

Court File No. BK-24-03162387-0031
Estate File No. 31-3162387

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANCOM SECURITY INC.
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

FIRST REPORT TO COURT OF THE PROPOSAL TRUSTEE

DATED DECEMBER 27, 2024

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APPENDICES

- A Certificate of Filing of the NOI, dated December 5, 2024
- B Cash Flow Forecast for the period from December 7, 2024, to February 28, 2025

INTRODUCTION

1. On December 5, 2024 (the “**Filing Date**”), Cancom Security Inc. (“**Cancom**” or the “**Company**”) filed with the Official Receiver a Notice of Intention to Make a Proposal (“**NOI**”) to its creditors pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act* (“**BIA**”) and named Dodick Landau Inc. as Proposal Trustee (the “**Proposal Trustee**”). Attached as **Appendix “A”** is the Certificate of Filing of the NOI.
2. As Section 50.4(2) of the BIA requires, Cancom filed the required cash flow statement on December 13, 2024.
3. A detailed overview of Cancom’s business operations and financial difficulties which led to the filing of the NOI is set out in the December 23, 2024, Affidavit of Peter Smiechowski (the “**Smiechowski Affidavit**”). Mr. Smiechowski is a professional advisor that Cancom retained to serve as its chief restructuring officer (“**CRO**”). The Smiechowski Affidavit was sworn in support of Cancom’s motions for orders:
 - i) Extending the time for Cancom to file a proposal to February 18, 2025;
 - ii) Granting a first-ranking charge to secure the fees of the Proposal Trustee and its counsel along with counsel to Cancom up to a maximum of \$100,000 (“**Administrative Charge**”);
 - iii) Authorizing Cancom to pay critical pre-filing creditors, if in the opinion of Cancom and the Proposal Trustee such payments are critical to the business and ongoing operations of Cancom, up to a maximum of \$262,000 plus applicable taxes, and provided the Proposal Trustee specifically approves such payments; and
 - iv) Approving this first report of the Proposal Trustee (the “**First Report**”) and the activities of the Proposal Trustee described herein.
4. All capitalized terms used in this First Report but not otherwise defined shall have the meaning ascribed to such terms in the Smiechowski Affidavit.
5. The purpose of this First Report is to provide the Court with information pertaining to the following:
 - i) a limited summary of certain background information about Cancom;

- ii) Cancom's request for an extension of the time for filing a proposal to February 18, 2025;
- iii) Cancom's projected cash flow for the period from December 7, 2024, to February 28, 2025;
- iv) the proposed Administrative Charge; and
- v) the Proposal Trustee's recommendation that this Court grant the relief that Cancom is requesting.

TERMS OF REFERENCE

6. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited, draft and/or internal financial information, Cancom's books and records, discussions with the management of Cancom ("**Management**") including its CRO and information from other third-party sources (collectively, the "**Information**").
7. Except as described in this First Report, 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 ("**GAAS**") pursuant to the Canadian Institute of Chartered Accountants Handbook (the "**CPA Handbook**") and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
8. Some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the CPA Handbook, has not been performed. 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 may be material (the "**Disclaimer**").
9. The Proposal Trustee has prepared this First Report in its capacity as a Court appointed officer and has made a copy of this First Report available on the Proposal Trustee's website at www.dodick.ca for purposes of Cancom's motion returnable December 31,

2024. Parties using this Report, other than for the purpose of the motion, are cautioned that it may not be appropriate for their purposes.

10. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

11. As detailed in the Smiechowski Affidavit, Cancom is a First Nation owned business that provides security solutions tailored to meet the needs of its customers while enhancing personal safety, protection of properties, and proprietary information. The Company provides a wide range of services including, among others, physical and electronic solution design, risk avoidance and optimization, security threat assessments and audits, procurement management, and project management (the “**Business**”)
12. The Company has been a business provider for security services for over 50 years and has created security solutions for a wide variety of Canadian customers including, among others, Indigenous communities, federal, provincial and municipal governments, investment companies, construction companies, and an educational institution.
13. The Company is a service-based business that relies heavily on its security design experts to collaborate with facility owners, design architects, electrical engineers, and organizational stakeholders to implement the appropriate security system for each customer.
14. The Company employs approximately 768 employees, which consists of 182 full-time employees and 586 part-time employees. 171 of those employees are unionized and are members of the United Food & Commercial Workers Union. The Company also employs five contractors, including the CRO.
15. In and around 2020, the Company’s business conditions changed, particularly due to the acquisition of iTracks in November 2020 and Think Secure Inc. (“**Think Secure**”) in 2021. Although iTracks and Think Secure were historically profitable, in May 2022, iTracks lost one of its biggest customer contracts resulting in Cancom experiencing cash-flow pressures as expenses grew faster than sales. Cash flow challenges were also exacerbated by protracted collections of the accounts receivables.
16. The Company’s accounting, financial reporting and review capabilities are too limited to adequately support the growth experienced by the Business, which has, among other

things, limited the Company's ability to determine the profitability of their various customer contracts.

The Toronto Dominion Bank and Events Leading to Filing the NOI

17. The Toronto Dominion Bank ("**TD Bank**") is the Company's principal secured creditor with respect to certain Credit Facilities (as defined herein) granted pursuant to letter agreements dated July 12, 2019, May 17, 2022, and March 7, 2024 (collectively, the "**TD Loan Agreements**")
18. Pursuant to the TD Loan Agreements, the Company has the following Credit Facilities with TD Bank:
 - i) operating loan;
 - ii) committed reduced term facility (single draw); and
 - iii) letter of credit;(collectively, the "**Credit Facilities**").
19. TD Bank is owed approximately \$1.9 million pursuant to the TD Loan Agreements.
20. In March and again in May 2024, the Company received default notices from TD Bank. In July, TD Bank informed Cancom that the Company was in default of its obligations under the Loan Agreements. Accordingly, on July 23, 2024, counsel to TD Bank delivered to Cancom a demand letter for payment of \$1,346,965.39 (the "**TD Indebtedness**") and a Notice of Intention to Enforce Security under Section 244 of the BIA.
21. Following extensive discussions with TD Bank, on September 18, 2024, the Company agreed to enter into a forbearance agreement with TD Bank (the "**Forbearance Agreement**") to formalize the Company's obligations and prevent TD Bank from enforcing on their security while the Company tried to preserve the Business as a going-concern and to review out of court restructuring options.
22. Although the Forbearance Agreement temporarily sustained their relationship with TD Bank, the Company determined it required a long-term solution to restructure its Business and thereafter engaged the services of the CRO in November 2024 to assist

in this process. Following his engagement, as set out in the Smiechowski Affidavit, the CRO has implemented initial operational changes to enhance collections and decrease operating costs.

23. Despite implementing operational changes, the Company did not have sufficient liquidity to meet its existing cash flow requirements. As such, to preserve its ongoing operations and value, the Company filed the NOI on December 5, 2024. The primary objectives of this NOI proceeding are to restructure Cancom's balance sheet and implement a long-term solution to the Company's liquidity challenges in the interests of all stakeholders.

Other Secured Creditors

24. Pursuant to the Ontario Personal Property Security Registry Report for the Company (the "**PPSA Report**"), the Company has eight secured creditors: TD Bank, Toyota Credit Canada, Auto One Group Limited, RBC, RCAP Leasing Inc., the Bank of Nova Scotia, TD Auto Finance (Canada) Inc., and Vault Credit Corporation. The secured creditors other than TD Bank are equipment lenders or lessors, many of which are for vehicles used by the Company's employees to perform security work for customers.

Unsecured Creditors

25. In addition, Cancom has unsecured creditors at the date of the NOI totaling approximately \$3.8 million, approximately \$2.8 million of which is for Harmonized Sales Tax ("**HST**") obligations owing to the Canada Revenue Agency ("**CRA**"). Prior to the filing of the NOI, CRA proposed a payment plan to Cancom for the HST owing.
26. The Company's other unsecured creditors are trade creditors for operating costs accrued in the ordinary course. Cancom's primary trade payables are related to the purchase of supplies to sustain the Company's services.

EXTENSION OF STAY OF PROCEEDINGS

27. Cancom is seeking an extension of the time for the filing of its proposal up to and including February 18, 2024, for a total of 46 days following the expiration of the initial 30-day stay of proceedings. As the 45-day extension period provided for in the BIA would expire on a statutory holiday (i.e. Family Day), the extension is requested to the business day immediately following that day.

28. The stay extension is required to provide Cancom with the necessary time to preserve its Business on a going concern basis for the benefit of its stakeholders. The Proposal Trustee is of the view that Cancom is acting in good faith and with due diligence in formulating and implementing a restructuring plan that would preserve its business.
29. Without the requested extension of the Stay Period being granted, Cancom will not have the opportunity to formulate and implement a restructuring plan and will then become bankrupt to the detriment of its stakeholders.
30. In contrast, no creditor will be materially prejudiced if the extension applied for is granted. If the extension applied for is granted, Cancom would have the opportunity to make a viable proposal and restructure.

WEEKLY CASH FLOW FORECAST

31. Cancom, with the assistance of the Proposal Trustee, has prepared a weekly cash flow forecast ("**Cash Flow Forecast**") for the period from December 7, 2024, to February 28, 2025 ("**Cash Flow Period**"). 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 Cancom for the purpose of this motion, using the probable and hypothetical assumptions set out in notes 1 to 20 attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts and disbursements to be received or paid over a twelve-week forecast period in Canadian dollars.
32. The Cash Flow Forecast projects that Cancom will require the continued use of its Credit Facilities with TD Bank, which TD Bank has consented to under the terms and conditions contemplated in an amendment to the Forbearance Agreement which is expected to be finalized in early January 2025. Access to the Credit Facilities is required for Cancom to have sufficient liquidity, to fund its expenses and the Proposal proceeding throughout the proposed extension of the stay of proceedings.
33. 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 the CRO, certain of the Management and employees of Cancom. 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

Management provided for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.

34. 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 First Report, the probable assumptions developed by management are not suitably supported and consistent with the plans of Cancom 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.
35. 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 or relied upon by the Proposal Trustee in preparing this First Report.
36. 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.

ADMINISTRATIVE CHARGE

37. Cancom is seeking a charge (the "**Administration Charge**"), in a maximum amount of \$100,000, against the assets of Cancom, to secure the fees and disbursements incurred in connection with services rendered to Cancom both before and after the commencement of the proposal proceedings for the Proposal Trustee, its legal counsel, and the legal counsel to Cancom, and in the event of a bankruptcy, the trustee in bankruptcy and its legal counsel. The proposed Administration Charge would rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory

or otherwise in favour of any person.

38. The proposed quantum of the Administration Charge was determined in consultation with the Proposal Trustee and in the view of the Proposal Trustee is reasonable and appropriate in the circumstances. TD Bank has provided its consent to the granting of the Administrative Charge. The creation and priority of the Administration Charge is consistent with that granted in similar proceedings.

PAYMENT OF CERTAIN PRE-FILING AMOUNTS

39. Cancom is seeking authority to pay certain expenses incurred prior to the Filing Date provided that the aggregate amount of all such payments does not exceed \$262,000 plus applicable taxes subject to the prior approval of the Proposal Trustee or the Court.
40. The Proposal Trustee has advised that these expenses relate to certain amounts owed to Cancom's critical suppliers including certain delivery services, equipment providers and uniform suppliers.
41. As detailed in the Smiechowski Affidavit, Cancom is of the view that there is a significant risk that these critical suppliers will not continue to provide services and or products to Cancom if their respective pre-filing amount is not paid.
42. The Proposal Trustee agrees with Cancom that absent the continued supply of the above goods and services, Cancom could not sustain the Company's key contracts with its customers, which would have a significant and immediate detrimental impact on the business, operations and cash flows of Cancom. However, the Proposal Trustee also recognizes that Cancom's funding is limited and will work with the Company to ensure that payment to such suppliers in respect of pre-filing liabilities is minimized. As such the Proposal Trustee's consent would be required for Cancom to make any such payments.

CONCLUSION AND RECOMMENDATION

43. Based on all the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief Cancom is requesting and as summarized in paragraph 3 of this Report.

All of which is respectfully submitted this 27th day of December 2024.

DODICK LANDAU INC.

In its capacity as the Proposal Trustee of
Cancom Security Inc. and not
in its personal or corporate capacity.

Per:

A handwritten signature in black ink, appearing to read "R. Dodick". The signature is written in a cursive style with a large initial "R" and "D".

Rahn Dodick, CPA, CA, 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. 31-3162387
Estate No. 31-3162387

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

Cancom Security Inc.

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

December 05, 2024

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: December 05, 2024, 13:46

E-File/Dépôt Electronique

Official Receiver

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

Canada

APPENDIX “B”


Cancom Security Inc.
 Weekly Cash Flow Forecast
 For the Period of December 7, 2024 to February 28, 2025
 Prepared By Management


Week Ended	Notes	1 13-Dec-24	2 20-Dec-24	3 27-Dec-24	4 03-Jan-25	5 10-Jan-25	6 17-Jan-25	7 24-Jan-25	8 31-Jan-25	9 07-Feb-25	10 14-Feb-25	11 21-Feb-25	12 28-Feb-25	Total
Cash Inflows:														
Accounts Receivable Collections	1	445,887	412,762	519,893	517,528	539,829	669,362	605,507	591,551	569,569	572,561	529,580	529,580	6,503,609
HST Collected		57,965	53,659	67,586	67,279	70,178	87,017	78,716	76,902	74,044	74,433	68,845	68,845	845,469
Total Receipts		\$ 503,852	\$ 466,421	\$ 587,479	\$ 584,806	\$ 610,006	\$ 756,379	\$ 684,223	\$ 668,452	\$ 643,613	\$ 646,994	\$ 598,426	\$ 598,426	\$ 7,349,078
Cash Outflows:														
Operating Expenses														
Cost of Labour	2	(772,453)		(789,453)		(774,069)		(758,685)		(697,674)		(702,635)		(4,494,970)
Non-Operating Expenses														
Advertising & Promotion	3		(4,000)				(4,000)				(4,000)			(12,000)
Automobile	4		(10,000)	(30,000)		(35,000)		(35,000)		(35,000)		(35,000)		(180,000)
Interest & Bank Charges	5			(10,000)				(10,000)				(10,000)		(30,000)
General Liability Insurance				(3,200)				(3,200)				(3,200)		(9,600)
Employee Benefits		(4,500)			(9,440)	(4,500)			(9,440)	(4,500)				(32,380)
Meals & Entertainment	6	(3,000)	(1,000)		(3,000)	(1,000)			(3,000)	(1,000)				(12,000)
Memberships & Licenses	7		(4,000)				(4,000)				(4,000)			(12,000)
Office Supplies		(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(6,000)
Software & Website	8		(16,000)				(16,000)				(16,000)			(48,000)
Management Salaries	9	(71,000)		(71,000)		(71,000)		(71,000)		(71,000)		(71,000)		(426,000)
Contractors	10		(6,000)	(25,000)				(25,000)				(25,000)		(81,000)
Corporate Legal Professional Fees	11	(5,000)	(5,000)			(10,000)				(10,000)				(30,000)
Uniform and other Equipment	12			(15,000)				(15,000)				(15,000)		(45,000)
Telephone & Communications				(3,000)				(3,000)				(3,000)		(9,000)
Travel	13		(7,500)	(7,500)		(7,500)		(7,500)		(7,500)		(7,500)		(45,000)
Rent	14			(15,661)				(15,661)				(15,661)		(46,983)
Utilities				(2,500)				(2,500)				(2,500)		(7,500)
HST Remittances	15						(221,341)				(210,839)			(432,179)
Total Non-Operating Expenses		(84,000)	(54,000)	(183,361)	(12,940)	(129,500)	(245,841)	(188,361)	(12,940)	(129,500)	(235,339)	(188,361)	(500)	(1,464,642)
Proposal Trustee Fees	16					(15,000)				(15,000)				(30,000)
Proposal Trustee Legal Counsel Fees	16					(5,000)				(5,000)				(10,000)
Debtor Legal Counsel Fees	16	(10,000)				(10,000)				(10,000)				(30,000)
Chief Restructuring Officer	17	(17,500)		(17,500)		(17,500)		(17,500)		(17,500)		(17,500)		(105,000)
Critical Vendor Payments (pre-filing)	18					(38,000)		(38,000)		(38,000)		(38,000)		(152,000)
Total Restructuring Expenses		(27,500)	-	(17,500)	-	(85,500)	-	(55,500)	-	(85,500)	-	(55,500)	-	(327,000)
Net Cash Balance		(380,101)	412,421	(402,835)	571,866	(379,063)	510,539	(318,323)	655,512	(269,061)	411,655	(348,070)	597,926	1,062,466
Revolving Line of Credit:														
Opening	19	(1,114,015)	(1,494,116)	(1,081,695)	(1,484,530)	(912,664)	(1,291,727)	(781,188)	(1,099,511)	(443,999)	(713,060)	(301,404)	(649,475)	(1,114,015)
Add: Net Cash Flow		(380,101)	412,421	(402,835)	571,866	(379,063)	510,539	(318,323)	655,512	(269,061)	411,655	(348,070)	597,926	1,062,466
Closing	20	(1,494,116)	(1,081,695)	(1,484,530)	(912,664)	(1,291,727)	(781,188)	(1,099,511)	(443,999)	(713,060)	(301,404)	(649,475)	(51,549)	(51,549)

This statement of forecast cash flow of Cancom Security 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 13th day of December, 2024.

Dodick Landau Inc.

Cancom Security Inc.

Per: 
 Mr. Rahn Dodick, CPA, CA, CIRP, LIT

Per: 
 Mr. Ronald Wells

CANCOM SECURITY INC.
MAJOR ASSUMPTIONS
CASH FLOW STATEMENT
FOR THE PERIOD DECEMBER 7, 2024 TO FEBRUARY 28, 2025 (THE “PERIOD”)

Cancom Security Inc. (“**Cancom**”) operates a security guard staffing business. A Notice of Intention to File a Proposal (“**NOI**”) was filed in respect of Cancom on December 5, 2024 (“**NOI Filing**”). Cancom’s cash flow projection was prepared by management of Cancom (“**Management**”).

The cash flow projection is based on the hypotheses that Cancom:

- a. will complete a successful proposal;
- b. will continue operations in the normal course after its NOI Filing; and
- c. secured creditor, TD Bank, will continue to be supportive of its planned restructuring.

1. Customer Collections

Accounts receivable collections are based on current contract revenue and excludes additional revenue from new contracts which may be awarded in the new year.

Management has identified two bad debts totalling approximately \$306,000 which are over 90 days past due and have been excluded from the cash flow forecast collections.

To date, no customer contracts have been disclaimed in the Proposal proceeding. However, management is reviewing all contracts to determine whether there is any non-performing contracts which should be disclaimed.

Collection terms differ between contracts; however, they average approximately 15-30 days overall. The Canada Post strike has affected collections over the past period as certain customers pay their receivables by cheque sent in the mail. The Company is working with these customers to find alternate methods of payment.

2. Cost of Labour

Represents cost of labour working in the field billed to clients on an hourly basis. The amount is the forecast gross payroll transferred to Ceridian payroll service bi-weekly.

In weeks 1, 3, 5 and 7 the cost of labour is estimated to increase by between 5% and 15% due to overtime and statutory holidays incurred during the Christmas season.

As overtime is partially due to staff taking time off over the holidays and other staff working longer hours to ensure there is adequate coverage, these overtime costs can't be passed along to the customers.

3. Advertising and Promotion

Based on recent monthly amounts incurred which are expected to continue over the forecast period.

4. Automobile

Certain security contracts require the use of vehicles by guards in the field. Represent costs to lease, maintain and fuel the vehicles.

5. Interest and Bank charges

On the TD bank line of credit.

6. Meals and Entertainment

Estimated costs incurred by sales team for marketing and promotion.

7. Memberships and Licenses

First Nation licenses, and fees to ACIS, APSA, ABLE, ABETTA and CAMSC.

8. Software and Website

Website and software costs comprised primarily of IMEX, ISN and drop box.

9. Management Salaries

Head office (non-field staff) bi-weekly gross payroll.

10. Contractors

Compensation to two contractors working at head office.

11. Corporate Legal Professional Fees

Estimated corporate legal expenses primarily for human resources related issues.

12. Uniform and Other Equipment

Estimated monthly cost to purchase new uniforms, body cameras and other equipment needed by guards.

13. Travel

Costs relate primarily for travel to Ottawa, Kingston, places up North as well as other locations.

14. Rent

For head office in Toronto and other locations.

15. HST Remittances

Represents the HST payable by the end of the following month for the previous month. The first post-filing remittance will be made in January/25 for December/24.

16. Restructuring Professional Fees

Estimated professional fees for the Proposal Trustee, its legal counsel and Cancom's restructuring legal counsel.

17. Chief Restructuring Officer

The company hired consultants from Gene Hudson International Inc. who are acting as Chief Restructuring Officer. Two individuals from the firm are working daily on and off site to assist management in the restructuring.

18. Critical Vendors

The Company wishes to request the Court's approval to designate certain vendors as critical. The following is the list of proposed critical vendors and approximate amounts outstanding. It is estimated that bi-weekly payments to these vendors will begin in the second week of January/25 following receipt of Court approval.

Vendor	Arrears Owing	Description
Body Cam AXON	\$ 34,000	Equipment supplier for video, including the storage of data.
3rd party outsource	\$ 36,000	Outsourcing of guard services where Cancon does not have sufficient guards.
Radio Kelcom	\$ 30,000	Equipment supplier for audio.
Guardian	\$ 75,000	Uniform supplier. Continuity of appearance required for Toronto Public Library and Cadillac Fairview contracts.
Unifirst	\$ 7,000	Uniform supplier. Continuity of appearance required for Oxford Properties contract.
Ottawa station chief	\$ 80,000	Compensation to Ottawa station chief.
Total	<u>\$ 262,000</u>	If approved by the Court, this amount will be disbursed \$38,000 bi-weekly

19. Opening Revolving Line of Credit

The opening balance consists of the TD line of credit plus cash on deposit in its RBC deposit account of approximately \$202,000.

20. Closing Revolving Line of Credit

The Company estimates it will generate approximately \$1.0 million of positive cash flow over the twelve-week period from the acceleration of accounts receivable collections, compromise

of accounts payable arrears and a reduction in operating expenses. In the following week (week 13) payroll is due which will result in the forecast line of credit to lower and be in the range of \$600,000 to \$700,000.

Cash flow over the period will depend in part on timing of accounts receivable collections and limiting payment of overtime to guards in the field over the holiday season.

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, RSC 1985, c B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF CANCOM SECURITY INC. OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

FIRST REPORT TO COURT OF THE PROPOSAL TRUSTEE

DENTONS CANADA LLP
77 King Street West, Suite 400
Toronto-Dominion Centre
Toronto, ON M5K 0A1

Kenneth Kraft (LSO # 31919P)
Tel: 416-863-4374
Fax: 416 863-4592
kenneth.kraft@dentons.com

*Lawyers for Dodick Landau Inc., in its capacity as
proposal trustee of Cancom Security Inc.*