

COURT FILE NUMBER B301-223290
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE BANKRUPTCY AND
INSOLVENCY ACT, R.S.C. 1985, c. B-3, as amended
AND IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF CATALX CTS LTD.

APPLICANT ALBERTA SECURITIES COMMISSION

DOCUMENT **APPLICATION (Advice and Direction Re Approval Order)**

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTIES FILING THIS
DOCUMENT LAWSON LUNDELL LLP
Barristers and Solicitors
Suite 1100, 225 – 6th Avenue SW
Calgary, AB T2P 1N2

Attention: Alexis Teasdale and Eloise Hirst
Telephone: (403) 218-7564
Fax: (403) 269-9494
Email: ateasdale@lawsonlundell.com
ehirst@lawsonlundell.com
File No.: 34384-188393

NOTICE TO RESPONDENTS: To the Service List.

This application is made against you. You are Respondents.

You have the right to state your side of this matter before the Judge.

To do so, you must be in Court when the application is heard as shown below:

Date:	November 14, 2025
Time:	2:00 p.m.
Where:	In Person and Virtual Hearing on the Calgary Commercial List https://albertacourts.webex.com/meet/virtual.courtroom60
Before Whom:	The Honourable Justice M.H. Bourque

Go to the end of this document to see what else you can do and when you must do it.

Remedy Claimed or Sought:

1. The Applicant, the Alberta Securities Commission (the “**Commission**”) seeks an Order for declarations that:

- (a) The Order (Approval of Proposal) granted in the within proceedings by the Honourable Justice R. A. Neufeld on June 20, 2025 (the “**Approval Order**”) does not prohibit the Commission from continuing with the securities regulatory proceedings pursuant to the Commission’s Notice of Hearing dated July 11, 2025 and cited as Re CatalX Ltd., 2025 ABASC 98 (the “**Notice of Hearing**”); and
 - (b) The Approval Order does not release CatalX CTS Ltd. (“**CatalX**”) or Hyuk Jae Park (“**Mr. Park**”) from future orders made pursuant to the merits hearing (the “**Hearing**”) contemplated by the Notice of Hearing.
2. Such further and other relief as counsel may request and this Honourable Court may deem just and reasonable in all of the circumstances.

Grounds for Making this Application:

3. All capitalized terms not otherwise defined in this Application shall have the meaning given to them in the Approval Order.

Background

4. CatalX is a company incorporated in British Columbia on February 5, 2018 under a predecessor name and continued in Alberta on September 10, 2019. CatalX operated a crypto asset trading platform (“**CTP**”) at <https://catalyx.io/home> (the “**Platform**”) until approximately late 2023. Hyuk Jae Park (“**Mr. Park**”) is the CEO and only remaining officer and sole director of CatalX. Jae Ho Lee (“**Mr. Lee**”) was formerly the chief financial officer of CatalX.
5. In February 2023, the Canadian Securities Administrators (“**CSA**”) issued a notice indicating that all crypto asset trading platforms were required to file a pre-registration undertaking to permit them to continue operating in Canada while they seek registration and related exemptive relief with their relevant securities administrator.
6. As alleged in the Notice of Hearing, on March 24, 2023, Mr. Park as chief executive officer and on behalf of CatalX, signed a pre-registration undertaking (the “**PRU**”) with the Commission. Under the PRU, CatalX gave a number of undertakings, including to (a) promptly inform the Commission in writing of any material breach or failure of, among

others, CatalX's system of control or supervision, and what steps it had taken to address each such breach or failure, and (b) ensure it was proficient and experienced in holding crypto assets and had established and would maintain and apply policies and procedures that manage and mitigate custodial risks. Any loss of or failure to safeguard clients' crypto assets was a material breach within the meaning of the PRU that CatalX was required to promptly report to the Commission.

7. On November 24, 2023, Mr. Park received information about the state of CatalX's finances, which he says prompted him to begin making internal inquiries about the status of the CatalX Wallets, and to gather and secure the relevant records and information. Shortly after that, Mr. Park says he became aware that CatalX had ceased allowing withdrawals of customer deposits.
8. In December 2023, the Commission commenced an investigation into CatalX.
9. On December 21, 2023, counsel for CatalX wrote to the Commission, advising that the balances of customer crypto assets in the CatalX Wallets had been withdrawn or transferred out of the accounts, and that CatalX was in the process of engaging Deloitte LLP to investigate the transactions history in the CatalX Wallets.
10. Also on December 21, 2023, a panel of the Commission issued an interim order pursuant to sections 33 and 198 of the *Alberta Securities Act*,¹ ordering, among other things, that CatalX must cease trading in or purchasing any securities or derivatives, which was extended to January 5, 2025 by further order of the Commission dated January 5, 2024.
11. On January 19, 2024, Deloitte Restructuring Inc. was appointed by the Court of King's Bench of Alberta as receiver for CatalX and Catalx Management Ltd. (in such capacity, the **Receiver**").
12. The Receiver reported that, as of January 19, 2024, CatalX's books and records showed approximately \$13,958,000 USD in crypto assets held on the Platform, but that the actual value of the crypto assets was approximately \$151,000 USD. The Commission has alleged

¹ *Securities Act*, RSA 2000, c. S-4 [*Securities Act*].

in the Notice of Hearing that this multimillion-dollar shortfall is due, in large part, to the fraudulent conduct of Mr. Lee, CatalX's former CFO, which Mr. Park became aware of.

13. On May 14, 2025, CatalX filed a proposal (the “**Proposal**”) under the *Bankruptcy and Insolvency Act*.² Deloitte Restructuring Inc. consented to act and was appointed as proposal trustee in CatalX's proposal proceedings (in such capacity, the “**Proposal Trustee**”). The Commission's investigation continued throughout the course of CatalX's proposal proceedings.
14. The First Meeting of Creditors to vote on the Proposal was held on June 2, 2025. The Commission was not a creditor under, and did not vote on, the Proposal.
15. On June 9, 2025, the Proposal Trustee served a notice of application advising of its intention to seek an order approving the Proposal. The application for the Approval Order was heard on June 20, 2025 (the “**Approval Hearing**”), on which date this Court granted the Approval Order.
16. On July 11, 2025, the Commission issued a Notice of Hearing (the “**Notice of Hearing**”) to CatalX, Mr. Lee and Mr. Park, notifying them that the Commission would convene to set a date or dates for the conduct of the Hearing regarding the allegations set out in the Notice of Hearing, which included the following:
 - (a) That CatalX breached section 93.2 of the *Securities Act* by failing to comply with a written undertaking to the Commission to promptly report a material breach of the PRU to the Commission;
 - (b) That CatalX breached section 93.2 of the *Securities Act* by failing to comply with a written undertaking to the Commission to establish and maintain and apply policies and procedures that managed and mitigated custodial risks, including but not limited to, an effective system of controls and supervision to safeguard clients' crypto assets; and

² *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 as amended [BIA]

- (c) That Mr. Park authorized, permitted or acquiesced to the breaches of undertaking as set out in the two preceding subparagraphs.

Reasons for the Present Application

17. On August 8, 2025, counsel for CatalX and Mr. Park advised the staff of the Commission (“Staff”), for the first time, of their position that the Approval Order prohibits the Commission from commencing securities regulatory proceedings against CatalX or its directors after the Proposal was implemented.
18. On August 19, 2025, counsel for CatalX and Mr. Park wrote to Staff, asserting, among other things, that the Company Release stays and bars the Hearing as against CatalX, and further, that the effect of the Director Release was to release Mr. Park from the allegations in the Notice of Hearing.
19. On September 5, 2025, Staff wrote to counsel for CatalX and Mr. Park and advised, among other things, that Staff and the Commission did not agree with the legal positions outlined in the letter, including because the Commission is not and has never been a creditor with a claim provable in bankruptcy against CatalX, and because the allegations in the Notice of Hearing and any sanctions that may be ordered in the Hearing are not claims provable.
20. On September 10, 2025, counsel for CatalX responded to Staff’s September 5 letter, and asserted that: (a) the definition of “Claim” in the Proposal expressly incorporates any present or future claim or penalty of any kind against CatalX, including regulatory orders, (b) the Hearing constituted a breach of the Approval Order, and (c) the release of CatalX’s directors is not limited to releases for claims provable in bankruptcy.
21. The Commission desires to proceed with the Hearing pursuant to the Notice of Hearing and is of the view that it is not prohibited by the Approval Order from doing so, while the Respondents take the contrary position that the Commission is so prohibited.
22. The Commission and the Respondents have agreed to appear before this Court to seek advice and directions regarding the effect of the Approval Order on the Notice of Hearing and the allegations set out therein.

Legal Basis for the Orders Sought

23. The provision of the Approval Order that purports to bar and extinguish claims and stay proceedings against CatalX expressly states that it bars, extinguishes and stays “Claims” and proceedings in respect of “Claims”. Similarly, the provision of the Approval Order that purports to release the Participating Directors, including Mr. Park, expressly states that it releases them from “Claims” or contingent “Claims” of any securities commission, and “Claims” more generally. “Claim” is defined in the Approval Order, by reference to the Proposal, to mean a claim provable in bankruptcy.
24. When the legal test for determining whether claims of a regulatory body are claims provable in bankruptcy is applied to the facts of this case, it is evident that the allegations set out in the Notice of Hearing are not claims provable, the Notice of Hearing is not in respect of a claim provable in bankruptcy, and any orders issued following a merits hearing will not be claims provable in bankruptcy. As such, the Approval Order does not prohibit proceedings, or release future orders made, against CatalX under the Notice of Hearing, nor does it release Mr. Park from the allegations in the Notice of Hearing, or any future orders that may be made against him thereunder.
25. Subsection 50(13) of the BIA, which confers jurisdiction on this Court to grant releases of the directors of a debtor company, only permits this Court to release directors from claims that (a) arose before the commencement of proceedings under the BIA; and (b) relate to the obligations of the corporation where the directors are by law liable in their capacity as directors for the payment of such obligations. Under the relevant jurisprudence, the future monetary and non-monetary regulatory sanctions the Commission could order, if the allegations outlined in the Notice of Hearing are established during the Hearing, do not constitute claims provable in bankruptcy that “arose before the commencement of proceedings under” the BIA, nor do they relate to obligations payable by CatalX for which Mr. Park is by law liable, in his capacity as a director, to pay.
26. Subsection 50(14) of the BIA prohibits this Court from releasing directors from claims that are based on allegations of, among other things, wrongful or oppressive conduct by directors. Considering judicial commentary on what constitutes wrongful conduct within the meaning of subsection 50(14), and the accepted principles of statutory interpretation,

if Mr. Park is found by the Commission to have breached the *Securities Act*, his conduct is wrongful conduct that cannot be released under subsection 50(14).

27. Orders of this Court made in BIA proceedings must be interpreted in a manner consistent with the BIA. As such, the Approval Order must be interpreted in a manner that is consistent with subsections 50(13) and 50(14). As such, the Approval Order cannot be interpreted to release claims, or bar proceedings relating to claims, that are outside the scope of subsection 50(13), or inside the scope of subsection 50(14).
28. Finally, any determination that any future monetary or non-monetary regulatory sanctions that may be granted by the Commission following the Hearing are barred, extinguished and stayed, is premature and further, would allow this Court to appropriate the Commission's jurisdiction to hear and determine the issue of whether Mr. Park or CatalX breached the *Securities Act*, contrary to the principle that the BIA is not a license to ignore valid provincial laws, as reflected in subsection 72(1) of the BIA, which specifically preserves the application of any other law or statute relating to property and civil rights that is not in conflict with the BIA. The Respondents' interpretation of the Approval Order would create a conflict between the *Securities Act* and the BIA where none exists, such that the provincial securities law should continue to govern.

Material or Evidence to be Relied On:

29. The Affidavit of Justin Dunphy, sworn October 10, 2025;
30. The Affidavit of Regie Agcaoili, to be sworn.
31. The Affidavit of Service of Regie Agcaoili, to be sworn;
32. The pleadings and materials filed in the within Action;
33. The Brief of Argument of the Commission; and
34. Such further and other material or evidence as counsel may advise and this Honourable Court may permit.

Applicable Rules:

35. *Alberta Rules of Court*, Alta Reg 124/2010, as amended, and in particular, Rules 1.2, 1.4, and 9.14.

Applicable Acts and Regulations:

36. The *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended, and in particular, sections 50(13), 50(14), and 183(1) thereof;
37. The *Securities Act*, R.S.A. 2000 c. S-4; and
38. Such further and other acts and regulations as counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

39. None.

How the Application is proposed to be heard or considered:

40. In person and via WebEx videoconference, before the Honourable Justice M.E. Bourque, sitting in Calgary Commercial List chambers, with some or all of the parties present in person or virtually.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.