



Deloitte Restructuring Inc.

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CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL
DIVISION No.: 01-Montréal
COURT No.: 500-11-049891-159
ESTATE No.: 41-2072229

SUPERIOR COURT
Commercial Division

**IN THE MATTER OF THE
PROPOSAL OF:**

SENSIO TECHNOLOGIES INC., a legal person
incorporated under the laws of Canada, having its
registered office at 1751 Rue Richardson, suite 4.206
in the city and district of Montréal, Province of
Quebec, H3K 1G6.

Insolvent person

– and –

DELOITTE RESTRUCTURING INC.
(Martin Franco, CPA, CA, CIRP, designated
responsible person) having a place of business at
1190 avenue des Canadiens-de-Montréal, suite 500,
Montréal, Quebec, H3B 0M7

Trustee

**REPORT TO THE COURT SUBMITTED BY DELOITTE RESTRUCTURING INC.
AS TRUSTEE TO THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SENSIO
TECHNOLOGIES INC. IN RELATION TO
ITS MOTION FOR THE ISSUANCE OF AN ORDER APPROVING AND RATIFYING THE
SALE OF CERTAIN ASSETS, AN INTERIM FINANCING AND CERTAIN PRIORITY
CHARGES (the “Motion”)**

INTRODUCTION

1. Sensio Technologies Inc. (the “**Company**”) is regulated by the Business Corporations Act (Quebec) and results from an amalgamation between TEG Sensorial Technologies Inc. and SENSIO Technologies Inc. which occurred on May 31, 2006.
2. The Company is based in Montreal (Quebec), and its common shares are listed on the Toronto TSX Venture Exchange under the symbol "SIO".

3. The Company has no subsidiaries.
4. As at the date hereof, the Company has nine (9) non-unionized employees, of which seven (7) have been temporarily laid off. All of these employees are based in Montreal, Quebec.
5. At this time, the Company has no secured creditor and no third party financier. However, as indicated below, the Company is seeking the authorization from this Court to grant a DIP Charge to Mr. Nicholas Routhier.
6. The Company is a pioneer in the fields of stereoscopic imaging and 3D content distribution at home. For over 15 years, the Company has been developing, patenting and marketing advanced 3D image processing technology providing superior image quality and a simple user friendly experience.
7. The Company also manages and offers 3DGO!TM directly to consumers. These activities include the development of the services' features and specifications, customer service, content management, and marketing of the service.
8. 3DGO!TM has been in service since April 2013 in the U.S. and since March 2015 in Canada.
9. The Company currently operates in two distinct fields:
 - a. Technology (patent and technology licensing in the theatrical, broadcast and consumer electronics ("CE") markets);
 - b. Content distribution (3DGO!TM service offered to the general consumer market).
10. As such, its revenue stream derives mainly from the following:
 - a. Licensing of its 3D image processing technologies to chipset vendors and original equipment manufacturers in the theatrical, broadcast and CE's markets;
 - b. Licensing of its patents either directly or through its patent licensing agreement with Wi-LAN Inc. ("Wi-LAN"). Revenues are currently generated by two main licensing programs related to the SENSIO@S2D Switch technology as well as a technology related to temporal interpolation for stereoscopic displays; and
 - c. Rentals of 3D movies from its 3DGO!TM VOD service by consumers in the United States and Canada.
11. To this day, the revenues from the operations have been limited. As such, most of the Company's operations have been financed by way of equity financing.
12. Since March 2015, the Company attempted to raise additional financing both from its largest shareholder and by way of private placement of shares. However, such attempts have failed, causing the Company to experience a liquidity crisis.
13. Due to the above, the Company had no other choice but to file on December 23, 2015, a Notice of Intention to Make a Proposal (the "NOI") pursuant to section 50.4 of the Bankruptcy and Insolvency Act (the "BIA") with the intention of continuing, under the supervision of this Court,

a sale process (the "**Sale Process**") in respect of its assets with a view of maximizing their value for the benefit of all of its stakeholders.

PURPOSE OF THIS REPORT

14. As set out further below, the Company received a binding letter of intent (the "**LOI**") to purchase, on an "as is where is" basis, some of its intellectual property, including the above-mentioned patents and certain patent application (the "**Purchased Assets**").
15. The purpose of this Trustee's report to the Court (the "**Trustee's Report**") is to:
 - a. inform this Honorable Court on the sale efforts undertaken and initiated by the Company with the assistance of Deloitte Restructuring Inc. in its role as financial advisor before the filing of the NOI (in addition to its current role as trustee under the NOI);
 - b. report to this Honorable Court on the Company's proposed sale;
 - c. report to this Honorable Court on the proposed:
 - i. Interim Financing ("**DIP Charge**");
 - ii. Key Employee Retention Plan ("**KERP**");
 - iii. Directors' and Officers' Charge ("**D&O Charge**");
 - iv. Administrative Charge.

SALE EFFORTS UNDERTAKEN AND INITIATED BY THE COMPANY

16. On November 17, 2015, Sensio Technologies Inc. engaged Deloitte Restructuring Inc. ("**Deloitte**") to provide financial consulting services to the special committee of the board of directors ("**Special Committee**") of the Company in order to, among others things, initiate a divestiture process.
17. Due to the liquidity situation of the Company and in order to maximize the value of its assets for the benefit of all of its stakeholders, the Company decided it would be best to proceed with a divestiture process in a two phase approach. The first phase would be to sell some of its patents detailed on Appendix A to this report (the "**Patents**"), with the objective of generating short term cash flow. This would allow the Company to finance, in addition to its day-to-day operations, a broader sale process of the remaining assets including the most important asset i.e., the 3DGO!TM VOD service. The Company believes that this strategy will maximize the value of the assets and consequently, would be in the best interest of all of its stakeholders. You will find attached to the Motion under seal as Exhibit P-3 the Company's cash flow for the period of 5-week period ending January 29, 2016.
18. With the support of Deloitte, the Company initiated the first phase, identifying various potential purchasers for all patents held by the Company. After review of these potential purchasers and after taking into consideration the various agreements in place, Deloitte, the Company and the Special Committee came to the conclusion that Wi-LAN would most likely be the best target for the purchase of some of its patents related to the SENSIO@S2D technology due to the following:

- a. Wi-Lan's already holds a licensing agreement on those Patents with the Company ("**Licensing Agreement**"). Pursuant to this agreement, Wi-Lan benefits from exclusive rights to market and sub-license those Patents until their expiry;
- b. Due to the Licensing Agreement, a potential purchaser would likely not have full control over the patents nor 100% of net proceeds, which affects negatively the ability for the Company to find another interested party;
- c. Significant investments were already made by Wi-Lan in this technology;
- d. Wi-Lan already has the knowledge of this technology giving them competitive advantage over its competitors.

PROPOSED SALE

19. Based on the above, the Company and Deloitte initiated negotiations with Wi-Lan over the last few weeks, which resulted on December 23, 2015 in the signature of a binding letter of intent (the "**LOI**") from a company affiliated to Wi-Lan ("**Purchaser**"), copy of which is attach to the Motion under seal as Exhibit P-4.
20. The LOI provides that, subject to approval by this Court, the Purchaser will purchase, on an "as is where is" basis, some of the Company's intellectual property, including the Patents (the "**Purchased Assets**").
21. Considering the exclusive rights of Wi-Lan (as previously discussed), Deloitte acting as trustee under the NOI believes that the transactions set forth under the LOI (the "**Transactions**") with the Purchaser under the terms and conditions of the LOI (including the purchase price), and taking into consideration the current financial crisis, are in the best interests of the Company and its stakeholders, as they will not only allow the Company to cover its operating expenses going forward, including the costs of its employees, but they will also allow the Company to complete the Sale Process and maximize the value of the Company's remaining assets for the benefit of its stakeholders.
22. The parties intend to close the Transactions within five business days after the date on which the Approval and Vesting Order is granted by this Court.

INTERIM FINANCING

23. As indicated in the LOI, the Purchaser shall pay to the Company the full purchase price within 5 business days of the approval and issuance of a vesting order by this Court.
24. During such period, however, the Company will need liquidities to finance its operations.
25. As such, on December 23, 2015, the Company entered into a Loan Agreement (the "**Loan Agreement**") with Mr. Nicholas Routhier, President and Chief Executive Officer, whereby the latter agreed, subject to certain conditions, as further set forth below, to advance to the Company

the amount of \$100,000 in order to allow it to cover its expenses pending the closing of the Transactions (the "**Bridge Loan**"). A copy of the Loan Agreement is attached to the Motion as Exhibit P-5.

26. The advances to be made under the Loan Agreement are subject to certain conditions, including the approval by this Court of a priority charge in favour of Mr. Routhier, securing the Company's obligations under the Loan Agreement (the "**DIP Charge**").
27. In essence, the Bridge Loan is necessary for a limited period between the issuance of the orders sought herein, and the closing of the Transactions, as it will allow the Company to continue its operations during such period.
28. Absent such Bridge Loan, the Company would likely be forced to cease its operations.
29. Based on the above, the Trustee believes that such DIP Charge should be granted by this Court.

KEY EMPLOYEE RETENTION PLAN

30. Prior to the filing of the NOI, the Company entered into employment contracts (collectively, the "**Key Employee Contracts**") with some of its key employees (collectively, the "**Key Employees**") in order to ensure that such Key Employees would support the Company during the Sale Process.
31. The retention of the Key Employees is critical to the pursuit of the Company's operations and the completion of a successful Sale Process.
32. The Company seeks the ratification by this Court of the Key Employee Contracts for the Key Employees, and seeks a \$111,000 charge over its assets, property and undertaking (the "**KERP Charge**"). A copy of each of the Key Employee Contracts are attached to the Motion under seal as Exhibit P-7.
33. Considering the nature of the Company's business (i.e. technology sector), and the nature of the assets to be sold, the Trustee believes that the Key Employees' will be critical to the pursuit of the Sale Process. The absence of such ratification by this Court of the Key Employee Contracts and an order granting a priority charge securing the Company's obligations thereunder, the Key Employees are likely to resign, which would likely jeopardize any reasonable chances of completing the Sale Process and the implementation of any proposal, the whole to the detriment of the Company's stakeholders.

DIRECTORS' AND OFFICERS' CHARGE

34. The active and committed involvement of the members of the Company's board of directors and senior staff is indispensable to these proceedings and in order to complete the Sale Process.
35. Although the Company intends to comply with all applicable laws and regulations, considering that the Company's on-going operations requires the continued assistance of some of these directors and officers, these directors and officers require the Company to indemnify them of all liabilities

which they may incur in the context of their employment after the filing of these proceedings.

36. As mentioned in the Motion, the Company currently maintains directors' and officers' liability insurance (the "**D&O Insurance**") which provides for a total of \$5,000,000 in coverage. Such D&O Insurance provides for a various deductibles depending on the nature of the loss, and is set to expire on May 31, 2016.
37. Although it is currently expected that the D&O Insurance will provide coverage sufficient to protect the Company's directors and officers from most, if not all, of their obligations in such capacity, there can be no guarantee to that effect, especially in the context of insolvency proceedings, where the Company's insurer cannot be expected to readily agree to be bound to insure hypothetical claims before they are brought. Therefore, there is a possible risk, which ultimately creates a degree of uncertainty for the Company's directors and officers.
38. In addition, the D&O Charge will provide assurances to the Company's employees that its obligations towards them for accrued wages, termination and severance pay shall be satisfied.
39. As such, the Company requests a Court-ordered charge (the "**D&O Charge**") in the amount of \$25,000 over its assets, property and undertaking to indemnify its directors and officers in respect of any liability which they may incur from and after the commencement of these proceedings – to the extent only that the D&O Insurance is inadequate.
40. The Trustee believes that the requested D&O Charge is reasonable and adequate given, notably, the complexity of its business, its workforce and the corresponding potential exposure of the Company's directors and officers to personal liability. In addition, the absence of D&O Charge may force the Company's directors or officers to resign their posts, which would, in all likelihood, jeopardize the continuation of the Company's business, as well as the completion of the Sale Process, the whole to the detriment of the Company's stakeholders.

ADMINISTRATIVE CHARGE

41. During these proceedings, the Company will require the assistance and the active involvement of the following professionals:
 - a) The Company's counsels to assist the Company in the conduct of these proceedings, including the Sale Process;
 - b) Deloitte to act as trustee to the Insolvent Person and to assist the Company in the context of the Sale Process.
42. In this context, the Company seeks a \$150,000 administration charge, (the "**Administration Charge**") which shall affect its assets, property and undertaking to guarantee the payment of the fees and expenses to be incurred by its professionals in the context of these proceedings.
43. The Trustee is of the opinion that the Administrative Charge is necessary and appropriate to secure the full and complete payment of the fees and expenses of the above professionals, and therefore should be granted.

DATED AT MONTREAL, this 23th day of
December, 2015.

DELOITTE RESTRUCTURING INC.
Trustee in re: the proposal of
Sensio Technologies Inc.

A handwritten signature in black ink, appearing to read "Martin Franco", is written over a horizontal line.

Martin Franco, CPA, CA, CIRP

APPENDIX "A"
PATENTS

The following patents and patent applications:

3D ^N Reference #	Country Name	Serial #	Publication #	Patent #	Status
G01250AU	Australia	2003227151	2003227151		Abandoned
G01250CA1	Canada	2380105	2,380,105		Abandoned
G01250CA2	Canada	2481423	2,481,423		Allowed
G01250CN1	China	03808028.1	1647546	1647546	Issued
G01250CN2	China	201210361273.X	102905149	102905149	Issued
G01250CN3	China	201110043036.4	102098529		Published
G01250CN4	China	201510582062.2			Pending
G01250DE	Germany	60345274.4		60345274	Issued
G01250DE2	Germany	60345279.5		60345279	Issued
G01250EP	EPO	3746205.8	1495642		Abandoned
G01250EP1	EPO	9159209.7	2083574	2083574	Issued
G01250EP3	EPO	10158655	2211558		Published
G01250EP2	EPO	10158653.5	2211557	2211557	Issued
G01250FR	France	9159209.7	2083574	2083574	Issued
G01250FR2	France	10158653.5	2211557	2211557	Issued
G01250GB	UK	9159209.7	2083574	2083574	Issued
G01250GB2	UK	10158653.5	2211557	2211557	Issued
G01250HK	Hong Kong	13107924.1	1180860		Published
G01250HK1	Hong Kong	10111398.3	1145110	1145110	Issued
G01250IN1	India	2211/CHENP/2004	2211/CHENP/2004	242873	Issued
G01250JP1	Japan	2003-585449	2005-522958	5230892	Issued
G01250JP2	Japan	2010-044392	2010-161794	5421821	Issued
G01250JP3	Japan	2013-040017	2013-153475A	5663617	Issued
G01250US1	US	10/409,073	2003-0223499	7,580,463	Issued
G01250US2	US	10/960,058	2005-0117637	7,693,221	Issued
G01250US3	US	12/406,078	2009-0219382	8,804,842	Issued
G01250US4	US	12/691,786	2010-0171814	8,384,766	Issued
G01250US5	US	12/718,081			Abandoned
G01250US6	US	12/764,071	2010-0188482	7,844,001	Issued
G01250US7	US	12/955,140	2011-0187821	8,743,177	Issued
G01250US8	US	14/455,042	2014-0347455		Published
G01250WO	WIPO	PCT/CA2003/000524	WO/2003/088682		Nat Phase

Plus:

- (i) all patents and patent applications owned by Sensio Technologies Inc. (the "Seller") or any affiliate of Seller to, from or through which any patent or patent application listed above in Appendix A claims priority;
- (ii) all patents and patent applications owned by Seller or any affiliate of Seller that claim priority to, from or through any existing or abandoned patents or patent applications to, from or through which any patent or patent application listed or described in this Appendix A; and
- (iii) all patents and patent applications owned by Seller or any affiliate of Seller deriving from or having substantially the same specifications as any patent or patent application owned by Seller or any affiliate of Seller that claim priority to, from or through any existing or abandoned patents or patent applications to, from or through which any patent or patent application listed or described in this Appendix A, and any inventions disclosed in any such patent or patent application including all patents and patent applications owned by Seller or any affiliate of Seller claiming priority to, from or through, any such patent or patent application;

in each such case including all:

- (1) patents, patent applications, provisional applications, continuation applications, continuation-in-part applications, divisional applications, reissue patents, reexamination patents, design patents, design patent applications and patent extensions thereof owned by Seller or any affiliate of Seller relating to or having the substantially the same specifications as any patent or patent application listed or described in this Appendix A, any applications owned by Seller or any affiliate of Seller claiming priority to, from or through, any of the foregoing and all counterparts thereof; and
- (2) foreign patents, foreign patent applications, foreign counterparts including utility models and the like owned by Seller or any affiliate of Seller claiming priority to, from or through, or having the substantially the same specifications as any of the foregoing.