

# Deloitte.



COURT FILE NUMBER S-179749

COURT SUPREME COURT OF BRITISH COLUMBIA

REGISTRY VANCOUVER

PETITIONER 1130489 B.C. LTD.

RESPONDENT NETWORK INTELLIGENCE INC.

DOCUMENT **FOURTH REPORT OF THE COURT APPOINTED RECEIVER  
AND MANAGER OF NETWORK INTELLIGENCE INC. DATED  
JANUARY 9, 2018**

**PREPARED BY DELOITTE RESTRUCTURING INC.**

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## INTRODUCTION

1. Pursuant to an Order (the "**Receivership Order**") granted by the Supreme Court of British Columbia (the "**Court**") on October 31, 2017 (the "**Date of Receivership**"), Deloitte Restructuring Inc. ("**Deloitte**") was appointed as receiver and manager (the "**Receiver**") of all assets, undertakings and properties of Network Intelligence Inc. ("**Network**" or the "**Company**").
2. Pursuant to the Receivership Order, the Receiver assigned Network into bankruptcy on November 3, 2017 (the "**Date of Bankruptcy**") and Deloitte was appointed as the trustee in bankruptcy of the Company (the "**Trustee**").
3. A copy of the Receivership Order and other information regarding the receivership and bankruptcy proceedings of the Company is available on Deloitte's website at <http://www.insolvencies.deloitte.ca/en-ca/Pages/networkintelligence.aspx> (the "**Deloitte Website**").
4. On November 20, 2017, the Receiver filed its first report to Court (the "**First Report**") to support its application on November 22, 2017 (the "**November 22 Application**") to, among other things, seek the Court's approval of both the asset purchase agreement between 1130489 B.C. Ltd. ("**113**") and the Receiver dated November 20, 2017 (the "**Stalking Horse Bid**") along with the sale process for the assets of Network (the "**Sale Procedures**"). Pursuant to the November 22 Application, the Court granted an order approving the Stalking Horse Bid and Sale Procedures (the "**Sale Procedure Order**").
5. On December 14, 2017, the Receiver filed its second report with the Court (the "**Second Report**") in connection with an application by 1143569 B.C. Ltd. ("**114**") on December 14, 2017 (the "**December 14 Application**"). In the December 14 Application, 114 sought to extend the bid deadline in the Sale Approval Order (the "**Bid Deadline**") from December 15, 2017 to January 31, 2018 in order to have time to consider making a qualified bid for the Company's assets as part of the Sale Procedures.
6. 114 was formed by thirty (30) individuals, family trusts and corporations who the Receiver understands are limited partners (the "**Limited Partners**") in the Istuary Innovation Fund I Limited Partnership, Istuary Innovation Fund II Limited Partnership, Istuary Innovation Fund III Limited Partnership and Platinum Fund III (collectively, the "**Istuary Partnerships**"). The Limited Partners advanced monies through the Istuary Partnerships to different companies affiliated with Istuary Group Holdings Ltd., including Network.
7. Pursuant to the December 14 Application, following written confirmation to the Receiver by 10:00 am PST on December 15, 2017 that 114's counsel was holding the sum of CAD \$1.3 million (the "**114 Funding**") and that such sum would be paid to the Receiver and used to fund the Receivership until January 15, 2018, in accordance with the Receivership Order (the "**Extension Pre-Condition**"), the Court agreed to extend the Bid Deadline from December 15, 2017 to January 5, 2018 (the "**Extended Bid Deadline**").
8. 114 met the Extension Pre-Condition and, as such, the Bid Deadline was extended to January 5, 2018 at 10:00 am PST.

9. On January 3, 2018, the Receiver filed its third report with the Court (the "**Third Report**") in relation to an application brought by 113 (the "**113 Security Application**") for:
  - 9.1 A declaration that 113 has a valid and enforceable security interest by virtue of the general security agreement (the "**113 GSA**"), registered by 113 in the British Columbia personal property registry on August 16, 2017 and dated August 22, 2017, by which Network granted a security interest in and to all of Network's present and after acquired property (the "**113 Security**");
  - 9.2 A declaration that the 113 Security secures all amounts due and owing to 113 by the Company under the Promissory Note, the Convertible Loan and the Loan and Service Agreement (as all defined in the Third Report), plus interest and costs payable in accordance with their contractual terms (the "**113 Secured Obligations**"); and
  - 9.3 An Order directing the Receiver to credit-bid, or pay out of from any proceeds of sale arising under the Sale Procedures approved in the Sale Approval Order, and varied December 14, 2017, the 113 Secured Obligations, after payment of the priority charges owing under the Receivership Order.
10. The 113 Security Application was originally scheduled for January 2, 2018 but was adjourned to January 5, 2018 and amended on January 8, 2018 to make no reference to the Loan and Service Agreement. The 113 Security Application is now set to be heard on January 10, 2018.
11. This is the fourth report of the Receiver (the "**Fourth Report**"). The Fourth Report is being filed in support of the Receiver's application to this Honourable Court on January 11, 2018 (the "**January 11 Application**") seeking the following:
  - 11.1 Approval of the reported actions of the Receiver since the First Report;
  - 11.2 Approval of the statement of receipts and disbursements for the receivership for the period from November 1, 2017 to January 8, 2018 (the "**January 8 SRD**"); and
  - 11.3 Approval of 113 as the successful bidder, pursuant to the Stalking Horse Bid, and approval to proceed with the Stalking Horse Bid, and the transaction provided therein, by vesting order.
12. Unless otherwise provided, all other capitalized terms not defined in this Fourth Report are as defined in the First Report, the Second Report and the Third Report.

## **NOTICE TO READER**

13. In preparing this Fourth Report, the Receiver has relied on unaudited financial and other information, the books and records of the Company and others and discussions with management (the "**Management**"), employees, contractors, interested parties and the Company's stakeholders. The financial information of the Company and others has not been audited, reviewed or otherwise verified by the Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this report may not disclose all significant matters about the Company. Additionally, none of the Receiver's procedures were intended to disclose defalcations or other irregularities. If the Receiver were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to the Receiver's attention. Accordingly, the Receiver does not express an opinion nor does it provide any other form of assurance

on the financial or other information presented herein. The Receiver may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.

14. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this Fourth Report. Any use which any party makes of this Fourth Report, or any reliance or decision to be made based on this Fourth Report, is the sole responsibility of such party.
15. All dollar amounts in this Fourth Report are in Canadian dollars, unless otherwise indicated. All Canadian currency amounts have been converted to US funds using an average foreign exchange rate over the period of 1.28, unless otherwise indicated.

### **ACTIVITIES OF THE RECEIVER SINCE THE SECOND REPORT**

16. The Receiver has undertaken the following more significant steps since the date of the Second Report with respect to the assets, employees and operations of the Company:
  - 16.1 Continued the operations of the business of the Company;
  - 16.2 Held weekly calls with Management to obtain updates on the operations and discuss disbursements and other matters;
  - 16.3 Obtained and reviewed the remainder of the minute books of the Company. The Receiver had previously attempted to locate the minute books, which were initially not found, however, they were provided to the Receiver by 113's counsel on January 4, 2018;
  - 16.4 Hired eight (8) new employees to replace staff that left the Company or to fill new required positions;
  - 16.5 Reviewed vendor payment requests and supporting documents and arranged for payment;
  - 16.6 Reviewed, updated and monitored a detailed weekly cash flow forecast for the period ending February 2, 2018;
  - 16.7 Corresponded by e-mail and telephone with Renesas Electronics Corporation ("**Renesas**"), a key supplier and creditor of the Company. Renesas expressed its wish to terminate a current licence agreement with the Company (the "**Current Renesas Agreement**") and proposed to enter into a new agreement with the successful bidder of the assets of the Company. Although the Receiver attempted to make a payment for the outstanding balance of USD \$275,000 owing to Renesas (the "**Outstanding Renesas Payment**") under the Current Renesas Agreement and indicated that it wanted to simply assign the Current Renesas Agreement to the successful bidder, Renesas attempted to terminate the Current Renesas Agreement on December 28, 2017. The Receiver has not accepted the termination and has indicated to Renesas in an email dated December 28, 2017 that the stay of proceedings prevents the termination and that the assignment of the Current Renesas Agreement cannot be unreasonably withheld by Renesas (if the Outstanding Renesas Payment is made and the successful bidder was acceptable). On January 9, 2018, Renesas requested that the Receiver provide the relevant Canadian bankruptcy law to support its position. The Receiver and its counsel are in the process of formulating a response to Renesas and the Receiver intends to have a discussion with 113 concerning the Current Renesas Agreement and the closing of the Stalking Horse Bid. The potential purchasers of the Network assets have been fully informed about the situation up until the Extended Bid Deadline;

- 16.8 Attended at the December 14 Application for the Bid Deadline Extension and coordinated the 114 Funding;
- 16.9 Completed various activities in accordance with the Sale Approval Order and Bid Deadline Extension and related due diligence completed by interested parties (which is discussed in detail later in this Fourth Report);
- 16.10 Conducted an analysis of the 113 Security, as a result of the 113 Security Application, as further detailed in the Third Report and as updated in this Fourth Report;
- 16.11 Responded to various requests for information and updates from employees and other stakeholders; and
- 16.12 Posted various orders, reports and other information on the Deloitte Website.

## RECEIVER BORROWINGS

17. Pursuant to the Receivership Order, the Receiver has the power to fund the receivership and the ongoing operations of Network through the issuance of Receiver's borrowing certificates (the "**Receiver's Certificates**") which Receiver's Certificates hold a priority secured charge against all the assets and undertaking of Network. To the date of this Fourth Report, the Receiver has issued the following Receiver's Certificates and will have incurred the following interest to January 12, 2018:

Receiver Borrowings from 113 as at January 12, 2018 (CAD)					
Date	Currency	Principal	Interest	Total (CAD)	Per Diem Interest
8-Nov-17	USD	\$ 658,848	\$ 13,432	\$ 860,518	\$ 205
10-Nov-17	USD	2,190,000	43,260	2,858,573	680
23-Nov-17	USD	250,000	3,911	325,007	78
24-Nov-17	USD	50,000	767	64,981	16
<b>Total</b>	<b>USD</b>	<b>3,148,848</b>	<b>61,370</b>	<b>4,109,079</b>	<b>978</b>
10-Nov-17	CAD	500,000	9,877	509,877	\$ 155
15-Nov-17	CAD	200,000	3,634	203,634	62
23-Nov-17	CAD	300,000	4,694	304,694	93
14-Dec-17	CAD	150,000	1,357	151,357	47
<b>Total</b>	<b>CAD</b>	<b>\$ 1,150,000</b>	<b>\$ 19,561</b>	<b>\$ 1,169,561</b>	<b>357</b>
<b>Grand Total</b>				<b>\$ 5,278,640</b>	<b>\$ 1,335</b>

Note 1 - The Receiver has converted all USD amounts to CAD amounts using a FX rate of 1.28 and calculated interest based on 365 days.

Receiver Borrowings from 114 as at January 12, 2018 (CAD)					
Date	Currency	Principal	Interest	Total (CAD)	Per Diem Interest
15-Dec-17	CAD	\$ 1,300,000	\$ 11,351	\$ 1,311,351	\$ 404
<b>Total</b>	<b>CAD</b>	<b>\$ 1,300,000</b>	<b>\$ 11,351</b>	<b>\$ 1,311,351</b>	<b>\$ 404</b>

18. The Receiver does not require any further borrowings to allow it to operate the Company until January 15, 2018.

## 113 SECURITY REVIEW

19. The Third Report provides details around the 113 Security and the 113 Secured Obligations as well as the Receiver's analysis completed and its view on the validity and amount of the 113 Security and the 113 Secured Obligations.
20. The Receiver concluded in the Third Report that, based on the information received to the date, the Receiver was not aware of any evidence to support a finding that the 113 Security created a preference over other creditors. It appears to the Receiver that 113 made fresh advances under the 113 Facilities in return for the 113 Security. As such, the Receiver does not challenge the validity of the 113 Security generally. The Receiver has not been provided with any evidence to the date of this Fourth Report that changes its prior conclusion.
21. The Receiver also provided its view and its calculations in the Third Report, based on the information available, of the amount of the 113 Secured Obligations and Receiver Borrowings, and related interest, at the proposed date of a vesting Order of January 11, 2018. After converting all of the USD amounts into CAD amounts as at January 11, 2018 using an exchange rate of 1.28, the Receiver calculated an amount of \$8,864,689 owing to 113 that could be used for a credit bid (the "**Original Credit Bid Amount**").
22. The Original Credit Bid Amount was net of CAD \$65,840 for advances for which the Receiver had not been provided supporting documents from 113 (the "**Unsupported Advances**"). 113 has subsequently provided the Receiver with the supporting information for the Unsupported Advances and the Receiver has recalculated and revised the Original Credit Bid Amount as of January 12, 2018 (the anticipated closing date) to CAD \$8,933,194 (the "**Revised Credit Bid Amount**"), as detailed in the following table:

Estimated Amounts owing to 113 as at the Date of the Vesting Order on January 12, 2018 (CAD)					
Loan/Facility	Principal	Interest	Fees	Total	Per Diem Interest
Convertible Loan	\$ 3,214,573	\$ 89,981	\$ -	\$ 3,304,554	\$ 998
Promissory Note	350,000	-	-	350,000	
<b>Subtotal</b>	<b>3,564,573</b>	<b>89,981</b>	<b>-</b>	<b>3,654,554</b>	<b>998</b>
Receiver's USD Certificates	4,030,525	78,553	-	4,109,079	1,252
Receiver's CAD Certificates	1,150,000	19,561	-	1,169,561	357
<b>Subtotal Receiver's Certificates</b>	<b>5,180,525</b>	<b>98,115</b>	<b>-</b>	<b>5,278,640</b>	<b>1,609</b>
<b>Total CAD</b>	<b>\$ 8,745,098</b>	<b>\$ 188,095</b>	<b>\$ -</b>	<b>\$ 8,933,194</b>	<b>\$ 2,607</b>

Note 1 - The Receiver has converted all USD amounts to CAD amounts using a FX rate of 1.28 and calculated interest based on 365 days.

23. The payment of the Stalking Horse Bid purchase price of CAD \$9.0 million (the "**Purchase Price**"), is partially offset by the Revised Credit Bid Amount but is subject to other adjustments and the payment of priority claims, including the 114 Funding, as detailed later in this Fourth Report.

24. Paragraph 23 above, and the balance of this Fourth Report, assumes that the Revised Credit Bid Amount is approved by the Court at the 113 Security Application on January 10, 2018.

## **SALE PROCEDURES UPDATE**

25. The Second Report outlined the following steps taken by the Receiver with respect to the Sale Procedures and the Sale Procedure Order up to that date:
  - 25.1 On November 22, 2017, posted the Sale Procedure Order and Stalking Horse Bid on the Deloitte Website;
  - 25.2 On November 23, 2017, completed the teaser document (the "**Teaser**") providing background information on the Company and details of the Stalking Horse Bid and Sale Procedures and posted it, along with the confidentiality agreement ("**CA**"), on the Deloitte Website;
  - 25.3 From November 23 to 26, 2017, distributed the Teaser to twenty-nine (29) potential interested parties, as identified by Management and the Receiver;
  - 25.4 On November 22 and 23, 2017, contacted Mr. Haijian Liu of Jiu Fa Investments Ltd. ("**Jiu Fa**"), an investment firm that previously expressed an interest in the Company's assets and submitted an unsigned letter of intent to the Company on October 12, 2017 (the "**LOI**"). The Receiver followed up with Mr. Liu on November 24, 2017 and, after obtaining an email address, sent the Teaser to Mr. Liu on the same date. The Receiver followed up with Mr. Liu on November 24 and 28, 2017 and again during the week of December 4, 2017. The Receiver heard back from Mr. Sean Wang, the CEO of Jiu Fa, on December 12, 2017.
  - 25.5 On Saturday, November 25, 2017, placed a print and digital advertisement in the Globe and Mail (the "**Globe**"). The Globe has a national readership of approximately 7.4 million people across all platforms, including Globe print and digital readers in which the advertisement was placed. Further, the Globe has a digital audience of 4.9 million readers per week and is especially high on the weekends;
  - 25.6 On November 27, 2017, December 4, 2017 and December 11, 2017, placed an advertisement in the Insolvency Insider publication. The Insolvency Insider is circulated weekly by email to approximately 2,650 parties, including private equity and hedge funds, financial institutions, banks, appraisers and liquidators, and individuals working as or with other licenced insolvency trustees and receivers.
  - 25.7 The data room (the "**Data Room**") containing, among other documents, the information outlined in the Sale Procedure Order, went live on November 22, 2017. One representative from 114's legal counsel accessed the data room on December 14, 2017.
26. Since the date of the Second Report and the Extended Bid Deadline as a result of the December 14 Application by 114, the Receiver has undertaken the following activities:
  - 26.1 Continued to advertise the sale of assets of the Company in the Insolvency Insider publication on a weekly basis;
  - 26.2 Updated the Deloitte Website to notify interested parties of the Extended Bid Deadline;
  - 26.3 Notified Jiu Fa of the December 14 Application;
  - 26.4 Attended at the Company's Burnaby Office on December 15, 2017 to meet with Management and the employees in person and via video conference (for the Markham and Ottawa office employees) to notify them of the Bid Deadline



- Extension, the 114 Funding and the additional due diligence to be completed by 114;
- 26.5 Attended a call with 114 and its counsel on December 15, 2017 to discuss the Company's operations, additional due diligence to be completed by 114 and any other information required by 114;
  - 26.6 On December 16, 2017, provided to 114 the three (3) requested contracts for Management, the dates that Management were available for meetings and additional information on the other employees;
  - 26.7 On December 19, 2017, followed up with 114 in regards to meetings they would require with Management and the employees and if any other information was required;
  - 26.8 Attended meetings over the phone that were arranged by 114 with Management and certain employees of the Company on December 21, 2017 and December 23, 2017. The Receiver understands that 114 also held other individual meetings with Management that the Receiver did not attend;
  - 26.9 On December 29, 2017, provided 114 with a requested template for a commitment letter and information on the required documentation in order for 114 to be considered a qualified bidder; and
  - 26.10 On January 3, 2018, reviewed a letter and bank statements received from Jiu Fa indicating that Jiu Fa was interested in financing an offer from 114.
27. At the Extended Bid Deadline, the Receiver received only one sealed bid from 113 (the "**Sealed Bid**") and no other bids. Pursuant to the Sealed Bid Process outlined and defined in the Sale Procedures, the Sealed Bid was returned unopened to 113's counsel on January 5, 2018.
  28. The Receiver's counsel confirmed with 114's counsel that 114 had not made a bid prior to the Extended Bid Deadline. Neither 114 nor 114's counsel have provided any reason or explanation why 114, despite the Extended Bid Deadline and additional due diligence completed by 114, did not submit a bid for the assets of Network. The Receiver's counsel understands from discussions with 113's counsel that 113 and 114 may have reached an agreement in this matter, the details of which, if any, are unknown to the Receiver and its counsel.
  29. In accordance with the Sale Procedures, the Receiver has determined that 113, pursuant to the Stalking Horse Bid, is the Successful Bidder for the assets of the Company.

## **CONSUMMATION OF THE STALKING HORSE BID**

30. The Receiver has the following comments in regards to the Sale Procedures and the support of the consummation of the Stalking Horse Bid:
  - 30.1 While the initial Bid Deadline of December 15, 2017 was tight, for the reasons as outlined in the Second Report, the Extended Bid Deadline did allow 114 and any other interested parties time to complete further due diligence in order to consider making qualified bids;
  - 30.2 The Receiver is not aware of any requested due diligence information that was not provided to 114 or any other interested parties. In addition, the Receiver understands that Management and the employees of the Company were fully cooperative with 114 during the due diligence meetings and 114 did not raise any issues in this regard to the Receiver; and

- 30.3 The Sale Procedures and Sale Procedure Order were very specific and detailed about the process and deadlines and the Receiver has fully complied with both.
31. Based on the forgoing, and the fact that the Company will continue in operation, a new owner will provide stability to the employees, and the Company will be in a better position to deal with Renesas, the Receiver is supportive of, subject to the approval of the Court, consummating the Stalking Horse Bid and seeking a vesting Order.
32. The payment of the Purchase Price is outlined in Paragraph 4.2 of the Stalking Horse Bid as follows (the "**Payment Provisions**"):
  - 32.1 Satisfaction of all amounts owing under any security interest, trust, lien, etc., statutory or otherwise over the Purchased Assets (the "**Statutory Claims**"), in favour of any person or Government Entity, which ranks in priority to any security interest of 113, if any. The Receiver is not aware of any Statutory Claims and is comfortable that the Current Funds on Hand (as defined later in this Fourth Report) should cover any potential claims;
  - 32.2 Satisfaction of all amounts owing under the Receiver's Charge as defined in the Receivership Order. The Receiver is comfortable that the Current Funds on Hand (as defined later in this Fourth Report) should cover any amounts owing under the Receiver's Charge;
  - 32.3 A payment of cash for the amount owing to 114 under the Receiver's Certificate which is estimated to total, with interest, CAD \$1,311,351 as at January 12, 2018;
  - 32.4 By a set off or reduction of the Purchase Price by the amount that 113 is owed under Receiver's Borrowing Certificates which are estimated to total, with interest, CAD \$5,278,640 as at January 12, 2018.
  - 32.5 By a set off or reduction of the amount that 113 is owed by the Company arising from the 113 Security which is estimated to total, with interest, CAD \$3,654,554 as at January 12, 2018; and
  - 32.6 The remaining balance owing, if any, by way of a cash payment.
33. Based on the above and as detailed below, the Receiver is of the view that 113 will need to be pay \$1,378,157 in cash in full satisfaction of the Purchase Price and the Payment Provisions as at January 12, 2018:

Payment of Stalking Horse Bid as at January 12, 2018 (CAD)		
Description	Total (CAD)	Per Diem Interest
113 Purchase Price	\$ 9,000,000	\$ -
Statutory Claims (Note 1)	-	-
Receiver's Charge (Note 1)	-	-
114 Receiver's Certificate	1,311,351	404
113 Receiver's Certificates	(5,278,640)	1,609
113 Security Amount	(3,654,554)	1,135
<b>Remaining Balance in Cash</b>	<b>\$ 1,378,157</b>	<b>\$ 3,147</b>

Note 1 - The Current Funds on Hand are estimated to more than cover any of these claims and charges.

## STATEMENTS OF RECEIPTS AND DISBURSEMENTS

34. The Receiver has prepared the January 8 SRD for the receivership that is attached hereto as Appendix "A".

35. As outlined in the January 8 SRD, the more significant receipts and disbursements from the Date of the Receivership are as follows:
- 35.1 The Receiver has borrowed a total of approximately CAD \$2.5 million and USD \$3.2 million pursuant to the Borrowing Facility;
  - 35.2 Payments of salaries, wages, and related payroll source deductions total approximately CAD \$1.0 million;
  - 35.3 The Receiver has invoiced and been paid approximately \$120,000 in fees and costs (excluding taxes) to November 24, 2017;
  - 35.4 Gowling has invoiced and been paid approximately \$63,000 in fees and costs (excluding taxes) to November 27, 2017;
  - 35.5 Payments to vendors total approximately CAD \$3.5 million for licence fees, maintenance fees and software development tools, design and other technical support. The most significant of these payments include:
    - 35.1.1 USD \$2.1 million paid to Uniquify Inc. for the tape-out of the Intellectual Property and related backend service costs;
    - 35.1.2 USD \$337,800 paid to Cadence Design Systems (Canada) Ltd. for software development costs and support and maintenance fees; and
    - 35.1.3 USD \$93,000 paid to Chips & Media Inc. for licence fees and support and maintenance fees.
36. The Receiver is currently holding approximately CAD \$1.6 million in trust (the "**Current Funds on Hand**"). The Receiver expects to have excess funds on hand after paying the remaining disbursements which include Receiver and legal fees, the January 15, 2018 payroll, vendor payments and other amounts that are not expected to exceed CAD \$700,000. The Outstanding Renesas Payment is not included in this estimate. Any remaining funds, after payment of the final amounts due in the administration of the receivership, will be returned to 113 under the 113 GSA as 114 would be repaid its Receiver's Borrowings on the closing of the Stalking Horse Bid.

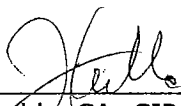
## RECOMMENDATIONS

37. As a result of the foregoing, the Receiver respectfully requests the following:
- 37.1 Approval of the reported actions of the Receiver since the First Report;
  - 37.2 Approval of the January 8 SRD; and
  - 37.3 Approval of 113 as the successful bidder, pursuant to the Stalking Horse Bid, and approval to proceed with the Stalking Horse Bid, and the transaction provided therein, by vesting order.

All of which is respectfully submitted at Vancouver, British Columbia this 9<sup>th</sup> day of January, 2018.

### DELOITTE RESTRUCTURING INC.

In its capacity as Court appointed Receiver and Manager  
Network Intelligence Inc. and not in its personal capacity

  
\_\_\_\_\_  
Jeff Keeble, CA, CIRP, LIT, CBV  
Senior Vice-President

**Appendix A – Receiver’s  
Statement of Receipts and  
Disbursements from  
November 1, 2017 to January  
8, 2018**

**Network Intelligence Inc. in Receivership**

**Interim Statement of Receipts and Disbursements  
From November 2, 2017 to January 8, 2018**

Description	Canadian Dollars (CAD)	United States Dollars (USD)	Total (CAD)
<b>Receipts</b>			
Receiver borrowings	\$ 2,450,000	\$ 3,148,848	\$ 6,480,525
Trust funds (holdback accounts)	-	-	-
Recoverable expenses	-	-	-
GST refunds	-	-	-
Interest	-	-	-
Transfer from bank account	203,694	(161,357)	(2,844)
<b>Total receipts</b>	<b>2,653,694</b>	<b>2,987,491</b>	<b>6,477,682</b>
<b>Disbursements</b>			
Bank charges	3,027	-	3,027
Vendors and suppliers	82,924	2,653,799	3,479,786
Salaries and wages	637,128	-	637,128
Employee benefits	6,810	-	6,810
Payroll source deductions	396,922	-	396,922
Payroll fees	402	-	402
Accounting fees	5,625	-	5,625
Receiver's legal fees	63,342	-	63,342
Advertising fees	3,143	-	3,143
GST/PST paid	38,289	15,239	57,796
Rent	69,237	-	69,237
Insurance	12,844	-	12,844
Office supplies and equipment	24,038	346	24,480
Receiver's fees	119,525	-	119,525
Misc. disbursements	523	-	523
Repairs and maintenance	1,872	-	1,872
<b>Total disbursements</b>	<b>1,465,650</b>	<b>2,669,384</b>	<b>4,882,461</b>
<b>Excess of receipts over disbursements</b>	<b>\$ 1,188,044</b>	<b>\$ 318,107</b>	<b>\$ 1,595,220</b>

**Note 1:** All amounts in USD have been converted to CAD using a FX rate of 1.28.