

This is the 1st Affidavit of Yikun Xu in the action
and was made on October 26, 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, Yikun Xu, Businessman, of Suite 403, 23 Sheppard Avenue East, Toronto, Ontario, M2N 0C8,
in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am a Director of Investment & Partnership of CanTech Capital ("CanTech"), agent of the Petitioner. In my role with CanTech, I coordinate the Petitioner's interactions with the Respondent. In addition, as of October 1, 2017, I have been retained by the Respondent to work with its finance and research team on, among other things, its budget planning and strategic recommendations. As such have personal knowledge of the facts and matters hereinafter deposed to, save and except where the same are stated to be made upon information and belief, and, as to such facts, I verily believe the same to be true.
2. I am authorized to make this affidavit on behalf of the Petitioner.
3. I have read the Petition in these proceedings and to the best of my information and belief, the facts stated therein are true.

Network Intelligence and the Istuary Group of Companies

4. Network Intelligence Inc. (“NI”) is a British Columbia company with a registered and records office located at 1500 Royal Centre, 1055 West Georgia Street, Vancouver BC V6E 4N7.
5. Istuary Innovation Labs Inc. (“**Istuary Labs**”) is a technology company incorporation in BC, which, among other things brings together emerging technology start-ups. NI is one of those start-ups.
6. Istuary Group Holdings Ltd. (“**Istuary Group**” and collectively, with Istuary Labs “**Istuary**”), to the best of my information and belief, provided the payroll, human resources and other support services to the start-up.
7. Ethan Sun also known as Yi An Sun is the sole officer and director of Istuary and it’s operating mind.

Loan and Security Agreements

8. By the Promissory Note, granted by NI to the Petitioner, NI acknowledged that it was indebted to the Petitioner for the sum of \$350,000 due and payable on or before September 30, 2017.
9. As set out in the Promissory Note, NI further acknowledged that that NI’s obligations under the Promissory Note were secured by the GSA and by the security interest granted by NI therein.
10. By the GSA, granted by NI to the Petitioner, NI granted a charge, lien and security interest in and to the Personal Property in favour of the Petitioner.
11. Notice of the GSA was registered at the British Columbia Personal Property Registry on August 16, 2017 under base registration no. 209643K.
12. The GSA was granted as security for payment of all present and future indebtedness and liability of NI to the Petitioner.

Failure to Pay Wages and Benefits

13. From May 16, 2016 until October 1, 2017, I was employed by Istuary Idea Labs Inc. one of Istuary's affiliated companies.
14. Starting June 14, 2017, I, along with close to 400 Canadian employees of the various Istuary affiliated companies started receiving correspondence from Brian Chen (the then CFO of Istuary Group and Ethan Sun on issues of meeting the bi-monthly payroll. Attached hereto and collectively marked as *Exhibit "A"* are true copies of some of these correspondences.
15. This caused many of the employees to panic given the financial hardship caused by not receiving their wages and to subsequently quit. This in turn led to catastrophic delays on the projects. With respect to NI, employees were leaving and the morale of the team reached its lowest point. As a result, the research and development halted.
16. In order to prevent NI's shutdown and the risk that posed to its security, on or about August 28, 2017, the Petitioner stepped in to pay NI's employees, first for the amount that was owed to all NI employees for the period of June 1, 2017 to August 15, 2017. This included employees who left NI as well as those who stayed till that point.
17. As the human resources and finance staff of Istuary had already quit, the Petitioner had limited records available to it. The Petitioner was only able to sort out the amounts due to NI employees by engaging certain of Istuary's former employees (at \$2,500 per week) to calculate how much NI should pay to employees.
18. After calculation, the total gross amount owed to all the NI employees from June 1, 2017 to August 15, 2017, amounted to CAD \$1,145,265. The Petitioner paid this, less the required remittances to Canada Revenue Agency (which were subsequently remitted on or about September 28, 2017).
19. In addition to wages, employees were also at risk of losing their benefits due to Istuary's failure to pay premiums to the benefit provider.

20. Istuary had subscribed to an employee benefit plan; however, by the end of September, 2017, notices were given to employees that the benefit plan will be halted indefinitely, due to lack of payment.
21. This created panic among NI's employees, and once again, the Petitioner had to step in, retain Istuary's former human resources manager to manage the information transition and help in signing a new benefit provider (Sunlife), and pay a significant deposit amount to secure benefits for the employees.
22. Had the Petitioner not stepped in to ensure that the funding it was providing to NI was being used, in part, to pay employees' wages and to secure their benefits, I expect that the employees all would have quit and NI's projects would have failed.

Failure to Pay Rent as it Came Due

23. In addition to the issues with unpaid employees, NI sub-let premises at 1125 Howe Street, Vancouver, from Istuary.
24. As far as I am aware, as at June, 2017, Istuary stopped paying its rent and by the end of August rent was past due for approximately \$60,000.
25. On or about September 12, 2017, a bailiff attended at the premises on Howe Street and issues a Notice of Seizure and Distress Warrant. Attached hereto and collectively marked as ***Exhibit "B"*** are true copies of these documents.
26. As the servers that housed NI's intellectual property were at this location, eviction and the landlord seizing assets posed a significant risk to NI.
27. I understand that the Petitioner assisted NI's employees in locating a different premises that NI could operate out of in Burnaby which had previously been secured by Istuary Group; however, before NI could move its operations over to that location, the Howe Street landlord demanded that it would have to pay the full balance due and owing.
28. Considering the potential losses that could be caused by this, the Petitioner:

- a) Loaned Istuary the sum of \$20,000 in the form of a promissory note so Istuary could pay off the balance owed to the Howe Street landlord; and
 - b) Paid down the amount owed to the Burnaby office landlord for \$20,654.47, and then move NI to the new Burnaby location, upon signing a new lease agreement under the name of NI.
29. Similarly, Istuary was behind on the rent for NI's Ontario office. By the end of August, the landlord, Toshiba, had issued multiple notices to Istuary requesting for owed rent amount of CAD\$52,096.43.
30. To preserve NI's intellectual property value and minimize research and development disruption, the Petitioner negotiated with Toshiba and reached the agreement that NI would pay a portion of the amount owed by Istuary (\$28,484.06) and sign a new lease with Toshiba under the name of NI.

Failure to Pay Vendors and Suppliers

31. By July 31, 2017, NI had been late on payment to intellectual property vendors for some time. Due to the late payments, NI was losing creditability among its vendors, which was NI's projects in danger of significant delay.
32. After discussing with the key engineering leads, the Petitioner made the decision to finance the key intellectual property payments. Since August 28, 2017, the Petitioner has paid close to \$700,000 on payment to intellectual property vendors.

Default and Demand

33. The Promissory Note and the GSA are in default due to NI failing to pay the payments due and owing thereunder.
34. As at October 1, 2017, NI was indebted to the Petitioner, pursuant to the Promissory Note and the GSA for the sum of \$350,000 (the "Indebtedness").

35. In light of all of the above, and the significant uncertainty facing NI on a go forward basis, by letter dated October 13, 2017, the Petitioner, through its solicitors, made demand upon NI for payment of the Indebtedness, as secured by the GSA, and gave notice of its intention to enforce security under s. 244 of the *Bankruptcy and Insolvency Act*.

Current Operations

36. Currently, NI is operating through the efforts of the Petitioner and three engineering leads Alex Alex (Wei) Liu, Tao Zhong, and John Plasterer. These three engineers were originally employees of NI, but they resigned in mid-August (due to not being paid wages and the significant instability that NI has been faced with). After their resignation, they formed a new company Athena Solutions Ltd. (“**Athena**”). As they are key to NI’s projects and future success, the Petitioner was able to convince them to come back and work with NI on a contract basis.
37. NI’s contract with Athena is only until February 28, 2018. Also, it is subject to earlier termination with a minimum of 7-days’ notice.
38. On a daily basis, NI will make funding requests to the Petitioner, who will then review and, if necessary, approve the request pay the vendors, suppliers and landlords, and etc. directly pursuant to the various loan facilities.

Appointment of Receiver

39. NI is currently operating on a day to day basis. While things have stabilized somewhat, there is no active officer or director for the Company and as such, matters are still quite tenuous and poses a significant risk to the Petitioner’s interests. Specifically,
- a) There remains significant uncertainty in the progress of the research and development as the key leaders could walk away from NI anytime without repercussions. As such, the Petitioner has serious concerns as to whether they will stay until the end of the research and development plan;

- b) A number of NI's employees are also demanding short-term consulting contracts and increases in compensation due to the uncertainty as to NI's future;
- c) There is no dedicated controller/chief financial officer and NI's current three engineering leads lack financial knowledge;
- d) Based on NI's current working budget NI appears to need an injection of more than USD \$4,220,000 of working capital over the next 30 days;
- e) One payroll period amounts to more than \$200,000, in the coming weeks;
- f) The monthly rent for both British Columbia and Ontario locations is \$40,000;
- g) The Petitioner is receiving multiple requests daily for payments to intellectual property service providers; and
- h) From August 28, 2017 to October 17, 2017, NI has burnt through \$3,000,000 in total; that's an \$85,860 cash expense per day.

40. In addition to the significant uncertainty and risks posed to the Petitioner as set out above, on or about September 29, 2017, NI received a notice from the Director of Employment Standards that an investigation under the *Employment Standards Act* had been commenced on behalf of all of the employees of Istuary and its affiliates. Attached hereto and marked as *Exhibit "C"* is a true copy of that notice.

41. On October 13, 2017, the Director of Employment Standards determined that Istuary Labs had contravened the *Employment Standards Act* and a penalty of \$2,916,004.76 was levied against it. To the best of my information and belief, the Director has not made its determination with respect to NI yet.

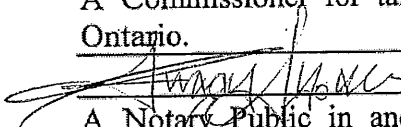
42. Though NI's employees have all been paid, this investigation poses a significant risk to NI, its operations and, therefore, the Petitioner's security as it may result in a significant charge being levied against NI's assets.

43. In order for the Petitioner to protect its security in NI's assets and maximize the value of its realization on same, it is essential that a Receiver be appointed.

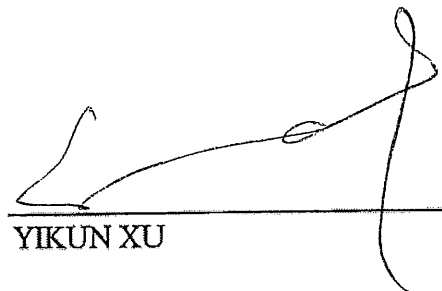
44. I make this Affidavit in support of an application to appoint Deloitte Restructuring Inc. as Receiver and Manager, of all of NI's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof

SWORN BEFORE ME at the City of)
TORONTO, in the Province of)
Ontario, this 26th day of October, 2017.)
)
)

A Commissioner for taking Affidavits within)
Ontario.)

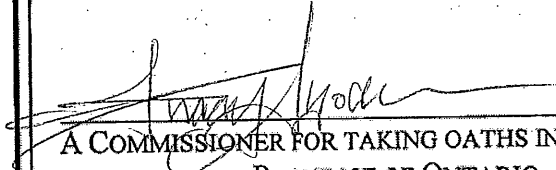


A Notary Public in and for the Province of)
Ontario)



YIKUN XU

This is **Exhibit "A"** referred to in the Affidavit of Yikun Xu, sworn before me at the City of Toronto, in the Province of Ontario, this 26th day of October, 2017.



A COMMISSIONER FOR TAKING OATHS IN AND FOR
THE PROVINCE OF ONTARIO

A NOTARY PUBLIC IN AND FOR THE PROVINCE OF
ONTARIO

Cindy Curran (3365) - 17Flr

From: Brian Chen
Sent: Wednesday, June 14, 2017 4:16 AM
To: North America
Subject: Payroll Delayed For A Few Days

To all Istuary Employees,

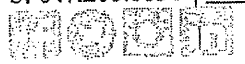
Due to funding transfer challenges, this upcoming payroll will be delayed for a few days unfortunately. We will have funding becoming available soon and that will be made available to payroll early to mid-next week (more info to come).

Hopefully funding and payroll will be stabilize in a few weeks.

For urgent financial situations where you cannot wait, please reach out confidentially to Marilou in payroll and she will coordinate with finance to address this on a case by case basis.

Best regards,

Brian Chen | CPA, CMA, CPA (Illinois)
CFO
Istuary Innovation Group
75 Tiverton Court, Markham
Ontario Canada L3R 4M8
c: 647.643.9486 | brian.chen@istuary.com
o: 647.288.8830 | www.istuary.com



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Cindy Curran (3365) - 17Flr

From: Brian Chen
Sent: Wednesday, June 21, 2017 9:03 AM
To: North America
Subject: Payroll Uncertainty

To all Istuary Employees,

Unfortunately, one major investor (whom claim to have funding transfer challenges last week) changed his mind so the funding we expected to receive this week has been unavailable now. As such, payroll missed last week will be further delayed.

There is no certainty over the exact date when this payroll could be released. Ethan and I have been trying and will continue working on reach out other potential investor(s) or creditor(s). Hopefully there could be good news to share with you within the next few days.

Ethan and I understand this is extraordinary to you and your family; we thank you for your patience and hope to share more details shortly.

Best regards,

Brian Chen | CPA, CMA, CPA (Illinois)
CFO

Istuary Innovation Group
75 Tiverton Court, Markham
Ontario Canada L3R 4M8
c: 647.643.9486 | brian.chen@istuary.com
o: 647.288.8830 | www.istuary.com

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Cindy Curran (3365) - 17Flr

From: Brian Chen
Sent: Wednesday, June 28, 2017 12:13 AM
To: Eddie Lin; Kevin Gao; Greg McKeown; Vancouver R&D Management; East Coast R&D Management; Non-R&D Leadership Group NA
Cc: Francois Guay
Subject: RE: League Issue

Ethan and I are working on this and we will transfer an emergent fund to Canada within the next two days.

Best regards,

Brian Chen | CPA, CMA, CPA (Illinois)
 CFO

Istuary Innovation Group

75 Tiverton Court, Markham

Ontario Canada L3R 4M8

c: 647.643.9486 | brian.chen@istuary.com

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From: Eddie Lin

Sent: June 28, 2017 12:43 AM

To: Kevin Gao <kevin.gao@Istuary.com>; Greg McKeown <greg.mckeown@Istuary.com>; Vancouver R&D Management <vancouver_rd_management@Istuary.com>; East Coast R&D Management <torontordmanagement@Istuary.com>; Non-R&D Leadership Group NA <non-rdleadershipgroupna@Istuary.com>

Cc: Brian Chen <brian.chen@Istuary.com>; Francois Guay <Francois.Guay@Istuary.com>

Subject: RE: League Issue

Hi Kevin and the leaders,

I received an email from League yesterday claiming that our account is running out of 15K and they pushed us to pay around 70K as deposit. I replied to them and told them we will arrange the payment this week.

But they did not mention that they would cut service like this. I will contact them immediately to find the solutions and make sure the insurance claims are not significantly disrupted.

Eddie

From: Kevin Gao

Sent: June 27, 2017 9:25 AM

To: Greg McKeown <greg.mckeown@Istuary.com>; Vancouver R&D Management <vancouver_rd_management@Istuary.com>; East Coast R&D Management <torontordmanagement@Istuary.com>; Non-R&D Leadership Group NA <non-rdleadershipgroupna@Istuary.com>

Subject: RE: League Issue

I don't believe this is a technical issue. My guess is that we didn't pay League or whatever we paid has run out (in which case we should have seen this coming by looking at the League account). Rick's working on finding answers now.

I just don't want other team leads to get caught by surprise that their staff's claims aren't going through...so maybe for now the messaging can be somewhere along the lines of;

"We're aware of an issue with League claims being processed and are working on trying to find out more information ASAP."

-KG

From: Greg McKeown
Sent: Tuesday, June 27, 2017 9:20 AM
To: Kevin Gao <kevin.gao@Istuary.com>; Vancouver R&D Management <vancouver_rd_management@Istuary.com>; East Coast R&D Management <torontordmanagement@Istuary.com>; Non-R&D Leadership Group NA <non-rdleadershipgroupna@Istuary.com>
Subject: RE: League Issue

Why is there a problem? Is this due to Istuary not paying their bills or does League have the issue?
 Secondly Kevin, being prepared to deal with staff is fine except we have no answers so please provide more information as to why this is happening so we can be better equipped to deal with employees...

Thanks
 Greg

From: Kevin Gao
Sent: Tuesday, June 27, 2017 12:16 PM
To: Vancouver R&D Management <vancouver_rd_management@Istuary.com>; East Coast R&D Management <torontordmanagement@Istuary.com>; Non-R&D Leadership Group NA <non-rdleadershipgroupna@Istuary.com>
Subject: League Issue
Importance: High

Hi team leads,

Got reports from various staff from across the country that their benefits are being rejected by League due to a fund issue.

We didn't give a warning to staff about this ahead of time and many of them now have receipts that are rejected. The vast majority of our staff are unaware of this situation and may be continuing their expenditure on benefits expecting to get reimbursed. Until our team can come up with a solution, we need to;

1. Send out messaging to all staff about this situation
2. Be prepared to deal with staff who have unclaimed receipts on hand

Regards,

Kevin Gao | Director
 Global Technology Solutions

Istuary Innovation Group
 8th Floor, 1125 Howe Street

Vancouver BC Canada V6Z 2K8

c: 604.671.8936 | kevin.gao@istuary.com

p: +1.604.299.0388 | f: +1.604.229.0034 | www.istuary.com



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You're receiving this message because you're a member of the **Non-R&D Leadership Group NA** group. If you don't want to receive any messages or events from this group, **stop following it in your inbox.**

[View group conversations](#) | [View group files](#)

Cindy Curran (3365) - 17Flr

From: Brian Chen
Sent: Friday, June 30, 2017 6:27 PM
To: North America
Subject: Message from Ethan over Payroll-Related Issues

To all Istuary Employees,

As communicated on prior town hall meeting, Istuary are experiencing certain payroll-related issues. We appreciate this has created stress and difficulties on you and your family, and sincerely thank you all for your patience and loyalty during this time.

This issue is temporary and it is the last one before Istuary turns into a stronger company and a way better place to for you to work for. Management team has been working hard to resolve all issues and are certain that payroll-related issues will end no later than July 31, 2017. It is possible that no payroll will be processed between now and this date. However, we assure you that all employees will receive all retroactive pay in the exact amount they are due unconditionally on or before July 31, 2017.

In addition to above assurance, we are prepared to offer our employees following options:

1. On or before September 30, 2017, all employees will receive 2% of their annual base salary, or in the case of hourly-rate employees 2% of their hourly rate multiplied by 1950 (i.e. 39 hours' pay) as full and final resolution of all claims arising out of this unfortunate series of events. Employees may choose to opt out of this deal, in which case they will not receive the above-noted 2% payment. Any employee who chooses to accept this offer will first be required to sign prior to July 14 a full and final release of all claims they might have against the Company.
2. Any employee who elects to continue to perform her or his duties to the Company through this challenging time will receive an additional retention bonus of 3% of her or his annual base salary. This payment will be made on or before December 15, 2017, and will be made in recognition of your sacrifice and loyalty.

If you are not comfortable to work during these uncertainty time, please feel free to take unpaid leave of absence from now to July 31, 2017. Such request should be submitted to Human Resources and Records of Employment could be issued to you to assist with applications for Employment Insurance.

Again, we truly appreciate your patience and loyalty during this challenging time. What doesn't kill you make you stronger; these common experiences of fighting together during such difficult time will make us more united, and we assure you that Istuary will be a great Canadian company to work for and a name you will be proud of.

Any concern or question, please feel free to approach human resource, your team lead, Brian Chen, or myself directly.

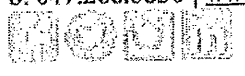
Best regards to you all,

Ethan Sun
Chair and President
Istuary Innovation Group

Best regards,

Brian Chen | CPA, CMA, CPA (Illinois)

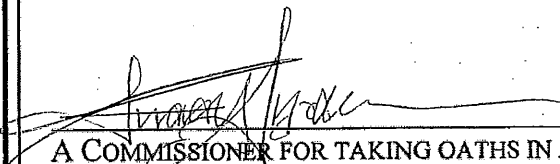
CFO
Istuary Innovation Group
 75 Tiverton Court, Markham
 Ontario Canada L3R 4M8
 c: 647.643.9486 | brian.chen@istuary.com
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This is **Exhibit "B"** referred to in the Affidavit of Yikun Xu, sworn before me at the City of Toronto, in the Province of Ontario, this 26th day of October, 2017.



A COMMISSIONER FOR TAKING OATHS IN AND FOR THE PROVINCE OF ONTARIO

A NOTARY PUBLIC IN AND FOR THE PROVINCE OF ONTARIO

ACCURATE EFFECTIVE BAILIFFS LTD.

Government Licensed and Seized

8135 Grant Avenue Burnaby, BC V3N 2A3
Phone: (604) 524-3737 Fax: (604) 524-3746

TO: Estuary Innovation Labs Inc.

Amount	\$	_____
Execution Fees	\$	_____
Secure Fees	\$	_____
Mileage	\$	_____
Cartage/Towing	\$	_____
Storage	\$	_____
Advertising	\$	_____
Appraisal	\$	_____
Commissio	\$	_____
Other	\$	_____
TOTAL	\$	_____

NOTICE OF SEIZURE

TAKE NOTICE that under and by virtue of a warrant directed to me by Vanso Properties Ltd I have seized the goods, chattels and effects as listed, to recover the sum of Fifty eight thousand, one hundred and fifty five dollars and 78 cents and costs, charges and expenses, being the amount owing by reason of a certain LEASE made between Vanso Properties Ltd. (the Landlord) and Estuary Innovation Labs Inc. (the Tenant). AND FURTHER TAKE NOTICE that unless I receive the said sum of \$58,155.78 and costs charges and expenses On or before 5 days from the date of this notice I shall cause the said goods, chattels and effects to be sold as the RENT DISTRESS ACT permits and law allows.

INVENTORY OF SEIZED GOODS

all goods and chattels located on the premise to a maximum of the overdue rent and fees as per the detailed inventory marked as schedule 1st and attached to the warrant and digital photos taken @ time of the distress

Dated Vancouver, B.C.
This 12 day of September, 2017

Copies available upon request

[Signature]

ACCURATE EFFECTIVE BAILIFFS LTD.

Government Licensed and Bonded

8139 Trapp Avenue Burnaby, BC V3R 2V3
Phone: (604) 526-3737 Fax: (604) 526-3718

DISTRESS WARRANT ("RENT DISTRESS ACT")

INVOICE NO.
GST# R100028513

YOU are hereby authorized and required to distraint the goods and chattels of *Estuary Innovation Labs Inc.*
Situating at 800 - 1125 Howe Street in the City of Vancouver in the Province of British Columbia,
for the sum of Fifty eight thousand, one hundred and fifty five dollars and 78 cents
Being rent and additional rent due to me for the same on the 1st day of September, 2017
AND proceed thereon for the recovery of the said rent and your lawful fees as the law directs.

IN CONSIDERATION of your acting on our behalf as our agent to levy distress on the aforementioned property, we will guarantee the payment of your fees and disbursements as agreed and we will at all times hereafter indemnify you against any loss, costs, damages, your own out-of-pocket solicitor's fees and expenses and costs of whatever kind or nature which you may incur by reason of or in consequence of acting as our agents and bailiffs to levy distress of the aforementioned property.

Dated at Vancouver B.C., this 12 day of September, 2017
Vanso Properties Ltd.

Authorized signatory of Jason Sanders

INVENTORY

All goods and chattels located on the premises to a maximum of the overplus rent and fees as per the detailed inventory marked as "Schedule 1A" and attached to the warrant and digital photos taken @ time of the distress. Copies available upon request.

And any such goods, chattels, and effects, not exempt under the act, but sufficient to cover all arrears of rent and costs, charges and expenses

Dated at Vancouver B.C., this 12 day of July, 2017

Robert C. Gooder
Bailiff for: Robert C. Gooder
ACCURATE EFFECTIVE BAILIFFS LTD.

SCHEDULE

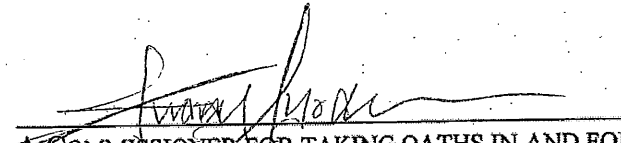
Rent/Additional Rent	\$58155.78
Levying	\$ 598.05
Man in possession	\$ 6.00
Appraisal	\$
Courier Charges	\$ 25.00
Advertising (Actual Cost)	\$
Carriage, Towing	\$
Storage	\$
Poundage	\$ 2,203.88
Searches	\$ 75.00
Mileage	\$ 25.00
Other FILING	\$ 85.00
GST	\$ 150.90
TOTAL	\$61324.61

TO: ACCURATE EFFECTIVE BAILIFFS LTD.

IN CONSIDERATION of your withdrawing the man in possession of the goods and chattels now under seizure by you and mentioned in the inventory on the Notice of Seizure, the receipt of a copy of which I hereby acknowledge, I AGREE to act as Bailiff without remuneration and to hold the goods and chattels in my possession, and on the premises, AND AGREE to deliver same over at any time upon request. I AGREE that the withdrawal of the man in possession does not constitute abandonment of the distress. You may also use a key or any other means to gain re-entry.

Date: _____ Signature: _____

This is **Exhibit "C"** referred to in the Affidavit of Yikun Xu, sworn before me at the City of Toronto, in the Province of Ontario, this 26th day of October, 2017.


A COMMISSIONER FOR TAKING OATHS IN AND FOR
THE PROVINCE OF ONTARIO

A NOTARY PUBLIC IN AND FOR THE PROVINCE OF
ONTARIO



File # 188-525

September 29, 2017

Registered Mail

TO: Istuary Innovation Labs Inc. and 39 other corporations as set out at Appendix A

at the following Registered and Records Office addresses:

2700, 1055 West Georgia
Vancouver BC V6E 3P3

25th Floor – 700 West Georgia St.
Vancouver BC V7Y 1B3

2300 – 550 Burrard St
Vancouver BC V6C 2B5

Suite 2300 – Bentall 5
550 Burrard St
Vancouver BC V6C 2B5

1055 West Georgia Street
1500 Royal Centre, P.O Box 11117
Vancouver BC V6E 4N7

800 -1125 Howe St
Vancouver BC V6Z 2K8

Attn: Sirs/ Madames

Re: Investigation under the *Employment Standards Act*

On July 26, 2017 and subsequently on August 2, 2017, the Director of Employment Standards notified Istuary Innovation Labs Inc. (the Employer) that an investigation was commenced on behalf of all employees to determine whether wages were owed under the *Employment Standards Act* (the Act).

Istuary Innovation Labs Inc. has responded by providing payroll records for all of its employees in British Columbia for the period of December 1, 2016 to July 31, 2017. In addition, the Employer's accounting and human resources departments have also provided a breakdown of wages outstanding for each employee for the period of June 15, 2017 to August 25, 2017.

Based on the information received to date from the Employer, it appears the total amount of wages outstanding for period of June 15, 2017 to August 25, 2017 is **\$3,553,397.27**. This amount is consistent with the amount the Employer acknowledged as outstanding during the investigation process. An individual breakdown for each employee is attached to this document as Appendix B in spreadsheet format.

In addition, the Director of Employment Standards is investigating whether the 39 legal entities set out at Appendix A should be found to be associated under section 95 of the Act (excerpt attached) and treated as one employer for the purposes of the Act. The evidence before me is that these legal entities are under common control and direction as evidenced by the fact that Yian (Ethan) Sun is a director or officer of all 40 legal entities. The statutory purpose for associating these legal entities is to ensure wages are paid in accordance with the Act.

Ministry of Labour

Employment Standards
Branch

Mailing Address:

250 – 4600 Jacombs Road
Richmond, B.C. V6V 3B1

Telephone: (604) 660-4946
Facsimile: (604) 713-0450



I am providing you with an opportunity to explain the relationship between the Employer and the 39 corporations set out in Appendix A. Specifically, what is the nature of each corporations' business and does the corporation have any involvement in the operation or affairs of the Employer. I have also attached an excerpt regarding Section 96 of the Employment Standards Act in reference to director and corporate officer liability. Directors and officers of a corporation associated under section 95 of the Act are personally liable for wages.

Please provide your respond with written submissions and all supporting documentation by no later than **4:00 PM on October 10, 2017**. If you do not dispute the preliminary findings that wages are owed, please provide a certified cheque payable to the Director of Employment Standards in the amount of **\$3,553,397.27** by no later than **4:00 PM on October 10, 2017**. If you take statutory deductions, please provide a wage statement for each employee.

In the event I do not hear back from you in writing by **4:00 PM on October 10, 2017**, a determination will be issued based on the evidence in the file finding that the *Employment Standards Act* has been contravened and that wages are owed. The determination will order all wages be paid within 5 days as well as the mandatory penalty for each requirement of the Act found to have been contravened.

Please note any and all further wages potentially outstanding pursuant to the Act and Regulation after August 25, 2017 will be addressed by a further Director initiated investigation for all employees.

Your assistance in resolving this matter is appreciated. If you have any questions or wish to discuss this matter further, please contact me at Sukhdeep.kaila@gov.bc.ca

Yours truly,

Sukh Kaila
Delegate of the Director of Employment Standards

cc: directors and officers of the 40 corporations by registered mail

Yian (Ethan) Sun – Director of all 40 corporations
800 – 1125 Howe Street and
Vancouver BC V6Z 2K8

1125 Howe Street
Vancouver BC V6Z 2K8

Wei Wang - Director of Istuary Toronto Capital Inc.
16 cedar Glen Court
Kleinburg Ontario L0J 1C0

Lixin Wang - Director of Istuary Toronto Capital Inc.
147 Strathearn Avenue
Richmond Hill Ontario L4B 2L7

Gina Law - Officer of Istuary Innovation Institute Ltd.
7052 Dow Avenue
Burnaby BC V5J 3W9

Appendix "A"

Istuary Labs Inc.
Istuary Group Holdings Ltd.
Istuary Innovation Fund I Limited Partnership
Istuary Innovation Fund II Limited Partnership
Istuary Innovation Fund III Limited Partnership
Istuary Investment Management Inc.
Ethereone Technologies Inc.
Istuary Innovational Group
Istuary Idea labs Inc.
Acorn Networks Inc.
Istuary Animation Studio Inc.
Network Intelligence inc.
Istuary Deep Vision Inc.
Istuary innovation Institute Ltd.
Istuary IOT Labs Inc
DGUT-Istuary Overseas Centre Ltd.
Istuary Matrix Computing Inc.
Istuary immersive Virtual Reality Studio Inc.
Istuary Toronto Innovation Fund I Limited Partnership
Istuary Eye Inc.
Istuary Online Education Inc.
Istuary Pacific Education Ltd.
Istuary Education Group Ltd.
Istuary Big Computing Inc.
Istuary Data Analytics Inc.
Istuary Consulting Ltd.
Istuary Cultural & Creative Industries Group Ltd.
Istuary Data Storage Fund I limited Partnership
Istuary E-Living Ltd.
Istuary Capital Inc.
Istuary Equity Partners Limited Partnership
Istuary Media Engine Inc.
Istuary Media Limited
Istuary Platinum Fund II Limited Partnership
Istuary Platinum Fund III Limited Partnership
Istuary Platinum Fund IV Limited Partnership
Istuary Tech Venture Investment Ltd.
Istuary Venture Capital Inc.
Istuary Toronto Capital Inc.

Appendix "B"

Employee Name	TOTAL REG. WAGES	TRAVEL ALLOWANCE	BONUS	VACATION PAY	OTHER COMPENSATION	TOTAL
ASSADI BAHAREH	1634.62	0	0	2419.23	0	0
BARAKOV MIHAIL	20833.35	0	0.00	0	0	0
BENEDICTO MARILOU	11666.65	0	0	0	0	0
BERHANE SIMON	16249.98	0	0	0	0	0
BLUMER BENJAMIN	11942.31	0	0	1315.38	0	0
BUSBY ROBERT	12500	0	0	0	0	0
CAI FEIYANG	10923.08	0	0	1223.08	0	0
CAI RUIBO	21250.02	0	0	0	0	0
CHAN OPHELIA	18711.54	0	0	686.54	0	0
CHEN HUAJIANG (KEVIN)	14583.35	0	0	0	0	0
CHEN I-AN (HARRY)	30499.98	0	0	0	0	0
CHEN JIUN-BIN (MILES)	21519.23	0	0	2665.38	0	0
CHEN SHUO (VINCENT)	4532.05	0	0	1157.69	0	0
CHEN SI (SISSI)	13750.02	0	0	0	0	0
CHRISTOPHE ALLADOU	25000.02	0	0	0	0	0
CUGLIETTA DANIEL	19999.98	0	0	0	0	0
DENG HUI (DAVID)	25000.02	0	0	0	0	0
DONG TIANKU (DONNIE)	25000.02	0	750	0	0	0
Dong, Zhe (Jason)	14576.92308	0	0	0	0	0
DUAN YAN	2958.33	0	0	675	0	0
ELHELW NEDAL M	19999.98	0	0	0	0	0
FANG QIFENG (JEFFO)	27499.98	0	0	0	0	0
FENG CHAO	16500	0	0	0	0	0
FENG XIAO (JOYCE)	11458.35	0	0	0	0	0
FENNIG KURT	3076.92	0	0	0	0	0
FERGUSON JAYME	30000	0	0	0	0	0
FOLARIN FEYJIMI (JIMI)	9648	0	0	0	0	0
FORMAGGIO YANNICK	14375	0	0	0	0	0
GAJENDRAN MANIVANNAN	18750	0	0	0	0	0
GAO HAIBING (KEVIN)	28750.02	0	0	0	0	0
GAO XIAO (ROSE)	6250	0	0	0	0	0
GAO ZHENZHI	19999.98	0	0	0	0	0
GE GANG (GEORGE)	23749.98	0	750	0	0	0
GLENN-ANDERSON SEBASTIAN	14166.65	0	0	0	0	0
GONG FUXIANG (ANDY)	21250.02	0	0	0	0	0
GOSTAF KIRILL	21250.02	0	0	0	0	0
GU YAN	13750.02	0	0	0	0	0
GUAY FRANCOIS M	20833.35	0	0	0	0	0
GUO TIELI (TALEY)	17500.02	0	750	0	0	0

Appendix "B"

GUO WEI XIONG (KEVIN)	28750.02	0	0	0	0
GUO XIAOSHENG (SAM)	12499.98	0	0	0	0
HAN EDWARD	18125	0	0	0	0
HAN JIAQI (JACKY)	13541.65	0	0	0	0
HAN SHUAI (SHAUN)	23749.98	0	0	0	0
HARKNESS DAVID	29807.67	0	0	0	0
HO SHENG-YEN (IAN)	17557.68	0	0	1819.23	0
HONG JASON	25000	0	0	0	0
HOUNSLOW KYLE	15000	0	0	1453.85	0
HSU ERIC I-HUNG	34999.98	0	0	0	0
HUA ZICHENG (SIMON)	8757.04	0	0	0	0
HUANG HOWARD	9648	0	0	0	0
HUANG SHUPING (ELYN)	11041.65	0	0	0	0
HUANG WEIYAO (JACK)	33750	0	0	0	0
ITO TETSUHIKO (TETSU)	17500.02	0	0	0	0
JIN XIA (SIRENA)	18961.56	0	0	0	0
JIN XIAOYE (JADA)	16249.98	0	0	0	0
JOHNS STEVE	2307.69	0	0	0	0
KATIC OGNJEN	28750.02	0	0	0	0
KEIBI AMIR	18038.45	0	0	1292.31	0
KU CHING PING (CHERRIE)	9499.98	0	0	0	0
KWONG DOMINIQUE	12708.34	0	0	762.5	8798
LAM ANDREW	11794.88	0	0	176.92	0
LAM YIN KIT (SAVIO)	9648	0	0	0	0
LEE YONGHEE (ADAM)	15999.99	0	0	0	0
LI DEER	25000.02	0	0	0	0
LI HENING	19999.98	0	0	0	0
LI HOI LAM (ELAINE)	12083.35	0	0	0	0
LI HONGJIE (JEFFERY)	35250	0	0	0	0
LI JIAN	22500	0	0	0	0
LI KAIBIN	28000.02	0	0	0	0
LI LIAM	7008	0	0	608	0
LI XIAORUI	17500.02	0	0	0	0
LI XIAORUI (SHERRY)	9100	0	0	0	0
LI XINHUA	10000.02	1355.25	0	0	0
LIM SHAWN	12500	0	0	2682.69	0
LIN CHAO (EDDIE)	27499.98	0	0	0	0
LIN CHIN-HSIN (EDDY)	23749.98	0	0	0	0
LIU DESMOND	26250	0	0	0	0
LIU HONGJIE (MICHAEL)	33000	0	0	0	0
LIU JING	17500.02	0	0	0	0

Appendix "B"

LIU LIZHI (DENNIS)	25000.02	0	0	0	0
LIU WEI (ALEX)	29705.11	0	0	3069.23	0
LIU XIANG (BILLY)	32500.02	0	0	0	0
LIU YANG (HELEN)	11250	0	0	0	0
LIU ZHAO (CHARLES)	19999.98	0	0	0	0
Liu, Yang (Vera)	6720	0	0	0	0
LOW YUNSHON (SHON)	31249.98	0	0	0	0
LU CHAOXIA	15000	0	0	0	0
LU HANYING	17250	0	0	0	0
LU MING	20833.35	0	0	0	0
LUC QUEENIE	13749.98	0	0	0	0
LUCHESE MAGNUS	19999.98	0	0	0	0
LUJ EDDIE (MAN)	20025.63	0	0	0	0
LY TOAN	27499.98	0	0	0	0
MA QIANJIE (DEV)	19999.98	0	0	0	0
MA ZIYU (ANNETTE)	11458.35	0	0	0	0
MAI WEINENG (SIMON)	20500.02	0	0	0	0
MAN TONG (MARTIN)	22500	0	0	0	0
MCKAY HARRIS	11256	0	0	0	0
MIN BYUNGYOON	30000	0	0	0	0
MOHSENI KIASARI NIMA	21250.02	0	0	0	0
MOLLAH KAMRUZZAMAN (ZAMAN)	28750.02	0	0	0	0
NORTHCOTT PHIL	11250	0	0	0	0
OOI YEELONG	11833.32	0	0	775	0
PALANICHAMY JANARTHANAN	13641.01	0	0	1969.23	0
PAN HAIPENG (TED)	26250	0	0	0	0
PASRIJA MOHIT	16945.53	0	0	1340.38	0
PENG FENG (JASON)	23749.98	0	0	0	0
PLASTERER JOHN	33750	0	0	0	0
QIU YUQING	10720	0	0	0	0
QUMU ASABUXI (SOFIA)	10999.98	0	0	0	0
REN SHENGRU (MELODY)	6353.85	0	0	904.61	0
RICHARDS KENNETH	14583.35	0	0	0	0
RIVERA BAIZABAL ALBERTO	10230.77	0	0	530.77	0
SHAHOSSEINI BEHNAZ	18750	0	0	0	0
SHANG YUJIAO (JONEY)	16249.98	0	0	0	0
SHEN XIAOXING (HOWARD)	19858.99	0	0	0	0
SI WEI (AMY)	11458.35	0	0	0	0
SINGH MANDEEP	22500	0	0	0	0
SIRAJ SAILOR	22500	0	0	0	0
SOKHANDAN ASL NEGIN	21250.02	0	0	0	0

Appendix "B"

SU YU CHIEH	25160.24	0	0	3221.15	0
SU YU CHUN (JEAN)	23076.93	0	0	3261.54	0
SUN YANG	25000.02	0	0	0	0
SUN YU WEN (NANCY)	17708.33	0	0	0	0
SUN YUN (LAURA)	19950	0	0	0	0
SURESH BABU SHABNAM	10230.77	0	0	0	0
SZLAVY MARCELL	13750.02	0	0	0	0
TANG HO WAI (HOWARD)	20749.98	0	0	0	0
TANG YUE (FRIEDA)	8910.24	0	0	769.23	0
TAO YIGANG	12499.98	0	0	0	0
TENG LIJUN	27499.98	1875	0	0	0
TIAN BOHUA (CANDACE)	16666.65	0	0	0	0
TONG YI (TYRAEL)	19326.92	0	0	3346.15	5769.23
TSAI KUO-SHENG (JASON)	13125	0	0	0	0
TWOMEY TOMAS JOSEPH	13365.38	0	0	0	0
VELAYUDHAN NANDA KUMAR	19999.98	0	0	0	0
WAN DANNY	11256	0	0	0	0
WANG BIN-RUEI (RAY)	18750	0	0	0	0
WANG CONGZHONG	21250.02	0	0	0	0
WANG FAN (IVY)	10416.65	0	0	0	0
WANG SUQIN (SUSAN)	15000	0	0	0	0
WANG XI (ERIC)	17500.02	0	0	0	0
WANG XUDONG	17500.02	0	0	0	0
WANG YI (WILSON)	20269.25	0	0	0	0
WANG YING (WANDA)	21250.02	0	0	0	0
WANG YU RONG (LINDA)	19999.98	0	0	0	0
WANG YUGE	28750.02	0	0	0	0
WANG ZHENYING (DANIEL)	22500	0	0	0	0
WHITE DAVE	33750	0	0	0	0
WONG KIN SUM (BEN)	19999.98	0	0	0	0
WONG PAK WAN (VINCENT)	3541.67	0	0	719.23	0
WONG WALKER SHIRLEY	14166.65	0	0	0	0
WU WENBIN (MICHAEL)	19000.02	0	0	0	0
XI MENG (SIMON)	14612.83	0	0	1135.38	0
XIE SI HANG	8040	0	0	0	0
XIE YIFENG (WENDY)	16249.98	0	0	0	0
XING LIWEI	20530.77	0	0	2079.23	0
XING LU	13000.02	0	0	0	0
XU CHENG (RENE)	19471.15	0	0	2855.77	0
XU HAQHAN (SAM)	22500	0	0	0	0
XU LIN	30000	0	0	0	0

EMPLOYMENT STANDARDS ACT
(excerpts)

Section 95: Associated employers

If the director considers that businesses, trades or undertakings are carried on by or through more than one corporation, individual, firm, syndicate or association, or any combination of them under common control or direction,

- (a) the director may treat the corporations, individuals, firms, syndicates or associations, or any combination of them, as one employer for the purposes of this Act, and
- (b) if so, they are jointly and separately liable for payment of the amount stated in a determination, a settlement agreement or an order of the tribunal, and this Act applies to the recovery of that amount from any or all of them.

Section 96: Corporate officer's liability for unpaid wages

- 96 (1) A person who was a director or officer of a corporation at the time wages of an employee of the corporation were earned or should have been paid is personally liable for up to 2 months' unpaid wages for each employee.
- (2) Despite subsection (1), a person who was a director or an officer of a corporation is not personally liable for
- (a) any liability to an employee under section 63, termination pay or money payable in respect of individual or group terminations, if the corporation is in receivership,
 - (b) any liability to an employee for wages, if the corporation is subject to action under section 427 of the Bank Act (Canada) or to a proceeding under an insolvency Act,
 - (c) vacation pay that becomes payable after the director or officer ceases to hold office,
 - or
 - (d) money that remains in an employee's time bank after the director or officer ceases to hold office.
- (2.1) If a corporation that is a talent agency has received wages from an employer on behalf of an employee and fails to pay those wages, less any fees allowed under the regulations, to the employee within the time required under the regulations,
- (a) a person who was a director or officer of the corporation at the time the wages were received is personally liable for the amount received by the corporation from the employer, less any fees allowed under the regulations, and
 - (b) that amount is considered for the purposes of subsection (3) to be unpaid wages.
- (3) This Act applies to the recovery of the unpaid wages from a person liable for them under subsection (1) or (2.1).

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 #1 OF
YIKUN XU



Barristers & Solicitors
1600 Cathedral Place
925 West Georgia Street
Vancouver, British Columbia
V6C 3L2

Phone: (604) 685-3456
Attention: Sarah J. Nelligan