

C A N A D A
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 NOTICE OF
INTENTION TO MAKE A
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 OF THE TRUSTEE ON THE MONITORING OF THE INSOLVENT PERSON'S
BUSINESS AND FINANCIAL AFFAIRS
(Subparagraph 50.4(7)(b)(ii) and Subsection 50.4(9) of the BIA)**

I, the undersigned, Martin Franco, CPA, CA, CIRP, of the firm of Deloitte Restructuring Inc., acting as trustee to the Notice of Intention to Make a Proposal (“**NOI**”) of SENSIO Technologies Inc. (“**SENSIO**” or the “**Company**”), the insolvent person, am hereby reporting my principal observations regarding the insolvent person’s business and financial affairs to the Court pursuant to subparagraph 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* (“**BIA**”).

1. The above-mentioned insolvent person filed a NOI on December 23, 2015.
2. In preparing this second report (“**Second Report**”), the Trustee has relied upon unaudited financial information, SENSIO’s records and its discussion with the management of SENSIO (the “**Management**”). While the Trustee has analyzed the information, he has not performed an audit or otherwise verified such information.

3. 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.
4. 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.
5. 3DGO!TM has been in service since April 2013 in the U.S. and since March 2015 in Canada.
6. 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).
7. 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. Rentals of 3D movies from its 3DGO!TM VOD service by consumers in the United States and Canada.
8. 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.
9. 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.
10. On December 23, 2015, the Company executed a Letter of Intent (the “**LOI**”) whereby all of its rights, title and interest in certain of its intellectual property would be sold to a third party purchaser who had previously been granted exclusive rights in respect of a substantial portion of such intellectual property (the “**Transactions**”). The execution of the LOI, was conditional, namely, upon the approval by the Court.
11. On December 23, 2015, following the execution of the LOI, the Company filed 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, as well as a motion seeking, inter alia, the approval of the LOI, which motion was granted on the same day, as further discussed below.

12. Matters addressed in this Second Report:
 - a. Trustee's activities since December 23, 2015;
 - b. SENSIO's activities from December 23, 2015 to January 15, 2016;
 - c. SENSIO's application for a 45-day extension of the stay proceedings;
 - d. Trustee's recommendation.
13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not defined in this Second Report are as defined in the Trustee's first report (the "**First Report**").

TRUSTEE'S ACTIVITIES

14. On December 23, 2015, the Trustee submitted its First Report on the issuance of an order approving and ratifying the sale of certain assets, an interim financing and certain priority charges.
15. On December 30, 2015, the Trustee sent a copy of the NOI to all of the insolvent person's known creditors.
16. The forecast cash flow statement was prepared for the period from December 19, 2015 to January 29, 2016, and was submitted to the Official Receiver on December 30, 2015, together with the report by the insolvent person and the Trustee's report, pursuant to Subsection 50.4(2) of the BIA.
17. The Trustee has performed a review of the actual receipts and disbursements.

SENSIO'S ACTIVITIES

18. On December 23, 2015, following the filing of the NOI by the Company, the Court authorized the Transactions, approved the execution of a DIP loan (and a DIP charge) allowing the Company to cover its expenses pending the closing of the Transactions and approved priority charges in favor of some of the Company's key employees, its directors and officers and the professionals involved in the context of these proceedings.
19. On December 24, 2015, the Company concluded the Transactions and the proceeds were received by SENSIO.
20. On December 30, 2015, the Company reimbursed in full the DIP loan which served as a bridge loan pending the closing of the Transactions. The bridge loan was initially disbursed by the DIP lender on December 23, 2015.
21. The following weeks, the Company with the help of the Financial Advisor and the Trustee, initiated a sale process to orderly sell the Company's remaining assets.

22. As such, as of January 15, 2016, the Company with the help of the Financial Advisor and the Trustee:
 - a. Identified 31 potential buyers for the Company's assets, including mainly strategic investors;
 - b. Contacted 30 potential buyers;
 - c. Completed and sent a solicitation of offers ("**Teaser**") to 22 potential buyers. A copy of the Teaser can be found as Appendix C;
 - d. Prepared a non-disclosure agreement ("**NDA**") which was submitted and signed by one of the potential buyers. We understand that we may get a second signed NDA by another party shortly;
 - e. Initiated the preparation of a virtual data room which will enable potential purchasers who sign an NDA to proceed with their due diligence and potentially submit a final binding offer.
23. The proposed deadline for submitting a binding offer or definitive agreement is February 15, 2016.
24. In the meantime, the Company has also taken steps to both reduce its operating costs and liquidate some of its non-core assets, in view of generating additional liquidities to complete the Sale Process.
25. More specifically, on January 14, 2016, the Company sent a notice to its lessor to disclaim its commercial lease in order to reduce costs by moving its operation to a smaller office. In addition, the Company is reviewing certain unfavorable contracts in order to determine if their resiliation may help the Company in its Sale process.
26. The Company is also looking to sell its equipment and furniture which are located at its current offices. The Company obtained a verbal evaluation for the liquidation of these assets, which was also shared with the Trustee. We understand that given the specific use of the equipment and their nominal liquidation value, the Trustee is of the opinion that it is unnecessary to have these non-core assets included as part of the Sale Process. As of the date hereof, various auctioneers companies have visited the offices of the Company and have demonstrated some interest in acquiring such non-core assets, however no offers were received.
27. The actual results for the four-week period ended January 15, 2016 are presented in Appendix A.
28. Total receipts for SENSIO were approximately \$355K, representing an unfavorable variance of approximately \$41K. The unfavorable variance is due to GST on the proceeds of the Transactions that were not collected by SENSIO as the Transactions was tax exempt. In addition, there is a timing difference of approximately \$27K relating to the reimbursement of legal fees by the purchaser related to the Transactions expected to be received in the following weeks.
29. Total disbursements were approximately \$96K, representing a favorable variance of \$121K, which is mainly explained by timing differences related to supplier payments, rent and professional fees.

30. Management prepared a cash flow for the 8-week period ending March 11, 2016 (Appendix B). According to this budget, the Company remains with a positive cash balance throughout the 45-day extension. The projected cash flow does not include any proceeds related to any sale of assets.

EXTENSION OF THE STAY PROCEEDINGS

31. The insolvent person signified its intention to the Trustee to file a first motion for a 45-day extension of the stay proceedings to make a proposal to its creditors pursuant to Subsection 50.4(9) of the BIA, the whole as it appears in the court file.

TRUSTEE'S RECOMMENDATION

32. The Trustee is of the opinion that the reasons invoked in the motion presented by the insolvent person for a 45-day extension of the stay of proceedings are reasonable.
33. The Trustee is of the opinion, based on the grounds alleged in the motion for an extension of the stay proceedings, that:
- a. It is in the creditors' best interest for an extension of the stay proceedings to be granted in order to allow SENSIO more time to maximize the value of its assets by allowing the Company and the Trustee to properly canvass the market, seek offers for its assets, and complete the Sale Process;
 - b. SENSIO has acted – and is continuing to act – in good faith and with due diligence;
 - c. Creditors will not suffer losses as compared to the situation at the time that the NOI was filed.

SENSIO TECHNOLOGIES INC.

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Report on the Monitoring of the Insolvent Person's
Business and Financial Affairs
January 18, 2016

DATED AT MONTREAL on this 18th day of January, 2016.

DELOITTE RESTRUCTURING INC.
Trustee acting *in re*: the proposal of
SENSIO TECHNOLOGIES INC.



Martin Franco, CPA, CA, CIRP

Trustee's Report on the State of the Insolvent Person's Business and Financial Affairs

APPENDIX A

Projected cash flow for the 4-week period ended January 15, 2016				
(\$)	Budget	Actual	Variance	
Cash inflows	395,231	354,631	(40,600)	Note 1
Cash outflows				
Salaries & fringe benefits	21,262	22,789	1,527	
Vacations	1,497	1,526	29	
Director's fees	5,950	5,950	-	
Supplier payments	3,407	-	(3,407)	Note 2
Interest on DIP financing	1,038	329	(709)	
3DGO! Suppliers	18,420	-	(18,420)	Note 2
Rent	11,040	-	(11,040)	Note 2
Insurance	2,603	2,603	-	
Traveling fees	2,000	1,026	(974)	
Other fees	750	(2)	(752)	
Professional fees	149,548	61,931	(87,617)	Note 2
	217,515	96,152	(121,363)	
Net cash flow	177,716	258,479	80,763	
Opening balance	19,956	19,956	-	
Ending balance	197,672	278,435	80,763	

Note 1: Budget included GST on the Transactions proceeds, however the Transactions was tax exempt. In addition, there is a timing difference of approximately \$27K relating to the reimbursement of legal fees by the purchaser related to the Transactions expected to be received in the following weeks.

Note 2: Variance is mainly related to timing and should be eliminated in the weeks to come.

APPENDIX B

Projected cash flow for the 8-week period ending March 11, 2016									
	16-Jan-16	23-Jan-16	30-Jan-16	06-Feb-16	13-Feb-16	20-Feb-16	27-Feb-16	05-Mar-16	
(\$)	22-Jan-16	29-Jan-16	05-Feb-16	12-Feb-16	19-Feb-16	26-Feb-16	04-Mar-16	11-Mar-16	
Cash inflows	14,638	26,800	-	23,850	-	31,346	-	27,397	124,031
Cash outflows									
Salaries & fringe benefits	15,532	-	15,532	-	15,532	-	24,290	-	70,886
Vacations	1,085	-	1,085	-	1,085	-	911	-	4,166
Director's fees	-	-	2,950	-	-	-	2,950	-	5,900
Supplier payments	4,205	954	1,200	-	500	770	1,200	-	8,829
Interest on DIP financing	-	-	-	-	-	-	-	-	-
3DGO! Suppliers	2,000	34,840	-	-	1,000	10,720	-	-	48,560
Rent	11,040	-	-	-	-	-	-	-	11,040
Insurance	-	2,603	-	-	-	2,603	-	-	5,206
Traveling fees	298	-	-	-	-	-	-	-	298
Other fees	250	250	250	250	250	250	250	250	2,000
Professional fees	81,687	6,000	14,800	6,000	6,000	6,000	4,800	6,000	131,287
	116,097	44,647	35,817	6,250	24,367	20,343	34,401	6,250	288,172
Net cash flow	(101,459)	(17,847)	(35,817)	17,600	(24,367)	11,003	(34,401)	21,147	(164,141)
Opening balance	278,435	176,976	159,129	123,312	140,912	116,545	127,548	93,147	278,435
Ending balance	176,976	159,129	123,312	140,912	116,545	127,548	93,147	114,294	114,294

Investment Opportunity

3DGO! Assets of SENSIO Technologies Inc. ("The Company")

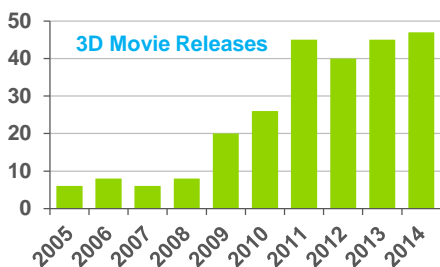
On Dec-23-2015, the Company filed for creditor protection and has hired Deloitte to approach a select group of qualified parties with respect to a divestiture process of the company 3DGO! Assets (service remains in operation).

The world's first and only dedicated 3D TVOD service offering Hollywood studio 3D movies

- 1999** • Founded in 1999, SENSIO Technologies Inc. has been developing award-winning stereoscopic image processing technologies destined to the millions of 3D fans globally.
- 2013** • Today, SENSIO leverages its 3D technologies and unique expertise to offer 3DGO!, bringing home the 3D experience to all 3D viewers.

3D is Alive and Well ▶ A Sizeable Opportunity for a Niche Player

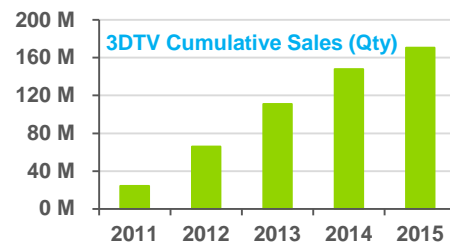
A Steady Pipeline of High-Quality 3D Movies



Continued Strong Demand for 3D Movies After 10 Years

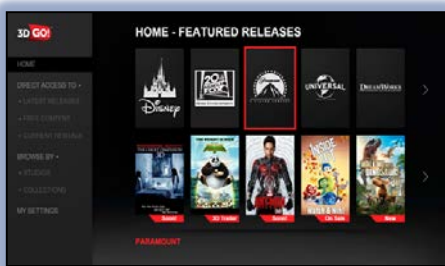
- 3D Movies in 2014 (US & Canada):**
- 12 of the top 15 Grossing movies are 3D
 - Box Office totalize \$1.4 B in revenue
 - 7% of movies are 3D but 14% of the Box Office revenue comes from 3D movies
 - 40% of children (2-17) saw a 3D movie

A Sizeable 3D Consumer Market



3DGO! ▶ The #1 Destination for the Best 3D Entertainment

The Simplest 3D User Experience



The Best Selection of 3D Movies

Studios	Agreement	Movies
Disney	Feb-2013	50
Paramount	Mar-2013	16
Universal	Sep-2013	22
FOX Dream Works	May-2015	27

Now Accessible to 80% of Smart 3DTVs owners in North America

Company	Deployed	Units Sold
VIZIO	Aug-2013	1.14 M
Panasonic	May-2014	1.28 M
LG	Mar-2015	2.34 M
SAMSUNG	Oct-2015	5.89 M

Investment Highlights

A Proven Demand

- On LG in US: Top 10 downloaded app daily and 19th of all times including 2DTV + 3DTV apps. Performance achieved in only 9 months and strictly on 3DTVs (12% of all TVs sold).
- Low acquisition cost: More than 36K users acquired on only 500K\$ budget (14\$/user) with no recognized brand name or wide marketing campaign

Strong Growth Plan

- International Expansion already announced with partners in Europe and LATAM (+65M 3DTVs)
- Deployment on Streaming Devices to give all 3DTV owners access to 3DGO!
- Signature of the remaining two MPAA member studios to increase the 3D movie library (>40)
- New recruiting program including 3D theatrical trailers and co-marketing with CE and studios

Longstanding & Experienced Team

- Management team with an average experience of more than 15 years in 3D
- Dedicated and Recognized by the industry (3 major recognitions, multiple industry standards)
- Strong team expertise in 3D technology

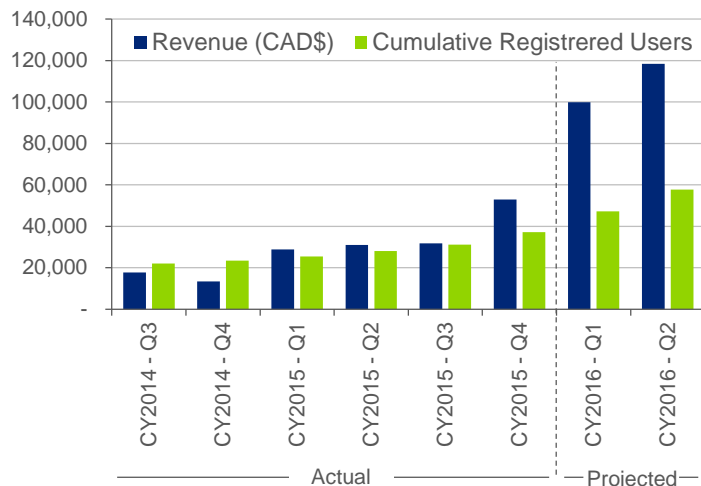
The information contained in this document is based on information made available to by the Company. This document constitutes a preliminary presentation and Deloitte assumes no liability for its correctness or completeness.

Investment Opportunity

3DGO! Assets of SENSIO Technologies Inc. ("The Company")

Financial Highlights

Revenue and User Growth



Recent and Future Growth Drivers

- Launch on Samsung 3DTVs (50%+ market share)
- 3DGO! movies added to Gracenote database
- Addition of 3D movies from Fox and Dreamworks Animation
- Slate of new 3D releases including Star Wars – The Force Awakens

Process

Upon execution and receipt of a confidentiality agreement, Deloitte will deliver a management presentation to interested parties, which will provide additional information on the assets and the opportunity. Please note that Deloitte intends to ensure that the sale of the 3DGO! Assets is completed expeditiously and closed with court approval by end of February 2016. Details of the process and a corresponding timetable is included below. All inquiries, expressions of interest or offers should be directed to:

Eric Michaud
Managing Director
514-393-7397
ermichaud@deloitte.ca

Charles Lamarre
Senior Associate
514-393-5519
clamarre@deloitte.ca

Timeline

Teaser sent out & Signature of non-disclosure agreement	Starting January 8
Due diligence period, including management presentation and data room	Starting mid-January
Deadline for submitting binding offer / Definitive agreement	February 15

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