

Court File No. 31-2551574
Estate No. 31-2551574

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE PROPOSAL OF
WISP INTERNET SERVICES INC.
OF THE TOWNSHIP OF SKUGOG
IN THE PROVINCE OF ONTARIO

FIRST REPORT TO COURT OF PROPOSAL TRUSTEE

DATED SEPTEMBER 24, 2019

INTRODUCTION

1. On August 29, 2019 (the "**Filing Date**"), Wisp Internet Services Inc. ("**WISP**" or the "**Debtor**") filed with the Official Receiver a Notice of Intention ("**NOI**") to make a proposal to its creditors and named Dodick Landau Inc. ("**DLI**") as Proposal Trustee (the "**Proposal Trustee**"). Attached as **Appendix "A"** is the Certificate of Filing of the NOI.
2. Wisp provides wireless internet, television, home networking and home security services to communities in rural Ontario. Its head office is located at 180 Mary Street, Port Perry, Ontario, L9L 1C4. A further overview of the Debtor's business operations and financial difficulties which led to the filing of the NOI is set out in the Affidavit of Christopher Doyle sworn September 24, 2019 (the "**Doyle Affidavit**"), served and filed with the Court in support of the Debtor's motion for the relief set out herein.
3. All capitalized terms used in this Report but not otherwise defined shall have the meaning ascribed to such terms in the Doyle Affidavit.

4. This first report (the “**Report**”) of the Proposal Trustee is made in connection with the motion of the Debtor to:
 - i. abridge the time for service of the Notice of Motion, the Motion Record and this Report and dispensing with service on any other person other than those served;
 - ii. extend the time for filing a proposal, and extend the stay of proceedings granted upon the filing of the NOI, for a period of 45-days to, and including, November 12, 2019; and
 - iii. approve the activities of the Proposal Trustee as set out in this Report.

DISCLAIMER

5. In preparing this Report, the Proposal Trustee has relied upon certain unaudited, draft and/or internal financial information, the Company’s books and records, discussions with the management of the Company (“**Management**”) and information from other third-party sources (collectively, the “**Information**”). Except as described in this Report:
 - i. the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the Information;
 - ii. some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants handbook, has not been performed; and

- iii. the Proposal Trustee has prepared this Report in its capacity as a Court appointed officer and has made a copy of this Report available on the Proposal Trustee's website at www.dodick.ca for purposes of the Company's motion returnable September 27, 2019. Parties using this Report, other than for the purpose of the motion, are cautioned that it may not be appropriate for their purposes.
6. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
7. Unless otherwise stated, all monetary amounts contained herein are in Canadian dollars.

EXTENSION OF STAY OF PROCEEDINGS

8. The Debtor is seeking an extension of the time for the filing of the proposal to and including November 12, 2019, for a total of 45 days.
9. The stay extension is required to provide the Debtor with the necessary time to be able canvass its creditors and negotiate a viable proposal.
10. The Proposal Trustee is of the view that the Debtor is acting in good faith and with due diligence in formulating and implementing a restructuring plan that would preserve its business and assets for the benefit of their stakeholders. Without the extension, the Debtor is not in a position to make a viable proposal to its creditors and will become bankrupt to the detriment of its stakeholders. In contrast, no creditor will be materially prejudiced if the extension applied for is granted. If the extension applied for is granted, the Debtor would likely have sufficient time to canvass its creditors and be able to make a viable proposal to its creditors.

OVERVIEW OF THE DEBTOR'S WEEKLY CASH FLOW FORECAST

11. The Debtor, with the assistance of the Proposal Trustee, has prepared a thirteen-week cash flow forecast for the period of August 29, 2019 to November 30, 2019 ("**Cash Flow Forecast**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "B"** to this Report. The Cash Flow Forecast has been prepared by Management of the Debtor for the purpose of this motion, using probable and hypothetical assumptions set out in notes 1 to 10 attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts and disbursements to be received or paid over the thirteen-week forecast period in Canadian dollars.
12. The Cash Flow Forecast projects that the Debtor will have sufficient liquidity to fund its expenses and the Proposal proceeding throughout the proposed extension of the stay of proceedings under the assumption that no tower rent will have to be paid until after a proposal is approved by the creditors and the Court.
13. The Proposal Trustee's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to the Proposal Trustee by certain of the Management and employees of the Debtor. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposal Trustee has also reviewed the support provided by Management of the Debtor for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.
14. Based on the Proposal Trustee's review, nothing has come to its attention to cause it to believe that, in all material respects:
 - i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;

- ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Debtor or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
 - iii. the Cash Flow Forecast does not reflect the probable and hypothetical Assumptions.
15. As described in the Disclaimer above, since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Proposal Trustee expresses no opinion or other form of assurance with respect to the accuracy of financial information presented in the Cash Flow Forecast.
16. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

CONCLUSION AND RECOMMENDATION

17. The Proposal Trustee is of the view that the granting of the stay extension, will allow the Debtor sufficient time to canvass its creditors and negotiate a viable proposal.
18. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief being requested by the Debtor pursuant to the BIA.

All of which is respectfully submitted this 24th day of September, 2019.

DODICK LANDAU INC.

Trustee re the Proposal of WISP Internet Services Inc.
and not in its personal capacity.

Per:

A handwritten signature in blue ink, appearing to be 'R D', written over a horizontal line.

Rahn Dodick, CA, CPA, CIRP, LIT
President

APPENDIX "A"



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2551574
Estate No. 31-2551574

In the Matter of the Notice of Intention to make a
proposal of:

Wisp Internet Services Inc.
Insolvent Person

DODICK LANDAU INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: August 29, 2019

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: August 29, 2019, 14:31

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

APPENDIX "B"

WISP Internet Services Inc.
Weekly Cash Flow Forecast
For the period from August 29, 2019 to November 30, 2019

Week Ending	Notes	Aug-29-19 to 7-Sep-19	14-Sep-19	21-Sep-19	28-Sep-19	05-Oct-19	12-Oct-19	19-Oct-19	26-Oct-19	02-Nov-19	09-Nov-19	16-Nov-19	23-Nov-19	30-Nov-19	TOTAL
Receipts															
Recurring Revenue	2	45,884	45,884	45,884	45,884	48,131	48,280	48,429	48,578	48,727	48,876	49,025	49,174	49,323	622,080
Non recurring Revenue	3	13,052	7,289	7,289	7,289	13,052	7,289	7,289	7,289	13,052	7,289	7,289	7,289	7,289	112,040
Total Receipts		58,936	53,173	53,173	53,173	61,183	55,569	55,718	55,867	61,778	56,164	56,313	56,462	56,611	734,119
Disbursements															
Direct Cost of sales	4	15,405	12,580	12,580	12,580	15,405	12,580	12,580	12,580	15,405	12,580	12,580	12,580	12,580	172,014
Indirect Cost of sales	5	10,355	14,570	7,240	12,599	10,419	14,630	7,304	12,666	10,279	14,830	7,319	12,681	5,685	140,578
Payroll	6	12,857	9,252	9,252	9,252	12,857	9,252	20,719	9,252	12,857	9,252	22,667	9,252	9,252	155,970
Occupancy Costs	7	5,855	1,000	3,500	1,000	5,705	250	2,750	250	5,705	250	2,750	250	250	29,515
G&A Expenses	8	800	2,050	50	2,050	800	2,050	50	2,050	9,929	3,050	50	50	13,553	36,531
Total Disbursements		45,272	39,452	32,622	37,481	45,185	38,762	43,403	36,798	54,174	39,962	45,366	34,813	41,319	534,609
Net Cash flow from Operations		13,664	13,721	20,551	15,692	15,997	16,807	12,315	19,068	7,605	16,203	10,948	21,649	15,292	199,510
Bank Balance															
Opening Cash Balance		7,076	20,740	34,460	55,011	70,703	86,700	103,507	115,821	134,890	142,494	158,697	169,645	191,294	7,076
Add: Net Cash Flow from Operations		13,664	13,721	20,551	15,692	15,997	16,807	12,315	19,068	7,605	16,203	10,948	21,649	15,292	199,510
Closing Cash Balance from Operations		20,740	34,460	55,011	70,703	86,700	103,507	115,821	134,890	142,494	158,697	169,645	191,294	206,586	206,586
Less: Restructuring Professional Fees & Disbursements	9	5,000	6,500	10,000	10,000	6,500	5,000	10,000	5,000	6,500	5,000	15,000	5,000	-	89,500
Closing Cash Balance		15,740	22,960	33,511	39,203	48,700	60,507	62,821	76,890	77,994	89,197	85,145	101,794	117,086	117,086

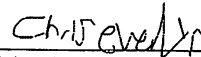
This statement of forecast cash flow of WISP Internet Services Inc. is prepared in accordance with section 50.4 (2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the accompanying notes and Trustee's report on cash flow statement dated this the 6th day of September, 2019.

Dodick Landau Inc.



Per: _____
Rahn Dodick, CPA, CA, CIRP, LIT

WISP Internet Services Inc.



Per: _____
Chris Evelyn
President

WISP Internet Services Inc. (“WISP” or the “Company”)
Major Assumptions
Cash Flow Forecast
For the Period August 29, 2019 to November 30, 2019 (the “Period”)

1. WISP’s financial projections have been prepared for the purpose of meeting the requirements of the Bankruptcy and Insolvency Act. The Projection is based on the hypotheses that WISP will continue operations in the normal course and will generate sufficient cash flow to meet its ongoing operational needs.

Receipts:

2. Wisp sells high-speed internet access to rural Ontario residents. Wisp’s recurring revenue projections for the purposes of this cash flow are based on the Company’s existing number of internet subscribers at the average monthly billing per customer. A price increase for older subscribers, which goes into effect at the beginning of October, 2019, has been incorporated as well. The cash flow forecast assumes that the Company will add new subscribers each week based on its historic growth patterns. Recurring revenue also includes receipts from customers who pay a monthly rental fee for their internet equipment.
3. Non recurring revenue projections includes one-time payments by new subscribers who elect to purchase their internet equipment rather than pay the monthly rental fee noted above, as well as forecast receipts for special customer installations which are at times required by new subscribers in order to be able to receive internet into their homes.

Disbursements:

4. Direct cost of sales includes the hardware cost associated with the installation of internet into the homes of new subscribers as well as the cost special customer installations as required by new subscribers. Installation costs are forecast based on the Company’s historical installation costs. Also included in direct cost of sales is the cost of the Company’s primary internet feed, which it purchases from a master distributor. Lastly, included in this line item are regular purchases of hardware for subscribers who opt to rent their equipment rather than buy it.
5. Indirect cost of sales includes merchant fees for processing customer credit card payments, the Company’s customer management software, a bi-weekly payment for the Company’s help desk and sales support team, vehicle expenses, equipment lease costs and other rental costs. Tower rental costs are not included in this cash flow as the new restructured tower rental payments are forecast to start after the proposal is approved by the creditors and the Court which is outside the cash flow forecast period.
6. Payroll includes amounts for salaried and hourly employees who are paid weekly. Other payroll costs include source deduction remittances to Canada Revenue Agency (“CRA”) by the 15th of the following month, employee benefits and WSIB payments in the Period.

7. Occupancy expenses include WISP's insurance costs, utilities and office rents.
8. General and administrative expense include general office expenses, book keeping costs, and monthly HST remittances to CRA.
9. Professional fees include fees for the Company's legal counsel, the Proposal Trustee and its legal counsel for the Period.
10. The opening cash balance as of August 29, 2019 is \$7,076.

Court No. 31-2551574

Estate No. 31-2551574

In the matter of the proposal of
Wisp Internet Services Inc.
of the town of Port Perry, in the Province of Ontario

First Report to Court of Proposal Trustee

Dodick Landau Inc. - Licensed Insolvency Trustee

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