

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*
AND IN THE MATTER OF THE PROPOSAL OF WISP INTERNET SERVICES INC.

**INFORMATION MEETING OF UNSECURED CREDITORS OF
WISP INTERNET SERVICES INC.**

October 10, 2019, 7:30 p.m.

Tyrone Community Centre
2716 Concession Road 7, Bowmanville, Ontario

AGENDA

- 1) Introduction
- 2) Notice of meeting
- 3) Review of proposal process
- 4) Background
- 5) Review of draft proposal term sheet and illustrations
- 6) Q&A

DIVISION 1 PROPOSALS

What is a division I proposal and how does it affect creditors?

A division I proposal is essentially a compromise between a commercial debtor and his or her creditors that, if approved by the creditors and the Court, becomes legally binding.

Proposals help resolve the financial difficulties of a business and offer creditors more than they could expect to receive in a bankruptcy.

If a business is viable but financially unsound, restoring its financial condition with a proposal may save the business, preserve jobs, give creditors the best return, provide a continuing source of business for existing and new creditors and enable the proprietors to retain an interest in the business.

After a debtor files a division I proposal or a notice of intention to file such a proposal, creditors may not begin or continue any legal action.

A proposal must be made to unsecured creditors, either as a whole or separated into classes. A proposal may also be made to secured creditors in any class. However, if a proposal is made to one or more secured creditors in a particular class, it must be made to all secured creditors in that class.

In certain circumstances, secured creditors are not affected by the proposal. For example, if, before the debtor filed the proposal, a secured creditor took possession of a secured asset, that creditor may keep the asset or sell it.

A proposal usually states that creditors' claims arising *after* the proposal is filed are not affected by the proposal. In these circumstances, claims will be paid in full in the ordinary course of business and will have priority over the claims of creditors affected by the proposal.

Process

The process may begin with the filing of a notice of intention to make a proposal with the Office of the Superintendent of Bankruptcy (OSB). Within five days of filing, a copy is sent to all known creditors. The proposal itself must then be filed within 30 days after the notice of intention unless the Court has granted an extension.

The process may also begin with the filing of the actual proposal and a notice of a meeting of creditors, which must be sent to all known creditors at least 10 days before the meeting.

A proposal must appoint an LIT whose responsibilities include reporting to the creditors and the Court, and making the payments required under the proposal.

If you are a creditor involved in a proposal, the LIT will send you information as well as form(s). To recover money owed to you, you must complete and submit a Proof of Claim to the LIT.

After a proposal has been filed, the LIT must call a meeting of creditors to consider the proposal. In calling the meeting, the LIT sends each known creditor

- a copy of the proposal;
- a statement of the debtor's assets and liabilities;
- a list of creditors;
- a Proof of Claim form; and
- a voting letter.

Creditors vote to accept or reject the proposal at the meeting of creditors. Creditors who wish to vote at the meeting must file their Proof of Claim forms with the LIT beforehand.

If you want to vote at a meeting of creditors but are unable to attend, you may appoint another person to vote on your behalf. To do this, fill out a proxy form and return it to the LIT along with your Proof of Claim, or give the form to your proxy to present to the chairperson of the meeting at any time before the vote is taken.

For a proposal made to **unsecured creditors**, a majority of these creditors must accept it, and this majority must represent at least two thirds of the proven claims. After the proposal is approved by the creditors and the Court, it becomes binding on all unsecured creditors. If unsecured creditors refuse to accept a division I proposal, the insolvent person is deemed to have made an assignment in bankruptcy.

For a proposal made to **secured creditors**, a majority of creditors in each class (a majority being creditors in that class whose combined claims make up at least two thirds of the value of all secured claims) must agree to accept it. If a particular class of secured creditors votes against a proposal, creditors within that class may proceed to take possession of the secured asset.

If the proposal is accepted by the creditors, the LIT must apply to the Court for approval. If the proposal is approved by the Court, creditors will be eligible to receive interim dividends according to the terms of the proposal. However, if the Court rejects a division I proposal, the insolvent person is deemed bankrupt.

Once a proposal is fully performed, the LIT gives a certificate to the debtor and to the OSB. The certificate results in a release from debts, giving it the same effect as a discharge from bankruptcy.

What if the debtor defaults?

A proposal normally specifies when the debtor will make payments to the LIT. If the debtor defaults, the inspectors — or, if there are no inspectors, the creditors — may waive the default provided the debtor remedies the default within 30 days.

If the debtor does not remedy the default, the LIT or the creditors may apply to the Court to annul the proposal. If the court annuls the proposal, the debtor is deemed bankrupt and the Office of the Superintendent of Bankruptcy will issue a certificate of assignment.

When a proposal or notice of intention to file a proposal is filed, a "stay of proceedings" is put in place that prevents creditors from beginning or continuing any legal action against the debtor. This stay of proceedings remains in effect after the certificate of assignment is issued.

However, if the debtor does not remedy the default, and if the LIT proceeds to his or her discharge and does not have the Court annul the proposal, the stay of proceedings is lifted and the creditors' rights against the debtor are revived.

An order annulling a proposal does not affect the sale or disposition of property, or payments made in accordance with the proposal. If a proposal has been annulled, all creditors (both pre-proposal and post-proposal) will share equally in the distribution of the bankrupt's assets.

For further information on Division 1 Proposals, please review the website of the Office of the Superintendent of Bankruptcy at:

<https://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br01977.html>

WISP INTERNET SERVICES INC.

PROPOSED RESTRUCTURING TERM SHEET

PREPARED ON A WITHOUT PREJUDICE BASIS FOR DISCUSSION

General Terms

1. This proposed term sheet is made to all creditors of WISP Internet Services Inc. ("**WISP**") having a claim against WISP which arose prior to WISP filing a Notice of Intention to Make a Proposal (the "**NOI**") on August 29, 2019 under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**").
2. There will be two classes of creditors under the proposal: (i) secured creditors; and (ii) unsecured creditors.
3. The Canada Revenue Agency ("**CRA**") is the sole creditor with a statutory deemed trust. CRA has asserted a deemed trust claim in the approximate amount of \$300,000 for unremitted payroll source deductions, which remains subject to audit by CRA. CRA's deemed trust claim must be paid in a proposal proceeding prior to all other creditors.
4. There are two secured creditors with an aggregate claim of less than \$200,000.
5. The balance of claims fall into the unsecured creditor class, which includes lenders, landlords, trades and creditors under tower agreements. The total amount of unsecured claims is estimated to be between \$13 million and \$14 million. The final amount of unsecured claims will be calculated following receipt by the Proposal Trustee of proofs of claim from the claimants once there is a call for claims immediately following the filing of a proposal by WISP.
6. In the first 6 months following court approval of the proposal, payment is required to be made to fully satisfy CRA's deemed trust claim.
7. In months 7-12 following court approval of the proposal, dividend payments will be made to the secured creditors in satisfaction of their secured claims.
8. Between months 13 and 72 (a 5-year period), two dividend payments will be made each year to WISP's unsecured creditors on a *pro rata* basis. The total amount of the dividend will be approximately \$1.5 million and will be in addition to any rental payments described in Schedule "A" hereto. Dividends to deemed trust, secured and unsecured creditors and rental payments will be funded by WISP's operations.
9. Unsecured creditors who are party to a tower agreement will have their tower agreement deemed to be amended or terminated, as the case may be, in accordance with Schedule "A" hereto.
10. Dodick Landau Inc., in its capacity as proposal trustee (the "**Proposal Trustee**"), will monitor WISP's receipts and disbursements during the proposal period and will report on any material variances in WISP's cash flows and business operations.
11. Creditors will be entitled to receive, on request, a copy of the minutes of any meeting of WISP's board of directors.

12. Creditors will have the right to appoint between 1 and 5 inspectors in accordance with the provisions of the BIA until the payments under the proposal have been completed. WISP will meet with the inspectors on a quarterly basis throughout the proposal period, with such meetings to be chaired by the Proposal Trustee. WISP will report to the Proposal Trustee and the inspectors regarding its quarterly receipts and disbursements prior to each meeting.
13. Creditors will have the same rights to review WISP's transactions as are granted under sections 95-98 of the BIA to creditors in a bankruptcy proceeding. Inspectors appointed at the meeting of creditors may authorize a review of these transactions by the Proposal Trustee on behalf of the creditors.

SCHEDULE "A"

Unsecured Creditor Class – Group 1: Owners of lands with a tower not owned by WISP

1. This part of the proposal applies to all property owners who have a tower on their lands that WSIP does not own but are renting the tower to WISP, including those property owners who purported to terminate their agreements before the NOI was filed.
2. Any property owner who purported to terminate their tower agreement after the NOI was filed will have their tower agreement treated as remaining in force.
3. The rental rate for all towers will be \$200 per month for 20 years starting on the first business day of the 13th month after court approval of the proposal.
4. Property owners will continue to receive free internet.
5. Each property owner's damage claim in the proposal will equal tower rent arrears owing plus the present value of the future revenue stream (discount rate of 5%) under current tower agreement. An illustrative example of the claim and proposed payments will be provided prior to October 10, 2019.
6. The dividend in respect of each property owner's damage claim will be paid *pro rata* with other unsecured creditors.
7. WISP will continue to have the exclusive right to use the tower and shed, including all associated panels and equipment (collectively, the "Tower"), while in good standing under the proposal. If WISP defaults under the proposal, and such default is not cured within 30 days' written notice to WISP, then WISP will lose its exclusive right to use the Tower.

Unsecured Creditor Class – Group 2: Owners of lands on which a tower has not been built

1. All agreements in respect of towers that have not been built will be terminated.
2. Each property owner's damage claim in the proposal will equal:
 - the amount paid to WISP to have a tower built, less
 - rent paid to date, plus
 - rent arrears owing, plus
 - the present value of the future revenue stream (with a discount rate of 5%) under current rental agreement.
3. An illustrative example of the claim and proposed payments will be provided prior to October 10, 2019.
4. The dividend in respect of each property owner's damage claim will be paid *pro rata* with other unsecured creditors.

5. Each property owner will be deemed to have entered into an option agreement with WISP granting WISP an option to build a Tower on the property in the future.
6. Each property owner will receive \$100 per month under the option agreement starting on the first business day of the 13th month after court approval of the proposal.
7. The option agreement will not restrict a property owner's right to enter into a new tower agreement with a third party. However, in the event a third party proposes to build a Tower on the property owner's lands, WISP will have a right of first refusal to exercise, within 30 days' notice from the property owner, its option to build a Tower on the terms set out in paragraph 8, below.
8. If WISP exercises its option and builds a Tower, then the option agreement will convert to a tower agreement and the rental payments will start at \$200 per month for 20 years commencing on the first business day of the month after the option is exercised.

Unsecured Creditor Class – Group 3: All other unsecured creditors

1. This portion of the proposal is made to all other unsecured creditors who are not part of groups 1 or 2, including private lenders and trade creditors.
2. The dividend in respect of each group 3 unsecured creditor will be paid *pro rata* with other unsecured creditors.

Wisp Internet Services Inc.
 Draft Proposal Term Sheet
 Unsecured Creditor Class - Group 1 Illustration

Description of claimant: Built tower on Owner's property.

"Owner" = Owner of land
 "Provider" = Wisp Internet Services Inc.

Illustration

<i>Original Contract</i>	<u>2016 Contract</u>	<u>2018 Contract</u>
Payment by Owner to Provider at inception (incl. HST)	\$ 33,900	\$ 67,800 [A]
Original total rent to be paid by Provider to Owner over 20 years	\$ 120,000	\$ 180,000 [B]
Original monthly rent to be paid to Provider over 20 years	\$ 500	\$ 750 [C]
Rent already paid by Provider to Owner	\$ 14,500	\$ 6,750 [D]
Internet service provided by Provider to Owner (Average value=\$110/mth)	\$ 4,510	\$ 2,310 [months tower has been active x 110 = E]
Rent paid and internet service provided as a percentage of investment by Owner	56%	13% [(D+E)/A]
Rent paid and internet service provided as a percentage of total original rent in contract	16%	5% [(D+E)/B]

<i>Owner's Claim in Proposal</i>		
Future value of unpaid rent in Original Contract	\$ 105,500	\$ 173,250 [B-D = F]
Rental payments remaining	211	231 [(B/monthly rent) - (D/monthly rent) = G]
Unpaid rent arrears	\$ 6,000	\$ 9,000 [monthly rent x 12 months = H] [PV of monthly rent payments over remaining months of rental contract = I]
Present value of future unpaid rent remaining in Original Contract (discount rate of 5% applied)	\$ 67,822	\$ 108,038
Total Owner's Claim before Mitigation	\$ 73,822	\$ 117,038
Less: Present value of new rent payable (\$200 per month, discount rate of 5% applied)	-\$ 30,431	-\$ 30,431
Total Owner Claim admitted in Proposal	\$ 43,390	\$ 86,606 [J]

<i>Proposal</i>		
Total estimated proposal payments made to Owner semi-annually (years 2 to 6)	\$ 6,075	\$ 12,125 [14% x J = K]
Total new rent paid by Provider to Owner over 20 years beginning in month 13	\$ 48,000	\$ 48,000 [\$200/mth for 20 years = L]
Total estimated value of continued internet service provided by Provider to Owner beginning in month 1 (Average)	\$ 26,400	\$ 26,400 [\$110/mth for 20 years = M]
Total estimated future rent, proposal payments and internet service	\$ 80,475	\$ 86,525
Rent already paid by Provider to Owner	\$ 14,500	\$ 6,750 [D]
Internet service already provided to Owner (Average value=\$110/mth)	\$ 4,510	\$ 2,310 [E]
Total past rent and internet service provided to Owner	\$ 19,010	\$ 9,060
Rent, proposal payments and value of internet service, as a percentage of original investment by Owner	293%	141% [(D+E+K+L+M)/A]
Rent, proposal payments and internet service, as a percentage of value of Owner's Claim in Proposal	229%	110% [(D+E+K+L+M)/J]
Rent, proposal payments and internet service, as a percentage of value of original rental contract	83%	53% [(D+E+K+L+M)/B]

Comments

1) Depending on the start date of the original contract, by the end of the terms of the proposal and new rental, the Owners are estimated to receive between:

1.4 and 2.9 times his/her original investment

1.1 to 2.3 times the value of his/her claim in the Proposal

53% to 83% of the value of the original rental contract

2) Should the creditors not vote in favour of the proposal, or the Court not approve the proposal, there will be an automatic bankruptcy of Wisp Internet Services Inc. In a bankruptcy it is expected that any proceeds from the sale of assets will only be sufficient to pay the claims of Canada Revenue Agency and the secured creditors which have priority over the claims of all other creditors. Therefore, in a bankruptcy there would be no proposal payments or net proceeds from the sale of assets available for distribution to unsecured creditors. Following a bankruptcy, if a creditor with a tower was able to sign a contract with another internet provider it is expected that it will receive the same or less tower rent than is being now offered by Wisp.

3) There is no additional unbuilt tower damage claim in the proposal for this group of creditors as towers were built in these cases.

Wisp Internet Services Inc.
 Draft Proposal Term Sheet
 Unsecured Creditor Class - Group 2 Illustration

Description of claimant: Amount to build tower was paid in 2018 but, to date, tower was not built on Owner's property.

"Owner" = Owner of land
 "Provider" = Wisp Internet Services Inc.

Illustration

Original Contract	2018 Contract	
Payment by Owner to Provider at inception (incl. HST)	\$ 67,800	[A]
Original rent to be paid by Provider to Owner over 20 years	\$ 180,000	[B]
Rent already paid by Provider to Owner (3 payments of \$750/month)	\$ 2,250	[C]
Rent paid as a percentage of investment by Owner	3%	[C/A]
Rent paid as a percentage of total original rent in contract	1%	[C/B]

Owner's Claim in Proposal		
Future value of unpaid rent in Original Contract	\$ 177,750	[B-C = D]
Rental payments remaining	237	[(B/\$750)-(C/\$750) = E]
Payment by Owner to Provider at inception (incl. HST)	\$ 67,800	[A]
Plus: Unpaid rent arrears	\$ 9,000	[\$750 x 12 months = F] [PV of payments of \$750 over 225 remaining months = G]
Plus: Present value of future unpaid rent remaining in Original Contract (discount rate of 5% applied)	\$ 109,829	
Total Owner's Claim admitted in Proposal	\$ 186,629	
Less: Present value of new option payments (\$100 per month, discount rate of 5% applied)	-\$ 15,216	
Total Owner Claim admitted in Proposal	\$ 171,414	[H]

Proposal		
Total estimated proposal payments made to Owner semi-annually (years 2 to 6)	\$ 23,998	[14% x H = I]
Total new option payment by Provider to Owner over 20 years beginning in month 13	\$ 24,000	[\$100/mth for 20 years = J]
Total estimated future option and proposal payments	\$ 47,998	
Rent already paid by Provider to Owner (3 payments of \$750/month)	\$ 2,250	[C]
Total past rent paid to Owner	\$ 2,250	
Option and proposal payments, as a percentage of original investment by Owner	74%	[(C+J)/A]
Rent and proposal payments, as a percentage of value of Owner's Claim in Proposal	29%	[(C+J)/H]
Option and proposal payments, as a percentage of value of original contract	28%	[(C+J)/B]

Comments

1) Depending on the start date of the original contract, by the end of the terms of the proposal and new option, the Owners are estimated to receive approximately:

74% of his/her original investment

29% of his/her claim in the Proposal

28% of the value of the original rental contract

2) Should Wisp build in the future a new tower at its own cost on the Owner's property, the monthly rent will double at that time to \$200/mth for 20 years, which would allow the Owner to recover its original investment, and earn a return on that investment, over time. Beginning in year 3 of the Proposal, Wisp expects to be in a position to start building new towers and exercise their options.

3) Should the creditors not vote in favour of the proposal, or the Court not approve the proposal, there will be an automatic bankruptcy of Wisp Internet Services Inc. In a bankruptcy it is expected that any proceeds from the sale of assets will only be sufficient to pay the claims of Canada Revenue Agency and the secured creditors which have priority over the claims of all other creditors. Therefore, in a bankruptcy there would be no proposal payments or net proceeds from the sale of assets available for distribution to unsecured creditors.

Wisp Internet Services Inc.
 Draft Proposal Term Sheet
 Unsecured Creditor Class - Group 3 Illustration

Description of claimant: Unsecured lender, trade creditor, landlord and any other party who is owed money by Wisp Internet Services Inc. but excluding any creditor with a tower agreement.

"Creditor" = Loaned Wisp \$100,000 in 2018.
 "Provider" = Wisp Internet Services Inc.

<u>Illustration</u>	<u>2018 Loan</u>	
<i>Creditor's Claim in Proposal</i>		
Loan made to Provider	\$ 100,000	
Unpaid accrued interest (1 year at 5%)	\$ 5,000	
Total Creditor Claim admitted in Proposal	\$ 105,000	[A]
<i>Proposal</i>		
Total estimated proposal payments made to Owner semi-annually (years 2 to 6)	\$ 14,700	[14% x A = B]
Total estimated proposal payments	\$ 14,700	[C]
Proposal payments, as a percentage of value of Owner's Claim in Proposal	14%	[C/A]

Comment

1) All other unsecured creditors (unsecured creditors without tower agreements) are expected to realize in years 2 to 6 of the proposal approximately 14% of their claim. This percentage will change depending on the number and values of the actual proofs of claim filed with the Proposal Trustee in the Proposal.

2) Should the creditors not vote in favour of the proposal, or the Court not approve the proposal, there will be an automatic bankruptcy of Wisp Internet Services Inc. In a bankruptcy it is expected that any proceeds from the sale of assets will only be sufficient to pay the claims of Canada Revenue Agency and the secured creditors which have priority over the claims of all other creditors. Therefore, in a bankruptcy there would be no proposal payments or net proceeds from the sale of assets available for distribution to unsecured creditors.