

**THE COMMONWEALTH OF THE BAHAMAS
THE SUPREME COURT
COMMERCIAL DIVISION**

2022/com/COM/00060

**IN THE MATTER OF The Companies Act, 1992
AND IN THE MATTER OF FTX Digital Markets Ltd.**

**THE MINUTES OF THE FIRST MEETING OF CREDITORS
OF FTX DIGITAL MARKETS LTD (In Official Liquidation)**

IN PERSON

Held at 10:30am

Friday, 15 March 2024

Salon 3, Baha Mar Convention Centre, Baha Mar Blvd., Nassau, The Bahamas

Introduction and Formalities

Mr. Kevin Cambridge called the First Meeting of Creditors (the “Meeting”) of FTX Digital Markets Ltd. (“FTX Digital”) to order at 10:39am, and notified the customers and non-customer creditors present at the Meeting (“attendees”) that proceedings would also be live-streamed to customers and non-customer creditors viewing online (“viewers”) for observational purposes only. Mr. Cambridge introduced his fellow Joint Official Liquidators (“JOLs”) of FTX Digital, Messrs Brian Simms KC and Peter Greaves.

Mr. Cambridge set out the agenda for the Meeting:

1. Formalities
2. Update from Liquidators
3. Questions and Answers
4. Vote on Resolution

Mr. Cambridge announced that Mr. Greaves (the “Chairman”) shall act as chairman of the Meeting pursuant to the Companies Liquidation Rules 2012 (“CLR”) which requires the Chair of the Meeting be one of JOLs or a suitably qualified representative.

The Chairman repeated that the Meeting is being livestreamed for customers and non-customer creditors unable to attend in person to follow proceedings and submit questions. All viewers and attendees were invited to submit questions during the Meeting which would be addressed by the JOLs towards the end of the Meeting, and additionally by publication on the website (www.pwc.com/ftx) (“the Website”).

The Chairman stated that the Meeting was only open to customers and non-customer creditors of FTX Digital and their proxies. It was not open to the general public or the media. Members of the media were asked to identify themselves if present. No persons identified themselves.

The Chairman confirmed that there were 23 attendees and thus declared a valid quorum for the Meeting pursuant to CLR.

The Chairman also confirmed that the Notice of Meeting dated 14 February 2024, advertised on 19 and 20 February 2024, was tabled and made available physically to customers or non-customer creditors or their proxies present, and was and remains available for download on the Website.

Update From Liquidators

The Chairman explained the structure of the update as follows:

1. The background to FTX Digital and events leading to provisional liquidation,
2. The conduct of the liquidation and the transition to official liquidation,
3. The Global Settlement Agreement, and
4. The Claims Process and Claims Portal.

1. Background

- 1.1. FTX Digital was incorporated in The Bahamas as an International Business Company on 22 July 2021, and registered and licensed to conduct business as a Digital Asset Business pursuant to the Digital Assets and Registered Exchanges Act in September 2021.
- 1.2. FTX Digital provided regulated services to global customers of FTX.com (“FTX International”). Prior to FTX’s relocation to The Bahamas, FTX International, found in May 2019, was managed from Hong Kong. In mid-2021, FTX International announced its decision to migrate the business to the Bahamas, including the migration of key personnel and functions.
- 1.3. In May 2022, the Terms of Service governing the relationship between FTX International and customers were updated to include FTX Digital as the provider of the majority of services available on the exchange.
- 1.4. In summary, the failure of FTX came against the backdrop of the notable collapses of Luna, 3 Arrows Capital, Celsius, and Voyager, and was precipitated by public scrutiny of the finances of the FTX Group. One key factor was the publication on 2 November 2022 of a leaked Alameda balance sheet, a sister company of FTX, which revealed significant indebtedness to FTX. There was a consequent loss of market confidence, and after a failed attempt at a rescue by Binance, a rival exchange, FTX was rendered insolvent, incapable of meeting the unprecedented levels of customer withdrawals.

- 1.5. On 10 November 2022, the Securities Commission of The Bahamas (“SCB”) suspended FTX Digital’s license and presented a petition to the Supreme Court of The Bahamas (“the Court”) on which it was heard, and subsequently the JOLs, the then Joint Provisional Liquidators (“JPLs”), were appointed on 10 and 14 November 2022.
- 1.6. On 11 November 2022, the remaining entities in the FTX Group, which included FTX US and Alameda entities, save for FTX Digital and several other overseas entities, along with numerous other affiliated entities filed for protection under Chapter 11 of the US Bankruptcy Code before the Delaware Bankruptcy Court (“Ch. 11 Debtors”).
- 1.7. The provisional liquidation process allows time for a decision to be reached as to whether the company can be restructured or restarted, or whether it should enter official liquidation, and to protect the assets during that time. An official liquidation occurs once it has been determined there is no prospect of recommencing the business.
- 1.8. Due to the complexity of the FTX Digital Estate, it took 12 months to reach definitive conclusions on the prospects of restarting the exchange and agreeing a way forward with the Ch. 11 Debtors given the extent of commingled assets and contractual liabilities.
- 1.9. FTX International was not managed or documented in a way that ever expected an insolvency, nor multiple insolvencies in multiple jurisdictions. In particular, a lack of reliable evidence of the inter-company relationships and rationales presented unique challenges to the JOLs.
- 1.10. Regular reports were filed with the Court and notified to creditors for their review on the Website.

2. Conduct of the Provisional Liquidation and transition to Official Liquidation

- 2.1. Records of FTX Digital were largely inaccessible to the liquidators as the web-hosting licence for FTX.com had not been transferred to FTX Digital from FTX Trading Ltd. Though FTX Digital operated and used the technology of FTX International, control of the platform was legally with the Ch. 11 Debtors who had locked down access to the servers. Thus, the JPLs were denied access to FTX Digital’s own books and records. This handicap was amplified due to the largely paperless way FTX Digital operated, with key business decisions and agreements determined and recorded on private platforms such as Slack and Telegram, rather than emails or physical documents.
- 2.2. While the JPLs were given vital assistance and information by a majority of remaining employees at the time of their appointment, a number of employees had chosen to leave the country without notice. The outcome was that the JPLs were deprived of key information and records. Some chose not to assist the JPLs as they were facing official

(including criminal) investigations regarding FTX, actual or potential adversarial proceedings, or were concerned with potentially breaching the automatic stay imposed by the US Bankruptcy Code. The lack of clear and reliable information was an obstacle to establishing a clear picture.

- 2.3. Customer assets on FTX International were not identified or segregated by legal entity. Bank accounts and cryptocurrency wallets were used interchangeably, regardless of the proper legal FTX Service Provider. For example, bank accounts in the name of FTX Digital received and paid funds on behalf of other FTX Group entities such as Alameda.
- 2.4. Whilst urgent steps were taken at the outset of the proceedings to secure digital assets, there were at least 2 incidents of illegal access to digital wallets. The SCB took urgent steps in the Bahamas to secure the wallets they were able to access, as did the US Ch. 11 Debtors.
- 2.5. A primary initial objective was to identify which assets, liabilities, and obligations relating to FTX International were both practically and legally within the FTX Digital Estate, and to gather information on debts owed to creditors, but the JPLs faced material challenges in gaining access to the data and assets held in the name of FTX Digital. There were legitimate disputes with the Chapter 11 Debtors and government seizure action in the US by the Department of Justice that denied the JPLs access to bank accounts holding cash in the name of FTX Digital. The JPLs could not bring legal proceedings to compel the Ch. 11 Debtors to cooperate due to the protections afforded by US Bankruptcy Law, and the JPLs first had to seek recognition under Chapter 15 of the US Bankruptcy Code. The application was made on 16 November 2022 but the hearing was delayed due to objections of the Ch. 11 Debtors. Though the US Judge expressed sympathy with the JPLs, his judgment was reserved until negotiations were exhausted.
- 2.6. In January 2023, the JPLs and Ch. 11 Debtors negotiated a co-operation agreement in an effort to collaborate on a framework to achieve shared goals, mutual support, and information sharing which was subsequently approved by the US and Bahamian Courts, and as a result the JPLs were granted Ch. 15 recognition in the US Court. Nonetheless, accessing FTX Digital's data remained challenging, and thus the JPLs prepared an application to the Court to seek guidance on issues relating to the identity of customers and the assets within the FTX Digital Estate.
- 2.7. Unfortunately, as well as unexpectedly, on 19 March 2023, shortly after the JPLs advised the Ch. 11 Debtors of their intention, the Ch. 11 Debtors filed adversary proceedings against the JPLs and FTX Digital alleging that FTX Digital was a fraud with no assets. In May 2023, the JPLs filed a motion in the US Court to dismiss the adversary proceedings and these unfounded allegations and to do so made request a

lift of the automatic stay. On 9 June 2023, the US judge refused to lift the stay, and ordered mediation and discovery in aid of mediation, which resulted in more productive negotiations between the JPLs and Ch. 11 Debtors.

- 2.8. In the meantime, the JPLs filed a proof of claim in the Ch. 11 proceedings against the Ch. 11 Debtors in excess of US\$9 billion, based on forensic accounting evidence and contrary to the much lower recorded sums in FTX Digital's books and records.
- 2.9. The Petition to wind up FTX Digital was heard on 10 November 2023, one year from the commencement of the provisional liquidation. With the benefit of new information from the Ch. 11 Debtors, it was clear that restarting FTX International would not succeed.
- 2.10. On 10 November 2023, the Court ordered that FTX Digital be wound up, and that the JPLs be appointed JOLs.

3. The Global Settlement Agreement (“GSA”)

- 3.1. With the benefit of gaining access to, and reviewing voluminous pre- and post-insolvency documentation, the JOLs reached an independent conclusion that there was no realistic prospect of unravelling the affairs of FTX Digital from the those of Ch. 11 Debtors, and attempting to do so would not benefit the creditors of FTX Digital. This was based on evidence that FTX Digital's assets were hopelessly commingled with the Ch. 11 Entities, and that there was no real means of determining the true counterparty for customers.
- 3.2. Subsequently, the GSA was executed on 19 December 2023, and approved by the US and Bahamian Courts in January 2024.
- 3.3. The GSA delineates key roles and responsibilities, guarantees fair and equal treatment of customers and creditors, bridges the FTX Digital and Ch. 11 Estates, and maximizes recoveries for and distributions to creditors.
- 3.4. The GSA also allows FTX Digital's access to the whole of the FTX Estate for the benefit of creditors, including all realisations and gains made by the Ch. 11 Debtors. Both the Ch. 11 Debtors and FTX Digital will pool recoveries to pay creditors of both estates.
- 3.5. An update was provided on the amount of Court-approved professional fees to date in the Estate. In total, the Court has approved US\$46.7 million covering the period from the commencement of the Provisional Liquidation to 31 October 2023. The Chairman

estimated that time costs for legal and professional fees for the period 1 November 2023 to 31 January 2024 will be in the region of US\$9.3 million.

- 3.6. It is hoped that the run rate of US legal fees is reduced considerably following the conclusion of the Adversary Proceeding per GSA, although it was noted that it will be necessary to focus resources on the development of the claims adjudication and KYC portal in order to meet the requirements of the GSA to synchronise the claims process for FTX Digital with that for the Ch.11 Debtors.

4. The Claims Process and Portal

- 4.1. The GSA allows for customers to choose in which liquidation process they wish to claim, but they can only ever receive a distribution from one. Customers will have to elect which process to participate in when submitting a claim. The provisional deadline for claim submission and election was set for 15 May 2024 by the GSA, but it is now expected to be extended to at least June 2024 based on recent developments.
- 4.2. The Claims Portal is accepting claims. All creditors are able to register an account, link their claims account to their FTX.com account, accept or dispute their account balance, have their claim adjudicated, and complete the KYC and AML processes.
- 4.3. The following type of claimants may submit a claim in the Bahamas Process:
 - 4.3.1. Customers who have filed in the US Proceedings remain entitled to submit a claim in the Bahamas Process.
 - 4.3.2. Any customer who had an account on FTX.com with assets owing from FTX
 - 4.3.3. Creditors who provided services to FTX Digital
 - 4.3.4. Those who are unsure if they should submit claim in the Bahamas Process and have not otherwise filed a claim.
- 4.4. The value of account balances of customers will be assessed as at 11 November 2022 (i.e. the petition date of the Ch. 11 process), which is a departure from the claim value reference date under Bahamian law. However, to harmonise processes and to avoid complexity between the Ch. 11 Debtor Estate and the FTX Digital Estate, the Court approved the use of 11 November 2022 as the claim reference date. The rates of conversion of the digital assets into USD were established by the Ch. 11 Debtors based on 2 independent valuers and approval of the US Court.
- 4.5. Customers or non-customer creditors who have bought or sold claims are advised to notify the JOLs in writing.

- 4.6. Any customer disputing the value of their account can lodge a claim and dispute the balance, which will be addressed during the adjudication process.
- 4.7. By notice in February 2024, creditors were instructed on the process to submit claims on the Claim Portal which went live on 1 March 2024.
- 4.8. The customers' claim process includes:
 - 4.8.1. Account registration on the portal
 - 4.8.2. Linking the FTX account
 - 4.8.3. Balance acceptance
 - 4.8.4. Submission of proof of debt
 - 4.8.5. Claim adjudication by JOLs
 - 4.8.6. KYC and AML process by JOLs
 - 4.8.7. Claim settlement by the Estate
- 4.9. The JOLs and the Ch. 11 Debtors have a shared goal to make the first interim distribution by the end of 2024 to creditors with admitted claims and satisfactory KYC documentation.
- 4.10. Further information on timing and distributions will be sent by email and published online.
- 4.11. The JOLs will focus now on claims submissions, adjudications, and reconciliation of claims between the FTX Digital and the Ch. 11 Debtor Estates, as well as settle the opt-in election process and monetization of assets to maximize and accelerate distributions.

Questions and Answers

Mr. Cambridge confirmed the address for relevant public documents such as Press Releases and Affidavits exhibiting the Interim Reports is <https://www.pwc.com/ftx>. The First Report was issued on 8 February 2023, the Second Report on 24 May 2023, and the Third Report on 10 November 2023.

Attendees and viewers were invited to submit questions to the JOLs.

The JOLs answered several questions from the attendees and viewers. Due to time constraints, not all questions asked were answered in person; it was determined that answers would be provided in writing subsequent to the Meeting. Accordingly, the JOLs' responses to questions received during the Meeting will be uploaded to the case website at <https://www.pwc.com/ftx>.

Under the CLR, only customer and non-customer creditors attending in person or by proxy may vote on the resolution. The time allotted for questions expired, and the live broadcast was accordingly ended. The Chairman expressed his appreciation to the view.

Voting

The Chairman directed the attendees to the resolution proposed, copies of which were included in the attendees' ballots.

The Chairman explained that in light of the size of the Estate, overall number of creditors and the large number of the liquidation committee nominations received, the JOLs will propose a representative committee reflecting the interests of institutional, retail, and non-customer creditors subject to the result of the voting.

The Chairman instructed attendees to mark their vote on the provided ballot papers. The Chairman advised that ballots returned without a marked vote will be treated as abstentions.

The Chairman declared that 1,219 creditors had appointed the Chairman as their proxy for the purposes of voting. The Chairman as proxy holder confirmed that he would vote in favour of the resolution.

The ballots were counted and the results of the voting were as follows:

- Votes (by value) cast in favour of the Resolution: \$140,538,603.
- Votes (by value) cast against the Resolution: \$0.
- Votes (by value) abstaining: \$3,968,737.

NOW THEREFORE, BE IT RESOLVED that a Liquidation Committee be established for the winding-up of FTX Digital pursuant to Order 9, Companies Liquidation Rules 2012 and that the composition shall be representative of the interests of all customer and non-customer creditors.

There being no further business, the Meeting was closed.



Peter Greaves, Joint Official Liquidator of FTX Digital Markets Ltd. (In Official Liquidation)

Chairman