



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.**

WITHOUT NOTICE OF APPLICATION FOR EXTENSION OF TIME

Name of applicant: 1032951 B.C. Ltd. (the "Company")

TAKE NOTICE that a WITHOUT NOTICE application will be made by the Company to the presiding judge or master at the courthouse at 800 Smithe Street, Vancouver, British Columbia on February 21, 2020 at 9:45 a.m. for the order set out in Part 1 below.

Part 1 ORDERS SOUGHT

1. An order that the time for filing the Company's proposal under Part III of the *Bankruptcy and Insolvency Act* ("BIA") be extended to 11:59 p.m. on Friday, February 28, 2020; and
2. An Order that any party affected by this Order have leave to apply to set same aside on two days' notice to the solicitor for the Company.

all substantially as set out in the forms of order attached hereto as Schedule "A".

Part 2 FACTUAL BASIS

1. On January 8, 2020 (the "Filing Date"), the Company filed a Notice of Intention to Make a Proposal (the "NOI") pursuant to section 50.4 of the *Bankruptcy and Insolvency Act* (the "BIA"). MNP Ltd. was appointed as trustee under the NOI (in such capacity, the "NOI Trustee").

2. The Company is a corporation incorporated on April 9, 2015 pursuant to the laws of British Columbia with its head office and main location of operations at 2500 - 1075 West Georgia Street, Vancouver, British Columbia.
3. The Company was a venture capital firm in the business of making investment in biotechnology and health sciences companies.
4. In March 2016, the Company borrowed \$1,500,000 from Jesson International Investment (Canada) Ltd. ("Jesson International") for the purpose of making investment in Sitka Biopharma Inc. ("Sitka"). The terms of the loan include interest at the rate of 8% per annum payable annually, and principal and interest are payable on demand, and the loan was to be secured by a general security agreement over all of the present and after-acquired personal property of the Company.
5. In September 2016, the Company and MSI Methylation Sciences, Inc. ("MSI"), a clinical stage pharmaceutical company based in Vancouver, British Columbia, entered into an investment agreement (the "MSI Agreement"), the general terms of which set out that the Company would invest up to \$30,000,000 USD (by way of four separate payments on certain terms) and by which the Company would obtain a majority interest in MSI. The first payment of \$1,000,000 USD was made by the Company on September 30, 2016. No further funds were advanced by the Company under the investment agreement.
6. On or about January 6, 2017, the Company ceased making direct investment, and instead, became the general partner of Quark Venture Limited Partnership ("Quark LP"), a limited partnership formed under the laws of British Columbia.
7. In July 2017, Jesson International and 1049019 B.C. Financial Business Ltd. ("104") advanced a total of \$12,770,000 to the Chen Family (2017) Trust (the "Chen Trust"), and that these funds, in turn, were used to purchase partnership interest in Quark LP. The terms of the loan include that the Company, in its capacity as the general partner of Quark LP, guarantees the debt obligations of the Chen Trust, such guarantee to be secured by a general security agreement.
8. In March 2017, MSI commenced an arbitration proceeding under the MSI Investment Agreement.
9. In April 2018, Jesson International issued a demand for repayment of its 2016 loan, and the parties subsequently entered into a forbearance agreement. The terms of the forbearance agreement include a share pledge by the Company of its shareholdings in Sitka.
10. In April 2018, Jesson International and 104 issued a demand for repayment of their loans to the Chen Trust, and the parties subsequently entered into a forbearance agreement.

The terms of the forbearance agreement include a pledge of Quark LP's interest in Global Science Health Fund I, L.P., an exempted limited partnership formed under the laws of the Cayman Islands.

11. In June 2018, following the arbitration hearing, MSI was awarded damages of \$20,000,000 USD (the "Award"), and in September 2018, a supplementary award was made in respect of interest and costs (the "Supplementary Award").
12. On December 18, 2018, the limited partners of Quark LP, by way of an extraordinary resolution under the limited partnership agreement, removed the Company as the general partner of Quark LP and appointed Quark Venture GP Ltd. as the general partner.
13. The Company applied to set aside the Award and the Supplementary Award, but in March 2019 the petition was dismissed and the Company was ordered to pay MSI \$20,080,066.67 USD plus interest, and MSI was granted leave to enforce the Award and Supplementary Award. In April 2019, the Company filed notices of appeal to the B.C. Court of Appeal from the B.C. Supreme Court's decisions, but those appeals were dismissed on December 6, 2019.
14. On August 23, 2019, an Order of the Supreme Court of British Columbia was granted which confirmed the debt due to Jesson International by the Company and confirmed the security granted and executed. At the date of that court order, Jesson International was owed approximately \$1,808,000 plus costs.
15. On August 23, 2019, an Order of the Supreme Court of British Columbia was granted which confirmed the debt due to Jesson International and 104 by the Chen Trust, and confirmed the security granted and executed. At the date of the Court Order, Jesson International and 104 were owed approximately \$15,069,000 plus costs.
16. The Company has no assets of any substance, but MSI is pursuing its Award and the Supplementary Award.
17. The parties have initiated discussions to settle MSI's claims against the Company, as well as Related Claims against the Company and other secured creditors; however, the parties have not yet completed the negotiations.
18. MSI consented to a two week extension, and that was not opposed by Jesson International or 104.
19. The Court granted a two week extension, but while progress has been made, MSI and the Company continue to negotiate and have not yet reached an agreement that might support a proposal. The company seeks an extension to February 28, 2020 to allow it to see if it

can come to an agreement with MSI and its other creditors. MSI has consented to such an extension, and Jesson International and 104 do not oppose the extension.

20. The Applicant has not had time to canvass the other small creditors but the extension is brief and will not prejudice them. The NOI Trustee is in favour of the extension.
21. The Company has acted, and continues to act, in good faith and with due diligence. The Company has no current expenses and as per the cash flow projection filed by MNP Ltd.

Part 3 LEGAL BASIS

1. Rules 11 to 13 of the *Bankruptcy and Insolvency Rules* and Part III of Division I of the BIA.

Extension of Period for Filing Proposal

2. The Company relies on section 50.4(9) of the BIA.
3. The Company has acted, and is acting, in good faith and with due diligence and continues to pursue the preservation and completion of asset sales and reduction of costs with the assistance of the NOI Trustee.
4. The Company is unaware of any creditor which would be materially prejudiced if the extension being applied for were granted. Although this application is *without notice*, the vast majority of creditors in dollar value and number are aware of the application and do not oppose it.
5. The Company submits that, in the circumstances, the extension sought is appropriate and necessary.

Part 4 MATERIAL TO BE RELIED ON

1. Second Report to the Court of MNP Ltd. dated February 21, 2020.
2. 2nd Affidavit of Chao Lin sworn February 21, 2020.

The applicant estimates that the application will take 5 minutes.

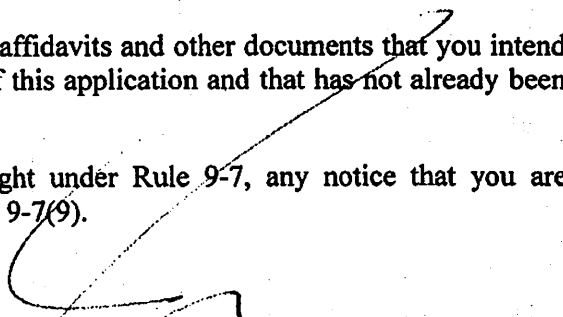
This matter is within the jurisdiction of a master.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this Notice of Application, you must, within 5 business days after service of this Notice of

Application or, if this application is brought under Rule 9-7, within 8 business days after service of this Notice of Application,

- (a) file an Application Response in Form 33,
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) service on the applicant 2 copies of the following, and on every other party of record one copy of the following:
 - (i) a copy of the filed Application Response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Dated: 21-Feb-2020



 Signature of John Grieve QC
 Lawyer for Applicant, 1032951 B.C. Ltd.

To be completed by the court only:

Order made

in the terms requested in paragraphs of Part 1 of this Notice of Application

with the following variations and additional terms:

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Date:

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 Signature of Judge Master

The Solicitors for the Applicant are Fasken Martineau DuMoulin LLP, whose office address and address for delivery is 2900 - 550 Burrard Street, Vancouver, BC V6C 0A3 Telephone: +1 604 631 3131 Facsimile: +1 604 631 3232. (Reference: John Grieve Q.C./305498.00032)

APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- other matters concerning document discovery
- extend oral discovery
- other matter concerning oral discovery
- amend pleadings
- add/change parties
- summary judgment
- summary trial
- service
- mediation
- adjournments
- proceedings at trial
- case plan orders: amend
- case plan orders: other
- experts