



Deloitte Restructuring Inc.
2800-1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-669-4466
Fax: 604-602-1583
www.deloitte.ca

November 22, 2017

Attention: Potential Bidders for the Assets of Network Intelligence Inc.

Dear Sirs:

Subject: Network Intelligence Inc. (the "Company") – In Receivership

Deloitte Restructuring Inc. was appointed as receiver-manager (the "**Receiver**") of the property, assets and undertaking of the Company (the "**Assets**") pursuant to the terms of a October 31, 2017 Order of the Supreme Court of British Columbia (the "**Court**").

On November 22, 2017, a Sale Procedure Order (the "**SPO**") was pronounced by the Court. Unless otherwise defined, all capitalized terms herein have the meanings ascribed to them in the SPO.

Under the SPO, the Court authorized the Receiver to:

- a) enter into a Stalking Horse Agreement with 1130489 B.C. Ltd. ("**113**") whereby 113 has agreed to purchase the majority of the Assets for a purchase price of CDN \$9.0 million; and
- b) solicit competing bids for the Assets whereby a Qualified Bidder must deliver a Qualified Bid to the Receiver **by no later than 10:00 AM Pacific time on December 15, 2017** (the "**Bid Deadline**").

The Receiver is hereby inviting you to make a bid for purchase of the Assets pursuant to the terms of the SPO.

The Receiver will conduct a Sealed Bid Process as set out in the SPO and will determine the Successful Bidder on or before 5:00 PM Pacific time on December 18, 2017.

The Receiver will seek Court approval of the Successful Bid on or before December 22, 2017.

The Stalking Horse Agreement, SPO and Asset list can be found on the Receiver's website at <http://www.insolvencies.deloitte.ca/en-ca/Pages/networkintelligence.aspx>. Each interested party is responsible for ensuring its own compliance in form and substance with the SPO. We strongly encourage you to review the Stalking Horse Agreement and the SPO in detail.

If you have any questions or require further information, please contact the undersigned.

Yours truly,

DELOITTE RESTRUCTURING INC.

In its capacity as Receiver of Network Intelligence Inc.
and not in its personal capacity.

Jeff Keeble, CPA, CA, CBV, CIRP, LIT
Senior Vice-President

Company Overview and Assets for Sale

Deloitte Restructuring Inc., in its capacity as the Court appointed receiver and manager (the “Receiver”) of Network Intelligence Inc. (“Network” or the “Company”) and not in its personal capacity, is seeking offers for the assets of the Company.

Network is a privately held start-up information technology company that was incorporated in British Columbia in August 2015. The Company is in the business of researching and developing enterprise solid state drive (“SSD”) controller solutions which meet enterprise user requirements including high bandwidth, high computing throughput, fast response speed, high time to failure and high scalability (the “IP”). The Company has spent approximately CAD \$24.0 million on the IP to November 15, 2017.

The Receiver is continuing to operate the Company from offices in Burnaby, British Columbia and Markham, Ontario with approximately 50 employees, while at the same time seeking offers for the Company’s assets.

The assets for sale include all undertakings and property of the Company, including the books and records, computers, goodwill, office equipment and supplies, software and IP, and right title and interest in contracts.

Technical Highlights



The SSD controller design will use the most advanced interfaced technologies for Double Data Rate, Peripheral Component Interconnect-Express and Flash.



The SSD controller will be implemented in a flexible programmable implementation that will allow for the greatest flexibility in adapting to current and future flash technologies.



A high performance CPU implementation will allow for high throughput read and write transactions for competitive IOP performance.



Enterprise specific features such as enhanced power loss protection, dedupe, internal RAID and encryption address the specific needs of large scale enterprises and data center customers.



The custom SSD designs are being developed for AIC (HHHL), U.2 (15mm) and m.2 form factors to address a wide range of customer needs.



Optimizations addressing the specific thermal and signal integrity needs of each form factor will allow the drives to maximize the performance and capacity of the underlying flash devices.



The drive performance is expected to exceed best in class targets of existing NVM Express (“NVMe”) based SSD designs.



The SSD will enable high performance NVMe solutions to be built around the latest flash technologies.



Potential markets for this technology includes enterprise, high performance computers and data center applications.

Specifications

Model Name	Network Intelligence Solid-State Drive		
AIC	2.5": Industry	M.2 (22110-D5-M)	
Form Factor	Standard Form Factor		
	HHHL	Height: 15mm thick	Height 1.5 mm thick
	Weight: TBD	Weight: TBD	Weight: TBD
Raw Capacity	16TB	16TB	8TB
	8TB	8TB	4TB
	4TB	4TB	2TB

Status and Timeline

- ~November 30, 2017: Tape out
- ~March 1, 2018: Chip to be received by the Company
- ~August 30, 2018: General customer available

Source: Company Management

All inquiries concerning the Company should be directed to the Receiver. Under no circumstances should the management, employees, officers, or shareholders of the Company be contacted directly. Inquiries regarding the transaction should be directed only to the following:

Deloitte.
Restructuring Inc.

Jeff Keeble
Senior Vice President
(604) 235-4197
jkeeble@deloitte.ca

Laura Chung
Senior Manager
(604) 235-4170
lchung@deloitte.ca

Summary of Stalking Horse Bid

The Receiver obtained Court approval on November 22, 2017 of a stalking horse bid from 1130489 B.C. Ltd. (“113” or the “**Stalking Horse Bidder**”) for CAD \$9.0 million (the “**Stalking Horse Bid**”). The Court also approved the sales process to be followed by the Receiver as part of the Stalking Horse Bid and granted a related Order on the same date (the “**Sale Procedure Order**”).

The Stalking Horse Bid includes all of the Company’s assets (with some exceptions) and the purchase price is allocated as follows:

Asset	Price (CAD\$)
Computers (excluding Servers)	\$ 110,445
Servers (7 in Burnaby, 3 in Markham)	18,000
Goodwill	1
Remaining Purchased Assets	8,871,554
Total	\$ 9,000,000

113 is the principal secured lender to Network and is paying the purchase price as part of its Stalking Horse Bid by first offsetting any amounts owed to 113 before and after the date of receivership and then paying any remaining amount with cash.

Other more significant terms and conditions of the Stalking Horse Bid are as follows:

- 113 will offer employment to all employees and independent contractors of Network upon closing on or before December 19, 2017 on terms no worse than those in existence before or after the receivership.
- A \$50,000 break fee is payable to 113, if it is not the successful bidder.
- The closing date is the fourth business day following on the date on which a vesting order is pronounced by Court (the “**Vesting Order**”), on or before December 22, 2017, subject to further agreement.
- The purchase is on an “as is where is” basis, with no representations or warranties given by the Receiver with respect to the assets.

A copy of the Stalking Horse Bid is on the Receiver’s website at:

<http://www.insolvencies.deloitte.ca/en-ca/Pages/networkintelligence.aspx>

All inquiries concerning the Company should be directed to the Receiver. Under no circumstances should the management, employees, officers, or shareholders of the Company be contacted directly. Inquiries regarding the transaction should be directed only to the following:

The Company is solely responsible for ensuring the accuracy and completeness of the information contained herein. The information contained herein has not been verified for accuracy by the Receiver, and the Receiver expressly disclaims any and all responsibility for the information contained herein and makes no representations or warranties, expressed or implied, regarding the information contained in, or omitted from, this document or any other written or oral communications transmitted or made available.

Summary of Sale Procedure Order

The more significant terms and conditions included in the Sale Procedure Order are as follows:

Deadline for Qualified Bid: no later than 10:00 AM Pacific Time on December 15, 2017 (the “**Bid Deadline**”).

Participant Requirements: an interested party must submit to the Receiver an executed confidentiality agreement, an executed acknowledgement of sale procedure and identification of the participant(s) and representatives authorized to appear and act on their behalf. Once the Receiver has deemed a party to be a participant, access to the due diligence materials will be granted.

Bidder Qualification Requirements: Participants must submit to the Receiver before the Bid Deadline written evidence of the Participant's:

- i. Chief Executive Officer or other senior executive's approval of the bid.
- ii. Financial ability to close the contemplated transaction (e.g. financial statements, contact details of financing sources, proof of debt and equity financing commitments, or any other form of financial disclosure or credit quality support information).

Bid Requirements: in order to be considered a Qualified Bid, a bid must satisfy each of the following conditions:

- i. Be submitted to the Receiver in a sealed envelope by the Bid Deadline in the form of a modified asset purchase agreement compared against the Stalking Horse Bid along with a written and binding commitment to close.
- ii. Must be open for acceptance and irrevocable until December 22, 2017.
- iii. May not be conditional on obtaining financing or any internal approvals.
- iv. Must be accompanied by written evidence of a financing commitment satisfactory to the Receiver.
- v. May not include any break-up fee or any other reimbursement or similar payment to the bidder.
- vi. Must be accompanied by a good faith deposit of 10% of the purchase price being offered.
- vii. The aggregate consideration must exceed the Stalking Horse Bid purchase price by not less than 10%.

Stalking Horse Bid Increase: The Stalking Horse Bidder may, at any time prior to the Bid Deadline, submit to the Receiver in a sealed envelope an executed addendum to the Stalking Horse Bid amending the Stalking Horse Bid by purchase price only (the “**Stalking Horse Addendum**”).

Sealed Bid Process / Court Approval of Bid:

- i. In the event that the Receiver receives no bids superior to the Stalking Horse Bid, then the Stalking Horse Bid will be declared the successful bidder.
- ii. In the event that the Receiver receives at least one bid superior to the Stalking Horse Bid, the Receiver will unseal any Stalking Horse Addendum and determine the successful bidder among the superior bid(s) and the Stalking Horse Bid as modified by the Stalking Horse Addendum.
- iii. The Receiver will determine the successful bidder on or before 5:00 PM Pacific Time on December 18, 2017, will notify the successful bidder and post notification of the successful bidder on the Receiver's website.
- iv. The Receiver will seek Court approval of the successful bid and the Vesting Order on or before December 22, 2017.

Other Terms: A copy of the Sale Procedure Order, along with other information on the receivership, can be found on the Receiver's website at <http://www.insolvencies.deloitte.ca/en-ca/Pages/networkintelligence.aspx>. The Receiver strongly encourages interested parties to review the Sale Procedure Order in detail and will require an acknowledgement that this has been done before providing any due diligence materials.