

District of British Columbia
Division No. 03 - Vancouver
Court No. B-200020
Estate No. 11-2603047



Supreme Court of British Columbia
IN BANKRUPTCY AND INSOLVENCY

BEFORE A REGISTRAR

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)
SEPTEMBER 24, 2020

IN THE MATTER OF THE PROPOSAL OF
1032951 B.C. Ltd.

ORDER APPROVING PROPOSAL

UPON the application of the Trustee, MNP Ltd., and upon reading the report of the Trustee and the Court being satisfied that the required majority of creditors have duly accepted the Proposal in the terms contained in the paper writing marked "A" annexed hereto and being satisfied that the said terms are reasonable and calculated to benefit the general body of creditors and that no offences or facts have been proved to justify the Court in withholding its approval, the said Proposal is hereby approved.

BY THE COURT

**Digitally signed by
Nielsen, Scott**

REGISTRAR IN BANKRUPTCY

"A"

Province of British Columbia
Bankruptcy Division
Vancouver Registry
Court No. B-200020
Estate No. 11-2603047

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF 1032951 B.C. LTD.

AMENDED PROPOSAL

**ARTICLE 1
INTERPRETATION**

**1032951 B.C. LTD., OF THE CITY OF VANCOUVER, SUBMITS THE FOLLOWING
PROPOSAL PURSUANT TO THE BANKRUPTCY AND INSOLVENCY ACT
(CANADA).**

1.1 Definitions

For all purposes relating to the present Proposal, the following terms shall have the following meanings:

- (a) **"Bankruptcy Proceeding"** means any deemed assignment into bankruptcy pursuant to section 50.4(8) of the BIA and all estate liquidation and administration related thereto.
- (b) **"BIA"** means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.
- (c) **"Business Day"** means any day except Saturday, Sunday or any day on which banks are generally not open for business in the City of Toronto, Ontario
- (d) **"Claim"** means any right of any Person against the Debtor in any capacity in connection with any indebtedness, liability or obligation of any nature whatsoever, including claims that are liquidated, unliquidated, fixed, contingent, matured, unmatured, legal, equitable, present, future, known unknown, disputed, undisputed or whether by guarantee, by surety, by subrogation or otherwise incurred and whether or not such a right is executory in nature, incurred or arising or relating to the period prior to the Filing Date, or based in whole in part of facts, contracts or arrangements which occurred or existed prior to the Filing Date.
- (e) **"Court"** means the Supreme Court of British Columbia.
- (f) **"Creditor"** means the holder of a Claim.

- (g) **“Creditors’ Meeting”** means the meeting of Creditors to be held for the purpose of considering and voting upon this Proposal, and any adjournment(s) of such meeting.
- (h) **“Crown Priority Claims”** means all amounts owing to Canada Revenue Agency that could be subject to a demand under subsection 224(1.2) of the *Income Tax Act* (Canada) or under any substantially similar provision of provincial legislation as at the Filing Date.
- (i) **“Debtor”** means 1032951 B.C. Ltd.
- (j) **“Disputed Claim”** means any Claim which has been received by the Proposal Trustee in accordance with the terms of this Proposal and the BIA but has not been accepted as proven in accordance with section 135 of the BIA or which is being disputed in whole or in part by the Proposal Trustee, or any other person entitled to do so and has not been resolved by agreement or by Order of the Court.
- (k) **“Disputed Creditor”** means a Person holding a Disputed Claim to the extent of its Disputed Claim.
- (l) **“Filing Date”** means January 8, 2020, the date that the Debtor’s Notice of Intention to Make a Proposal was filed with the Official Receiver.
- (m) **“Guarantor”** means Jesson Chen also known as Zhizhong Chen.
- (n) **“Inspectors”** means individuals that are or may be appointed as an inspector pursuant to section 56 of the BIA.
- (o) **“Jesson International Withdrawal”** means the Withdrawal of Claims by Quark Ventures Limited Partnership, Jesson International Investment (Canada) Ltd., Jesson Chen, Global Drug Commercialization Center Inc. and 1049019 B.C. Financial Business Ltd., in the form attached hereto as Schedule “A”.
- (p) **“Large Creditors”** has the meaning set out in paragraph 2.1.
- (q) **“Levy”** means the Superintendent’s levy payable under section 147 of the BIA.
- (r) **“Official Receiver”** means a federal government employee in the office of the Superintendent of Bankruptcy who, among other things, accepts and reviews documents that are filed in BIA proposals.
- (s) **“Other Creditors”** means Creditors of the Debtor with known claims as at the date of this Amended Proposal, who are not MSI or the Withdrawal Creditors.
- (t) **“Payment”** has the meaning attributed to it in section 2.3.
- (u) **“Person”** is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, the government of a country or any political subdivision thereof, or any agency or department of any such

government, and the executors, administrators or other legal representatives of an individual in such capacity.

- (v) **“Preferred Claim”** means that portion of a Claim that is accepted by the Proposal Trustee as entitling the Preferred Creditor to receive payment in priority to other Proven Creditors as provided in section 136 of the BIA.
- (w) **“Preferred Creditors”** means the holders of Preferred Claims.
- (x) **“Priority Claimants”** means the holders of Crown Priority Claims.
- (y) **“Professional Fees”** means all proper fees, expenses, liabilities and obligations of the Debtor and its counsel or the Proposal Trustee and its counsel, and its accounting fees and consulting fees arising out of the Proposal Proceedings and any claims therein.
- (z) **“Proof of Claim”** means the form to be delivered by the Creditors to the Proposal Trustee in accordance with the BIA.
- (aa) **“Proposal”** means this Amended Proposal, as may be varied, amended, modified or supplemented in accordance with the provisions hereof and the BIA.
- (bb) **“Proposal Approval Order”** means an order of the Court, in form and substance satisfactory to the Debtor and the Proposal Trustee approving and sanctioning this Proposal in accordance with the provisions hereof and of the BIA.
- (cc) **“Proposal Payments”** has the meaning set out in paragraph 2.3.
- (dd) **“Proposal Proceedings”** means this proceeding commenced by the Debtor pursuant to section 50.4 of the BIA on the Filing Date.
- (ee) **“Proposal Trustee”** means MNP Ltd., in its capacity as proposal trustee of the Debtor.
- (ff) **“Proven Claim”** means the amount or any portion of a Claim that is accepted as proven by the Proposal Trustee pursuant to section 135 of the BIA and determined for distribution purposes in accordance with the provisions of the BIA or any applicable orders from the Court.
- (gg) **“Proven Creditors”** means the holders of Proven Claims.
- (hh) **“Related Persons”** means “related persons” (as defined in Section 4(a) of the BIA) to the Debtor.
- (ii) **“Required Majority”** has the meaning ascribed in the BIA and with respect to a vote on the Proposal means a majority in number and two-thirds in value of all Proven Claims of Creditors entitled to vote, who are present and voting at the Creditors’ Meeting (whether in person, by proxy or by voting letter) in accordance with the voting procedures established by this Proposal and the BIA.

- (jj) **“Secured Claims”** means the Claims of the Secured Creditors, to the extent of the value of the security held by the Secured Creditors.
- (kk) **“Secured Creditors”** means “secured creditors” (as defined in Section 2 of the BIA) to the Debtor.
- (ll) **“Withdrawal Creditors”** means the Guarantor, Quark Ventures Limited Partnership, Jesson International Investment (Canada) Ltd. Global Drug Commercialization Center Inc. and 1049019 B.C. Financial Business Ltd.

1.2 **Date for Any Action**

In the event that any date on which any action is required to be taken under this Proposal by any of the parties is not a Business Day, the action shall be required to be taken on the next proceeding day which is a Business Day.

1.3 **Time**

All times expressed in this Proposal are local time, Vancouver, British Columbia, Canada, unless stipulated otherwise. Time is of the essence in this Proposal.

1.4 **Section References**

In this Proposal, a reference to section, clause or paragraph shall, unless otherwise stated, refer to a section, clause or paragraph of the Proposal.

1.5 **Statutory References**

Any reference in this Proposal to a statute includes all regulations made thereunder and all amendments to such statutes or regulations in force from time to time.

1.6 **Monetary References**

All references to currency and to “\$” are to Canadian dollars, unless otherwise indicated.

1.7 **Gender and Number**

Any reference in this Proposal to gender includes all genders. Words importing the singular number also include the plural and vice versa.

ARTICLE 2 PROPOSAL

2.1 **Background to Proposal**

The Debtor made a holding Proposal dated May 15, 2020 in order to allow time to negotiate with its creditors and in particular with its largest creditors MSI Methylation Sciences, (“MSI”) Inc., Jesson International Investment (Canada) Ltd. and 1049019 B.C. Financial Business Ltd. (collectively, the **“Large Creditors”**). At the First Meeting of Creditors, which was held on June

5, 2020, the Large Creditors agreed to an adjournment of the First Meeting of Creditors to June 19, 2020 to allow the Debtor to submit this Amended Proposal for their consideration.

2.2 Overview of Proposal

This Proposal is intended to provide for a distribution to the Creditors in excess of what they would receive in a Bankruptcy and facilitate the provision of the Jesson International Withdrawal.

2.3 Financial Terms of the Proposal.

Upon approval of the Court of this Amended Proposal, and the expiry of any applicable appeal period, the Debtor will, pay, or cause to be paid to the Proposal Trustee for distribution to MSI and the Other Creditors an amount sufficient to enable the Proposal Trustee to distribute \$250,000 to MSI, and to distribute a pro rata amount to the Other Creditors, (the "**Payment**"). The Debtor will also pay any Levy on the Payment such that MSI receives \$250,000 and the Other Creditors receive an equal pro rata amount without deduction for the Levy.

2.4 The Payment shall be distributed by the Proposal Trustee as soon as is reasonably practicable following the Trustee's receipt thereof and the satisfaction of any relevant condition precedent.

2.5 The Guarantor

Subject to the approval of this Amended Proposal by the Creditors and the Court the Guarantor guarantees the due and prompt payment by the Debtor of the Payment and agrees to cause the Debtor to make the Payment as and when due and in the event that the Debtor fails to do so, the Guarantor agrees to immediately make the Payment himself.

2.6 Proposed Distributions

In addition to the foregoing amounts the Debtor will pay or cause to be paid to the Trustee as and when required such amounts as will be necessary to pay:

- (a) Professional Fees: subject to Article 6.2 hereof and the provisions of the BIA, the Professional Fees will be paid in full as they become due.
- (b) Crown Priority Claims: all Crown Priority Claims that were outstanding as at the Filing Date, if any, shall be paid in full to Her Majesty in right of Canada or a province within six months after the issuance of the Proposal Approval Order.
- (c) Superintendent's Levy: the Superintendent's Levy shall be paid in full.
- (d) Preferred Claims: the Preferred Claims, if any, shall be paid without interest in priority to the other Proven Creditors as provided in section 136 of the BIA.

ARTICLE 3
CLAIMS PROCESS, VALUATION OF CLAIMS, CLASSIFICATION OF
CREDITORS AND RELATED MATTERS

3.1 Claims Process

In order to be eligible to vote at the Creditors' Meeting, each Creditor shall file a Proof of Claim with the Proposal Trustee in accordance with the applicable provisions of the BIA, and shall specify every Claim it asserts against the Debtor. Thereafter, pursuant to section 135 of the BIA, the Proposal Trustee shall examine every Proof of Claim and determine whether such Claims are Crown Priority Claims, Disputed Claims, Preferred Claims, Proven Claims or Secured Claims.

In order to receive a distribution under this Proposal or as it may amended, a Creditor must submit a Proof of Claim prior to the time the Proposal Trustee distributes funds in accordance with the Proposal.

In accordance with section 149 of the BIA, prior to the final distribution from the Creditors' Fund, the Proposal Trustee shall give notice (the "Final Dividend Notice") by mail to every Person with a Claim who did not file a Proof of Claim.

3.2 Claims for Voting Purposes

Each Creditor with a Proven Claim as at the date of the Creditors' Meeting shall be entitled to a single vote at the amount of its Proven Claim. Any Disputed Creditor as at the date of the Creditors' Meeting shall be entitled to vote at the Creditors' Meeting on the portion of its Claim, if any, that has been accepted by the Proposal Trustee for voting purposes without prejudice to the rights of the Debtor, the Proposal Trustee and the Disputed Creditor to have the quantum of the Disputed Claim finally determined for the purposes of receiving its share of the Creditors' Fund, if any.

Without limiting the foregoing, Disputed Claims shall be tracked by the Proposal Trustee as if such claims were Proven Claims but Disputed Claims will not be considered for the purposes of determining the Required Majority. The Proposal Trustee will report to the Court on the impact on the Required Majority had the Disputed Claims constituted Proven Claims for voting purposes.

3.3 Disputed Claims

Any Disputed Creditor shall not be entitled to receive any distribution hereunder with respect to such Disputed Claim unless and until such Claim becomes a Proven Claim. Distributions shall be made in respect of any Disputed Claim that is finally determined to be a Proven Claim.

3.4 Claims Bar

Any Person who does not prove their Claim within 45 forty-five days of the mailing of the Final Dividend Notice, shall forever be barred from making a Claim or sharing in any dividend hereunder, subject to any exception set out in sections 149(2), (3), (4) and 150 of the BIA, regardless of whether such Person was sent a Final Dividend Notice or whether such Person received such Final Dividend Notice.

3.5 Class of Creditors

For the purposes of considering and voting upon and receiving distributions under this Proposal, there shall be one class of Creditors.

3.6 Set-Off

The law of set-off applies to all Claims.

3.7 Creditors' Meeting, Proxies and Voting Letters

The Creditors' Meeting will be held on or about June 19, 2020, at 10:00 a.m. at a location to be determined by the Proposal Trustee and provided to all known Creditors.

Proxies, as provided for in the BIA indicating a Person authorized to act on behalf of Proven Creditor may be submitted to the Proposal Trustee at, or any time prior to, the commencement of the vote on the Proposal at the Creditors' Meeting.

Voting letters as provided for in the BIA submitted to the Proposal Trustee prior to the Creditors' Meeting must indicate whether the Creditor wishes to cast its vote in favour of or against the Proposal. Voting letters that do not indicate either preference will be deemed to indicate a vote in favour of the Proposal.

Related Persons may vote against but not in favour of the Proposal.

Persons in attendance at the Creditors' Meeting shall cast their vote in the manner prescribed by the Proposal Trustee and the BIA; all votes will be recorded and tabulated by the Proposal Trustee, who may seek the assistance of the Court with respect to any dispute arising from or out of the tabulations of votes.

A quorum shall be constituted for the Creditors' Meeting or any adjournment thereof if there is one Proven Creditor, entitled to vote, present in person or by proxy or if one Proven Creditor, entitled to vote, has submitted a voting letter in accordance with the provisions of the BIA and this Proposal. If the requisite quorum is not present at the Creditors' Meeting or if the Creditors' Meeting has to be postponed for any reason, then the Creditors' Meeting shall be adjourned by the Proposal Trustee to such date, time and place as determined by the Proposal Trustee. For greater certainty, the Creditors' Meeting may be adjourned one or more times.

3.8 Approval by Creditors

In order to be approved, the Proposal must receive the affirmative vote of the Required Majority.

3.9 Modification of the Proposal

Subject to the consent of the Proposal Trustee, at any time prior to the Creditors' Meeting or at any time prior to the date to which the Creditors' Meeting is adjourned, if it is adjourned, the Debtor will file a modified, amended or supplemented Proposal, and file such amended proposal with the Official Receiver as soon as practical, in which case any such amended proposal or proposals shall, for all purposes, be and be deemed to be part of and incorporated into the Proposal.

At the Creditors' Meeting, the Proposal Trustee shall provide all Proven Creditors in attendance with details of any modifications or amendments of and to the Proposal prior to the vote being taken to approve the Proposal. After the Creditors' Meeting (and both prior to and subsequent to the issuance of the Proposal Approval Order) and subject to the consent of the Proposal Trustee, the Debtor at any time and from time to time vary, amend, modify or supplement the Proposal if the Court determines that such variation, amendment, modification or supplement is of a minor, immaterial or technical nature or would not be materially prejudicial to the interest of any of the Creditors under the Proposal and is necessary in order to give effect to the substances of the Proposal or the Proposal Approval Order.

ARTICLE 4 CONDITIONS PRECEDENT

4.1 Conditions Precedent to the Implementation of the Proposal

The implementation of the Proposal and distribution thereunder is subject to the satisfaction of the following conditions precedent:

- (a) The Jesson International Withdrawal shall have been delivered to the Proposal Trustee prior to or immediately after the expiry of the appeal provision referred to in subparagraph (c) hereof;
- (b) The Proposal is approved by the Required Majority;
- (c) The Proposal Approval Order has been issued and has not been stayed and there is no outstanding appeal therefrom;
- (d) All other actions, documents and agreements necessary to implement the Proposal as required herein shall have been effected and executed.

With respect to the Proposal Approval Order, if approval by the Required Majority is obtained, the Proposal Trustee shall file with the Court an application for the Proposal Approval Order no later than 5 Business Days following the Creditors' Meeting or such other date as the Court may order, which application shall be heard as soon as possible according to the procedure set out in Sections 58 of the BIA.

ARTICLE 5 BINDING EFFECT

5.1 Binding Effect

On the Effective Date, this Proposal will become effective and binding on and enure to the benefit of the Debtor and all creditors affected by this Proposal and all other Persons named or referred to in, or subject to, this Proposal, and their respective heirs, executors, administrators and other legal representatives, successors and assigns.

5.2 Certificate of Full Performance of Proposal

Upon the Debtor and/or the Guarantor (as applicable) complying with their obligation pursuant to sections 2.3, 2.4, 2.5 and 2.6 of this Proposal, the Trustee shall give to the Company and the official receiver a certificate, in the prescribed form, in accordance with section 65.3 of the BIA.

ARTICLE 6 PROPOSAL TRUSTEE, MONITORING AND ADMINISTRATIVE COSTS

6.1 The Proposal Trustee is acting in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of the Proposal Trustee shall incur any obligations or liabilities in connection with the Proposal or in connection with the business or liabilities of the Debtor.

6.2 The Proposal Trustee's fees, expenses and legal costs arising out of this Proposal and under the BIA shall be paid by the Debtor as Professional Fees under this Proposal. The fees for the Proposed Trustee's services will be based on time spent by the Proposal Trustee and the various members of its staff and their respective billing rates plus any direct out of pocket expenses incurred. The Court shall review and approve the Proposal Trustee's fees and disbursements. The Proposal Trustee will be entitled to take regular interim fees upon Creditor, Inspector, or Court approval.

6.3 The Proposal Trustee shall be indemnified in full by the Debtor for all personal liability arising from fulfilling any duties or exercising any powers or duties conferred upon it by this Proposal or under the BIA, except for any willful misconduct or gross negligence.

ARTICLE 7 INSPECTORS

7.1 At the Creditors' Meeting, the Proven Creditors will be entitled to appoint one or more, but not exceeding five, Inspectors, whose powers shall be as follows:

- (a) advising the Proposal Trustee in respect of such matters as may be referred to the Inspectors by the Proposal Trustee;
- (b) advising the Proposal Trustee concerning any dispute that may arise as to the validity of the Claims asserted in this Proposal;
- (c) exercising all powers given to the Inspectors of a bankrupt estate appointed pursuant to the provisions of the BIA; and
- (d) altering or extending the time for payments to be made pursuant to this Proposal, but not the total amount paid.

**ARTICLE 8
NOTICES**

8.1 Any demand, notice or other communication to be given in connection with this holding Proposal must be given in writing and will be given by personal delivery or by electronic means of communication addressed to the recipient as follows:

To the Debtor:

1032951 B.C. LTD.
2500 - 1075 West Georgia Street
Vancouver, BC V6E 3C9
Fax No.: n/a
Attention: Chao Lin also known as Eddie Lin
Email: elin@quarkventure.com

To the Proposal Trustee:

MNP Ltd.
2200 - 1021 West Hastings Street
Vancouver, BC V6E 0C3
Fax No.: 604 904 8628
Attention: Patty Wood
Email: Patty.Wood@mnp.ca

With a copy to:

Fasken Martineau DuMoulin LLP
2900 - 550 Burrard Street
Vancouver, BC V6C 0A3
Fax No.: 604 631 3232
Attention: Enoch Chang
Email: echang@fasken.com

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day.

ARTICLE 9

RELEASES

9.1 Director's Release

Effective upon the issuance of the Certificate of Full Performance of Proposal pursuant to section 5.2 hereof, the directors of the Debtor shall be released from any obligations of the Debtor where the directors are by law liable in their capacity as directors for the payment of such obligations but shall not include claims that:

- (a) relate to contractual rights of one or more creditors arising from contracts with one or more directors; or
- (b) are based on allegations of misrepresentation made by directors to creditors or of wrongful or oppressive conduct by directors.

ARTICLE 10

GENERAL

10.1 Post-filing Goods and Services

Claims arising in respect of goods supplied, services rendered or other consideration given to the Debtor subsequent to the Filing Date, shall be paid in full by the Debtor in the ordinary course of business, and on regular trade terms, prior to the payment of the Creditors' Fund to the Proposal Trustee.

10.2 Paramountcy

From and after the Effective Date, any conflict between the covenants, warranties, representations, terms and conditions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, whether written or oral, and any and all amendments or supplements thereto existing between any third party and the Debtor as at the Effective Date will be deemed to be governed by the terms, conditions and provisions of the Proposal, which shall take precedence and priority.

10.3 Further Assurances

Each of the Persons named or referred to in, or subject to, this Proposal will execute and deliver all such documents and instruments and do all such actions and things as may be necessary or desirable to carry out of the full intent and meaning of this Proposal and to give effect to the transactions contemplated herein.

10.4 Governing Law

This Proposal will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

11.5 Report of the Proposal Trustee

The Proposal Trustee will prepare a report on the Proposal, which will be filed with the Official Receiver and the Court and distributed to Creditors pursuant to the BIA.

10.5 Annulment

If the Proposal is annulled by an Order of the Court, all payments on account of Claims made pursuant to the terms of this Proposal will reduce the Claim of the applicable Creditors.

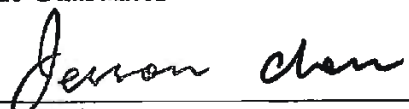
DATED AT VANCOUVER this 15 day of June, 2020.

1032951 B.C. Ltd



Per: authorized signatory

The Guarantor



Jesson Chen

SCHEDULE "A"

Province of British Columbia
Bankruptcy Division
Vancouver Registry
Court No. B-200020
Estate No. 11-2603047

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF 1032951 B.C. LTD.**

WITHDRAWAL OF CLAIMS

TO: MNP LTD. in its capacity as Trustee under the Amended Proposal of 1032951 B.C. Ltd. dated June 15, 2020 (the "Amended Proposal") and to MSI Methylation Sciences, ("MSI") Inc.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby irrevocably withdraw any claim they may have for a distribution, dividend or other payment of any kind under the Amended Proposal. The undersigned acknowledge and agree that the other Creditors under the proposal, including, without limitation, MSI Methylation Sciences, ("MSI") Inc., are voting to approve the Amended Proposal relying at the request of the undersigned and based on this Withdrawal of Claims.

Dated this day of June, 2020.

ZHIZHONG CHEN

JESSON INTERNATIONAL INVESTMENT (CANADA) LTD.

Per: _____

Authorized Signatory

QUARK VENTURE LIMITED PARTNERSHIP,

by its General Partner,

Per: _____

Authorized Signatory

1049019 B.C. FINANCIAL BUSINESS LTD.

Per: _____

Authorized Signatory

GLOBAL DRUG COMMERCIALIZATION CENTER INC.

Per: _____

Authorized Signatory