

This is the 1st Affidavit of George Lu
sworn in this matter on **December 11, 2017**

No. S-179749
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE RECEIVERSHIP OF NETWORK INTELLIGENCE INC.

BETWEEN:

1130489 B.C. LTD.

PETITIONER

AND:

NETWORK INTELLIGENCE INC.

RESPONDENT

AFFIDAVIT

I, GEORGE LU, of 34 Burr Crescent, Markham in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am an employee of the Respondent, Network Intelligence Inc. ("NI"), and as such have personal knowledge of the matters herein deposed to except were stated to be on information and belief, and where so stated, I verily believe same to be true.
2. I started working for NI in February, 2016. I am currently a Lead Engineer, based in Toronto, but was designated to be the leader of the NI team in British Columbia after Tao Zhong ("Tao"), Alex Liu ("Alex") and John Plasterer each left, and held that position between August 2017 and September 2017.
3. Starting around June 2017, during our team meetings hosted by Tao and Alex, we learned that there was a party who intended to purchase NI, and that due diligence reports were prepared and presented to the potential buyer. The name mentioned was Mr. HaiJian Liu, whom I later learned was with a company called Jiu Fa Investment ("Jiu Fa").
4. Belinda (Shuang Jie) Yang, Managing Partner of Istuary Innovation Group (and the former Istuary CFO), also held two meetings with the entire NI team on July 10 and

August 21, and told us at both occasions that the potential sale to Jiu Fa was progressing well. In both meetings she was mentioning that funding from Jiu Fa could come soon to pay our salaries and other corporate expenses, and asked the team to hold on and stay with the Istuary company. In the second meeting she mentioned the potential buyer had completed its due diligence, and that the deal was expected to close within days.

5. It seemed, however, that the negotiations for this purchase went on forever, even though Belinda said it was about to close. No funding was provided from Mr. Haijian Liu/Jiu Fa even during the most difficult time, when employees stopped receiving their salaries and started quitting. In particular:
 - a. in April 2017, Istuary missed one payroll, which they were able to make up in May, 2017;
 - b. on June 15 2017, Istuary missed payroll again, this time for the first half of the month. When this happened, my team members started discussing looking into other job opportunities;
 - c. on June 30, 2017, Istuary again missed meeting payroll. This time, people just stopped working altogether. Some chose not to come into the office, while other came in to conduct job-searches. Team morale was extremely low;
 - d. NI continued missing payroll payments until the end of July. By this time, the Toronto office (where 50% of the employees are based) was almost empty. Most people gave up hope on the company. A number of team members had no other choice but to leave and apply for EI to support their basic financial needs. Many key members who had loyalty with the project also resigned. Almost everyone was doing job searches after July.
6. We did not receive any payroll from June to August 15th 2017 from Istuary. I personally thought it was the end for our project. Jiu Fa was not willing to fund the operations.
7. Luckily, on August 26th we were told that a new investor or lender (whom I now understand was 1130489 B.C. Ltd, the Petitioner ("113")) was stepping in somehow and would ensure payment of unpaid salaries, and that they were taking over control the payroll program to ensure payroll would be met going forward. By that time, we only had

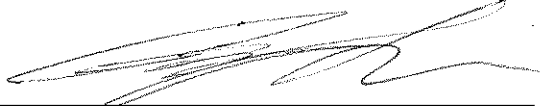
33 members remaining (40% of the original team members resigned after June). Five members still resigned shortly afterwards as they had lost all confidence. 113 ensured that the salary obligations were paid to both the remaining employees and those who had left.

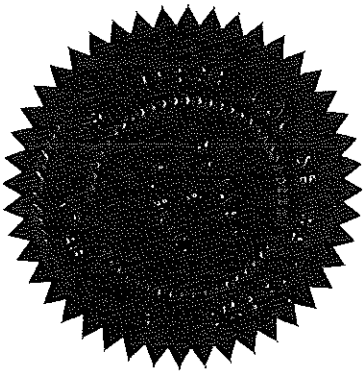
8. As a result of these difficulties, there was very little work done in June, and no work done at all between July to the end of August.
9. In my personal view, the project was delayed by 6 months due to the low efficiency and leaving of members.
10. Despite that NI got funding from 113 to support our salaries, most team members are still recovering from the emotional and economical damage caused by the period in which they had no salary, which has had a permanent effect on them.
11. As Team Leader, it is my opinion that we cannot afford to have any more fluctuation or uncertainty with employee salary or benefits. The team members are too scared that NI can close their doors and we would be out of work without any notice, particularly given our past experiences. While there is some stability now that the Receiver is in place, there is still a lot of uncertainty about whether or not this company will continue long term given that we know there is no cash flow being generated to cover our salaries.
12. In addition, the team members are very skilled with research and development of the type of technology being developed by NI and therefore are often approached by others (including NI's competitors) in the technology field.
13. Because of that, if they are approached with other job offers and have any lack of confidence in what is going to happen with NI, or a delay in getting certainty from a new owner coming in, they may accept other job opportunities.
14. Employees have remained loyal up to now because of their professionalism and belief in the project, but that loyalty is at its limit. I believe that one key factor keeping them with the project at this point is that we have been told that the current sales process is supposed to be over quickly, with a new owner coming in by January 1st.

15. I firmly believe that if the sale process is delayed at all, not only will critical employees quit, but the vendors and contract companies will lose any remaining patience and tolerance. This will bring severe damage to our project, if not kill it.

SWORN BEFORE ME in the City of ^{Markham} ~~Toronto~~, in
the Province of Ontario, this 11th day of
December, 2017.


A Commissioner for taking Affidavits for and in
the Province of Ontario


GEORGE LU



Irene L. Matthews
Barrister, Solicitor, Notary
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Attention: Kimberley A. Robertson