

IN THE SUPREME COURT OF NOVA SCOTIA

IN THE MATTER OF:

Application by Quadriga Fintech Solutions Corp., Whiteside Capital Corporation, and 0984750 B.C. Ltd. dba Quadriga CX and Quadriga Coin Exchange for relief under the *Companies' Creditors Arrangement Act*

AFFIDAVIT OF RICHARD KAGERER

I, Richard Kagerer, of the Squamish-Lillooet Regional District, in the Province of British Columbia **MAKE OATH AND SAY AS FOLLOWS:**

1. This Affidavit is made in support of a motion by certain Affected Users for an Order (the “**Representative Counsel Order**”) appointing Osler, Hoskin & Harcourt LLP (“**Osler**”) and Patterson Law (“**Patterson**”) as Representative Counsel in the proceedings (the “**CCAA Proceedings**”) of Quadriga Fintech Solutions Corp. (“**QFS**”), Whiteside Capital Corporation (“**WCC**”) and 0984750 B.C. Ltd. dba Quadriga CX and Quadriga Coin Exchange (“**Quadriga**”, and collectively, QFS, WCC and Quadriga, the “**Applicants**” or the “**Companies**”) under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).

2. I have personal knowledge of the matters attested to in this Affidavit. Where I do not have personal knowledge, I have identified the source of my information and believe it to be true.

3. I have reviewed the Affidavits of Giuseppe Burtini and Ryan Kneer and generally agree with their statements regarding the need for representative counsel instructed by a

committee of representatives, the qualifications of Osler and Patterson, and the concerns and interests expressed by Affected Users.

INTEREST IN THIS PROCEEDING

4. I have been a customer of Quadriga for just under four years. I used its trading platform and had interactions with the company and its staff through its website, its support ticket system and by email. At the time of the CCAA filing, Quadriga held cryptocurrency and U.S. dollar balances belonging to me that were worth approximately CAD \$19,900 in the aggregate. I am an Affected User, as that term has been used in this proceeding to date.

5. I have chosen to come forward and consent to the disclosure of my name and account balance to support this motion. In doing so, I hope to ensure other creditors, particularly those who have smaller claims or who may be less willing or able to come forward, receive adequate representation through representative counsel.

QUALIFICATIONS FOR A REPRESENTATIVE COMMITTEE

6. I am willing to be appointed to a representative committee that would work together with proposed representative counsel to represent the interests of Affected Users. I believe that I have the appropriate experience and other qualifications to serve on such a committee.

7. My interest in cryptocurrencies began roughly eight years ago, and during the emergence of this new industry I have educated myself on blockchain technology and other topics relevant to the field. I was a minor contributor to a technical standards document known as

SLIP-0039, which was proposed by industry-leading experts to enable secure, distributed custodianship of wallet keys. I therefore have a strong interest in topics like wallet security and succession planning.

8. I have a background in computers and engineering. I hold a Bachelor of Electrical Engineering degree from Carleton University. I founded my software consultancy business 20 years ago and have experience in product design, project management and business analysis. These activities have given me experience working efficiently with teams of diverse stakeholders in technically complex undertakings.

PREVIOUS EXPERIENCE WITH INSOLVENT CRYPTOCURRENCY EXCHANGES

9. Unfortunately, this is not the first time that I have been affected by the insolvency or failure of a cryptocurrency exchange.

10. In or around February 2014, the MtGox bitcoin exchange entered insolvency proceedings under Japanese law. My company is named as one of the creditors. The proceedings are ongoing.

11. My experience in the MtGox insolvency proceedings, and dealings with the Japanese bankruptcy trustee, highlighted for me the importance of communication with creditors. There were also occasions where I felt MtGox creditors would have appreciated greater opportunity to provide input into decisions made by the trustee. Based on that experience, I believe that the appointment of representative counsel in the CCAA Proceedings would facilitate effective communication with Affected Users and allow the input of Affected Users to be brought forward in an efficient way.

12. As well, I, and many other MtGox creditors, remain frustrated with the amount of time which has passed in the MtGox matter without a resolution. One concern I have heard raised by some Affected Users in these CCAA Proceedings is the opportunity cost of tying up their portion of any recoverable assets in the CCAA Proceedings for a lengthy period of time. I believe this underscores the strong interest among Affected Users in having the CCAA Proceedings go forward efficiently.

13. Finally, the distance from Japan hampered my ability to engage more deeply in the MtGox proceedings. I believe having representative counsel participate in the CCAA Proceeding would allow me and other Affected Users to be more engaged in the proceeding regardless of geographic distance.

14. In another experience, when another Canadian cryptocurrency exchange shut down a few years ago, I was among a small number of customers who filed claims in the court system. By way of preparation, I spent a great deal of time researching relevant statutes and case law.

15. I retained Osler in that matter. I was impressed by Osler's diligence, knowledge of cryptocurrency and blockchain, and the efficiency with which it litigated my claim.

16. I believe these experiences put me in a position to contribute to the CCAA Proceedings on behalf of all creditors and interface efficiently with representative counsel.

OTHER BENEFITS OF REPRESENTATIVE COUNSEL

17. I agree with Mr. Burtini and Mr. Kneer about the benefits of representative counsel in this case. I would add two observations.

18. First, I have communicated with users on the Reddit website and Telegram chat application who have identified themselves as Affected Users. Many of these people are frustrated, confused, have expressed financial uncertainty and even shown signs of despair. I have seen scores of questions posed concerning the CCAA process and events leading up to and taking place after the CCAA Proceeding was announced. I expect that for some users, answers to their questions about what has taken place may be just as important as recovery of funds. I believe that representative counsel and a committee of representatives would help calm strong emotions and facilitate transparent and accurate communication.

19. Second, I believe that this proceeding will inform governments and regulatory agencies around the world as they develop policy and regulations with respect to cryptocurrencies. Given that the CCAA Proceeding may influence the development of the law and regulations applicable to cryptocurrencies, I believe there is a social benefit in having qualified representative counsel to represent the interests of Affected Users.

NEED FOR PRIVACY

20. I have spoken with other Affected Users who are concerned about the safeguarding of their personal and financial information in the custody of Quadriga. I share these concerns, especially in light of recent disclosures regarding the company's recordkeeping. When I signed up to the exchange and underwent the verification procedure, I was required to submit

personal details such as my name, address, email address, a photograph of myself, a high-resolution photograph of my government-issued identification (drivers' license), and a copy of a utility bill. Over the course of my relationship with Quadriga, Quadriga has also collected information such as the name of my financial institution and my bank account number, and my phone number. It also has records of blockchain addresses that I have used when sending or receiving cryptocurrencies to and from the exchange. Disclosure of my identity in association with these addresses would allow someone to trace other transactions that I have performed on cryptocurrency blockchains.

21. Affected Users have very legitimate reasons for protecting their privacy in the CCAA Proceeding. I believe the type of information listed above, if exposed, could be used for identity theft, phishing or other activities that would victimize Affected Users. Further, some creditors may prefer their information to remain private simply because they are embarrassed by the loss of wealth or fear being stigmatized for doing business with a cryptocurrency exchange.

22. Affected Users have good reason to be concerned about intentional or accidental disclosures of their personal information. Around the time MtGox faced a liquidity crisis, records from the company's database were leaked to the public. These records included usernames, email addresses and password hashes. After this leak, I started to receive unwanted emails soliciting cryptocurrency-related scams and phishing attempts. To this day, I still receive such emails, and I believe they were sent to me using an email address obtained from the leak. I further understand hackers were able to reverse-engineer some users' passwords from the leaked information.

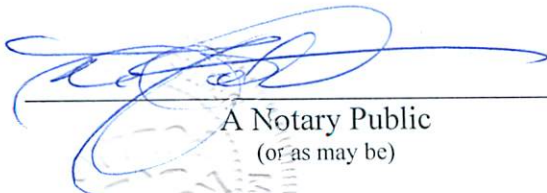
23. I emphasize these privacy considerations to urge the Court to protect against the disclosure of personal information about the many thousands of Affected Users who have been drawn into the CCAA Proceeding by Quadriga's insolvency.

24. I observe that this is a further reason for the appointment of representative counsel, as I understand it would avoid the need for individuals and companies concerned about their privacy to publicly disclose their identities by formally participating in the proceeding as parties.

CONCLUSION

25. For the reasons given above, I support the appointment of Osler and Patterson as representative counsel, working with a committee of representative Affected Users.

^{CITY OF VANCOUVER}
SWORN BEFORE ME at the ~~Squamish-~~
~~Lillooet Regional District~~ in the Province of
British Columbia on February 11, 2019.



A Notary Public
(or as may be)

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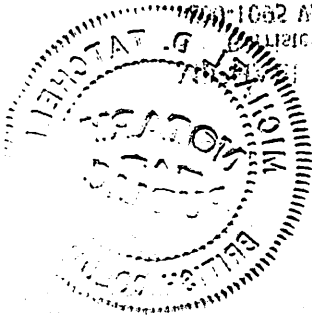
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Hfx No: 484742

IN THE SUPREME COURT OF NOVA SCOTIA

AFFIDAVIT OF RICHARD KAGERER
(sworn February 11, 2019)

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