

Estate No. 11-2328812
Vancouver Registry

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

**IN THE MATTER OF THE BANKRUPTCY OF
CYON THERAPEUTICS INC.**

ORDINARY ADMINISTRATION

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

BACKGROUND

Cyon Therapeutics Inc. ("Cyon", or the "Company") was federally incorporated in February 2014 and registered in British Columbia in September 2014. The Company's Directors include: James Russell MD, Keith Walley MD, and John Boyd MD. Cyon is a privately held clinical phase biotechnology company based in Vancouver, BC and used technology developed at the University of British Columbia ("UBC").

The Company's Directors conducted research in the UBC Department of Medicine relating to the clearance of bacterial toxins in patients with or at risk for sepsis, and on or about June 2014, the Company entered into a Technology Assignment Agreement (the "Technology Agreement") with UBC. The Technology Agreement granted to Cyon, all of UBC's right title and interest in and to the Technology (as defined) which included the technology pertaining to the research as well as related patents and patent applications.

On or about August 2016, Cyon entered into a license agreement with Novartis Pharm AG in Switzerland regarding their anti-PCSK9 antibody. This license agreement provided Cyon with the world-wide rights to the antibody for use in severe infections and the prevention and treatment of sepsis.

Cyon planned on initiating a Phase II clinical trial of the antibody in 2017. Funding was required for this clinical trial, and the Company sought out investors in order to raise the requisite capital. We are advised that the Company failed to raise sufficient working capital to fund the Phase II clinical trial as well as meet ongoing expenses.

As the Company remained in the research and development phase, it is our understanding that it never generated operating revenue. It is our further understanding that funding to date was achieved through various grants, sale of shares, and loan advances. We have reviewed compilation financial statements prepared for the fiscal year ending January 31, 2017. The financial statements reported grant revenue of approximately \$142,000, an operating loss of approximately \$1,053,000, and an accumulated deficit of approximately \$1,223,000.

Assignment in Bankruptcy

Ultimately Cyon was unable to meet all of its obligations and in order to ensure its creditors were dealt with in an equitable way, the Company made a voluntary assignment in bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* (“BIA”) effective December 21, 2017 and MNP Ltd. was appointed Licensed Insolvency Trustee of the Bankrupt Estate (the “Trustee”), subject to creditor affirmation at the First Meeting of Creditors.

ASSETS

The Statement of Affairs filed in the bankruptcy, reports the following assets:

Statement of Affairs

Cash	\$ 26,644
Interest in Technology Agreement	1
SR&ED Refund	<u>1</u>
Total Assets	<u>\$ 26,646</u>

Cash on Deposit

The Company maintained one bank account with TD Canada Trust (“TD”). At the time of the assignment in bankruptcy, Cyon made a payment to the Trustee in the amount of \$26,644.40 which represented the balance of funds on hand in the account. The Trustee deposited the funds to its trust account. The Trustee wrote to TD and requested that they close the account, and forward banking documents and any remaining funds on hand to the Trustee.

Interest in Technology Agreement and Patents/Patent Applications

As previously reported, Cyon entered into a Technology Agreement with UBC in June 2014. The Assignment Agreement granted to Cyon all of UBC’s right title and interest in and to Technology

(as defined) which included the technology pertaining to the research and related patents and patent applications.

In consideration for the assignment, UBC received shares in Cyon equivalent to 8% of all issued and outstanding shares of Cyon, and Cyon was required to pay UBC an annual royalty based on a percentage of revenue.

In relation to the Technology, an international patent application was initially filed, and subsequently patent applications were filed for Canada, United States, Germany, France, Great Britain, Australia, New Zealand, Russia, South Africa, and Mexico.

Refundable Scientific Research and Experimental Development Investment Tax Credit (“SR&ED Refund”)

As Cyon conducted medical research, the Company previously claimed and obtained a refund from the Canada Revenue Agency of refundable and qualifying scientific research and experimental development expenditures pursuant to the provisions of the *Income Tax Act*. It is our understanding that the Company received a refund of approximately \$223,000 in or around July 2017 pertaining to the January 31, 2017 fiscal year-end. The Trustee will review whether a claim for the Company’s final year-end may be made for the benefit of the bankrupt estate.

PROVABLE CLAIMS

It is the duty of the Trustee to examine and satisfy itself as to the validity and priority of all claims filed in the Estate. Claims filed with the Trustee to date are as follows:

	Statement of Affairs	Filed
Secured creditors	\$ Nil	\$ Nil
Preferred creditors	\$ Nil	\$ Nil
Unsecured creditors	\$ <u>745,693</u>	\$ <u>550,072</u>
Total	\$ <u>745,693</u>	\$ <u>550,072</u>

As at the date of this report, there have been no significant differences between the claims listed on the Statement of Affairs and the claims filed to date with the Trustee.

SECURED CREDITORS

Canada Revenue Agency (“CRA”)

CRA has a “deemed trust” claim or property claim equal to the amount of payroll deductions withheld from employees’ compensation and not remitted to CRA. This claim comes in priority

to the claims of all other creditors. We are advised that the Company did not have employees, and as such, we do not anticipate that there is a debt owing to CRA in relation to payroll withholdings; however, the Trustee has not yet confirmed this with CRA.

Any debt owing to CRA for unremitted Goods and Service Tax or unpaid corporate income tax at the date of bankruptcy will rank as a general, unsecured claim.

Claims of Wage Earners

Pursuant to Section 81.3(1) of the BIA, claims of employees who are owed wages in the six-month period preceding the date of bankruptcy are secured, to the extent of \$2,000, over the Bankrupt's current assets.

With the exception of a deemed trust claim asserted by CRA, the secured claim under Section 81.3(1) comes in priority to the claims of all creditors.

As reported above, as we understand the Company had no employees, we do not anticipate that there will any secured claims under Section 81.3(1).

PREFERRED CREDITORS

Employees are afforded priority for wages and compensation that are not paid by virtue of Section 81 of the BIA. Claims of employees that relate to the period more than six months preceding the date of bankruptcy are general, unsecured claims and will share ratably with the claims of other creditors.

Landlords in British Columbia are afforded priority for rent arrears in the three-month period preceding the date of bankruptcy. It is our understanding that the Company did not operate from leased or rented premises at the date of bankruptcy.

We do not anticipate any claims from employees or landlords.

UNSECURED CREDITORS

The Statement of Affairs reports total claims of unsecured creditors of approximately \$745,693. Ultimately the amounts owing to unsecured creditors will be based on proofs of claim filed and admitted by the Trustee.

SALE OF ASSETS

As previously reported, the Company entered into a Technology Agreement with UBC in June 2014 and there are a number of patents/patent applications in relation to the Technology.

The Trustee will contact certain parties to determine if they are interested in purchasing the Company's interest in the Technology Agreement and related patents and patent applications.

OTHER MATTERS

Books and Records

The Trustee has been provided with certain books and records of the Company.

Insurance

As we are unaware of any tangible assets, the Trustee has not arranged for insurance through its insolvency insurance program.

Legal Proceedings

The Trustee has not commenced any legal proceedings at the date of this report and is not aware of any outstanding litigation.

Conservatory and Protective Measures

The Trustee has taken no conservatory or protective measures.

Preferences, and Transactions at Under Value

The Trustee will review the Company's books and records preceding the date of bankruptcy in order to ascertain whether or not any preferential payments and/or reviewable transactions have occurred within the last three months or, where related parties are involved, within the last twelve months.

Directive 16 Third-Party Deposits and Guarantees

The Company's Directors have indemnified the Trustee for costs of administering the bankruptcy, should the assets of the bankrupt estate be insufficient.

ESTIMATED REALIZATION

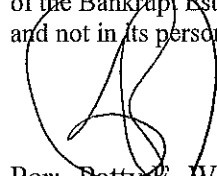
At this time, we are unable to assess the level of interest by third parties in the Technology, and we do not know whether a further SR&ED Refund is available. As such, we are unable to provide an estimated recovery to creditors.

This concludes the Trustee's Preliminary Report to Creditors.

DATED at the City of Vancouver, in the Province of British Columbia, this 11th day of January, 2018.

MNP Ltd.

In its capacity as Licensed Insolvency Trustee
of the Bankrupt Estate of Cyon Therapeutics Inc.
and not in its personal or corporate capacity



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