

17 July 2018

Civil Rehabilitation Plan – Outline Proposal from Mt Gox Legal.

Background

Mt Gox Legal is a co-operative of approximately 1000 Mt Gox creditors. It formed in September 2017 in response to the news that the bankruptcy statute prescribed distributing surplus assets to shareholders and not creditors. We have retained the services of MHM Japan and were a key player in persuading the court and the Examiner to approve the commencement in Civil Rehabilitation of Mt Gox.

This document presents conditions for the Civil Rehabilitation plan which we as a group consider to be desirable at this point in time. This is not a formal rehabilitation plan as stipulated under Article 163 (2) of the Civil Rehabilitation act.

This document has been compiled through the participation of Mt Gox Legal members in online debates and polls, and represents our consensus. The members of Mt Gox Legal are creditors with claims ranging from less than 1BTC to more than 1000BTC. As such, we believe these condition represent the best interests of all Mt Gox Creditors.

1/ Cash/Fiat claims

Following the recommendations of the court appointed examiner, Ito-Sensei, we accept that cash claims should be honoured at the same rate they would have been under bankruptcy. This includes, where legally appropriate, the inclusion of interest payments.

2/ Bitcoin claims

Given the nature of assets which we estimate the Trustee to control, and the size of Cash/Fiat claims that we anticipate, we expect that the remaining assets, after Cash/Fiat claims are met will include a mixture of cash in different currencies, and a variety of cryptocurrencies.

The remaining fiat/cash, Bitcoin and Bitcoin Cash assets must be distributed pro-rata to Bitcoin claims.

No further sales or purchases of Bitcoins should be performed under the CR plan.

3/ Benefit to shareholders

No distribution of Cash/Fiat or cryptocurrency, and no benefit in kind, should pass to shareholders, namely Jed McCaleb, and Tibanne, or Mark Karpeles.

17 July 2018

4/ Alt-coin Forks and Airdrops

Since 2014, while the Trustee has had possession of Mt Gox's Bitcoins, the private keys for these Bitcoins have been credited with several other alt-coins by forks and airdrops. Bitcoin Cash is one example of this, and distribution for this is referred to above.

We note that no single exchange is currently able to handle all these coins. Likewise no private wallet management software is reliably able to manage all these coins. We are concerned that to distribute these to creditors would complicate the distribution process, leave many creditors confused, and potentially result in a downward movement of value of these assets which would not be in the interests of creditors.

We note that the volume of each of these coins held by the Trustee, in almost all cases, is significantly higher than the global daily traded volumes of these currencies, therefore we are concerned that any attempt by the Trustee to sell them *en masse* would result in a downward movement of the value and also not be in the creditors interests.

We also note that moving these coins requires access to the same keys that also control a very large value of Bitcoins, and therefore there are security considerations surrounding any operation to transact these alt-coin forks.

With the following points in mind, we suggest that once the trustee has distributed or moved the Bitcoins and Bitcoin Cash to a secure location, the keys which access the remaining alt-coins should be auctioned.

For reference, the table below summarises our internally peer-reviewed analysis of the market value of the most valuable alt-coins in question. This table also shows the volume of coins the trustee controls as a percentage of the daily traded volume.

Token	Value (USD)	% of day traded volume
BitcoinX (BCX)	\$21,656,354	851%
Bitcoin Gold (BTG)	\$5,984,262	53%
Bitcoin Diamond (BCD)	\$4,084,829	151%
Lightning Bitcoin (LBTC)	\$2,015,090	219%
Bitcoin Private	\$1,635,969	617%
Super Bitcoin (SBTC)	\$1,022,562	82%
Clams (CLAM)	\$529,424	7028%
Bitcoin Interest	\$373,537	3010%
Bitcore (BTX)	\$161,241	45%
Bitcoin Atom	\$80,521	326%
TOTAL	\$37,543,789	

This is a list is not exhaustive. It ranks the 10 most valuable, as of mid July 2018. By the time of distribution, the value and the ranking may differ.

17 July 2018

5/ Mixed claims

Individual with both Bitcoin and Cash/Fiat claims should have their fiat/cash claims and Bitcoin claims dealt with separately under the two regimes above.

6/ Timetable for distribution

We consider a timely distribution to be an essential part of any Civil Rehabilitation plan. We are only able to support a Civil Rehabilitation plan that allows for interim payments at the first possible opportunity.

If any disputed claims are lodged, sufficient resources should be ringfenced to meet the worst-case costs of those disputed claims, while other approved claims are given an interim settlement with the remaining funds. As each disputed claim is settled, any residual assets must then be immediately distributed without delay.

7/ Distribution Channel

Cash/Fiat

We would like to see claimants given the choice to receive fiat either directly to their bank accounts, or to a cryptocurrency exchange trading account.

We note that receiving fiat through an exchange allows all creditors to receive it at the same time, and also means that creditors who wished to receive a distribution in Bitcoin may reinvest immediately in Bitcoins. This may help mitigate the effect of any large-scale sell off once Bitcoin by a portion of creditors in the aftermath of distribution.

Cryptocurrency

We would like to see claimants offered the choice to receive cryptocurrency either to an exchange account or to private wallet addresses provided by the claimant.

Exchanges

Distribution through exchanges allows the assets to be transferred cheaply and securely, and for all creditors to be credited at precisely the same moment.

For reference, in a survey of over 512 members of Mt Gox Legal, showed that Kraken was the most popular choice with an 80% approval among creditors.

Exchange	Percentage who agreed the exchange would be acceptable for distribution
Kraken	80.47%

17 July 2018

Coinbase	40.82%
Bitstamp	34.38%
Binance	22.85%
GDax/Coinbase Pro	12.11%

Kraken already has a relationship with the Trustee under bankruptcy, they have indicated they wish to continue this under Civil Rehabilitation in public statements. We see an obvious benefit for creditors in this relationship continuing.

The full results of this survey above have been provided to the Trustee, our lawyer at MHM Japan, and to Fukuoka-Sensei at the law firm Nishimura & Asahi. They can be requested at support@mtgoxlegal.com.

8/ Recovery of further coins

We believe that given:

- the US indictment of Alexander Vinnik, accused of laundering Bitcoins stolen from Mt Gox, and his current incarceration in Greece,
- the US law enforcement pursuit of a known but undisclosed co-conspirator to Vinnik,
- and the US's apparent confiscation of assets relating to Vinnik and the co-conspirator,

there is a real possibility that further assets may be recovered in the future. As such we believe it is important for the Civil Rehabilitation plan to include a reasonable fund for investigating and pursuing the recovery of assets as and when it becomes possible to do so.

9/ Trading records

For creditors in certain jurisdictions, the ability to demonstrate their trading record on Mt Gox is a legal tax responsibility. Accordingly the CR plan must include a way for creditors to request and receive this information in a timely manner.

10/ Further considerations

This report includes pre-requisites, recommendations and requests that are important to our creditors given the information we have been able to gather at this time. They may change and be added to as more information becomes available to us.

We are open to discuss and disambiguate the contents of this report. We can be contacted at support@mtgoxlegal.com

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