

COURT NO. B-200020  
ESTATE NO. 11-2603047  
VANCOUVER REGISTRY

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

**IN THE MATTER OF THE PROPOSAL OF  
1032951 B.C. LTD.**

**SUPPLEMENTAL TRUSTEE'S REPORT TO CREDITORS**

**BACKGROUND AND PURPOSE**

1032951 B.C. Ltd. ("**103**", and the "**Company**") filed a Proposal pursuant to the provisions of the *Bankruptcy and Insolvency Act* ("**BIA**") on May 15, 2020 (the "**Holding Proposal**") and MNP Ltd. is the Licensed Insolvency Trustee (the "**Trustee**") in the Proposal proceedings.

This report (the "**Supplemental Report**") should be read in conjunction with the Trustee's Report to Creditors dated May 26, 2020 ("**Trustee's First Report**").

In preparing this Supplemental Report and making the comments herein, the Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with employees and management and information from other third party sources (collectively, the "**Information**"). Except as described in this Supplemental Report, the Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards or other standards established by the Chartered Professional Accountants of Canada.

Capitalized terms used in the Supplemental Report are the same as those referenced in the Proposal. Unless otherwise stated herein, all references to currency are to Canadian currency.

**In the Matter of the Amended Proposal of  
1032951 B.C. Ltd.**

**Supplemental Trustee's Report to Creditors**

**Page 2**

**FIRST MEETING OF CREDITORS JUNE 5, 2020**

A meeting of creditors was convened on June 5, 2020 to permit the Company's creditors to consider the Holding Proposal. The Company filed the Holding Proposal with the intention of filing an amended definitive Proposal. As the Company and its major creditors had not yet reached an agreement, the creditors present at the meeting passed a resolution to adjourn the meeting for further investigation, and the meeting of creditors is scheduled to be reconvened on June 19, 2020 at 10:00 am Vancouver time. Accordingly, no vote was taken on the Holding Proposal.

As set out in the Trustee's First Report, MSI Methylation Sciences, Inc. ("MSI") is 103's largest unsecured creditor as a result of a damages, interest, and costs awarded following an arbitration hearing. MSI filed a proof of claim with the Trustee in the amount of \$21,477,594.45 USD or \$27,976,714.53 CDN.

103 does not currently have assets sufficient to satisfy the debt obligation owing to MSI and 103's other creditors, including the secured claims of Jesson International Investment (Canada) Ltd. and 1049019 B.C. Financial Business Ltd. who are collectively owed in excess of \$17,000,000.

We understand that negotiations with 103's largest creditors have continued and on June 15, 2020, the Company filed an Amended Proposal (the "**Amended Proposal**").

**SUMMARY OF AMENDED PROPOSAL**

The major terms of the Amended Proposal are as follows:

- Quark Ventures Limited Partnership, Jesson International Investments (Canada) Ltd., Jesson Chen, Global Drug Commercialization Center Inc., and 1049019 B.C. Financial Business Ltd. shall irrevocably withdraw any claim they may have for a distribution, dividend or other payment of any kind under the Amended Proposal in the form of withdrawal attached as Schedule A to the Amended Proposal. The form of withdrawal shall be delivered to the Trustee prior to or immediately after the expiry of any period of appeal from the issuance of the Proposal Approval Order.
- The Company will pay, or cause to be paid to the Trustee an amount sufficient to pay the fees and expenses of the Trustee in full, pay any Crown priority claims and preferred claims, pay MSI the sum of \$250,000.00 net of the Superintendent's levy payable under section 147 of the BIA, and pay 103's Other Creditors (as defined) an equal pro rata amount without deduction for the levy payable.

**In the Matter of the Amended Proposal of  
1032951 B.C. Ltd.**

**Supplemental Trustee's Report to Creditors**

**Page 3**

- The Amended Proposal contains a provision that Jesson Chen (defined as the "Guarantor") guarantees the payment by 103 of the payment due under the Amended Proposal, and if the Company fails to make the payment to the Trustee, the Guarantor agrees to immediately make the payment himself.
- The Amended Proposal contains a provision that claims against the Company's Directors are compromised upon full performance of the Amended Proposal.

**ESTIMATED REALIZATION**

As set out in the Trustee's First Report, 103 is an investment company which has no operating income. We are advised that expenses incurred by the Company have historically been funded by way of loans from affiliated companies.

The Company's Statement of Affairs sworn on May 15, 2020 reports assets totaling approximately \$2.1MM. The claims of secured creditors well exceed the estimated value of the Company's assets.

As previously reported, the terms of the Amended Proposal stipulate that 103 shall pay to the Trustee an amount sufficient to pay MSI \$250,000 net of the 5% levy payable to the Superintendent. This equates to a payment of approximately \$263,158. Based on the claim filed by MSI in the amount of \$27,976,714.53 CDN, this equates to a dividend of approximately 0.9406%.

Only the claim of the Canada Revenue Agency ("CRA") will likely remain after the form of withdrawal of claims is signed and provided to the Trustee. CRA previously filed a claim with the Trustee in the amount of approximately \$43,805.75. Accordingly, we estimate that CRA will be paid a dividend of approximately \$412 prior to deduction of the levy.

**CONSEQUENCES OF NON-APPROVAL OF THE PROPOSAL**

If the Amended Proposal is not accepted by the creditors, the Company will be deemed to have made an assignment in bankruptcy on that date. In a bankruptcy, all the Company's realizable assets will be subject to the claims of secured creditors and as such, it is unlikely that there will be assets available for the claims of unsecured creditors.

**In the Matter of the Amended Proposal of  
1032951 B.C. Ltd.**

**Supplemental Trustee's Report to Creditors**

**Page 4**

In the Amended Proposal, it is estimated that the unsecured creditors will receive a dividend of approximately 0.9406%.

Accordingly, we recommend acceptance of this Amended Proposal.

**DATED** this 15<sup>th</sup> day of June, 2020.

**MNP Ltd.**

In its capacity as Licensed Insolvency Trustee  
In the Proposal Proceedings of 1032951 B.C. Ltd.  
and not in its corporate capacity

Per: Patty E. Wood CPA, CGA, CIRP, LIT  
Senior Vice President