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

RESPONSE TO NOTICE OF APPLICATION

Filed by: 1130489 B.C. LTD. ("**113**")

THIS IS A RESPONSE to application of Shengli Mu and the other applications listed on Schedule "A" to the Notice of Application filed December 11, 2017 (the "**Minority Investors**").

Part 1: ORDERS CONSENTED TO

113 consents to the granting of the orders set out in the following paragraphs of Part 1 of the Notice of Application:

Nil

Part 2: ORDERS OPPOSED

113 opposes the granting of the orders set out in the following paragraphs of Part 1 of the Notice of Application

All

Part 3: ORDERS ON WHICH NO POSITION IS TAKEN

113 takes no position on the granting of orders set out in the following paragraphs of Part 1 of the Notice of Application:

Nil

Part 4: FACTUAL BASIS

Opening Statement of Petitioner's Position on this Application

1. The Petitioner, 113, opposes the application of the application (the "**Minority Investor Group**") to extend the time by which bids for the assets and undertakings of NI as set out in the Sales Process Order pronounced November 22, 2017, be extended.

2. As a preliminary point, contrary to the assertion of the Applicants, they only represent 29 individual members of a group of approximately 60 to 70 (so less than half) of investors representing $10.2M in investment in NI. Assuming investment of half of those amounts represented by the LP's they invested through, their investment would be approximately $5.5M of the $17M investment. They certainly do not represent the whole of NI's investors.

3. In any event, the Applicants state at Paragraph 32 of the Notice of Application that the "process should be slowed" to allow an investigation into:

    a. The circumstances under which 113 obtained its debt and security;

    b. An accurate list of creditors (i.e. whether the convertible debt holders are part of the creditors); and

    c. The value of NI's Assets.

4. With respect to (a) and (b), those circumstance can be investigated regardless of whether or not the sales bid process is completed on December 15th as currently ordered, and is irrelevant to the sales process itself.

5. As to (c), the Applicants erroneously equate the amount of investment into this technology business with the value of the assets.

6. The assets in issue are intellectual property in the form of research and development undertaking by NI in respect of highly specialized and technical computer chip technology, which is also being researched and developed by competitors of NI. The nature of the asset is such that it only has value once the research and development yields a final product that is available to market, before any competitors do.

7. The value is, therefore, a "race to the finish", and any delay in the technology's development and introduction to the market means that there is a higher risk of a competitor doing so first, and the value of the asset ultimately being zero.

8. In this case, there is a significant risk that any delay of the sales process will delay the technology's development, putting any recovery to 113 on its loan in significant jeopardy. In particular, there is a significant risk that:

    a. The Receiver's continued operations will not be funded;

    b. Critical Employees will quit; and

    c. Critical trade/service suppliers will cancel contracts;

each of which could cause an insurmountable delay to the technology's production, and therefore presents a risk that the assets will ultimately be worth nothing.

Initial Request to Investors (including Applicants) to advance emergency short term funds to NI

9. 113 is a secured creditor of Network Intelligence Inc. It's involvement as a lender started during the summer of 2017 when various "investors" in NI were expressing concern over the financial condition of the company, specifically, that there was no revenue and no operating cash, that the principal of the company, Ethan Sun, was having legal and financial difficulties with other companies with which he was affiliated (and who were shareholders of NI), and that employees of NI were threatening to quit, the effect of which could be the loss of the intellectual technology under development with NI unless they could get urgent new investment. NI needed immediate cash for its ongoing operating needs.

Affidavit #1 of R. Nie (para 2 to 3)

10. From approximately May or June of 2017, the principal of NI, Ethan Sun ("**Ethan**") had been repeatedly telling his "investors", and specifically those associated with NI, that he had a business transaction in China that was in the process of being closed. Once that deal closed, sufficient funds would be generated to be invested into NI to enable NI to continue its research and development through to a final roll out of the technology to the market, which was anticipated to possibly take to the end of 2018, at a cost of approximately $30M.

Affidavit #1 of R. Nie (para 5)

11. The development of the technology, as is the case with any technology such as this chip technology, is considered "high risk, high reward", with the biggest risks being that a competitor could easily, without any notice, beat you to the market with the same technology. It is a race to the finish. In addition, while the investment costs vary, they can be quite formidable as it might take more than 2 or 3 times of tape out tries (each tape out try costs close to $2M USD) to have a marketable product ready, such that the overall research and development cost might go over the budget by 2 or 3 times, easily.

Affidavit #1 of R. Nie (para 6)

12. Given that, transactions involving these types of companies must be done very quickly, as anything that could result in a delay to the ongoing research and development puts the project, and therefore all investment into it, in serious jeopardy. An inability to continue making payments to employees (that being the human capital that is the most important value to the successful development of the technology) and the service providers who physically produce the chip technology once developed, creates a potentially disastrous risk.

Affidavit #1 of R. Nie (para 7 - 8)

13. On August 1, 2017, Lixin (Alex) Wang, as a representative of one of the limited partnerships who had invested in NI, reached out to group of 67 investors to see if they could work together to put in further investment to secure financing for the immediate needs, stating (in Mandarin, as translated):

> To secure the 4.0 team (NI), at least 3 months salaries are needed, the total would be $2 million plus other expenses. If we only press Ethan, even if he could manage raising fund, it will be too late, let alone to say if he couldn't. So, we'll have to face reality, it doesn't help just talking. If we contribute $100k each, it's almost good. I express my opinion first that I could make the contribution. Please let me know your views.

14. Aside from an initial response by one party prompting all the others to respond, there was no response to this proposal. As it appeared that the group was not willing to invest to preserve NI's research and development, Mr. Wang sought investment from other parties.

Affidavit #1 of A. Wang (paras 18 - 19)

113's lending to NI

15. 113 was incorporated on August 16, 2017 as the corporate vehicle for any transaction that was going to be undertaken with NI, to preserve the assets.

Affidavit #1 of R. Nie (para 9)

16. Initially, a transaction was proposed for 113 to purchase 7,000,0000 of Istuary Holdings Ltd.'s ("**Istuary Holdings**") shares in NI. However, by late August, 2017 it was clear a share purchase agreement would take too long to arrange and the need for funding was too immediate. The Financial information of NI showed that NI was insolvent with over $7.0M in operating losses as of July 31, 2017, only $442 cash in the bank, it appearing that $2.15M in operating capital had been diverted by the Istuary Group as loans to other Istuary companies rather than made available for NI, and close to $15M shown to be owing on convertible loans. Half of the research and development team had officially resigned, with many of the members traveling to China seeking working opportunities and interviewing with Canadian & US IC design companies such that it was not clear if NI would be able to get the team back, with employees being in the process or having already retained counsel to sue NI, with millions of dollars owing on overdue accounts to critical technology providers, all of which was seriously jeopardizing the value of this project, which was already speculative given the nature of the assets as noted above.

Affidavit #1 of R. Nie (para 10-11)

17. However, another party, Jiu Fa Investments Ltd. ("**Jiu Fa**") had shown an interest in buying NI, and had already been meeting with NI and its employees since June 2017, and had completed their due diligence as of August 15, 2017. Because of this, even if 113 did not enter into a long term agreement, an agreement could be reached with this party quite quickly to pay out any emergency bridge financing.

Affidavit #1 of R. Nie (para 12)

18. 113 agreed to provide this emergency bridge funding to NI on a very short term basis to cover these urgent requirements, given that the investment as a whole was very fragile and at risk for the reasons set out above.

Affidavit #1 of R. Nie (para 13)

19. NI entered into a Loan and Service Agreement, guaranteed by Istuary Holdings, in the principal amount of $1.2M (USD) (the "**Share Pledge Loan Agreement**"), by which it would make these urgent advances to 113 for its immediate "working capital purposes", in exchange for certain security and a high rate of interest. As security for the Share Pledge Loan Agreement, NI executed a written General Security Agreement on August 22, 2017.

Affidavit #1 of R. Nie (para 14, 16)

20. While the annualized rate of interest was high on its surface, given that Ethan Sun, on behalf of NI, indicated that it would be repaid very quickly, i.e. within a week, the rate was set on the basis that if re-paid within that time frame as promised, the amount of interest realized could hardly cover the actual out of pocket expenses (including all the bank costs for converting funds as investment was coming from China). Specifically, at $1,200,000 USD, if the loan had been paid out on time, the amount of interest paid would have been only $11,500 USD (approximately).

Affidavit #1 of R. Nie (para 15)

21. By September 5th, 2017, the credit advanced under the Share Pledge Loan Agreement (most advances being for payroll and technology service providers) had matured, and the limit funded since the first advance made on August 28th, 2017. There was no sign that that NI was going to be able to reach any resolution. By this point, 113 was facing the risk of losing 100% of the amounts advanced under the Share Pledge Loan Agreement.

Affidavit #1 of R. Nie (para 18, 19)

22. In addition, 113 became aware that Istuary Holdings had provided a written guarantee to Istuary related Venture Capital funds, including Istuary Platinum Fund II LP, and Istuary Platinum Fund III LP, which, because Istuary Holdings was a shareholder in NI, it put NI at risk. These Istuary related Venture Capital funds had either matured, or were set to mature within a month or so. This meant that the NI share pledged by Istuary Holdings to 113 as security for the Share Pledge Loan was also at risk.

Affidavit #1 of R. Nie (para 20)

23. 113 was getting increasingly concerned with the viability of NI given its financial status, outstanding unsecured debt, and risks to the technology's development, such that a share purchase agreement was not looking like a viable investment opportunity for 113 at all.

Affidavit #1 of R. Nie (para 21)

24. Alex Wang, a director of one of the GPs of the investor group reached out again to the investor group as a whole, including the Minority Investors who are the named Applicants herein, on September 2, 2017 to raise the issues, confirm his involvement with the bridge lender, i.e. 113, and encourage a resolution through a sale, that being with Jiu Fa. In his message Mr. Wang, among other things confirmed that:

    a. Confirmed that the team had worked hard with Jiu Fa and had sent a link to a data room to them, and urged them to provide any questions, but heard nothing;

b. He has pushed Mr. Sun to find other purchasers, and that Mr. Sun had shown him his own WeChat messages showing that he had contacted others with no response;

c. That Mr. Sun and Jiu Fa had talked to each other and that Mr. Sun told Jiu Fa of the perilous financial condition of NI;

d. His concern with the employees, including that they were being poached and that if "we" [meaning 113] hadn't paid their salaries the whole team would have been gone and that "we" [again, meaning 113] had no choice but to raise funds urgently to pay salaries and cover expenses, noting that the "Vancouver LPs" had been invited to participate;

e. Raising that there was not sufficient time for "potential buyers", and again referencing "our" [meaning 113's] bridge loan; and

f. Suggesting that everyone consider supporting a sale, as no matter who takes over, urgent cash was "they key".

Affidavit #1 of A. Wang (para 31, Exh "E")

25. In order to preserve 113's investment into NI under the Share Pledge Loan, and notwithstanding the impediments, 113 agreed to provide further financing at NI's request, on a more long term basis, to cover NI's operating costs while NI pursued investment/sale opportunities. In particular, NI requested that 113 provide a $10,000,000 USD credit facility, on more favourable interest rates as are typical with the longer term debt, albeit in a distressed scenario.

Affidavit #1 of R. Nie (para 22)

26. To prevent NI's value going to Zero, 113 took the risks of NI's potential failure in the future and decided to continue to fund NI's operations. In order to cover immediate cash flow needs while this further operating loan was being negotiated, and at the request of NI, an advance of $350,000 was made by 113 under a Promissory Note dated September 12, 2017, which was noted and agreed to be secured by the GSA.

Affidavit #1 of R. Nie (para 23)

27. Then, by a Convertible Loan Agreement dated September 15, 2017 (the "**Convertible Loan Agreement**"), 113 agreed to provide a credit facility in the principal amount of $10,000,000 USD for a one year term to allow NI to sustain its research and development and restructure itself to completion of the project.

Affidavit #1 of R. Nie (para 24)

28. 113 did, however, have even more concern about the ability to recover under the Convertible Loan Agreement as the financial status of NI (and Ethan Sun and his other company interests) was investigated and more issues determined. Specifically, given the financial issues, 113 had, among others, the following concerns with the viability of this loan:

a. whether or not NI's assets and undertaking were in fact worth the amount being financed by 113 given the risks to development, including the potential for loss of

employees and service providers who had by now been repeatedly paid late, and were starting to show signs that they would pull their services entirely, which would cause significant delay to development; and

b. whether or not the unsecured creditors holding the convertible loans, specifically Istuary Innovation Fund II Limited Partnership (maturity date August 23, 2017), Istuary Innovation Fund III Limited Partnership (maturity date January 5, 2018), and Istuary Platinum Fund III Limited Partnership (Maturity Date January 5, 2018) would be called upon their maturities, which could interfere with the project.

Affidavit #1 of R. Nie (para 25)

29. Accordingly, it was a specific condition of the Convertible Loan Agreement that it too be secured by the GSA, and that the convertible loans to Innovation Fund II LP, Innovation Fund III LP, and Istuary Platinum Fund III LP be converted to Shares.

Affidavit #1 of R. Nie (para 26)

30. An email was sent to Ethan Sun, the principal of NI, by 113's representative on September 15, 2017 as to that requirement, and noting the fact that the company was running out of funds and the value of the company was "swiftly going to zero" given that NI had lost nearly half of its team, such that 113 could only put the further financing in place if the convertible notes were in fact converted. In response, Mr. Sun stated that he agreed with the conversion.

Affidavit #1 of R. Nie (para 27, Exhibit "H")

31. Mr. Sun provided the following documents (executed September 20, 2017) to NI to show the conversion had occurred and that that condition precedent had been met and properly constituted:

a. Director's resolution of NI approving the loan conversion;

b. a special resolution of the shareholders of NI approving the conversions;

c. disclosure of interest form from Yian Sun (being the Chinese name of Ethan Sun) as director of NI; and

d. Conversion Forms executed by each of Innovation Fund II, Innovation Fund III, and Platinum Fund III.

Affidavit #1 of R. Nie (para 28, Exhibit "I")

32. The requirement for debt conversion with financing of these types of transactions involving the "high risk, high reward" technology sector is not unusual, especially if the company is in financial trouble. Investors in technology start-up companies are not prepared to risk their financing by the uncertainty of such creditors deciding to pull their support and demand on such loans. Such investors also want the certainty of any convertible loans converted, so that any dilution of equity has occurred prior to the new investment. In this case, there was a significant risk that even after investing tens of millions of dollars into it, the project could be entirely unsuccessful with no recovery whatsoever, which could happen if a competitor gets the same technology to the market first.

Affidavit #1 of R. Nie (para 29 to 30)

33. The simple fact is, if NI did not agree to the conversion, 113 would not have injected any financing whatsoever, and in all likelihood, development would have been halted, employees and service providers permanently lost, and value of the company would have disappeared to zero.

Affidavit #1 of R. Nie (para 31)

113's Decision to Enforce and Protect its Security

34. On September 29, 2017, the Employment Standards Branch ("**ESB**") issued a notice that it was investigating Network Intelligence as a "common employer" of a number of Ethan Sun's related "Istuary Companies". ESB was claiming a debt of $3,553,397.27. Upon a determination of a common employer being made, the ESB could have been in a position to file a lien against NI for that amount.

Affidavit #1 of A. Wang (para 37)
Affidavit #2 of A. Simister (Exh A)

35. On October 6, 2017 Jiu Fa provided an expression of interest in the shares of NI. In a We Chat with Ms. Zhan after that, Mr. Wang confirmed the debt owing to 113 (although, not by name) and that he only represented the Vancouver Fund, not 113.

Affidavit #1 of A. Wang (para 36)

36. Then, for some unknown reason, changed it to be an expression of interest in the assets. Despite Jiu Fa having had months (since June, 2017, of August 15, 2017 once its due diligence was complete) to make a definitive offer, what they sent was not a definitive offer, but an expression of interest without any commitment as to price. Specifically, the expression of interest provided that:

    a. the purchase price was noted to be in the range of $18,300,000 to $19,500,000, but was subject to various adjustments based on confirmation of a number of items, including due diligence and "the value of the Assets". In other words, there was no certainty as to purchase price at all;

    b. It was noted to be of no "legally binding" effect;

    c. There was no deposit contemplated until after the due diligence was complete (despite due diligence being completed in August, with full access to a data room); and

    d. Any even more problematic was that it required an "exclusivity period" for 120 days, meaning that no other alternative transactions could be pursued at all.

Affidavit #1 of Zhang (Exh H)
Affidavit #1 of A. Wang (para 36)

37. The Jiu Fa expression of interest did not appear definitive, was not legally binding, requested further due diligence despite having received all requested documents in mid-August, did not have a clear price given that it was fully subject to adjustments for any reason, required exclusivity when there was not the luxury of time of pursuing other alternatives "later", and there was now the risk of an ESB determination frustrating ongoing funding, 113 decided to demand on the Promissory Note and its GSA security, and on October 16, 2017 NI commenced these proceedings.

Petition filed October 16, 2017

38. NI was served at its registered and records office with the Petition. It did not file a Response.

39. Around the same time that 113 commenced these proceedings, a meeting was held on October 16, 2017 between investors, including Alex Wang, a director of 113 but also a director of one GP's for one the investment LP's. Mr. Wang confirmed at that meeting that he was attending as representative of an investor, not the "bridge lender", 113, and that if there were any questions about 113's intentions as to its security or its process that those questions should be directed to Shigang (Frank) Wang. Investors did subsequently contact Frank *who encouraged them to make an offer for investment if they wished, but no one did.*

Affidavit #1 of A Wang (para 39)

40. Given that it was clear that the interest from Jiu Ha remained non-committed, and given the urgency related to the potential ESB determination, the application for the appointment of the Receiver was scheduled by 113 on October 27, 2017, with notice being given to NI, and Murphy & Company (who had been retained in some capacity to assist NI with the Jiu Fa transaction), and heard on October 31, 2017.

Affidavit #2 of A. Simister (Exh A)

41. Counsel from Murphy & Company appeared at the application to appoint the Receiver, and took no position.

Receivership Order
Affidavit #2 of A. Simister (Exh B)

42. On November 3, 2017, NI became bankrupt, ensuing that the ESB would not be able to file a lien against NI's assets in priority to the ongoing operating costs required to maintain the research and development and preserve the value of the asset.

43. By Order pronounced November 22, 2017, the Court pronounced a Sales Process Order. That same day, a creditors' meeting was held at which the attending parties/creditors, including some of the Applicants, were told of the Sales Process Order, the anticipated bid deadline of December 15, 2017, and that they ought to immediately seek legal advice as this process would be moving quickly.

Sales Process Order pronounced November 22, 2017

44. The subject application was delivered some 19 days later, that being December 11, 2017.

Concerns and Risk to the Assets for any Delay

45. Key employees of NI have expressed significant concern about the subject application, and the risk that a delayed sales process may pose to the assets, including that any delay in certainty of who is going to own this business (given previous missed periods of salaries being paid) that they may quit, and that critical service providers may terminate contracts.

46. It is the conclusion of these key employees that:

    a. if the sales process is delayed, and there remains uncertainty as to who is going to be the purchaser of NI or any uncertainty as to funding going forward, critical employees may quit (taking the opportunities that are being regularly offered), the work force may be too small to continue development and hit the market window (with this being under a Receiver's control, it is difficult to hire talent);

    b. if funding ends or is delayed at all, the Receiver may be forced to lay off employees and it will be very difficult to hire them back when (or if) funding returns;

    c. the experts are now at a critical state where there are around 20 engineers that, if we were to lose any number of them, it would be severely prejudicial to the project, and any value that it currently has.

Affidavits #1 of A. Liu, J. Plasterer and T. Zhong

47. Given the burn rate, any delay is costly. At the burn rate that existed when the receiver was appointed (at that time, $85,000 per day), a delay of a further six weeks amounts to over $3.5M. As such, in order to extend this by six weeks, the value of the assets has to essentially be $3.5M more than the current offer before the Court. However, the delay negatively effects value as it increases the chance of a delay in final production and dramatically increases the risk that a competitor will make it to the market before NI.

Part 5: LEGAL BASIS

48. As a starting point, it should be kept in mind that this Honourable Court has already made an order setting the sales process, which to do so it had to be satisfied was fair. In this respect, in considering the reasonableness of a sales process of a receiver, the factors the court considers are those set out in *Royal Bank v. Soundair*, namely:

    (i) the fairness, transparency and integrity of the proposed process;

    (ii) the commercial efficacy of the proposed process in light of the specific circumstances facing the receiver; and,

    (iii) whether the sales process will optimize the chances, in the particular circumstances, of securing the best possible price for the assets up for sale.

    CCM Master Qualified Fund v. blutip Power Technologies, 2012 ONSC 1750

49. Further, credit bids are widely acceptable in such processes, as are quick timetables:

> To be effective for such stakeholders, the credit bid had to be put forward in a process that would allow a sufficient opportunity for interested parties to come forward with a superior offer, recognizing that a timetable for the sale of a business in distress is a fast track ride that requires interested parties to move quickly or miss the opportunity. The court has to balance the need to move quickly, to address the real or perceived deterioration of value of the business during a sale process or the limited availability of restructuring financing, with a realistic timetable that encourages and does not chill the auction process.
>
> *CCM Master Qualified Fund v. blutip Power Technologies, supra, at Para 8*

50. The court has approved a number of short sales process orders, ranging from "immediate" sales orders (brought with the receivership order), to 30 days as is the case at bar particularly where there is evidence that the assets were exposed to a purchaser prior to the receivership order, and there was a risk to the security. Examples of such short timelines include:

    a. *CCM Master Qualified Fund*, supra (30 days)

    b. *PCAS Patient Care Automation Services Inc.*, 2012 ONSC 2840 (10 days)

    c. *Elleway Acquisitions Limited v. 4358376 Canada Inc*, 2013 ONSC 7009 (immediate)

    d. *Re: Tool-Plas Systems Inc.*, 2008 CanLii 54791 (immediate)

51. Generally, the court has only found that a longer process than that proposed by the parties is warranted where there is no evidence of urgency, or risk to the security.

> *For example: Leslie & Irene Dube Foundation Inc. v. P218 Enterprises Ltd.*, 2014 BCSC 1855, at para 40

52. Based on the evidence before the court, that is simply not the case. There is urgency as a result of the significant risk to the value of these assets.

53. Further, it is of considerable note that the investors (some, if not all of the applicants here) have been fully aware of the financial condition of NI and, risk to the assets if financing was not provided to cover the costs, since August 1, 2017 (if not earlier), were told to consider a sale as of September 2, 2017 (if not earlier), and were encouraged to participate in funding to keep the operations going, and refused to do so. On their own evidence, it was only when they attended the creditors' meeting that they decided to act.

54. While these investors decided to, in essence, wait out the financial storm that was brewing, the whole of the assets were exposed to a significant risk of loss as a result, and then further impaired by the potential for the Employment Standards Branch to file a lien over the assets, something that was prevented by the intervening bankruptcy of NI, preventing funding for future operations being frustrated.

55. Accordingly, the steps taken by 113 to enforce its security and commence insolvency proceedings so as to prevent the ESB from priming security going forward which would be necessary to fund operations to preserve and protect the assets was, in all respects, commercially reasonable.

56. As to the sales process itself, the evidence before the court clearly establishes that assets are intangible and depreciating by any delays, namely the nature of research and development of technology is that the person that gets to the market first has the value – not the person that gets to the market second.

57. Key lead employees have provided sworn evidence that they have significant concern that employees, and critical service providers, will leave the project if there is any delay to the process. There is a significant question as to whether financing will be available during this delayed process.

58. In short, to the extent that the Minority Investors are now seeking to "slow the process" it is because up to this point they wilfully chose to disregard the financing condition of the company, and take no steps to preserve it.

59. Their position that more time is needed is not a function of the speed of this process, but their only dilatory approach to the warnings given to them starting on August 1, 2017, and their reliance on others, such as 113 (who they knew at all times Mr. Wang was part of), stepping in to preserve and protect the assets, without they themselves risking any further investment.

60. In addition, their ability to fund this during the extended period is not clear. Their evidence is only that they intend to, with no proof of ability. Given that it took a number of days and parties to even raise funds for a retainer for Murphy & Company, their financial wherewithal is questionable. If the extension is granted, and they simply do not fund, it means 113 will be prejudiced.

61. Accordingly, 113 submits that in balancing the prejudice of a further delay (the complete erosion of value) with the interests of these stakeholders (who have been aware of the issues, know enough about the company to have already invested what they describe as $17M, although is likely less, so presumably are the most qualified to make a bid quickly, and were invited to join 113 in protecting the asset months ago), the sales process as set out in the Sales Process, including the bid deadline, is fair. Nothing in the process prevents Jiu Fa from making an offer. Nothing in the process prevents the Receiver or Trustee from investigating the issues raised by the Minority Investors as to their interests.

Part 6: MATERIAL TO BE RELIED ON

16 Affidavit #1 of A. Simister, sworn October 31, 2017

17 Affidavit #1 of Renke Nie, sworn December 11, 2017

18 Affidavit #1 of George Lu, sworn December 11, 2017

19 Affidavit #1 of Alex Liu, sworn December 13, 2017

20 Affidavit #1 of Tao Zhong, sworn December 12, 2017

21 Affidavit #1 of John Plasterer, sworn December 12, 2017

22 Affidavit #1 of Alex Wang, sworn December 13, 2017

The Petitioner estimates that the application will take 90 minutes.

Dated at the City of Vancouver, in the Province of British Columbia, this 12th day of December, 2017.

Lawson Lundell LLP
Solicitors for the Proposal Trustee

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No. S-179749
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RESPONDENT

RESPONSE TO NOTICE OF APPLICATION

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