

Memo

DATE:	September 29, 2019
TO:	Davies, Ward, Phillips & Vineberg LLP (“DWPV”) Tim Moran
FROM:	Equibit Group Ltd.
SUBJECT:	OSC Experience

This memo serves as Equibit Group’s official recounting of events relating to our experience with the Ontario Securities Commission.

November 15, 2016 After learning of OSC Launchpad’s upcoming hackathon during a TechTO event (also the same event where we first met Zain Rizvi from DWPV) we reached out to OSC Launchpad expressing our interest in meeting to discuss Equibit. Victoria Malloy replied, and we scheduled a meeting at OSC’s offices for December 7, 2016.

December 7, 2016 We met with Pat Chaukos, Amy Tsai, and Neeti Varma at the OSC and presented the details of the Equibit protocol. The OSC posed some questions, which were answered. At the end of the meeting Pat inquired as to what our purpose in the meeting was and we answered that we had two important questions for them:

- 1) Does the OSC consider EQB (Equibit’s native cryptocurrency) a security?
- 2) Does the OSC take any issue with the Equibit system, as presented.

Pat declined to answer the first question, and recommended we seek counsel on that matter (we had already engaged DWPV and discussed the nature of EQB and were satisfied that it wasn’t a security). With the second question, Pat replied “No, keep going” and informed us that the OSC was taking a “light touch” in respect to regulation of cryptocurrencies.

February 1, 2017 Satisfied that EQB would not be considered a security, Equibit Group began a public pre-sale of EQB.

February 14, 2017 Amy Tsai emails us stating that our initial coin offering had been brought to the OSC’s attention and asked if we had considered prospectus and other securities law requirements. We replied that we were unaware of the OSC treating cryptocurrencies or initial coin offerings as securities but would be happy to discuss and address any

of their concerns. A conference call is scheduled for March 21, 2017.

- March 21, 2017 A conference call* with Amy Tsai and Pat Chaukos, along with Alex Moore and Zain Rizvi (DWPV) and Tim Moran (Equibit Group General Counsel) is held to discuss the sale and whether EQB is a security. The OSC requests that we provide an analysis of EQB using the investment contract test outlined in *Pacific Coin*.
Note: A complete audio record of this call is available.
- March 22, 2017 An email is received from Amy Tsai requesting information on the number of purchasers, details on the amount purchased, and the number of Canadian participants in the EQB pre-sale. Amy also stated the email serves as notice that we may be offside Ontario securities law.
- March 23, 2017 The EQB pre-sale is suspended, pending further review by the OSC. A draft announcement is provided to Amy Tsai for review prior to circulating. Equibit Group re-iterates its desire to work collaboratively with the OSC and that we would appreciate specific guidance on how to proceed.
- March 24, 2017 The requested details of the EQB purchasers is provided and another conference call* is held with Amy Tsai and Pat Chaukos, to discuss the announcement of the suspension of the EQB sale. During the meeting we were informed by the OSC that they had not bothered to read the EQB sale's legal Terms and Conditions prior to their inquiries. On the instruction of Pat Chaukos, Equibit Group re-opened the EQB pre-sale and no announcement was released about the temporary suspension.
Note: A complete audio record of this call is available.
- March 31, 2017 The EQB pre-sale is completed. A detailed legal analysis by DWPV is provided by Alex Moore to Pat Chaukos and Amy Tsai. The analysis concludes with an unqualified opinion that they are not securities according to the investment contract test outlined in *Pacific Coin*.
- April 3, 2017 In a phone call with Alex Moore, Amy Tsai makes the statement that pre-sales of a new cryptocurrency "are securities until they are satisfied otherwise." We are also told by Amy to remove a statement made in a forum on February 15, 2018 where we refer to their statements in our meeting with them on December 7, 2016. The forum post was removed.
- June 21, 2017 Amy Tsai delivers an email to Alex Moore refusing to accept DWPV's analysis of EQB, stating only "we are not persuaded that EQBs do not constitute securities." No other reasoning or details are offered.
- July 31, 2017 Amy Tsai once again insists we remove statements made in an online forum made a few days prior. This time where we were discussing the applicability of securities laws to cryptocurrencies and criticized the

OSC for their lack of understanding of the technology. The statement is removed.

August 14, 2017 Alex Moore inquires with Pat Chaukos and Amy Tsai on their opinion about using a convertible security, known as a Simple Agreement for Future Tokens ("SAFT") as a method of financing. No prompt response is received from the OSC.

August 24, 2017 CSA Staff Notice 46-307 is released cautioning businesses and investors that pre-sales of cryptocurrencies may constitute securities and that the investment contract test outlined in *Pacific Coin* should be considered.

September 12, 2017 We finally receive a response from Amy Tsai on the inquiry from August 14, requesting a meeting to discuss the particulars of the SAFT fundraising model on September 27, 2017.

September 27, 2017 The meeting with held with Pat, Amy and Asad (technology expert) from the OSC, and Robert Murphy and Zain Rizvi from DWPV. The OSC continued refusing to provide any guidance on what forms of cryptocurrency are/are not securities and would not provide any helpful guidance regarding the SAFT model of cryptocurrency pre-sales. Asad acknowledged that mineable cryptocurrencies (like EQB) were less likely to be considered securities than smart contract tokens (ERC-20). Pat stated she still thought the Equibit system was a good idea.

February 28, 2018 A letter is received from the OSC requesting detailed information about the functions of the Equibit protocol and Equibit Group's business, and whether we were engaging in any regulated activity. A response deadline of April 20, 2018 is granted.

April 20, 2018 A detailed response to the inquiry from March 1, 2018 is delivered showing that Equibit Group is not engaged in any regulated activity and that the Equibit protocol does not constitute a marketplace.

May 7, 2018 A summons from the OSC is received demanding copies of our financial records and extensive details about our marketing, and conversations with EQB purchasers. The examination date is set for 10:00am on May 22, 2018.

May 14, 2018 We receive a copy of the Section 11 order forming the basis for the summons. The order dredges up activities the company undertook many months ago that were brought to the OSC's attention prior to taking them. Shockingly, the OSC knew the exact number of Bitcoin that was raised during the SAFT offering. Only four individuals (Chris, Nathan, Stephen, Harvey) in the company had access to the spreadsheet containing that number and it was never publicly disclosed to anyone.

May 22, 2018	Our response to the OSC summons is delivered with all information within the scope of the order included. The examination date is deferred.
May 30, 2018	Another summons is received by the OSC requesting additional information.
June 4, 2018	Our response to the second OSC summons is delivered with all information within the scope of the order included. DWPV informs the OSC they will be able to attend an examination after July 18, 2018.
June 11, 2018	CSA Staff Notice 46-308 is released, effectively declaring any new cryptocurrency being developed a security.
May 3, 2019	A letter is received from the OSC requesting that we provide them with an analysis of the Equibit protocol (OSC repeatedly, erroneously refers to Equibit as a “platform”) in light of the recently-issued Consultation Paper 21-402 <i>Proposed Framework for Crypto-Asset Trading Platforms</i> .
May 17, 2019	Our response to the inquiry from May 3 is sent to the OSC reiterating our position detailed in our letter dated April 20, 2018 that the Equibit protocol is not a “marketplace” as defined by securities regulations.
September 10, 2019	A letter is received from the OSC requesting information about details of all payments and their purpose to Chris Horlacher and Sumitra Meera Singh. Details of several employees and contractors are also requested. The knowledge of these names proves extensive inside knowledge of the company’s operations and business partners.
September 29, 2019	Our response to the inquiry from September 10 is sent to the OSC showing no misappropriation of funds and that all individuals were employed/contracted for legitimate business needs.