

This is the 1st Affidavit of Wei (Alex) Liu
sworn in this matter on **December 12, 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, WEI (ALEX) LIU, of 16185 111A Ave, Surrey, in the Province of British Columbia, MAKE OATH AND SAY AS FOLLOWS:

1. I am currently an employee of the Receiver over the assets and undertakings of 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 am currently Chief Operating Officer ("**COO**") based in Burnaby, B.C. As COO, I am familiar with the day to day operations of NI, along with Tao Zhong ("**Tao**") and John Plasterer ("**John**") in BC, and George Lu ("**George**"), in the Markham office, who are other team leaders.
3. In or around April 2017 NI, and other companies that Ethan Sun ("**Ethan**") is involved with, were missing various payments they owed. That month, NI and Ethan's other companies missed a payroll payment. NI was able to make it up in May 2017. But, it showed that there was a problem with the finances of NI.
4. Ethan told us (the employees of NI, Istuary and affiliated companies that he was trying to find people to invest into or lend money the company to help while some big deal of his

in China was closing which he said would provide enough money to cover the ongoing costs of the development of the NI project.

5. All of us (Tao, John, George and I) talked among ourselves about this, and were all very worried about the company. Also, because we were all team leaders we were approached by the other employees who threatened to quit. We gave Ethan the benefit of the doubt that he would be able to do something to turn things around for the company.
6. By this time, we had each worked on this project for a long enough time that we each believed in it, and the technology we were developing, and our ability to get it to the market first.
7. As we discussed things between ourselves, it became clear that we each personally wanted to see the project through to the end, if we could. But, we were not willing to work for free. I personally was willing to stay with NI, despite the risk, while Ethan organized the investment which he said he would be able to get, based upon his promise that we would be paid.
8. NI then missed the June 15th payroll, and it remained unpaid. After this missed payment, Ethan promised the NI team that he would be paying all employees by the end of July. I was very worried that Ethan was not going to be able to do this, as I knew that there was a high cost to maintaining development, and that NI was not earning any revenue.
9. But then, in around mid-June 2017, Belinda Yang ("**Belinda**"), whose Chinese Name is Shaung Jie Yang (Istuary Vancouver VC Managing Partner) told us that Mr. HaiJian Liu, who we later found out was representing the company Jiu Fa Investments ("**Jiu Fa**"), was interested in purchasing NI, and that Ethan was considering working with them as a back-up option in case his other business deal in China did not close.
10. After we received permission from Ethan, Belinda, Tao and I had a few rounds of informal meetings with Mr. Liu and his partners.
11. Shortly after these meetings were held, I was told by Belinda that the negotiations with Jiu Fa were continuing and, specifically, that Mr. Liu had been formally introduced to

Ethan Sun, and they met in Shenzhen, China to discuss a sale. I believe this was in early to mid-July 2017.

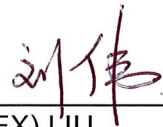
12. By the end of July 2017, the situation at NI was very bad. Jiu Fa had still not made an offer. Staff morale was very low. Some employees had quit. I believe the majority of the employees in the Burnaby office were looking for new jobs.
13. After that, Belinda requested that we prepare and provide some more documents and records for the company so that they could complete their due diligence. All of these new materials they asked us to assemble were put together, completed, and submitted to Belinda on August 15, 2017.
14. Still, there was no solid offer from Jiu Fa, and based on my conversations with Belinda I did not feel confident that Jiu Fa was going to put together an offer anytime soon. Tao and I had provided all documents they requested, and they still had not indicated that they would provide any urgent funding to pay the employees, or that they were committed to making an offer.
15. Belinda told us that she requested investors to provide more funds to continue the project, but no money was committed.
16. Because of the lack of salary and absence of funding to change this situation, on August 16, 2017 I provided a letter to Network Intelligence confirming that I was constructively dismissed. By this time, I had not been paid for weeks. I understand that Tao and John gave similar letters. Through my conversations with other employees at the time, I believed that the project was going to lose a majority of the key team members by the end of August, in which case it would fail.
17. However, in late August, Alex Wang contacted Tao and I and said that he knew people who would be prepared to invest or lend to keep the company going. I now understand that the investors incorporated a company for that purpose, 1130489 B.C. Ltd ("113"), and that they were prepared to step in and provide urgent funding to the company which, by this time, was about to fail.
18. I was particularly pleased that that 113 would be willing to take over the payroll program to make sure unpaid salaries would be paid, and met going forward.

19. Alex Wang asked if Tao, John and I would return to again lead the project from Burnaby. We returned on September 1, 2017, but this time as subcontractors of a company called Athena Solutions Inc., which then contracted with NI. Then, on November 1, 2017 once the Receiver was appointed, all the employees, plus John, Tao and I, signed employment contracts with the Receiver.
20. Again, I was pleased that 113 was taking control to make sure that payroll was being made to both the remaining employees and those who had left. This was good news and the fact that 113 was willing to invest money into the project was a very positive sign.
21. On September 12th, NI employees were locked out of Vancouver office. The bailiff requested about \$60K CAD to pay the overdue lease payment and collection fees. On Sep 22nd, 113 paid part of the payment (\$20K CAD) to allow NI employees to go back to office, packing equipment and move to new office (paid by 113).
22. Since late August up to early December, 113 has provided the funding to continue the project, including paying for overdue IP license fee, service fees, tape out cost and salaries, equipment and other operation costs. With this funding, based on discussion with employees, the morale of employees increased and we have more confidence in the project.
23. Nonetheless, after Tao, John and my return to NI on September 1, 2017 it became clear that the uncertainty from April to August, the missed payroll, the lack of confidence of employees, the fact that the IP vendors and technology service providers had been unpaid, had had a significant negative impact on the project.
24. In my opinion, the project was likely delayed by about 5 months as a result.
25. A number of the team members have continued to tell me that not being paid continues to affect them, and that they were very close to making the decision to leave and that they remain very concerned about the status of the project.
26. I have read paragraph 4 of the Affidavit #1 of Xia Zhang. While we are progressing towards being ready for market, our project is only close to prototype manufacturing, there are still many stages including prototype testing, characterisation, qualification and likely another revision of prototyping before we can go for production.

27. I have read paragraph 27 of the Affidavit #1 of Xia Zhang. I agree that many employees believe that this project is their “baby” and they want to stay in if they can. I believe, however, that a delay to the sale process will impact their confidence again, and they may decide to leave. If any key employees to leave, our project will suffer significantly.
28. I believe that an important motivator for current employees 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 December 22nd. NI’s 50+ employees and families have been through very tough financial uncertainties during the time from June to August when they were unpaid. Knowing that December 22nd is the definitive date whereby some certainty as to future ownership has brought some comfort to our families.
29. Employees are eager to get through this process and move on from our difficult past. Delays increase the uncertainty and, it is my belief, that due to our history, many employees will look for new opportunities and lose trust in management if the sales process is delayed beyond that date.
30. To my knowledge, none of the current employees are receiving incentives of any kind, as employees of the Receiver. These types of incentives are essential to high-tech start-ups for retention of employees. I believe the longer we are in receivership, the more we’ll lose employees due to lack of this incentive.
31. As to the technology vendor companies, particularly Uniquify, who is critical to the tape out and test of the chip technology we are developing, they are in high demand. NI did have a period where they were not paying the amounts they owed to Uniquify, Alex and I had significant concerns of them cancelling the service agreement. Uniquify had taken most staff off the project until 113’s funding brought those payments up to date. However, if we do not continue to fully work with and support Uniquify through the remaining development process, we will need to renegotiate the contract and they may pull support on our project going forward. Without this vendor, our project would face large delays and incur costs that would make the project almost untenable.
32. Our organizational value is built on the complex intellectual property that we are developing. Our team is critical to realizing the value on this intellectual property. Timing is also critical because we have competitors trying to develop the similar technology, time to market is critical.

- 33. I believe that 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:
 - a. critical employees may quit (taking the opportunities that are being regularly offered),
 - b. 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),
- 34. It is my understanding that if funding ends or is delayed at all, the Receiver will be forced to lay off employees and I believe it will be very difficult to hire them back when (or if) funding returns.
- 35. Our 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.

SWORN BEFORE ME in the City of)
 Vancouver, in the Province of British)
 Columbia, this 12 day of December, 2017.)
 _____)
 A Commissioner for taking Affidavits for and in)
 the Province of ~~Ontario~~ *British Columbia*)



 WEI (ALEX) LIU

Ozge Ozkan
 Notary Public
 3720 Canada Way
 Burnaby, BC V5G 1G4
 tel: 604-453-0290

No. S-179749
VANCOUVER REGISTRY

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BETWEEN:

1130489 B.C. LTD.

PETITIONER

AND:

NETWORK INTELLIGENCE INC.

RESPONDENT

AFFIDAVIT



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

Phone: (604) 685-3456
Attention: Kimberley A. Robertson

This is the 1st Affidavit of Tao Zhong
sworn in this matter on **December 12, 2017**

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RESPONDENT

AFFIDAVIT

I, Tao Zhong, of 1057 Langara CRT, Coquitlam, in the Province of British Columbia, 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 on September 14, 2015 as the VP, Chip Design.
3. I am currently the Chief Technology Officer (CTO), based in Burnaby, B.C. As CTO, I have been involved in the day to day operations of NI, along with Alex Liu and John Plasterer in BC, and George Lu, in the Markham office.
4. I have read the Affidavit #1 of Alex Liu and state that it accurately conveys my understanding as to the concerns of myself and the majority of the employees, and that my, Alex, John and George's interactions with them and the key suppliers such as Uniquify, have been of the nature and character as deposed by him.

5. In particular, I agree completely with the statements that Alex Liu makes at paragraphs 24 to 35 and his specific conclusions at paragraph 33 to 35.

SWORN BEFORE ME in the City of Vancouver,)
in the Province of British Columbia,)
this 12 day of December, 2017.)


A Commissioner for taking Affidavits for and in)
the Province of Ontario *British Columbia*)

Ozge Ozkan
Notary Public
3720 Canada Way
Burnaby, BC V5G 1G4
tel: 604-453-0290


Tao Zhong

No. S-179749
VANCOUVER REGISTRY

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AFFIDAVIT



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

Phone: (604) 685-3456
Attention: Kimberley A. Robertson

This is the 1st Affidavit of John Plasterer
sworn in this matter on **December 12, 2017**

No. S-179749
VANCOUVER REGISTRY

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PETITIONER

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RESPONDENT


AFFIDAVIT

I, John Plasterer, of 5-2281 Argue St., Port Coquitlam in the Province of British Columbia, 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 where stated to be on information and belief, and where so stated, I verily believe same to be true.
2. I am currently a Principal Engineer, based in Burnaby, B.C. with NI. As a Principal Engineer, I have been involved in the day to day operations of NI, along with Tao Zhong and Alex Liu in BC, and George Lu, in the Markham office, including during the time period which is relevant to these proceedings.
3. I have read the Affidavit #1 of Alex Liu and state that it accurately conveys my understanding as to the concerns of myself and the majority of the employees, and that my, Tao, John and George's interactions with them and the key suppliers such as Uniquify, have been of the nature and character as deposed by him.

4. In particular, I agree completely with the statements that Alex Liu makes at paragraphs 24 to 35 and his specific conclusions at paragraph 32 to 35.

SWORN BEFORE ME in the City of Vancouver,)
in the Province of British Columbia,)
this 12 day of December, 2017.)


_____)
A Commissioner for taking Affidavits for and in)
the Province of Ontario *British Columbia*)

Ozge Ozkan
Notary Public
3720 Canada Way
Burnaby, BC V5G 1G4
tel: 604-453-0290


_____)
JOHN PLASTERER

No. S-179749
VANCOUVER REGISTRY

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AND:

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RESPONDENT

AFFIDAVIT



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1600 Cathedral Place
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Phone: (604) 685-3456
Attention: Kimberley A. Robertson