

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF QUEBEC  
DIVISION No.: 06-GATINEAU  
COURT No.: 550-11-011497-097  
ESTATE No.: 33-2065260

SUPERIOR COURT  
Commercial Division

**IN THE MATTER OF THE  
BANKRUPTCY OF:**

**IMASIGHT INC.**, a legal person, duly incorporated according to law, having its head office and principal place of business at 925 de la Carrière Blvd., Gatineau, Quebec, J8Y 6W5

Bankrupt

– and –

**DELOITTE RESTRUCTURING INC.**  
(**Jean-Christophe Hamel**, CPA, CA, CIRP, person in charge), having a place of business at 1190 avenue des Canadiens-de-Montréal, suite 500, Montréal, Quebec, H3B 0M7

Trustee

## **TRUSTEE'S PRELIMINARY REPORT TO CREDITORS**

The *Bankruptcy and Insolvency Act*, a federal act in Canada (the “**Act**”), provides for a first meeting of creditors to discuss the creditors’ collective interest in the administration of the Bankrupt’s estate.

### **A) Background**

Prior to its bankruptcy, Imasight Inc. (“**Imasight**”) was a company that owned and operated a business developing and manufacturing digital radiography solutions for veterinary, chiropractic and medical clinics.

#### *Financial statements*

For reference purposes, below is Imasight’s income statement for the years ended December 31, 2013 and 2014 as well as the income statement for the 9-month period ended September 30, 2015. In addition, also for reference purposes, below is Imasight’s balance sheet as of December 31, 2013 and 2014, and September 30, 2015:

Imasight Inc.	2013	2014	2015
Income Statement (Note 1) (\$)	(audited)	(audited)	9 months (unaudited)
<b>Sales</b>	3,190,930	2,992,760	3,120,956
Cost of Sales	<u>2,385,677</u>	<u>2,231,479</u>	<u>2,143,524</u>
	<b>805,253</b>	<b>761,281</b>	<b>977,432</b>
<b>Expenses</b>			
Sales and marketing	723,314	582,890	437,076
General and administrative	575,368	495,193	398,313
Others (net of gain)	<u>216,771</u>	<u>301,770</u>	<u>263,656</u>
	<b>1,617,078</b>	<b>1,617,078</b>	<b>1,267,611</b>
Net loss	<u><b>(710,200)</b></u>	<u><b>(618,572)</b></u>	<u><b>(121,613)</b></u>
Accumulated deficit, beginning of period	(3,322,530)	(4,032,730)	(4,651,302)
Accumulated deficit, end of period	(4,032,730)	(4,651,302)	(4,772,915)

**Note 1:**

Above income statements are as per the books and records of Imasight.

Imasight Inc.	2013	2014	2015
Balance Sheet (Note 1) (\$)	(audited)	(audited)	(September 30th) (unaudited)
<b>Balance Sheet</b>			
<b>Assets</b>			
Current assets	1,291,154	1,005,947	1,023,828
Long-term assets	<u>46,815</u>	<u>41,354</u>	<u>36,444</u>
	<b>1,337,969</b>	<b>1,047,301</b>	<b>1,060,272</b>
<b>Liabilities</b>			
Current liabilities	1,327,242	2,002,806	2,147,041
Long-term debt	817,242	469,582	400,706
Retractable shares	<u>635,000</u>	<u>635,000</u>	<u>635,000</u>
	<b>2,779,484</b>	<b>3,107,388</b>	<b>3,182,748</b>
<b>Shareholders Deficit</b>			
Share Capital	2,591,215	2,591,215	2,650,440
Accumulated deficit	<u>(4,032,730)</u>	<u>(4,651,302)</u>	<u>(4,772,915)</u>
	<b>(1,441,515)</b>	<b>(2,060,087)</b>	<b>(2,122,475)</b>
	<b>1,337,969</b>	<b>1,047,301</b>	<b>1,060,272</b>

**Note 1:**

Above balance sheets are as per the books and records of Imasight.

Causes of insolvency

On December 4, 2015, the accumulated deficit and the difficulty to find additional financing to fund the operations forced Imasight to make a voluntary assignment in bankruptcy and Deloitte was appointed Trustee in relation to the estate of Imasight.

**B) Trustee's preliminary evaluation of assets**

Below is the Summary of Assets and Liabilities of Imasight as of December 4, 2015 which includes the estimated net realization value of the assets of Imasight as well as the estimated deficit following the distribution of the estimated proceeds from the liquidation of the assets to the creditors:

Imasight Inc. Summary of Assets and Liabilities (\$) As of December 4, 2015 (unaudited)	Book value September 30, 2015 (unaudited)	Net realization value (Note 1)
<b>Assets</b>		
Cash	259,816	76,119
Prepaid expenses	25,682	-
Trade and other receivables	431,717	-
Investment tax credit receivable	15,084	-
Inventory	291,528	75,000
Intangible Assets	20,500	100,000
Property, plant and equipment	15,945	-
	<u>1,060,272</u>	<u>251,119</u>
<b>Liabilities</b>		
Secured creditor (employees)		16,319
Secured creditor		783,622
Unsecured creditor(s) (Note 2)		1,017,064
		<u>1,817,004</u>
<b>Deficit</b>		<u><u>(1,565,886)</u></u>

**Note 1:**

Net realization value before any costs related to the administration of the estate and the liquidation of the assets.

**Note 2:**

Creditor(s) have the onus to prove their claims and only those claims that are proven as part of the bankruptcy proceedings will constitute valid claims and would be entitled to a distribution as part of said proceedings.

The value attributed to the various assets of Imasight in the Summary of Assets and Liabilities was estimated as follows:

- Cash: Book value of cash balances are as of September 30, 2015. The cash balances' net realizable values were estimated based on the most recent book balances/bank statements available for the different bank accounts of Imasight.
- Prepaid expenses: Imasight and the Trustee do not expect to be able to collect/realize any value from the balance of prepaid expenses.
- Trade and other receivables: As of the time of the bankruptcy all accounts receivable with a realizable value had already been collected by Imasight and their realizable value is therefore already reflected/included in the cash balances.
- Investment tax credit receivable: Imasight and the Trustee do not expect to be able to collect/realize any value from the balance of the investment tax credit receivable.
- Inventory, intangible assets, and property, plant, and equipment: The total estimated net realization value of the inventory, intangible assets, and of the property, plant, and equipment was estimated at \$175K based on the results of a formal process conducted (in the weeks preceding the bankruptcy filing) by the secured creditor in which the secured creditor tried to identify potential parties interested to purchase all of the Bankrupt's assets.

As of the time of this report, the Trustee has not yet obtained an independent legal opinion on the validity and enforceability of Echo Capital Fier Outaouais s.e.c.'s ("**Echo**" or the "**Secured Creditor**") security. The Trustee however intends to obtain such independent legal opinion before any funds are distributed to the Secured Creditor.

#### **C) Conservatory and protective measures**

The Trustee implemented the following conservatory and protective measures:

- Closing of all of Imasight's bank accounts and requesting the funds to be transferred to the Trustee.
- Seizing and securing all of Imasight's tangible assets (i.e. mainly inventory and equipment) and performing an inventory count of all of those assets;
- Ensuring proper insurance coverage of the Bankrupt's assets.

#### **D) Information relating to provable claims**

As of the time of the preparation of this report, considering the limited numbers of proofs of claim only received to date, the Trustee is not able to determine if there will be a significant difference between the amount of claims declared by the Bankrupt and the amount of claims proven by the various creditors.

#### **E) Legal proceedings, transfer at undervalue and preference payments**

The Trustee has not initiated any legal proceedings and has not identified any transfer at undervalue or preference payments to date.

**F) Conflict of interest and details of fee guarantees**

Conflict of interest

Deloitte Restructuring Inc. (“**Deloitte**”) has been acting as financial advisor to Imasight’s secured creditor since September 1, 2015. As mentioned above, on December 4, 2015, Imasight filed for bankruptcy and asked Deloitte to act as Trustee. As explained in detail in the *Motion for the issuance of an order authorizing the Trustee to act as Trustee in relation to the estate of a debtor* filed with the Court on December 14, 2015, shortly after the bankruptcy filing, it came to the attention of Deloitte that Deloitte S.E.N.C.R.L./s.r.l. (“**Deloitte Auditor**”) audited the financial statements of Imasight for the year ended December 31, 2013 (i.e. that Deloitte Auditor acted as auditor of Imasight less than two years prior to the bankruptcy filing) and that Deloitte was therefore in violation of Article 13.3 of the Act. As the replacement of Deloitte as Trustee would have caused additional delays and costs to the administration of the estate and that no real prejudice was caused by the appointment of Deloitte (as the appointment of Deloitte was supported by Echo which is the only party with a financial interest in the bankruptcy of Imasight), on December 14, 2015 at the request of Echo, the Court granted an Order allowing Deloitte to continue to act as Trustee in the bankruptcy of Imasight despite the violation of Article 13.3 of the Act.

**G) Projected distribution and Trustee’s comments on anticipated asset realization**

The Trustee estimates that the proceeds which will be realized from the liquidation of Imasight’s assets (totaling \$251K (before the costs of administration of the estate) as per the Summary of Assets and Liabilities) will not be sufficient to refund in full the estimated total amount of \$800K owed to the employees (as per section 81.3 of the Act) and to the Secured Creditor (which would be incurring a deficit of \$549K). It is therefore estimated that no funds will be available for the distribution of a dividend to the unsecured creditors of Imasight following the realization of all of the Bankrupt’s assets.

**H) Trustee’s remuneration**

The Secured Creditor agreed to reimburse the Trustee for any deficit that would be incurred by the Trustee in the course of the administration of the Bankrupt’s estate and the realization of Imasight’s assets (including any deficit caused by the costs of conservatory measures implemented by the Trustee or by the Trustee’s fees).

**I) Other matters**

None.

DATED AT MONTRÉAL, this 21<sup>st</sup> day of December, 2015.

**DELOITTE RESTRUCTURING INC.**  
In its capacity as Trustee of the estate of  
Imasight Inc.

Per:

A handwritten signature in black ink, appearing to read 'JCH', is written over a horizontal line.

Jean-Christophe Hamel, CPA, CA, CIRP  
Vice-President