is illegal

37.   At [101(b)] of my earlier affidavit I stated that the liquidators would screen account holders' locations to determine whether it would constitute a criminal offence for us or Cryptopia to transfer cryptocurrency to that country or territory. At [2.10] of the originating application, the liquidators seek a direction that we are permitted not to make a distribution of cryptocurrency to any account holder who resides in a country or territory where it would constitute a criminal offence for us to transfer cryptocurrency to that country or territory.

38.   I understand that there are several countries where a transfer of cryptocurrency might constitute a criminal offence. Based on some preliminary searches, I understand that cryptocurrency, or cryptocurrency trading, is illegal and has been banned in Afghanistan, Algeria, Bangladesh,

Bolivia, Egypt, Morocco, Nepal, and People's Republic of China (**China**). Ecuador, Vietnam, Bolivia, Nepal and Bangladesh (together, **Restricted Jurisdictions**).

39. For context, I have set out a table below on the number of account holders that are affected, and an estimated valuation of their holdings in USD. I have only included account holders who have completed identity verification, because that is the only way we can identify the country of residence.

Country	Number of account holders	Estimated aggregate valuation (USD)
Afghanistan	4	395
Algeria	122	141,959
Bangladesh	193	97,829
Bolivia	25	13,652
China	306	1,329,114
Egypt	263	252,545
Morocco	190	174,882
Nepal	48	17,562
TOTAL	**1151**	**2,027,938**

40. I note that Cryptopia was live to this jurisdictional issue. Cryptopia's terms and conditions (exhibit **DIR-2** to my 1 October 2019 affidavit in CIV-2019-409-544) provide that account holders in Restricted Jurisdictions would not be eligible to use the exchange platform or Cryptopia's services, and Cryptopia could close those account holders' accounts (cl 3 and cl 4.4). I understand, however, that many of the prohibitions on cryptocurrency set out above came into effect after Cryptopia's liquidation, when the exchange was no longer live. Accordingly, we still want to distribute the trust property to account holders in Restricted Jurisdictions, if possible.

41. We obtained a legal opinion on whether our proposed distribution of cryptocurrency to Chinese account holders would constitute a criminal

offence in China. Without waiving privilege in that advice, we understand that there is some legal risk that if China determined that it had jurisdiction over the acts committed (ie, the transfer), the liquidators might personally be arrested if they ever visited China. I understand that under New Zealand law, a crime will be deemed to be committed in New Zealand if any act forming part of the offence, or any event necessary for the offence, is completed in New Zealand.

42. We are very concerned that distributing cryptocurrency in any of the Restricted Jurisdictions might result in very serious consequences for us personally. We have considered whether there is any alternative way that the liquidators could distribute trust assets to account holders in Restricted Jurisdictions while minimising the risk to us personally.

43. Based on the distribution methods set out at [97] to [98] and Schedule 1 of my previous affidavit, the only distribution methods that might reduce that risk are fiat and pre-populated wallet.

44. Via pre-populated wallet, the liquidators would not transact directly with account holders' cryptocurrency wallets. Instead, account holders would be transferred an encrypted file containing a cryptographic key pair that, once imported into their wallet, would grant account holders access to the cryptocurrency distributed to them. The liquidators would generate this key-pair and transfer the account holder's cryptocurrency to this before transfer. That may not be considered 'trading' cryptocurrency. It is possible it would still be considered a cryptocurrency 'transaction'. I believe there is still significant risk to us if we distribute via pre-populated wallet. The law governing cryptocurrency is constantly evolving, and it is not uncommon for the interpretation of existing law to change. We would still be facing risk of criminal prosecution if the interpretation of 'trading' in a Restricted Jurisdiction, for example, changed to include the actions we took in sending a pre-populated wallet.

45. Accordingly, we believe that fiat is the only way that we could distribute trust assets to account holders in Restricted Jurisdictions. That is significantly more expensive than direct transfer (our proposed distribution method) given international wire transfer fees (~NZD50 per transfer).

46. To ensure that account holders in Restricted Jurisdictions are still able to receive the property held by Cryptopia on trust, we propose that:

(a) We are not required to distribute cryptocurrency to account holders located in Restricted Jurisdictions.

(b) Instead, we are permitted to convert the cryptocurrency holdings of account holders in Restricted Jurisdictions to fiat and to transfer that currency to the account holder. We propose that any such distribution would be in a currency reasonably available in that account holder's jurisdiction.

(c) That would involve three steps:

(i) Contacting eligible account holders in Restricted Jurisdictions and requesting a bank account for the currency we propose to distribute in.

(ii) Convert that account holder's cryptocurrency holdings to fiat and transferring that currency to the account holder. This would involve two steps. First, we would sell the cryptocurrency using an over the counter (**OTC**) trader and receive fiat in exchange.

(iii) Depositing the fiat proceeds to a liquidators' bank account and arranging payment to the account holder via wire transfer.

47. We propose that the transaction costs for the conversion and wire transfer are borne by the account holder, to avoid those costs being unduly borne by other account holders.

48. We also propose that the orders sought are amended so that, if an eligible account holder in a Restricted Jurisdiction does not complete the claims process (by providing us with a bank account) by the Final Cut-Off Date, then we can proceed as if their claim has been abandoned. We propose that the only amendment to any other orders is in respect of the method of distribution, and all other directions would apply.

Account balances of less than USD20

49. At [54] of my previous affidavit I explained that account holders with an account balance of less than USD20 had not been invited to participate in the identity verification process to date. As a result, they have not been invited to balance acceptance. I want to clarify that if, after the Soft Cut-Off Date, those account holders would stand to receive a distribution (ie, their holdings

would not be exhausted by the trust administration costs allocated to them),
they will be invited to the balance acceptance stage of the portal.

SWORN at Wellington this 13th day of   )
October 2023

)

)   **DAVID IAN RUSCOE**

Before me:

Isabel Van Tuinen
Barrister and Solicitor
Wellington

A Solicitor of the High Court of New Zealand

SCHEDULE 1 - PORTAL STATUS OF ALL ACCOUNT HOLDERS*

*Valuation as at February 2023

High Level Status	Stage	No. of Users	% of value
Account Setup	Account Ownership Verified	8,181	2%
Account Setup	Identity Details Submitted	13,369	0%
Claim	Claim Balance Accepted	33,477	30%
Claim	Claim Balance Disputed	581	0%
Claim	Request to Accept Claim Balance	6,809	3%
Identity Verification	Document Response Pending	1,767	1%
Identity Verification	Green ID Verification In Progress	6	0%
Identity Verification	ID3 Verification In Progress	261	0%
Identity Verification	Identity Verification Failed	153	0%
Identity Verification	Identity Verified	819	0%
Identity Verification	IDScan In Progress	4,060	2%
Identity Verification	Invite To Verify Identity	18,156	7%
Identity Verification	Manual Upload In Progress	208	0%
Identity Verification	Manually Verify	112	0%
Registered	Account Registered	1,418	0%
Registered	Locked Setup	14,085	3%
Registered	Setup Started	30,875	5%
Unregistered	Invitation Undelivered	21,264	0%
Unregistered	Invitation Opened	262,451	26%
Unregistered	Invitation Sent	534,277	19%
Unregistered	Locked Registration	7,909	2%
Total		**960,238**	**100%**

IN THE HIGH COURT OF NEW ZEALAND
WELLINGTON REGISTRY

I TE KŌTI MATUA O AOTEAROA
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CIV-2023-485-411

Under the	Part 19 of the High Court Rules and Part 7 of the Trusts Act 2019
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	Applicants

EXHIBIT DIR2 TO THE AFFIDAVIT OF DAVID IAN RUSCOE

Dated: 13 October 2023

EXHIBIT NOTE:
This is the exhibit marked "DIR2" referred to in the affidavit of **DAVID IAN RUSCOE**, sworn at Wellington on
13 October 2023 before me:

Signature: ....
A Solicitor of the High Court of New Zealand

Isabel Van Tuinen
Barrister and Solicitor
Wellington

BUDDLE FINDLAY

Barristers and Solicitors
Wellington

Solicitor Acting: **Scott Barker / Bridie McKinnon / Brooke Marriner**
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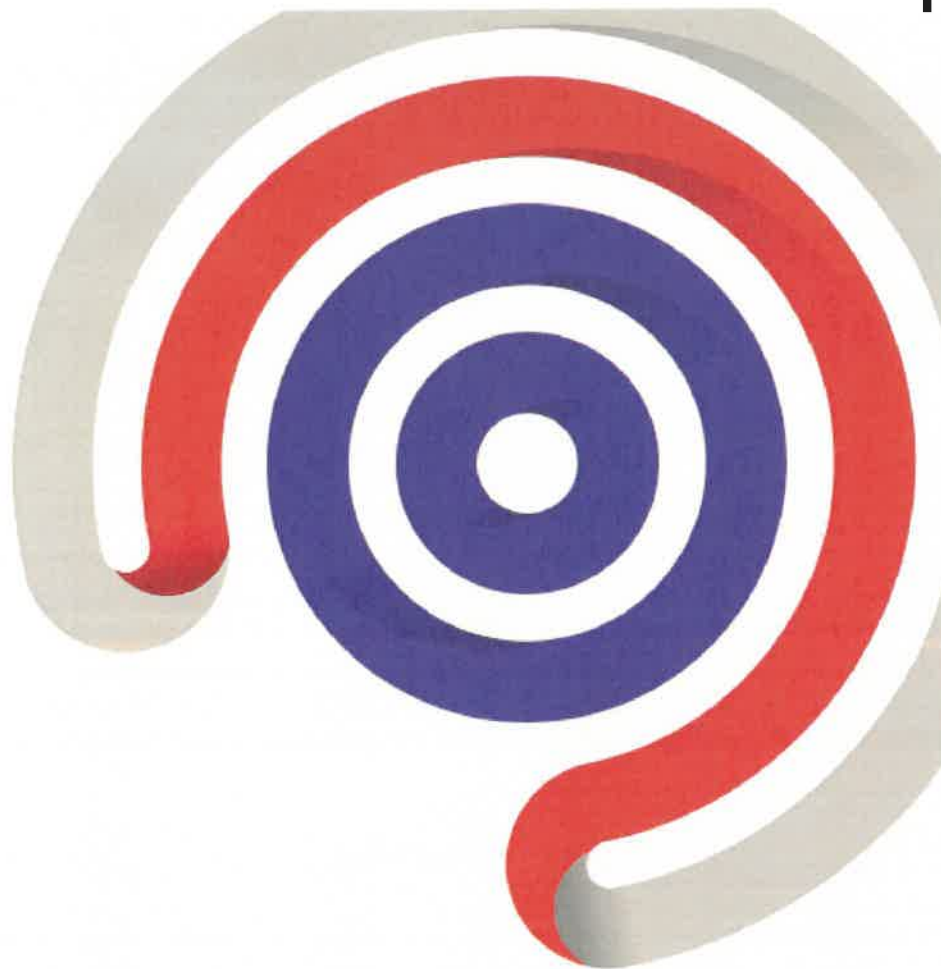
Update for Cryptopia Claimants and Stakeholders 17 August 2023

Legal Directions

In our statutory report issued on 12 June 2023, we reported that we would be filing application for directions ("the Distribution Application") in the Court and we confirm on 31 July 2023 we submitted our application for directions to the Court in relation to the following:

- To agree the date at which the trust assets, and as such, account holders' balances, are calculated;
- Approving a distribution model for the cryptocurrency to account holders including the allocation of costs against the trusts holding the cryptocurrency (costs to date and future costs);

- Setting a cut-off date for account holders to participate in the claims process;
- Confirming the approach to unclaimed cryptocurrency (if any), which could include the ability to use unclaimed cryptocurrency to reimburse costs allocated to account holders and if any remaining, reimburse account holders for cryptocurrency losses relating to the hack;
- Approval of a review process for account holders regarding any disputes arising from queries in claims balances;
- Permitting Cryptopia to take no steps in distributing certain cryptocurrencies that have low or no realisable value; and
- Permitting Cryptopia to take no steps to distribute cryptocurrency to account holders who have an account balance of less than the costs of the trust administration.

A brief initial hearing regarding the Distribution Application has been set down for 31 August 2023. At this hearing there will be a discussion about the steps leading to the full hearing of the Distribution Application. We will provide another update once a date for the full hearing has been set.

As part of the Distribution Application, the Court has already ordered the following:

1. Peter Watts KC has been engaged as 'amicus curiae' (friend of the court), which means he will assist the Court in providing arguments for and against the liquidators' proposed approach in the Distribution Application; and
2. Jenny Cooper KC has been engaged to represent the interests of all known and potential unsecured creditors of Cryptopia.

A copy of the Court documents can be found at the links below:

Distribution Application

- Originating application for directions in respect of distribution of cryptocurrencies
- Affidavit of David Ian Ruscoe
- Consent to act for Jenny Cooper KC
- Consent to act for Peter Watts KC

Interlocutory application *(representation and service)*

- Sealed Court orders
- Interlocutory application without notice
- Affidavit of David Ian Ruscoe

Sale Application

The Court has made an order permitting us to convert NZ$5 million of cryptocurrency to meet the reasonable cost and expenses of and incidental to the protection, preservation, recovery, management, and administration of the cryptocurrencies.

Link to Court Order.

Update on Claims Process

We continue to follow the claim process previously reported.

	Process	Details
1	Claims registration	Allows the registration of account holders' details
2	Identity verification	Verifies account holders' identities to the necessary verification standard
3	Balance acceptance	Provides account holders the opportunity to agree that Cryptopia records represent amounts due
4a.	Asset Distribution – Wallet Address Collection	Allows eligible account holders to submit wallet addresses for each balance qualified to participate in Asset distribution
4b.	Asset Distribution – Crypto-asset Return	Returns account holders assets proportional to distribution calculation

We continue to encourage claims registration and continue to send reminder emails to those who are yet to engage. At the date of this update, 84.7% of users by value have interacted in the claims process in some way. However, a number of these account holders may have opened the email or clicked on the link to the portal but are yet to actively engage in registering their claim.

We encourage **all account holders who have not yet registered with the Claims Portal** to register, or for those that are partially through the process to continue, to ensure the maximum number of account holders are able to receive a distribution.

If you are having trouble with the Claims Portal, please raise a ticket through the Cryptopia Customer Support Portal. This support portal is separate from the claims portal and can be accessed by any account holder, provided they register and click the "Sign Up" button on the page.

Asset transfer

Later in the year we will invite qualifying account holders to provide us with their wallet address in preparation for a partial distribution. We anticipate that the partial distribution will be made to holders of BTC and DOGE over a certain value.

Further distributions of these and other cryptocurrencies will be made after the Distribution Application has been decided by the Court.

Where to go for updates

We will continue to update you as further information comes to hand and to provide updates on the claims process. Updates can be found on the Grant Thornton New Zealand website, as well as the social media channels for Grant Thornton and Cryptopia.

Trust / Company liquidation expenses

Cryptopia Limited (in Liquidation) Receipts and Payments for the period 14 May 2019 to 30 September 2023	Total NZ ($)	Company NZ ($)	Trust NZ ($)
Receipts			
Funds on hand at date of Liquidation	1,065,426	686,076	379,350
Crypto-Assets converted to Fiat	19,380,241	-	19,380,241
Court Settlement	50,000	-	50,000
Theft Repatriations	6,396	-	6,396
Funds Recovered	5,022,935	5,022,935	-
Interest Income	89,988	-	89,988
Other income	3,000	-	3,000
Sale of Assets	252,805	252,805	-
GST Refunds received	1,837,787	-	1,837,787
GST on Receipts	38,367	37,921	447
Total Receipts	27,746,945	5,999,737	21,747,209
Payments			
Asset sale costs	90,220	90,220	-
Claims Portal	3,925,431	-	3,925,431
Computer Costs	425,755	-	425,755
Consulting & Accounting	7,751	-	7,751
Distribution to Preferential Creditors	312,992	312,992	-
Employee Costs	4,884,520	-	4,884,520
General Expenses	76,155	-	76,155
Insurance	52,433	-	52,433
Legal expenses	4,086,801	392,090	3,694,711
Light, Power, Heating	77,043	-	77,043
Liquidators Fees	7,011,837	475,024	6,536,814
Relocation Costs	13,090	-	13,090
Rent	513,696	-	513,696
Security Expenses	47,008	-	47,008
Server Hosting Fees	669,642	-	669,642
Telephone & Internet	56,552	-	56,552
GST on Expenses	2,014,350	143,600	1,870,750
Total Payments	24,265,274	1,413,925	22,851,350
Net Receipts/Payments	3,481,671	4,585,812	(1,104,141)

Cryptopia Limited (In Liquidation)
Trust Level and User Level effect on Cost Allocation Model
Oct-23

Work Performed:
- To illustrate The process to the court, we have prepared worked examples for each potential cost model
- The Purple side shows the effect of each cost allocation model on a Trust Level while the orange half shows the effect of cost allocation on a user level this explained further below

Scenario Inputs for the Worked examples
The base for the worked example includes the below inputs, only 3 of the trusts are detailed in the worked example for simplicity
These are not based on Cryptopia's populations but used to illustrate how the cost allocation is applied in potential model

Inputs		
$	1,000,000	Users
$	800,000,000	Total Portfolio Value
$	80,000,000	Total Costs to be allocated (Ignores Variable Costs to be incurred in addition to the Liquidation cost allocation)
$	50	Number of Trusts

Example user Assumptions
To be illustrate the effect of each Cost allocation model on users we have tried to generate what a general Cryptopia user looks like in terms of the number of currencies held

The generated account holders are as follows:
- User A: 3 holdings Greater than $200 value in each
- User B: 2 holdings greater than $100 less than $1000
- User C: 3 Small holdings less than $50 in each
- User D: 1 large holding over $5000

Trust Details

Details	Total Beneficiaries #	% of Total Portfolio Value	% of Trust Property available to distribute	Trust Value	Value per Currency Held	Total Coin balance per trust
Trust 1 - A Coin - Large Value	200,000	60%	80%	$ 480,000,000	$	500,000,000
Trust 2 - B Coin - Deficient Trust	50,000	5%	30%	$ 40,000,000	$	9,000,000,000
Trust 3 - C Coin - Low Notional Value	5,000	1%	95%	$ 800,000	$	92,000

Details		Acoin Holding	Value	Bcoin Holding	Value	Ccoin holding	Value		Total User value
User A - Large Value Holder	0.53	10000	$ 5,333.33	100000	$ 444.44	100	$	870	$ 6,647.34
User B - Mild Value Holder	0.00344	1000	$ 533.33	0	$	65	$	565	$ 1,098.55
User C - Low Value holder	8.70	100	$ 53.33	10	$ 0.04	50	$	435	$ 488.16
User D - Single High Value Currency holder			$		$	0	$	-	$ 5,656.67
		12500	$ 6,666.67						

Trust Level effect

1) Value- Allocation by value is done by first taking a listing of trust valuation and working the % value of each trust to the overall portfolio

This approach considers value as the driver of cost

Allocation steps:
1. Starting at the total trust value each trust has been allocated a pro rata share of cost proportional to the overall portfolio
2. This reduces the trust's assets to be distributed and therefore the amount of currency distributable.
3. The cost per user has then been calculated per example user by reducing the per unit valuation. The difference being the cost allocation to the user,

Details		Total Value	% of Total Portfolio Value	Cost Allocation	Residual Trust Property	Value per Currency Held	Total Coin balance per trust
Trust 1 - A Coin - Large Value		$ 480,000,000	60%	$ 48,000,000	$ 432,000,000	$	432,000,000
Trust 2 - B Coin - Hacked Coin		$ 40,000,000	5%	$ 4,000,000	$ 36,000,000	$	9,000,000,000
Trust 3 - C Coin - Low Notional Value		$ 800,000	1%	$ 400,000	$ 400,000	$	92,000

Details		Acoin Holding	Value	Bcoin Holding	Value	Ccoin holding	Value		Total User value After Allocation
User A - Large Value Holder	0.48	10000	$ 4,800.00	100000	$ 400.00	100	$	435	$ 5,634.78
User B - Mild Value Holder	0.00	1000	$ 480.00	0	$	65	$	283	$ 762.61
User C - Low Value holder	4.35	100	$ 48.00	10	$ 0.04	50	$	217	$ 265.43
User D - Single High Value Currency holder			$		$	0	$	-	$ 6,000.00
		12500	$ 6,000.00						

2) Number of Trusts: Costs are Allocated by the Number of Trusts where by on a stepped basis so that trusts that cannot pay their cost allocation are absorbed and used to fund other Trusts administration.

The calculation can be thought of like the below:
"Trusts value under cost threshold" ÷ Cost allocation per trust = Total cost allocation

Allocation steps:
1. Starting with a listing of Trusts by values the total costs have been divided by the number of trusts.
2. This is continuation a stepped basis until the point whereby the trust's cost allocation is less than the total trust value.
3. Trusts not meeting that criterion are allocated the full trust value to the cost allocation.
4. To calculate on a per holding basis cost allocation is then accounted for by reducing the per unit valuation.

Starting point			Residual cost after initial cost
Total Costs to be allocated	$ 80,000,000		allocation
Total Number of Trusts	50		
Starting point of cost allocation per trust(Costs/Trusts)	$ 1,600,000		

After stepped calculation
As you see Trust 3- Ccoin cannot afford to pay its share of the cost allocation
Its value is reallocated to trusts until the "Trust Entitlements under cost threshold" + Cost allocation per trust = Total cost allocation($80m)
Results from this stepped calculation allocating $80m of costs across 50 Trusts results in a cost allocation of $7.5m per Trust as only 10 Trusts meet the value threshold
The remaining 40 trusts with a total of $5m of value are absorbed as "Trusts value under cost threshold"

Details		Total Value	Residual Value Completion of Per Trust allocation	Residual Value after completion of per Trust allocation
Trust 1 - A Coin - Large Value		$ 480,000,000	$ 7,500,000	472,500,000
Trust 2 - B Coin - Hacked Coin		$ 40,000,000	$ 7,500,000	32,500,000
Trust 3 - C Coin - Low Notional Value		$ 800,000	50	

Details		Total Coin balance per trust	Value per Currency Held
Trust 1 - A Coin - Large Value		900,000,000	$
Trust 2 - B Coin - Hacked Coin		9,000,000,000	$
Trust 3 - C Coin - Low Notional Value		92,000	$

Details		Acoin Holding	Value	Bcoin Holding	Value	Ccoin holding	Value		Total User value after allocation
User A - Large Value Holder	0.53	10000	$ 5,250.00	100000	$ 361.11	100	$	-	$ 5,611.11
User B - Mild Value Holder	0.00361	1000	$ 525.00	0	$	65	$	-	$ 525.00
User C - Low Value holder	-	100	$ 52.50	10	$ 0.04	50	$	-	$ 52.54
User D - Single High Value Currency holder			$		$	0	$	-	$ 6,562.50
		12500	$ 6,562.50						

3) By Account holder: Trust administration costs are allocated evenly to each account holder regardless of holdings - This method does not differentiate between which trusts instead it allocates by the whole user base.

There are difficulties around what account holder assets are used to be allocated costs. For example, an account holder could opt to use their lower value holdings to fund cost allocation to receive there higher more lucrative value coins such as Bitcoin or Doge.

	Cost Contribution	% to Value	Holdings Available
	$ 1,013	15%	3
	$ 336	31%	2
	$ 223	46%	2
	$ 667	10%	1

	Cost Contribution	% to Value	Holdings Available
	$ 1,045	16%	2
	$ 574	52%	1
	$ 436	89%	1
	$ 104	2%	1

However, for the purposes of trying to model this approach, we have taken a straight-line approach to value.

Allocation Steps

- Starting with a listing of all account holders and their account balances
- We have then completed a stepped calculation on account holder by value, taking total costs and dividing by number of account holders.
- Account holders which cannot afford the cost allocation are classified as "Trust entitlements under cost threshold" and used to absorb cost allocations.
- This is done until the per account holder allocation exceeds the user balance, nor the account holders can absorb the cost allocation and have left over value
- To calculate on a per-holding basis cost allocation we have allocated cost across a user holding based on % Value. This means the result more closely resembles the allocation by value once taking our accounts that are below the initial cost threshold.

Total Costs to be allocated	$	80,000,000	
		# of Users	
		1,000,000	

Total Number of Users			
Starting point of cost allocation per User (Costs/Users)	$	80	
Users Under the value threshold	$	200,000	
Representing X $Value	$	7,400,000	
Cost still to be allocated			
(Total cost allocation=user value under cost threshold)	$	72,600,000	
Remaining Users		800,000	
Cost Allocation per User (Costs/Users)	$	90.75	

Details	% of Total Portfolio Value	Costs allocated	Total Trust Value	Residual Value	Total Coin balance per trust	Value per Currency Held
Trust 1 - A Coin - Large Value	60%	$	43,560,000	$ 480,000,000	436,440,000	0.48
Trust 2 - B Coin - Hacked Coin	5%	$	3,630,000	$ 40,000,000	36,370,000	0.00404
Trust 3 - C Coin - Low Notional Value	1%	$	726,000	$ 800,000	74,000	0.80

Details	Acoin Holding	Value	Bcoin Holding	Value	Ccoin holding	Value	Total User value After Allocation	Cost Contribution	% to Value	Holdings Available
User A - Large Value Holder	$	900,000,000	$	80%	7%		13%	$ 91	1%	3
User B - Mid Value Holder	$	9,000,000,000	$	49%	0%		51%	$ 91	8%	2
User C - Low Value holder	$	92,000	$	11%	0%		89%	$ 91	15%	2
#REF!				100%	0%		0%			

Details	Acoin Holding	Value after $1 allocation	Bcoin Holding	Value	Ccoin holding	Value	Total User value After Allocation	Cost Contribution	% to Value	Holdings Available
User A - Large Value Holder	10000	$ 5,260.52	100000	$ 438.38	100	$	857.69	$ 6,556.59	1%	3
User B - Mid Value Holder	1000	$ 489.28	0	$ -	65	$	518.53	$ 1,007.80	8%	2
User C - Low Value holder	100	$ 43.42	10	$ 0.04	50	$	353.96	$ 397.41	15%	1
User D - Single High Value Currency holder	12500	$ 6,575.92	0	$ -	0	$ -		$ 6,575.92	1%	1

4) by trust, the bottline : Costs are allocated to each trust in proportion to the number of individual holders in that trust.

Costs are allocated to each trust in proportion to the number of individual holdings in that trust. This approach can also be known by Trust and by Account Holder.

EG if I have 3 holdings, costs are allocated to me 3 times.

The cost allocation figure is calculating the below solved figure which is:

Cost allocation for (by User by trust) = (Individual Cost allocation * Holders above Cost Threshold)+ (Trust Entitlements under threshold calculated)

Allocation Steps

- Based on each individual holding we have completed a step-by-step calculation and allocate to the cost to that holding.
- The model is based on number of holdings * cost allocation. Therefore, the more coins held the more costs that are allocated to the account holder.
- Calculation(above) done on a step-by-step basis until each holding can afford to absorb its share of costs.
- All holdings below the cost allocation threshold to pay theire share of cost. This includes any holdings that are below the threshold, account holders in this category do not receive a distribution.

Total Costs to be allocated	$	80,000,000	
Number of individual holdings		2,000,000	
Starting point of cost allocation per holding	$	40.00	

Details	% of Total Portfolio Value	Total Coin Balance per trust	Value per Currency Held	Balance Threshold for each currency
Trust 1 - A Coin - Large Value	60%	900,000,000	0.53	75
Trust 2 - B Coin - Hacked Coin	5%	9,000,000,000	0.00	9,000
Trust 3 - C Coin - Low Notional Value	1%	92,000	8.70	5

Details	Acoin Holding	Value Less Individual holding Cost Allocation	Bcoin Holding	Value Less Individual holding Cost Allocation	Ccoin holding	Value Less Individual holding Cost Allocation	Total User value After Allocation	Cost Contribution	% to Value	Holdings Available
User A - Large Value Holder	10000	$ 5,393.33	100000	$ 404.44	100	$	830	$ 6,572.34	2%	3
User B - Mid Value Holder	1000	$ 493.33	0	$ -	65	$	525	$ 1,018.55	7%	2
User C - Low Value holder	100	$ 13.33	10	$ -	50	$	395	$ 408.12	16%	2
User D - Single High Value Currency holder	12500	$ 6,626.67	0	$ -	0	$ -		$ 6,626.67	1%	1

Summary analysis

Details	Acoin Holding	Value	Bcoin Holding	Value	Ccoin holding	Value	Total User value	Number of Holdings
User A - Large Value Holder	10000	5,333.33	100000	444.44	100	869.57	$ 6,647	3
User B - Mid Value Holder	1000	533.33	0	-	65	565.22	$ 1,099	2
User C - Low Value holder	100	53.33	10	0.04	50	434.78	$ 488	3
User D - Single High Value Currency holder	12500	6,666.67	0	-	0	-	$ 6,667	1

Cost Allocation Model

Application of cost models	Total Value of User Holding	By Value	By Trust Number	By account holder	By trust, By holding
User A - Large Value Holder	$ 6,647	$ 1,012.56	$ 1,036.23	$ 90.75	$ 120.00
User B - Mid Value Holder	$ 1,099	$ 335.94	$ 573.55	$ 90.75	$ 80.00
User C - Low Value holder	$ 488	$ 222.73	$ 435.62	$ 90.75	$ 80.04
User D - Single High Value Currency holder	$ 6,667	$ 666.67	$ 104.17	$ 90.75	$ 40.00
User A - Large Value Holder - Number Of Holdings avaliable after allocation	$ 3	$ 3	2	3	3
User B - Mid Value Holder - Number Of Holdings avaliable after allocation	$ 2	$ 2	1	2	2
User C - Low Value holder - Number Of Holdings avaliable after allocation	$ 3	$ 2	1	2	2
User D - Single High Value Currency holder - Number Of Holdings avaliable after allocation	1	1	1	1	1

Cost allocated per account holder, arranged by allocation model

Cost allocated per account holder, arranged by example account holder