

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

REPORT OF TRUSTEE ON PROPOSAL

November 18, 2019

INTRODUCTION

1. On August 29, 2019 (the "**Date of Filing**"), Wisp Internet Services Inc. ("**WISP**" or the "**Company**") filed with the Official Receiver a Notice of Intention to Make a Proposal ("**NOI**") to its creditors and named Dodick Landau Inc. ("**DLI**") as Proposal Trustee (the "**Proposal Trustee**").
2. On September 24, 2019, in accordance with Section 50.4(9) of the Bankruptcy and Insolvency Act (the "**BIA**"), the Debtor sought and obtained approval from the Superior Court of Justice (the "**Court**") to extend the time for filing the Proposal, and the stay of proceedings up to and including November 12, 2019.
3. On November 12, 2019, pursuant to section 62 of the Bankruptcy and Insolvency Act (the "**BIA**" or the "**Act**"), WISP filed with the Official Receiver a proposal (the "**Proposal**").
4. The purpose of this report ("**Report**") is to provide information to the creditors of WISP (the "**Creditors**") to assist in their evaluation of the Proposal.
5. The Proposal has been developed to effect a restructuring of the indebtedness of the Company in the manner contemplated herein and as permitted by the Act in the expectation that all Creditors will derive a greater benefit from the restructuring and the continued operation of the business and affairs of the Company than would result from a bankruptcy of the Company.

6. **A meeting of the Creditors to consider the Proposal will be held at Tyrone Community Centre, located at 2716 Concession Road 7, Tyrone, Ontario, L1C 5W2, on December 3, 2019 at 11:00 a.m. (the “Creditors’ Meeting”). Details relating to the filing of claims, and other documents, prior to the Creditors’ Meeting, are outlined in the Report and will be mailed to each known creditor of WISP, or their duly appointed representative.**

DISCLAIMER

7. 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 Company’s management (“**Management**”), Creditors 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 DLI’s website at [**www.dodick.ca**](http://www.dodick.ca). Parties using this Report, other than for the purpose of evaluating the Proposal, are cautioned that it may not be appropriate for their purposes. DLI will continue to maintain on its website copies of any court orders, reports and other material public filings it considers relevant to this proceeding.
8. 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.

9. The capitalized terms not defined in this report are defined in the Proposal and this Report should only be read in conjunction with the Proposal. While this Report summarizes key aspects of the Proposal, Creditors are advised to carefully read the Proposal in full. Should there be any discrepancy between the summary contained in this Report and the Proposal, the Proposal shall govern.
10. Unless otherwise stated, all monetary amounts contained herein are in Canadian dollars.

BACKGROUND

Operations

11. WISP was incorporated on April 27, 2009 under the laws of Ontario. WISP's registered office address is 4510 Concession Rd #5, Newtonville, Ontario and its registered mailing address is 180 Mary Street, Suite #10, Port Perry, Ontario. The Company's books and records are maintained at the Mary Street location.
12. WISP is in the business of delivering high-speed internet services to customers in rural communities in Ontario (the "**Business**"). WISP delivers its services through a network of communication towers strategically located throughout Ontario (the "**Towers**"). WISP's network currently includes 89 active Towers servicing approximately 2,100 customers.
13. Most Towers are built on private lands. In a typical arrangement, WISP will enter into a written agreement (each, a "**Tower Agreement**") with a landowner which provides, among other things, that:
 - i) the landowner will pay WISP a fixed fee to build a Tower on the landowner's lands;
 - ii) the landowner will grant WISP an exclusive right to access the lands for the purpose of building and maintaining the Tower and related equipment and use the Tower for the purpose of delivering high-speed internet services to Wisp's subscribers in the area; and
 - iii) WISP will pay to the landowner a monthly rent for the use of the tower and land for a period of twenty-years and will provide free internet access to the landowner throughout the term of the agreement.

14. WISP is currently a party to 105 Tower Agreements. The Tower Agreements can be divided into two groups:
 - i) Tower Agreements in respect of lands on which WISP has built a Tower ("**Built Tower Agreements**"). WISP is currently a party to 52 Built Tower Agreements. These creditors are classified as Unsecured Creditor Group 1; and
 - ii) Tower Agreements in respect of lands on which WISP has yet to build a Tower ("**Unbuilt Tower Agreements**"). WISP is currently a party to 53 Unbuilt Tower Agreements. These creditors are classified as Unsecured Creditor Group 2.
15. WISP has ongoing rental obligations under both the Built Tower Agreements and the Unbuilt Tower Agreements. Wisp is proposing to restructure the Built and Unbuilt Tower Agreements.
16. In addition to the towers that are subject to Tower Agreements, WISP's network includes approximately an additional 35 towers that are either owned by WISP, with WISP paying rent to the landowners under land lease agreements ("**Land Leases**"), or are owned by third-parties, with WISP renting space on their towers ("**Tower Space Leases**"). Wisp is not proposing to restructure the Land or Tower Space Leases.

Financial Results

17. WISP has been unable to provide the Proposal Trustee with recent financial statements due to incomplete books and records. WISP has hired a Chartered Professional Accountant ("**CPA**") to update its books and records and to complete missing Canada Revenue Agency ("**CRA**") filings to ensure that WISP is compliant with its obligations to CRA. The Proposal Trustee has spoken with the CPA who has advised that she expects this work to be completed by end of December 2019. The Proposal Trustee has undertaken a review of WISP's cash flows commencing from the filing of the NOI. The Proposal Trustee's findings are summarized below.

CAUSES OF FINANCIAL DIFFICULTIES

Storm Damage

18. According to Management, in the spring of 2018, a series of storms caused significant damage to many of WISP's Towers, panels and equipment, resulting in nearly 75% of WISP's network temporarily going offline. The total cost of the damage was in the range of \$1.5 - \$2 million.
19. According to Management, WISP made an insurance claim in respect of the storm damage but, to date, has only received approximately \$175,000 in insurance proceeds. As a result, WISP did not have sufficient financial resources to repair and bring its network back online. During that time Wisp received funds from owners of lands to build new towers on their properties, as well as through high interest loans from various individuals. Wisp utilized these funds to finance the repairs to its tower network.
20. Further, in the aftermath of the network outage, according to Management, WISP lost nearly 25% of its customer base. This loss of revenue, combined with the significant cost to repair the tower network, caused a liquidity crisis for WISP and, as a result, Wisp ceased paying rent under the Built and Unbuilt Tower Agreements beginning on or around September 2018.

High Tower Rent

21. As of August 29, 2019, WISP's monthly revenues were approximately \$200,000 and its monthly expenses were approximately \$240,000.
22. WISP's largest monthly expense is in respect of rental payments under the Tower Agreements. WISP's current customer base and revenue stream are not sufficient to support its current rental obligations under the Tower Agreements.
23. These problems are compounded by WISP's obligations under the Unbuilt Tower Agreements. As indicated above, WISP owes monthly rent to landowners but does not yet derive the benefit of a revenue-generating Tower under the Unbuilt Tower Agreements. Further, in its present financial circumstances, WISP does not yet have sufficient cash to fund the construction of additional Towers.

CRA Account Freeze

24. In addition to the above issues, WISP has a deemed trust claim payable to CRA of \$292,575 which resulted in the CRA freezing WISP's bank account on or about May 22, 2019. The filing of the NOI lifts this freeze until such time as WISP is able to make a proposal that is approved by its creditors and the Court, after which the lifting of the freeze will remain in effect as long as WISP is not in default of the terms of its Proposal, which includes the Company paying CRA's deemed trust claim in full.

Secured and Unsecured Debt

Secured Creditors

25. At the Date of Filing, Management has advised that Secured Creditors are owed approximately \$100,000 and the debt is owed to five known creditors, four of which are equipment leasing companies.

Crown Claims

26. The Proposal Trustee is now in receipt of a proof of claim filed by CRA. According to the proof of claim, at the Date of Filing, the Company was indebted to CRA for unremitted employee source deductions in the amount of \$292,575, inclusive of penalties and interest of \$55,142, ("**CRA Deemed Trust Claim**"). As of the date of this Report, the Company is current in remitting post-filing employee source deductions, and filing its returns, to CRA.

Preferred Creditors

27. As of the Date of Filing, Management has estimated that there are no Preferred Creditors' Claims.

General Unsecured Creditors

28. According to Management, WISP's General Unsecured Creditors' debt totaled approximately \$16.9 million at the Date of Filing the majority of which are comprised of damage claims associated with the restructuring of the Built and Unbuilt Tower Agreements in the Proposal ("**Damage Claims**"). To ensure that the claims process is accessible for General Unsecured Creditors with Tower Agreements, the Company, with the assistance of the Proposal Trustee, has calculated the Damage Claims for each landowner with a Built or Unbuilt Tower

Agreement and provided that calculation to the landowner, together with their Creditor package (the “**Illustrative Claim**”). Creditors agreeing with the Illustrative Claim may use it to prove their claim in the Proposal. A Creditor may file a claim for other amounts or using a different calculation if they are not in agreement with the Illustrative Claim as calculated by the Company. There are approximately 225 known General Unsecured Creditors including creditors with Built Tower Agreements, Unbuilt Tower Agreements, private lenders and unsecured trade creditors, and includes indebtedness to CRA for pre-NOI unremitted HST totalling approximately \$572,000.

THE PROPOSAL

Class

29. For the purpose of this Proposal, the Creditors of the Company are comprised of a single class of Creditors having Preferred Creditor Claims and/or General Unsecured Creditor Claims (the “**Class 1**”). Class 1 includes those who are in Unsecured Creditor Group 1 and Unsecured Creditor Group 2.
30. For greater certainty, the Creditors entitled to vote in Class 1 consist of Secured Creditors (to the extent of the amount of their Deficiency Claims), General Unsecured Creditors (i.e., creditors holding claims without priority under the BIA), Preferred Creditors pursuant to the BIA, and Her Majesty in right of Canada and any province for all amounts other than Crown Priority Claims (e.g. CRA Deemed Trust Claim). A General Unsecured Creditor may have a claim both in Unsecured Creditor Group 1 or Unsecured Creditor Group 2 as well as a claim as a general Unsecured Creditor. In such a case the Creditor has one vote in respect of the aggregate amount of its Claim.

Treatment of Claims

31. Crown Priority Claims consist of all proven pre-filing claims of CRA, or any province, contemplated by section 60(1.1) of the BIA, including unremitted source deductions. According to the Proposal, Crown Priority Claims will be paid in full within six (6) months of the Court Approval Date, and will be paid in addition to the Funded Proposal Payments, to the Proposal Trustee and then remitted by the Proposal Trustee to CRA. As described above, according to Management, post-filing source deduction remittances and returns are current.

32. Secured Creditors shall be paid within 12 months following the Effective Date. The payment of Claims of Secured Creditors shall be made outside of this Proposal. Secured Creditors may only vote on questions relating to this Proposal as a General Unsecured Creditor in respect of the amount equal to such Secured Creditor's Proven Deficiency Claim.
33. Preferred claims are those claims set out in Section 136(1) of the BIA ("**Preferred Claims**").
34. Employee Preferred Claims, shall be paid in full, without interest, in priority to General Unsecured Claims out of additional operating funds to be delivered by the Company to the Proposal Trustee and shall be remitted by the Proposal Trustee to the entitled claimants, if any.
35. Any other proven Preferred Claims, if any, shall be paid in full, without interest, out of Funded Proposal Payments, in priority to General Unsecured Claims.
36. Proven General Unsecured Creditor Claims, after satisfaction of any priority claims, shall be paid *pro rata* out of the Funded Proposal Payments as set out below.

Funding the Proposal

37. Upon the full satisfaction of the Crown Claims and Preferred Claims, if any, the Company will cause to be paid to the Proposal Trustee, between months 13 and 120, cash instalments in the amount of \$62,500 every calendar quarter.
38. The Proposal Payments will be made over a nine (9) year period until an amount is paid to the Proposal Trustee equal to \$2,250,000 ("**Funded Proposal Payment**") less the Administrative Fees and Expenses. In addition to the Funded Proposal Payment, Unsecured Creditor Group 1 and Unsecured Creditor Group 2 will receive monthly Rental or Option Payments as discussed further herein.
39. The Company's obligation to commence funding the Funded Proposal Payments shall commence on the first Business Day of the 13th months following the month in which the Company obtains the Approval Order.

Distribution

40. Interim distributions of Funded Proposal Payments will be made to General Unsecured Creditors twice per year. The timing of the two annual dividend payments will be at the

discretion of the Proposal Trustee, when there are sufficient funds received from the Company and held in trust to make a distribution.

41. All distributions are subject to the Superintendent's Levy in accordance with the BIA.
42. The Funded Proposal Payments will be distributed by the Proposal Trustee in the following order of priority:
 - i) *Administrative Fees and Expenses* - To fund all administrative fees and expenses of the Proposal Trustee, including the legal fees of the Proposal Trustee and the Company;
 - ii) *Bankruptcy Reserve* - To establish a reserve of \$25,000 to be held in trust by the Proposal Trustee, which amount shall be used to fund the administrative costs of the bankruptcy of the Company in the event that the Proposal is annulled and the Company becomes bankrupt, failing which such amount shall be distributed to the Creditors;
 - iii) *Proven Claims of Preferred Creditors* – To pay all Proven Preferred Claims other than Employee Preferred Claims, if any, which will be paid without interest; and
 - iv) *Proven Claims of General Unsecured Creditors* – The remainder will be distributed to all General Unsecured Creditors on account of Proven Unsecured Creditors and (ii) the Secured Creditors on account of Proven Deficiency Claims, without regard to whether the claims are claims of Secured or Unsecured Creditors.

Unsecured Creditor Group 1

43. All Tower Agreements shall be amended as outlined in the Proposal. In addition to being paid *pro rata* (equal) with other General Unsecured Creditors from the Funded Proposal Payment as set out below, under the Proposal this creditor group shall receive rental payments of \$200 per month commencing on the first month after the Effective Date ("**Rental Payments**"). Rental Payments shall increase to \$250 per month after all Funded Proposal Payments have been paid by the Company to the Proposal Trustee (after 120 months) and shall increase by

\$50 per month on the 5th and 10th anniversary of such date until the 20th anniversary of the Effective Date.

44. These property owners will also continue to receive free internet throughout the term of their Tower Agreement, which has a current value of approximately \$110 per month.

General Unsecured Creditor Group 2

45. All Unbuilt Tower Agreements shall be terminated. Each property owner shall be deemed to have entered into an option agreement granting the Company an option to build a Tower on the property owners lands in the future ("**Option Agreement**"). In addition to being paid *pro rata* (equal) Proposal payments with other General Unsecured Creditors, these creditors shall receive payments under the Option Agreements of \$200 per month on the first month after the Effective Date ("**Option Payments**"). Option Payments shall increase to \$250 per month after all Funded Proposal Payments have been paid by the Company to the Proposal Trustee (after 120 months) and shall increase by \$50 per month on the 5th and 10th anniversary of such date until the 20th anniversary of the Effective Date.

46. The Option Agreement shall not restrict a property owner's rights 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, the Company shall have a right of first refusal to exercise, within 30 days' notice by the property owners, Wisp's right to build a tower on the owner's property. Once it has exercised its right, Wisp will be required to fund the construction of a tower on the landowner's property within a reasonable period of time, otherwise, it will lose such right. If Wisp decides not to exercise its right of first refusal to build a tower after receiving proper notice from the landowner, it will no longer be obliged to continue to pay the Option Payment to the landowner to maintain the option.

Reporting by the Company

47. During the Proposal period, the Company shall provide to the Proposal Trustee every three months commencing on first day of the month following the month in which the Approval Order is issued, a report containing the information set out below:
- i) a cash flow statement for the Company's actual cash flow for the business for the prior three months, a cash flow forecast for the business for the following three months and

a variance of actual as compared to forecast for the previous three months each calendar quarter;

- ii) evidence of the Company's filing and remittance of source deductions and HST; and
- iii) internally generated quarterly financial statements in addition to its annual financial statements and corporate tax return prepared by a CPA.

48. The Proposal Trustee shall monitor the Company's receipts and disbursements during the Performance of the Proposal and shall report to the Inspectors (discussed below) on any material variances in the Company's cash flows and business operations. The Proposal Trustee shall use its professional judgment in determining whether a variance is material, acting as it would under the Act in deciding whether to file a material adverse change report. The Proposal Trustee shall be entitled to rely on the legal advice of its counsel in making such determination.

Minutes of Board Meetings

49. Creditors will be entitled to receive, on request, a copy of the minutes of any meeting of the Company's board of directors.

Inspectors

50. At the meeting of the General Unsecured Creditors to be held to consider the Proposal, the Creditors may appoint one (1) or more but not exceeding five (5) persons to act as Inspectors whose powers will be limited to:

- i) advising the Proposal Trustee from time to time with respect to any matter that the Proposal Trustee may refer to them;
- ii) advising the Proposal Trustee concerning any dispute which may arise as to the validity of Claims of Unsecured Creditors; and
- iii) authorizing an extension of the time and/or the amount of payments due from the Company to the Proposal Trustee, or for payments due from the Proposal Trustee to the General Unsecured Creditors.

51. The powers of the Inspectors may be exercised by a majority of them.

52. The Company shall meet with the Inspectors on a quarterly basis throughout the Proposal period, with such meetings to be chaired by the Proposal Trustee and held via conference call.
53. The Company shall report to the Proposal Trustee and the Inspectors regarding its quarterly receipts and disbursements prior to each meeting as described above.
54. The Proposal Trustee may, in accordance with the BIA, apply to the Court regarding any decision, direction or act of the Inspectors and the Court may confirm, reverse or modify the decision, direction or act and make such order as it thinks just.

OVERVIEW OF WISP WEEKLY CASH FLOW FORECAST

55. Within 10-days from the filing of the NOI, WISP, with the assistance of the Proposal Trustee, prepared a cash flow forecast for the period from August 29, 2019 to November 30, 2019 ("**Cash Flow Forecast**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "A"** to this Report. The Cash Flow Forecast was prepared by Management of WISP in support of its insolvency proceedings, 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 13-week forecast period in Canadian dollars. An updated cash flow forecast for the period beyond November 30, 2019 is being prepared by the Company.
56. The Cash Flow Forecast projected that WISP will have sufficient liquidity to fund its expenses and the Proposal proceeding.
57. A critical assumption made in the Cash Flow Forecast is that WISP is expected to be able to operate within its available cash flow throughout the Proposal proceeding and not require interim financing.
58. The Cash Flow Variance, contained in **Appendix "B"**, shows that the forecast cash flow relative to the actual cash flow for the period from August 29, 2019 to October 26, 2019 included a negative net cash flow variance of approximately \$46,000 in the period. This negative net cash flow variance is primarily due to lower receipts in the period and higher professional fees than forecast. According to Management the lower receipts, relates primarily to fewer new subscribers than forecast which is partially due to WISP having a staffing shortage preventing the Company from being able to complete as many new

customer installations as requested.

59. 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 management of WISP. The Proposal Trustee's procedures with respect to hypothetical assumptions 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 WISP for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.
60. 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 WISP 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.
61. 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 or opinion as to whether the Cash Flow Forecast will be achieved.
62. 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.

LIQUIDATION ANALYSIS / ESTIMATED RECOVERY IN BANKRUPTCY

Liquidation Analysis

63. In the event that the Proposal is not accepted by the Creditors or the Court and WISP is deemed bankrupt, the following liquidation analysis represents the estimated value of WISP's assets should its assets be sold out of bankruptcy.
64. The Proposal Trustee has relied on Management in determining the estimated liquidation values of the assets. The liquidation analysis was prepared at a point in time, being October 26, 2019. However, the value of the cash-on-hand and accounts receivable are changing as receivables are collected. Accordingly, in the event that the Company were to become bankrupt, the realizable value of the assets at that time may be different than presented herein.

Summary of Estimated Liquidation Value As at October 26, 2019 (000's)

	Notes	Total
Receipts		
Cash		27,000
Accounts Receivable	1	150,000
Furniture		7,500
Machinery and equipment	2	416,000
Customer List	3	400,000
Total Receipts		1,000,500
Disbursements		
Administrative costs	4	10,625
Total Disbursements		10,625
Net Cash Flow from Liquidation		\$ 989,875

Notes:

1. Accounts Receivable collections are assumed to be 100% collectible as the balance is net of all known bad debts.
2. Machinery and Equipment is based on the assumption that the equipment, which is located on Towers, will be sold in place and the new internet provider is able to enter into a rental agreement with the landowner. In the event that a going concern sale cannot be completed by a bankruptcy trustee and the equipment will need to be removed from the Towers its liquidation value would be significantly lower.

3. *The value for the customer list is also based on the assumption that a going concern sale is completed. In the event that this is not possible the customer list's liquidation value would also be significantly lower.*
4. *Administrative costs consist of the retention of Management for a period of six weeks to assist with the ongoing operation of the Business until a sale to a third party can be completed.*

Estimated Recovery – Bankruptcy vs. Proposal Scenario

65. The following chart (which is rounded to the nearest thousand dollars) sets out the net expected recovery to General Unsecured Creditors under a Bankruptcy/Liquidation scenario (“**Bankruptcy Scenario**”) and the Proposal scenario (“**Proposal Scenario**”). As can be seen below, the net estimated recovery to General Unsecured Creditors in the Bankruptcy Scenario is **3.3%** versus approximately **12.5%** under the Proposal Scenario.

<u>Estimated Recovery in a Liquidation Scenario</u>		<u>Estimated Recovery in a Proposal Scenario</u>	
Liquidation Value of Assets (based on a liquidation as calculated above)	990	Funded Proposal Payment (note 1)	2,250
Less: Crown Priority Claims - Deemed Trust Portion (note 2)	(237)	Less: Crown Priority Claims - Deemed Trust Portion (note 2)	n/a
Less: Secured Creditor Claim (note 3)	(110)	Less: Secured Creditor Claim (note 3)	n/a
Less: Employee Preferred Claims	n/a	Less: Employee Preferred Claims	n/a
Less: Estimated Professional fees and expenses (note 4)	(60)	Less: Estimated Professional fees and expenses (note 4)	(75)
Less: Superintendent's Levy (note 5)	(29)	Less: Superintendent's Levy (note 5)	(63)
Less: Ordinary Preferred Claims (note 5)	-	Less: Ordinary Preferred Claims (note 5)	-
Net amount available for General Unsecured Creditors	<u>554</u>	Net amount available for General Unsecured Creditors	<u>2,113</u>
Estimated Claims of General Unsecured Creditors	<u>16,946</u>	Estimated Claims of General Unsecured Creditors	<u>16,946</u>
Estimated Recovery to CRA for Crown Priority Claims	<u>100%</u>	Estimated Recovery to CRA for Crown Priority Claims from the Funded Proposal Payments	<u>n/a</u>
Estimated Recovery to Unsecured Creditors	<u>3.3%</u>	Estimated Recovery to General Unsecured Creditors	<u>12.5%</u>
		Estimated Recovery to General Unsecured Creditors before professional fees and superintendent's levy	<u>13.3%</u>

Notes:

1. *In addition to Creditors receiving their pro-rata share of the Funded Proposal Payments, creditors with Built and Unbuilt Tower Agreements will also be receiving monthly rental or option payments. In the event that the Proposal fails and WISP is liquidated in a bankruptcy, these payments may or may not continue depending on whether a going concern sale of all the assets can be completed by a bankruptcy trustee and whether the buyer wishes to*

maintain these rental/option arrangements. Furthermore, if a new owner does require the tower network and is not just purchasing the subscriber base for its own network, it will likely not assume all Tower or Option Agreements.

According to the terms of the Proposal, in the event that the Proposal fails or the Company defaults in making a rental payment and does not remedy that default within 30-days from receipt of notice of default by the landowner, the tower and shed (defined as the "Works" in the Tower Agreements) shall transfer to the landowner, however, all equipment on the tower and in the shed shall remain the property of the Company. Practically, in a bankruptcy sale, a new owner will be required to enter into a new rental agreement with the landowner, otherwise, he will be required to remove his equipment from the tower and the shed.

- 2. In the Bankruptcy Scenario, CRA's deemed trust for Crown Priority Claims only extends over the employee portion of deductions, not the employer contributions or the interest and penalties. In the Bankruptcy Scenario, the liability for employer contributions and interest and penalties would be a General Unsecured Claim. In the Proposal Scenario, CRA will receive 100% of its deemed trust entitlement, as it will be paid from funds derived from the Company's operations following Court Approval of this Proposal and paid by the Company to the Proposal Trustee from time to time.*
- 3. In the Bankruptcy Scenario, Secured Creditors will be paid from the Liquidation Value of the Company's assets while in the Proposal Scenario, Secured Creditors will be paid from funds derived from the Company's operations within 12 months of Court Approval.*
- 4. In a bankruptcy this amount represents a provision for the estimated professional fees to administer and sell the assets of the Company in a bankruptcy proceeding. In the case of the Proposal proceeding, professional fees include administering the Proposal before and after Court approval, which includes ongoing cash flow monitoring.*
- 5. The Superintendent's Levy is applicable to payments made to Preferred and General Unsecured Creditors in both the Bankruptcy and the Proposal Scenarios and is calculated as 5% of up to \$1.0 million of distributions and 1.25% of distributions over \$1.0 million and up to \$2.0 million. There is no levy on distributions over \$2.0 million in a Proposal.*

INFORMAL CREDITORS' MEETING

66. On October 10, 2019, the Company invited its Creditors to an information meeting to discuss its NOI filing, to review draft proposed terms of its proposal, and to seek feedback from Creditors in advance of WISP finalizing the terms of its Proposal. The Company considered the feedback and recommendations provided by the Creditors at this meeting and incorporated the majority of the recommendations made by the creditors in its final Proposal.

CREDITORS' MEETING/VOTING PROCEDURE AND CLASS OF CREDITORS

Creditors' Meeting/Voting Procedure

67. The primary purpose of the Creditors' Meeting is to permit Creditors to vote on the acceptance or rejection of the Proposal. For the Proposal to be accepted, at least two-thirds (66.67%) of creditors by dollar value, and more than 50% of creditors by number, must vote in favour of the Proposal at the meeting either in person, by proxy or by mailing a voting letter to the Proposal Trustee in advance of the meeting. Only Creditors who actually vote are counted for the purpose of determining whether the necessary thresholds have been reached. Creditors related to WISP may not vote for the Proposal.
68. **To be eligible to vote on the Proposal, Creditors must have filed with the Proposal Trustee, before the Creditors' Meeting, an unsecured proof of claim form, as applicable, signed and witnessed as required and accompanied by proof which may include, a calculation of the claim amount, a statement of account or an affidavit in support of the claim. Those Creditors who do not intend to have a personal representative at the meeting, to be held on December 3, 2019, may complete and submit the voting letter which is enclosed in the creditor package prior to the Creditors' Meeting indicating their vote for or against the acceptance of the Proposal. A form of proxy is also available and included in the Creditor Package should a Creditor wish to appoint a proxy to represent them at the meeting. If the Proposal is not accepted by the required majorities of unsecured creditors, the Company will be deemed bankrupt.**
69. If the Proposal is accepted by the required statutory majorities referenced above, the Proposal Trustee will then make an application to the Court for approval of the Proposal. If the Court provides such approval ("**Approval Order**"), the Proposal will be binding on all Creditors and such Creditors, and their respective heirs, executors, administrators, successors and assigns, shall have no further Claim against the Company other than for the distributions provided in the Proposal.

Class of Creditors

70. For purposes of considering, and voting on, the Proposal, and receiving a distribution pursuant to the Proposal, the Creditors are grouped into one class.

71. The Proposal does not compromise or otherwise affect certain creditor claims, specifically:
- a) claims for goods and/or services delivered to the Company on or after the Date of Filing, August 29, 2019, including Administrative Fees and Expenses;
 - b) Crown Claims; and
 - c) Proven Claims of Secured and Preferred Creditors (to the extent of their priority), if any, payable in priority to all claims of General Unsecured Creditors in accordance with the scheme of distribution set forth in the BIA.
72. Distributions to Creditors will be made as described in the "Distribution" section of this Report.

ALTERNATIVES TO THE PROPOSAL

73. At the Creditors' Meeting, the Creditors are being asked by the Proposal Trustee to choose between two alternatives, namely accepting the Proposal, or rejecting the Proposal, which would result in the Company being deemed bankrupt.
74. For the reasons described above, the Proposal Trustee is of the view that the Proposal Scenario will produce a more favourable and certain result for the Creditors of WISP than would a sale of the assets in a bankruptcy.

CONDUCT OF WISP

Preference Transactions and Transfers at Undervalue

75. The Proposal Trustee has not undertaken a detailed review for possible preference transactions or transfers at undervalue. The Proposal contemplates that Creditors will have the same rights to review the Company's transactions as are granted under sections 95 to 98 of the BIA to creditors in a bankruptcy proceeding.
76. Inspectors may authorize a review of these transactions by the Proposal Trustee on behalf of the Creditors. If either preferential transactions or transfers at undervalue are found to have taken place, it is possible that some of these transactions could be found to be void if Court proceedings were to be initiated by the Proposal Trustee.

Conduct Post-Filing

77. Pursuant to Section 50(10) of the BIA, the Proposal Trustee is required to monitor the affairs of the Company until the Proposal is approved by the Court.
78. During the NOI Period, the Company worked diligently with the Proposal Trustee to prepare its Proposal, as well as to manage costs and continue operations. WISP is working diligently to complete the Proposal. WISP continues to operate its business and meeting its liquidity needs in order to be able to successfully implement the Proposal.

CREDITORS' CLAIMS

79. To date, there have been two proven claims received by the Proposal Trustee including one from the CRA for \$865,032.74, which represents \$292,575.36 for unremitted payroll source deductions, \$12,316.76 on account of Corporate Tax and \$560,140.62 for HST. The corporate tax and HST claims are Unsecured Claims within the Proposal.

PREVIOUS BUSINESS DEALINGS WITH WISP

80. The Proposal Trustee has not had any business dealings with WISP prior to its appointment as Proposal Trustee and is not in a conflict of interest.

SUMMARY COMMENTS/RECOMMENDATION

81. For the reasons set out in this Report, it is the Proposal Trustee's opinion that:
 - a. the Proposal (excluding the Rental Payments and Option Payments, where applicable), will allow for a greater recovery to the General Unsecured Creditors of the Company than they would receive in a liquidation of the Company's assets in a bankruptcy proceeding; and
 - b. acceptance of the Proposal is in the best interest of the Creditors. If the Proposal is rejected by the Creditors, the Company will be deemed automatically bankrupt and it is uncertain what the actual realizable values of the assets will ultimately be in a bankruptcy.
81. Accordingly, the Proposal Trustee recommends that the Creditors vote in favour of the Proposal.

Yours very truly,

DODICK LANDAU INC.

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

Per:

A handwritten signature in blue ink, consisting of a series of fluid, connected strokes that form a stylized name.

Rahn Dodick, CPA, CA, CIRP, LIT

APPENDIX “A”

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

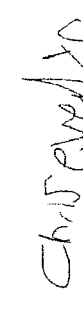
Week Ending	Aug-29-19	Notes	01-Sep-19	08-Sep-19	15-Sep-19	22-Sep-19	29-Sep-19	06-Oct-19	13-Oct-19	20-Oct-19	27-Oct-19	03-Nov-19	10-Nov-19	17-Nov-19	24-Nov-19	01-Dec-19	TOTAL
Receipts																	
Recurring Revenue	41,995		41,995	41,995	44,728	44,364	44,499	44,635	44,770	44,906	45,042	45,177	45,313	45,449	45,585	45,721	570,913
Non recurring Revenue	13,052		7,289	7,289	13,052	7,289	7,289	7,289	13,062	7,289	7,289	7,289	7,289	7,289	7,289	7,289	112,040
Total Receipts	55,046		49,283	49,283	57,780	51,652	51,788	51,923	57,832	52,194	52,330	52,465	52,601	52,737	52,873	53,009	682,953
Disbursements																	
Direct Cost of sales	15,405		12,580	12,580	15,405	12,580	12,580	12,580	15,405	12,580	12,580	12,580	12,580	12,580	12,580	12,580	172,014
Indirect Cost of sales	10,256		14,473	7,143	10,321	14,532	7,206	12,568	10,180	14,731	7,219	12,581	12,581	12,581	12,581	12,581	136,299
Payroll	9,990		6,385	6,385	9,990	6,385	6,385	6,385	9,990	6,385	6,385	6,385	6,385	6,385	6,385	6,385	117,728
Occupancy Costs	5,855		1,000	3,500	5,705	2,500	2,750	2,500	5,705	2,500	2,750	2,500	2,500	2,500	2,500	2,500	29,515
CSA Expenses	800		2,050	50	2,050	2,050	50	2,050	50	2,050	50	50	50	50	50	50	32,996
Total Disbursements	42,306		36,468	29,658	34,517	42,221	35,797	33,633	49,469	36,996	41,425	31,646	36,156	36,156	36,156	36,156	491,152
Net Cash flow from Operations	12,739		12,795	19,625	14,767	15,059	15,855	18,091	8,363	15,199	10,905	20,619	16,445	16,445	16,445	16,445	191,801
Bank Balance																	
Opening Cash Balance	7,076		19,814	32,610	52,335	67,002	82,060	97,915	109,265	127,356	135,709	150,908	161,812	182,431	182,431	182,431	7,076
Add: Net Cash Flow from Operations	12,739		12,795	19,625	14,767	15,059	15,855	18,091	8,363	15,199	10,905	20,619	16,445	16,445	16,445	16,445	191,801
Closing Cash Balance from Operations	19,814		32,610	52,335	67,002	82,060	97,915	109,265	127,356	135,709	150,908	161,812	182,431	182,431	182,431	182,431	198,877
Less: Restructuring Professional Fees & Disbursements	5,000		6,500	10,000	10,000	6,500	5,000	5,000	6,500	5,000	5,000	5,000	5,000	5,000	5,000	5,000	89,500
Closing Cash Balance	14,814		26,110	42,335	57,002	76,560	92,915	104,265	120,856	130,709	145,908	156,812	177,431	177,431	177,431	177,431	109,377

This statement of forecast cash flow of WISP Internet Services Inc. is prepared in accordance with section 501(c)(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 filed this the 6th day of September, 2019.

Dudrick Landau Inc.

WISP Internet Services Inc.

Per: 

Per: 

Rahn Dudrick, CPA, CA, CFP, LIT

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 and assumes an amount for bad debt for customer credit cards that can not be processed. 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.

APPENDIX “B”

WISP Internet Services Inc.

Variance Analysis for the period from August 29, 2019 to October 26, 2019

(Unaudited; \$C)

	Note	Projected	Actual	Variance
Total Receipts	1	415,540	378,558	(36,982)
Disbursements				
Direct Cost of sales	2	106,290	77,423	(28,867)
Indirect Cost of sales		89,003	100,223	11,220
Payroll		69,757	66,768	(2,989)
Occupancy Costs	3	20,310	38,198	17,888
G&A Expenses		9,900	12,347	2,447
Total Disbursements		295,259	294,960	(300)
Net Cash flow from Operations		120,281	83,598	36,682
Cash Balance				
Opening Cash Balance		7,076	8,792	(1,716)
Add: Net Cash Flow from Operations		120,281	83,598	(36,682)
Closing Cash Balance from Operations		127,356	92,390	(38,399)
Less: Restructuring Professional Fees & Disbursements	4	58,000	65,142	(7,142)
Closing Cash Balance		69,356	27,248	(45,541)

Notes

1. The decrease in revenue is primarily attributed to WISP being able to complete fewer new customer installations than forecast due to staffing shortages. New customers result in one time installation revenue equal to approximately \$500 per install as well as a monthly subscriber fee going forward.
2. The decrease in cost of sales is due to lower direct material purchases on account of the lower than forecast new customer installations.
3. The increase is primarily due to higher insurance cost in the period than forecast. This difference is due to higher upfront payments than forecast and should be offset by lower payments in future periods.
4. Professional fees in the period are higher than forecast primarily due to the informal creditors meeting which took place in the period and which cost was not included in the original forecast.