

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 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 9160, Boulevard Leduc,
Quartier Dix30, Suite 410, Brossard, Quebec, J4Y 0E3

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

**THIRD 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 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 third report (“**Third 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 streaming services directly to consumers. These activities include the development of the service features and specifications, customer service, content management and marketing of the service.
5. 3DGO!TM has been in service since April 2013 in the United States 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 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 right, 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 NOI pursuant to Section 50.4 of 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. On January 20, 2016, following a motion for an extension of delay in accordance with Subsection 50.4(9) of the BIA, Me Chantal Flamand, Registrar, issued an order prolonging the delay in which to file the proposal by an additional forty-five (45) days, until March 7, 2016.
13. Matters addressed in this Third Report are as follows:
 - a. Trustee's activities since January 20, 2016;
 - b. SENSIO's activities from January 20 to March 3, 2016;
 - c. SENSIO's application for a 45-day extension of the stay proceedings;
 - d. Trustee's recommendations.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not defined in this Third Report are as defined in the Trustee's first and second report (collectively, the "**Previous Reports**").

TRUSTEE'S ACTIVITIES

15. The first cash flow forecast 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.
16. A second cash flow forecast statement was prepared for the period from January 16, 2016 to March 11, 2016, and was submitted to the Official Receiver on January 20, 2016, together with the report by the insolvent person and the Trustee's report.
17. On January 25, 2016, the Trustee sent to all known creditors a notice advising them that an extension was granted in accordance with Subsection 50.4(9) of the BIA.
18. The Trustee continued to perform a review of the actual receipts and disbursements and monitor the Sale Process conducted by the Company and Deloitte Corporate Finance Inc. ("**Financial Advisor**").

SENSIO'S ACTIVITIES

19. As indicated in our Previous Reports, since early 2016, the Company, with the help of the Financial Advisor and the Trustee, initiated a sale process to orderly sell the Company's remaining assets.
20. As such, the Company, with the help of the Financial Advisor and the Trustee:
 - a. Identified thirty-one (31) potential buyers for the Company's assets, including mainly strategic investors;
 - b. Contacted thirty (30) potential buyers;

- c. Completed and sent a solicitation of offers (“**Teaser**”) to twenty-two (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 six (6) potential buyers;
 - e. Prepared a virtual data room which will enable potential purchasers who signed an NDA to proceed with their due diligence and potentially submit a final binding offer.
21. The proposed deadline for submitting a binding offer or definitive agreement was set to February 15, 2016 (the “**Bid Deadline**”). However, as many of the potential purchasers were Chinese companies and given the Chinese New Year, the Company, with the help of its Financial Advisor, decided to extend the Bid Deadline to March 1, 2016, in order to allow such potential buyers to have sufficient time to formulate an acceptable binding offer on or prior the Bid Deadline.
22. Despite the Bid Deadline extension, none of these parties were able to submit a binding offer on or prior to March 1, 2016.
23. Following the Bid Deadline, the Company, with the help of its Financial Advisor, made several follow-ups in order to determine whether or not there was still an interest by the potential buyers. Both the Company and the Financial Advisor were advised by certain parties that they were indeed interested in potentially submitting an offer in respect of the Company’s 3DGO!™ streaming services, but requested more time to perform their due diligence and properly consider such possibility.
24. In parallel with the above Sale Process, the Company and its Financial Advisor continue their efforts to sell the Company’s rights as licensor to some of its remaining license agreements to its licensees.
25. 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 as summarized below:
 - a. Since the filing, the Company terminated some of its contracts, including its commercial lease for its offices.
 - b. The Company also sold its equipment and furniture which were located at such offices. Given the nature and nominal value of such assets, the Company and its Financial Advisor did not include these assets in the Sale Process.
 - c. The Company reduced the required number of hours per week of services for the remaining employees.
 - d. The Company entered into several arrangements with some of its key suppliers in order to maintain its 3DGO!™ streaming services during the Sale Process.
26. The actual financial results for the 6-week period ended February 26, 2016 are presented in Appendix A.

27. Total receipts for SENSIO were approximately \$99K, representing a favorable variance of approximately \$3K.
28. Total disbursements were approximately \$233K, representing a favorable variance of approximately \$14K, which is mainly explained by timing differences related to supplier payments and rent offset by slightly higher than budgeted professional fees.
29. Management prepared a cash flow for the 8-week period ending April 22, 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.

SENSIO'S APPLICATION FOR A 45-DAY EXTENSION OF THE STAY PROCEEDINGS

30. The insolvent person signified its intention to the Trustee to file a second 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 RECOMMENDATIONS

31. 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.
32. 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 sufficient time to finalize its solicitation efforts, negotiate the sale of its assets for the best price possible for the benefit of its stakeholders, potentially present to its creditors a proposal or, depending on the outcome of the Sale Process, evaluate its other alternatives.
 - 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
March 3, 2016

DATED AT MONTREAL on this 3rd day of March, 2016.

DELOITTE RESTRUCTURING INC.

Trustee acting *in re*: Notice of Intention to Make a
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

Actual-to-budget comparison for the 6-week period ended February 26, 2016			
(\$)	Budget	Actual	Variance
Cash inflows	96,634	99,381	2,747
Cash outflows			
Salaries & fringe benefits	46,596	48,701	2,105
Vacations	3,255	3,255	-
Directors' fees	2,950	2,950	-
Supplier payments	7,629	12,577	4,948
Interest on DIP financing	-	-	-
3DGO! Suppliers	48,560	31,178	(17,382)
Rent	11,040	-	(11,040)
Insurance	5,206	2,603	(2,603)
Traveling fees	298	298	-
Other fees	1,500	1,306	(194)
Professional fees	120,487	130,257	9,770
	247,521	233,125	(14,396)
Net cash flow	(150,887)	(133,744)	17,143
Opening balance	278,435	278,435	-
Ending balance	127,548	144,691	17,143

Note 1

Note 1: Variance is mainly related to timing and should be largely eliminated in the weeks to come.

APPENDIX B

Projected cash flow for the 8-week period ending April 22, 2016									
	27-Feb-16	05-Mar-16	12-Mar-16	19-Mar-16	26-Mar-16	02-Apr-16	09-Apr-16	16-Apr-16	
(\$)	04-Mar-16	11-Mar-16	18-Mar-16	25-Mar-16	01-Apr-16	08-Apr-16	15-Apr-16	22-Apr-16	
Cash inflows	37,018	-	67,000	-	19,108	-	-	-	123,126
Cash outflows									
Salaries & fringe benefits	24,290	-	13,090	-	15,532	-	15,532	-	68,444
Vacations	911	-	911	-	1,085	-	1,085	-	3,992
Directors' fees	2,950	-	-	-	2,950	-	-	-	5,900
Supplier payments	1,741	1,481	3,381	281	4,614	281	881	1,481	14,141
3DGO! Suppliers	-	12,462	345	-	-	12,462	345	-	25,614
Rent	250	-	-	-	250	-	-	-	500
Insurance	2,603	-	-	2,603	-	-	-	2,603	7,809
Traveling fees	-	-	-	-	-	-	-	-	-
Other fees	250	250	250	250	250	250	250	250	2,000
Professional fees	10,740	6,000	16,000	6,000	6,000	6,000	6,000	6,000	62,740
	44,763	20,193	33,977	9,134	30,681	18,993	24,093	10,334	192,168
Net cash flow	(7,745)	(20,193)	33,023	(9,134)	(11,573)	(18,993)	(24,093)	(10,334)	(69,042)
Opening balance	144,691	136,946	116,753	149,776	140,642	129,069	110,076	85,983	144,691
Ending balance	136,946	116,753	149,776	140,642	129,069	110,076	85,983	75,649	75,649

APPENDIX C

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

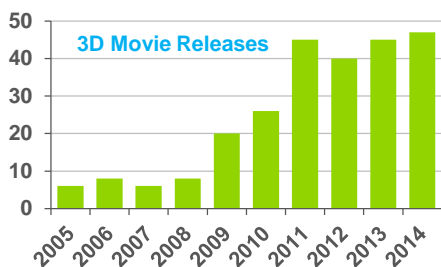
- Founded in 1999, SENSIO Technologies Inc. has been developing award-winning stereoscopic image processing technologies destined to the millions of 3D fans globally.

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

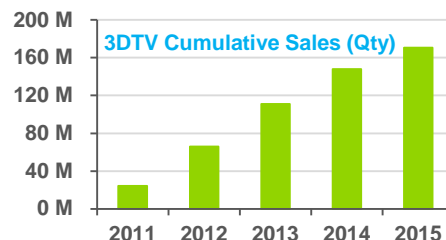


Continued Strong Demand for 3D Movies After 10 Years

3D Movies in 2014 (US & Canada):

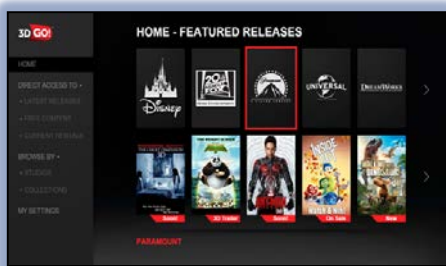
- 12 of the top 15 Grossing movies are 3D
- Box Office totalize \$1.4 B in revenue
- 7% of movies are 3D but 14% of the Box Office revenue comes from 3D movies
- 40% of children (2-17) saw a 3D movie

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

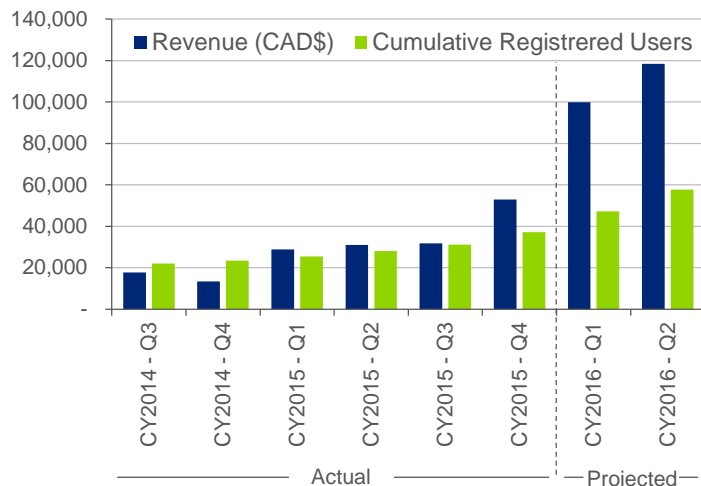
The information contained in this document is based on information made available to by the Company. This document constitutes a preliminary presentation and Deloitte assumes no liability for its correctness or completeness.

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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