District of Ontario
Division No. 9 - Toronto
Court File No. 32-2853708
Estate File No. 32-2853708

ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF iS5 COMMUNICATIONS INC. OF THE CITY OF MISSISSAUGA, PROVINCE OF ONTARIO

THIRD REPORT OF PROPOSAL TRUSTEE
Pursuant to Section 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* (Canada)

October 6, 2022

Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario
M5H 3T4

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SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY & INSOLVENCY)
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THIRD REPORT OF PROPOSAL TRUSTEE
Pursuant to Section 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* (Canada)

October 6, 2022

Introduction

1. This report ("**Third Report**") is filed by Grant Thornton Limited in its capacity as proposal trustee (in such capacity, the "**Proposal Trustee**") in connection with a Notice of Intention to Make a Proposal ("**NOI**") filed on August 5, 2022 (the "**Filing Date**") by iS5 Communications Inc. ("**iS5**" or the "**Company**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**").

2. iS5 is a company that provides customers with information technology services and proprietary hardware products. Specifically, the Company services critical infrastructure, including the energy, transportation, heavy industrial, and defense industries. The Company's products are used in digital transformation and cybersecurity applications. The

Company operates from a third-party leased premise located at 5895 Ambler Drive, Mississauga, Ontario.

3. On August 8, 2022, pursuant to a motion by the Company, the Court granted an Order (the "**August 8 Order**") approving, amongst other things, a DIP Facility, and three charges as follows:

    a. First – Administration Charge (to the maximum amount of CDN $150,000);

    b. Second – Directors' Charge (to the maximum amount of CDN $200,000); and

    c. Third – DIP Lender's Charge (to the maximum amount of USD $622,000 plus interest and reasonable costs and expenses payable under the DIP Term Sheet).

    The First Report of the Proposal Trustee (the "**First Report**") collectively, with a copy of the August 8 Order and corresponding Endorsement is attached hereto as **Appendix "1"**.

4. On September 2, 2022, pursuant to a motion by the Company, the Court granted an Order (the "**September 2 Order**") approving, amongst other things:

    a. the Company's request for an extension of the stay of proceedings to October 17, 2022, representing a 44-day extension from the expiry of the initial 30 day stay of proceedings pursuant to the filing of the Company's NOI on August 5, 2022;

    b. an interim distribution by the Company to the Company's primary secured creditor, Silicon Valley Bank ("**SVB**");

c. the Company's appointment of Mr. John Gillberry as an independent director of the company to assist management during the Company's sale process and anticipated sale transaction;

The Second Report of the Proposal Trustee (the "**Second Report**") collectively, with a copy of the September 8 Order and corresponding Endorsement is attached hereto as **Appendix "2"**.

5. This Third Report has been prepared in conjunction with iS5's motion for an Order for the additional relief set out below which the Proposal Trustee views as being consistent with the Company's overall objective and its efforts to restructure its business and affairs:

   a. approving a Stalking Horse Purchase Agreement (once signed) between the Company and Elektrophoenix GmbH (the "**Stalking Horse Bidder**"), an affiliate of Phoenix Contact Venture Funds ("**Phoenix Venture**");

   b. approving the sales and investment solicitation process (the "**SISP**") as described further herein; and

   c. approving the Company's request for an extension of the stay of proceedings to December 1, 2022, representing a 45-day extension from the expiry of the first extension being a 44-day stay of proceedings pursuant to the September 2 Order.

PURPOSE OF THIS THIRD REPORT

6. The purpose of this Third Report is to provide the Court with information on the activities of the Company as provided to the Proposal Trustee and the Proposal Trustee's view on the following:

   a. an update since the Second Report;

   b. the SISP;

   c. the Stalking Horse Purchase Agreement; and

   d. the Company's request for an extension of the current stay of proceedings.

7. Detailed background information concerning the Company and its stakeholders is provided in the three Dias Affidavits which have been filed with the Court, and are also available on the Proposal Trustee's webpage, www.grantthornton.ca/iS5.

RESTRICTIONS

8. In preparing this Third Report, the Proposal Trustee has relied upon unaudited financial information, the Company's records, financial information, projections and discussions with the Company's management and employees. While the Proposal Trustee reviewed various documents provided by the Company and believes that the information therein provides a fair summary of the transactions and material as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("**GAAP**") or International Financial Reporting Standards ("**IFRS**"). Accordingly, the Proposal Trustee expresses no

opinion or other form of assurance pursuant to GAAP or IFRS with respect to such information.

9. This Third Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company. Accordingly, the reader is cautioned that this Third Report may not be appropriate for any other purpose.

10. All references to dollars are denoted in its currency.

11. Capitalized terms not defined in this Third Report have the meanings ascribed to them in the Dias Affidavits and the First Report and Second Report.

UPDATE SINCE THE SECOND REPORT

12. Since the commencement of these Proceedings, the Company has continued to trade and carry-on business in the normal course on a go forward basis. The Company has implemented a communication strategy, with the assistance of the Proposal Trustee, to effectively notify stakeholders (employees, suppliers, customers, lenders, shareholders, etc.) of these Proceedings, as well as the Company's objective in completing a sale transaction, proposed next steps, the potential impact to stakeholders, and the manner by which stakeholders can contact the Company (and the Proposal Trustee) if they have any questions or concerns.

13. The Company has worked extensively to come to a definitive agreement with the Stalking Horse Bidder, details of which are described herein.

14. The Company has worked with its counsel, the Proposal Trustee and their legal counsel, to formulate an appropriate SISP, as described herein;

15. The Company has been and continues to work with the Proposal Trustee to prepare for the SISP, should it be approved, including the creation of a secure data room, a list of potential bidders, an information memorandum, and publications, and all with a view to appropriately test the market and seek a competing bid in respect of the Stalking Horse Purchase Agreement.

Company's Cash Flow Position

16. As disclosed in the Second Report, the Company received an early receipt of a SRED claim from Canada Revenue Agency in the amount of $1,249,942 (CDN) (the "**SRED Funds**"). As a result of the early receipt of the SRED Funds the Company was of the view that it is unlikely that they would require the balance of the DIP Facility. Furthermore, the Company could make a partial distribution to SVB, in light of SVB's security over the SRED Funds, and utilize the remainder of the SRED Funds for day-to-day operations. Such use of the SRED Funds was approved by the Court in the September 2 Order and also received the consent of the DIP Lender.

17. As a result of the early receipt of the SRED Funds, the interim distribution to SVB, and the proposed SISP and related timeline, the Company has updated their cash flow projection (the "**Revised Cash Flow Statement**"). The Proposal Trustee has reviewed the Revised Cash Flow Statement and discussed such with the Company. The Company has responded to all of the Proposal Trustee's questions, including providing supporting documentation to assist the Proposal Trustee in monitoring the Company's cash flow performance. The

Company has been able to maintain its operations pursuant its prior Updated Cash Flow Statement and remain current with post-filing creditors.

18. Attached hereto as **Appendix "5"** is a copy of the Company's Revised Cash Flow Statement, with actual results to the week ending September 30, 2022 and projections up to December 23, 2022.

19. The Revised Cash Flow Statement has been prepared by management using probable and hypothetical assumptions set out therein. In accordance with the BIA, and based on the Proposal Trustee's review, nothing has come to its attention that causes it to believe that, in all material respects:

    a. the Probable and Hypothetical Assumptions are not consistent with the purpose of the Revised Cash Flow Statement;

    b. as at the date of this Third Report, the probable and hypothetical assumptions developed by management are not suitably supported and consistent with the Company's plans or do not provide a reasonable basis for the Revised Cash Flow Statement, given the probable and hypothetical assumptions; or

    c. the Revised Cash Flow Statement does not reflect the probable and hypothetical assumptions.

<u>Proposal Trustee's Activities</u>

20. Since the Second Report, the Proposal Trustee has performed the following activities:

a. corresponded and held numerous discussions with iS5's management and iS5's counsel, including the review of the Stalking Horse Purchase Agreement, the SISP, and related materials;

b. corresponded with SVB's counsel, and counsel to the DIP Lender on matters related to these Proceedings and the relief being sought by the Company;

c. assisted with the implementation of a communication strategy involving the Company's various stakeholders arising from the filing of the NOI, and the granting of the Initial Relief from the Court on August 8, 2022 and subsequent relief from the Court on September 2, 2022;

d. monitored the Company's financial operations and compared such to the prior Updated Cash Flow Statement on a weekly basis, in accordance with the BIA, and reported on same to SVB and the DIP Lender;

e. confirmed the Company's interim distribution to SVB in the net amount of $209,666.67, in accordance with the September 2 Order;

f. assisted the Company in gathering and preparing information and documentation for due diligence purposes for the anticipated SISP;

g. responded to general creditor enquiries; and,

h. maintained a public website for the Proceedings in accordance with the Commercial List E-Service Protocol.

PROPOSED SALES AND INVESTMENT SOLICITATION PROCESS

21. As described in the First Report, the Company engaged IOI Capital and Markets, LLC ("**IOI**") to assist in identifying a potential sale, recapitalization, or investment transaction. The sale process undertaken by IOI commenced in mid-November 2021 and concluded in April 2022 whereby no offers were received (the "**Initial SISP**").

22. At the conclusion of the Initial SISP, the Company engaged in discussions with Phoenix Venture, who, through its affiliates, is an existing noteholder, shareholder and customer of iS5. The discussions resulted in Phoenix Venture expressing an interest in a potential sale transaction to acquire the operations of iS5. In order to complete a sale transaction, and recognizing that iS5 was experiencing significant liquidity constraints, the NOI proceedings were commenced and Phoenix Venture agreed to become both the DIP Lender (via Phoenix Contact Venture Funds I GmbH, an affiliate of Phoenix Venture) and the Stalking Horse Bidder (via Elektrophoenix GmbH, an affiliate of Phoenix Venture).

23. The Company has since negotiated a Stalking Horse Purchase Agreement and prepared a SISP, in consultation with the Proposal Trustee, which will provide potential bidders the opportunity to participate in the proposed two-phase SISP and be able to submit competing offers.

24. The specific details of the SISP and related bidding procedures are attached hereto as **Appendix "3"** (the "**Bidding Procedures**"). An abridged summary of the key terms for the purpose of updating the Court is set out below. Readers are cautioned to review this Third Report in conjunction with the Bidding Procedures. Capitalized terms regarding the SISP, if not otherwise defined, have the meaning ascribed to them in the Bidding Procedures.

25. Neither the Stalking Horse Bidder nor the DIP Lender will participate in the administration or oversight of the SISP, including, without limitation, in respect of the review of any bids received, or with respect to providing the Proposal Trustee with any input, recommendations or advice on any decisions or any exercise of discretion required to be made by the Proposal Trustee in connection with the SISP. For greater certainty, the Proposal Trustee has no obligation to consult with the Stalking Horse Bidder on any matter related to the administration of the SISP. The Proposal Trustee will also monitor all communications as between participants of the SISP and management, as it relates to enquiries from the review of due diligence materials.

26. The key dates in the Sale Process are as follows:

October 21, 2022	Deadline to publish notice of Sale Process and deliver Teaser Letter and NDA to Known Potential Bidders
November 16, 2022 at 5:00 PM EST	Phase I Bid Deadline
December 1, 2022 at 5:00 PM EST	Phase II Bid Deadline
December 2, 2022 at 5:00 PM EST	Deadline to notify Qualified Bidders of Auction (where appropriate) and provide details of Lead Bid
December 5, 2022	Auction (if any)
Sale Approval Hearing	As soon as practicable
Closing Dated Deadline	December 23, 2022

27. The proposed SISP is structured as a two-phase process with a potential auction if sufficient Qualified Phase II Bids are received. The Sale Process provides that the Stalking Horse Purchase Agreement will be automatically included in each phase of the SISP.

28. The Proposal Trustee will publicly advertise the Company's SISP in the Globe and Mail (National Edition) and Insolvency Insider. Interested parties will be invited to sign a Confidentiality Agreement and an Acknowledgement of the SISP to gain access to a secure data room to view due diligence materials and other confidential information pertaining to the opportunity, and will otherwise be considered a Phase I Qualified Bidder.

29. Phase I Qualified Bidders will be invited to submit Phase I Bids on or before November 16, 2022 (the "**Phase 1 Bid Deadline**"). After the expiry of the Phase I Bid Deadline, the Proposal Trustee, in consultation with the Company and their legal counsel, will review the Phase I Bids to determine if each bid satisfies the requirements to be a Qualified Phase I Bid.

30. Among other requirements, Qualified Phase I Bids must contain the following material requirements:

    a. a non-binding offer that either includes a Purchase Price that is greater than the Minimum Bid Amount, or in the case of an Investment Proposal, specific details of the proposed investment, and debt/equity structure;

    b. details of material terms and conditions of the proposed transaction;

    c. payment of an initial refundable deposit of not less than 5% of the Purchase Price or imputed value from an Investment Proposal;

d. support documentation demonstrating the financial ability of the Phase I Bidder to complete a transaction including relevant contact information and appropriate financial disclosures; and

e. identification of direct and indirect parties participating with the Phase I Bidder.

31. If no Phase I Bids are received or the Proposal Trustee determines, exercising its discretion, that none of the Phase I Bids received meet the requirements to be considered a Qualified Phase I Bid, the Proposal Trustee may determine that a second phase of bidding is not required and may select the Stalking Horse Bidder as the Successful Bid under the SISP.

32. If one or more Qualified Phase I Bids are received, the Proposal Trustee will notify the Qualified Phase I Bidders that they are invited to participate in the second phase of the SISP, which begins on November 17, 2022.

33. Additional due diligence materials containing commercially sensitive information, in addition to those made available to Phase 1 Qualified Bidders, will be made available to Phase II Bidders.

34. Phase II Bidders who elect to participate in the second phase of the SISP will be invited to submit a binding agreement of purchase and sale, with a blackline against the Form Purchase Agreement, on or before December 1, 2022 (the "**Final Bid Deadline**"). After the expiry of the Phase II Bid Deadline, the Proposal Trustee, in consultation with the Company and its counsel, will review the Phase II Bids to determine if each bid satisfies the requirements to be a Qualified Phase II Bid.

35. Among other requirements, Qualified Phase II Bids must contain the following material requirements:

   a. A signed and binding purchase agreement/investment proposal which is not conditional upon further due diligence, financing, or other material closing conditions;

   b. payment of a refundable deposit, which combined with the deposit paid in Phase I, will be in an aggregate amount of not less than 10% of the total consideration of the Phase II Bid; and

   c. the purchase price, or overall imputed value of the offer, shall be equal to or greater than the Minimum Bid Amount, which is $350,000 above the $5 million purchase price in the Stalking Horse Purchase Agreement. The determination of such value and purchase price will be made by the Company, and in consultation with the Proposal Trustee.

36. If no Phase II Bids are received or none of the Phase II Bids received meet the requirements to be considered a Qualified Phase II Bid, the Proposal Trustee may consider the Stalking Horse Bid to be the Successful Bid under the SISP and no auction will be necessary.

37. If multiple Qualified Phase II Bids are received, the Proposal Trustee will invite all the Qualified Phase II Bidders to an auction. The Stalking Horse Bidder is deemed to be a Qualified Phase II Bidder for the purpose of participating at an auction.

38. The auction will be conducted in rounds, whereby each participant must bid at least the Minimum Overbid Increment (which the Proposal Trustee has determine to be $50,000) to

advance to the next round. The Qualified Bidder with the highest Overbid amount at the end of each round will be classified as the Opening Bid for the following round. The Successful Bid at the auction will be determined once no Qualified Bidder is willing to bid the Minimum Overbid Increment to outbid the lead bid from the previous round.

39. The closing of the transaction contemplated by a Successful Bid (and consideration of a Back-up Bid) will be conditional upon the Court granting an Order approving the Successful Bid, at a hearing to be scheduled, subject to Court availability, as soon as practicable. This ensures that no transaction will proceed without the Court's express authorization.

Proposal Trustee's Comments on the SISP

40. The Proposal Trustee is of the view that the proposed SISP is fair and reasonable in the circumstances. The timeline of the SISP is structured to adequately expose the Company and the opportunity to the market while managing the costs of these Proceedings and the associated impact on the Company. The Proposal Trustee considers that the length and structure of the SISP is acceptable in the circumstances, as it is tailored to permit the Proposal Trustee to administer a process to adequately canvass the market for offers that may be superior to the offer contained in the Stalking Horse Purchase Agreement while recognizing the fact that a previous sale process (the Initial SISP) was undertaken by the Company in late 2021 to early 2022.

41. The proposed SISP administered by the Proposal Trustee is intended to provide a fair and transparent process to identify potential transactions that may be superior to the Stalking Horse Purchase Agreement. In the Proposal Trustee's view, the SISP gives interested parties sufficient time to evaluate the opportunity and have an equal chance to submit a

Phase 1 Qualified Bid on or before the Phase 1 Bid Deadline. The Proposal Trustee is not aware of any stakeholders that would be prejudiced by the proposed SISP.

42. With the exception of the Stalking Horse Purchase Agreement being automatically admitted as a Qualified Bid in each phase of the SISP, the Stalking Horse Bidder has no undue advantage or consent or consultation rights in the SISP.

43. The Proposal Trustee recommends the Court approve the proposed SISP.

STALKING HORSE PURCHASE AGREEMENT

44. The SISP contemplates that the Stalking Horse Purchase Agreement will act as the minimum bid against which other bids will be evaluated. Until such time as a superior bid(s) are received, the Stalking Horse Purchase Agreement will be selected as the Successful Bid under the Sale Process. A copy of the Stalking Horse Purchase Agreement (unsigned) is attached as **Appendix "4"**.

45. The Company has determined that its best opportunity to maximize realizations for the benefit of its creditors is to accept Elektrophoenix GmbH as the Stalking Horse Bidder and to commence the proposed SISP. This determination is primarily based on the results of the prior Initial SISP, the fact that Elektrophoenix GmbH has been the only party willing to proceed to a definitive agreement to date, and in considering the estimated liquidation value of its assets.

46. The Stalking Horse Purchase Agreement provides for an asset sale through a reverse vesting order sale transaction which effectively provides for an efficient operational transition of the Company's assets and operations. The Proposal Trustee supports the proposed

SISP, including the Stalking Horse Purchase Agreement, as the overall impact to the Company's creditors will be a higher financial recovery compared to a liquidation and the Company's operations and employees will benefit from a smooth transition of the business including licenses, intellectual property and physical operations.

47. In the circumstances, and for the reasons set out below, the Proposal Trustee recommends that the Stalking Horse Purchase Agreement (once signed) be approved by this Court and for such to act as the minimum bid under the proposed SISP. A summary of certain material terms of the Stalking Horse Purchase Agreement is included in the Dias Affidavit dated October 6, 2022.

<u>Proposal Trustee's Comments on the Staking Horse Purchase Agreement</u>

48. The Proposal Trustee recommends this Court approve the Stalking Horse Purchase Agreement for the following reasons:

    a. the total indebtedness owing to SVB is in excess of $1.7 million. SVB is the first ranking secured creditor and the Proposal Trustee understands that SVB supports the approval of a stalking horse bid within the SISP;

    b. in addition to the first ranking secured creditor, there are additional secured debt arrears totaling $11 million (CDN) which owed to the Company's various Secured Noteholders;

    c. in the Proposal Trustee's view, the Purchase Price is higher than the estimated liquidation value of the Company's assets;

d. the Company has sufficient liquidity to satisfy post-filing obligations as reflected in the Revised Cash Flow Statement during the period of the requested extension of the stay of proceedings;

e. the Stalking Horse Purchase Agreement allows for the proposed SISP to be conducted with a floor purchase price being disclosed which the Proposal Trustee believes will streamline the SISP and allow for interested parties to have transparency when submitting bids; and

f. it avoids undue disruption of the Company's business, avoids adversely affecting the Company's employees, and promotes an efficient means to transfer and maintain a going-concern operation.

EXTENSION OF THE STAY OF PROCEEDINGS

49. The Company is seeking an extension of the stay under the BIA in these Proceedings to:

a. allow for the execution of the SISP (if approved);

b. seek Court approval of a Successful Bid; and

c. complete the anticipated sale transaction (time permitting).

50. In considering that the Company has negotiated a Stalking Horse Purchase Agreement, the estimated liquidation value of the Company's assets compared to a going-concern sale transaction, and the interim liquidity for the Company; the Company is seeking an extension period of 45-days, or to December 1, 2022 to continue its sale and restructuring efforts.

51. The Proposal Trustee supports the Company's request for an extension of the stay of proceedings to December 1, 2022 for the following reasons:

   a. the Company has continued operations in the normal course and, in the view of the Proposal Trustee, has complied with the requirements of the BIA;

   b. the Company has been acting in good faith and with due diligence;

   c. the extension will increase the likelihood of a successful proposal;

   d. no creditor would be materially prejudiced if the extension being applied for is granted; and,

   e. the Proposal Trustee is of the view that in order to complete a sale process, a sale transaction, and to consider the terms of a proposal while attempting to minimize the costs of these Proceedings, that the requested extension of the stay in this Proceeding is appropriate in the circumstances.

Conclusion and Recommendation

52. Based on the above, the Proposal Trustee supports the relief sought by iS5 and respectfully recommends that the Court grant such relief.

All of which is respectfully submitted,

GRANT THORNTON LIMITED
As Trustee under a Notice of Intention to
Make a Proposal filed by iS5 Communications Inc.
and not in its personal capacity.

Daniel Wootton

D. Wootton, CIRP, LIT
Senior Vice President

APPENDIX - 1

District of Ontario
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FIRST REPORT OF PROPOSAL TRUSTEE
Pursuant to Section 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* (Canada)

August 5, 2022

GrantThornton

Grant Thornton Limited
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FIRST REPORT OF PROPOSAL TRUSTEE
Pursuant to Section 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* (Canada)

August 5, 2022

INTRODUCTION

1. This report ("**First Report**") is filed by Grant Thornton Limited in its capacity as proposal trustee (in such capacity, the "**Proposal Trustee**") in connection with a Notice of Intention to Make a Proposal ("**NOI**") filed on August 5, 2022 (the "**Filing Date**") by iS5 Communications Inc. ("**iS5**" or the "**Company**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**").

2. iS5 is a company that provides customers with information technology services and proprietary hardware products. Specifically, the Company services critical infrastructure, including the energy, transportation, heavy industrial, and defense industries. The Company's products are used in digital transformation and cybersecurity applications. The

Company operates from a third-party leased premise located at 5895 Ambler Drive, Mississauga, Ontario.

3. The affidavit of Clive Dias, President of iS5, sworn on August 5, 2022 (the "**Dias Affidavit**") and filed in connection with the Company's NOI proceedings (the "**Proceedings**"), describes, *inter alia*, the Company's background, including the rationale for the requested relief. Generally, the Proposal Trustee understands that the purpose of the Proceedings is to provide the Company with the opportunity to complete a sale transaction for substantially all of the Company's assets and operations. The Proceedings will be required to allow for interim financing, protective charges, approval of a sale process, approval of a stalking horse purchaser, approval of a stalking horse sale agreement, and eventually a sale transaction with a successful purchaser.

2. This First Report has been prepared in conjunction with iS5's motion for an order for certain initial relief consistent with the Company's overall objective (collectively, the "**Initial Relief**"):

   a) approving the DIP Financing Agreement (as defined below) and granting the DIP Charge (as defined below);

   b) establishing the Administration Charge (as defined below);

   c) declaring that the directors and officers of the Company shall be indemnified against obligations and liabilities that they may incur in their capacity as directors or officers of the Company after the commencement of these Proceedings and granting a D&O Charge (as defined below); and

d) approving an allocation of funds to be used for payments to Critical Suppliers (as defined herein), in order for the Company to maintain operations during these Proceedings.

PURPOSE OF THIS FIRST REPORT

3. The purpose of this First Report is to provide the Court with information related to the Initial Relief sought by the Company. This First Report specifically provides:

    a) background and information regarding the Company's financial position;

    b) the Proposal Trustee's comments and report on the Company's cash flow projection for the period ending November 4, 2022;

    c) the Proposal Trustee's views on the proposed DIP Financing Agreement and DIP Charge;

    d) the Proposal Trustee's views on the proposed Administration Charge and D&O Charge; and

    e) the Proposal Trustee's views on Critical Suppliers.

4. Detailed background information concerning the Company and its stakeholders is provided in the Dias Affidavit, which has been filed with the Court, and the Proposal Trustee has generally not repeated such information in this First Report.

RESTRICTIONS

5. In preparing this First Report, the Proposal Trustee has relied upon unaudited financial information, the Company's records, financial information, projections and discussions with the Company's management and employees. While the Proposal Trustee reviewed various

documents provided by the Company and believes that the information therein provides a fair summary of the transactions and material as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("**GAAP**") or International Financial Reporting Standards ("**IFRS**"). Accordingly, the Proposal Trustee expresses no opinion or other form of assurance pursuant to GAAP or IFRS with respect to such information.

6. Some of the information used in preparing this First Report consists of financial projections, including the Cash Flow Projection (as defined herein). The Proposal Trustee cautions that such projections are based upon assumptions about future events and conditions that are not ascertainable. The Company's actual results may vary from the Cash Flow Projection, even if the hypothetical and probable assumptions contained therein materialize, and the variations could be significant. The Proposal Trustee's review of the future-oriented information used to prepare this First Report did not constitute an audit of such information under GAAP or IFRS.

7. This First Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company. Accordingly, the reader is cautioned that this First Report may not be appropriate for any other purpose.

8. All references to dollars are denoted in its currency.

9. Capitalized terms not defined in this First Report have the meanings ascribed to them in the Dias Affidavit.

BACKGROUND AND FINANCIAL POSITION OF THE COMPANY

10. The Company has been operating for approximately 10 years. In the last five years, iS5 has focused on developing new products through research and development. The Company has experienced liquidity challenges and has been unable to fund the manufacture, at scale, of its new products in order to achieve positive cash flow and profitability.

11. The Company relied primarily on debt and equity financing to fund operations, including the cost of its research and development initiatives. In the past year, the Company has not been able to raise additional funds in order to maintain operations. As a result, in early 2022, the Company engaged IOI Capital and Markets, LLC to assist in identifying a potential sale, recapitalization, or investment transaction ("**Initial SISP**"). Unfortunately, such efforts did not result in any offers.

12. At the conclusion of the Initial SISP, the Company engaged in discussions with Phoenix Contact Venture Funds ("**Phoenix Venture**"), who, through its affiliates, is an existing noteholder, shareholder and customer of iS5. The discussions with Phoenix Venture involve a potential sale transaction with the Company whereby Phoenix Venture would become a stalking horse purchaser. A further description of such discussions and recent progress is described in this First Report.

13. The Company's senior secured creditor is Silicon Valley Bank ("**SVB**") which holds, among other things, a general security agreement over substantially all of iS5's assets, with the

exception of the Company's intellectual property and "consumer goods".[1] As of July 26, 2022, iS5 owed SVB approximately $1.9 million (USD).

14. The Dias Affidavit outlines other secured creditors with registrations on the Ontario Personal Property Registry that include ClearSky Power & Technology Fund II LLC, ClearSky Security Fund I LLC, BDC Capital Inc. and a number of equipment lessors.

15. As mentioned previously the Company has historically relied on debt and equity financing to fund its liquidity needs, primarily through secured notes and convertible secured debt issued to its existing shareholder groups. As of July 22, 2022, the Company has issued and outstanding notes in the aggregate amount of $11,104,905 (CDN), comprised of the principal amount of $9,875,000 (CDN) and interest in the amount of $1,229,905 (CDN) (collectively, the "**Notes**"). The Dias Affidavit outlines in further detail the composition and holders of the Notes.

16. As of the date of the NOI filing, the Proposal Trustee is advised of the following with respect to iS5's unsecured creditors:

    a. approximately $1,159,706 (CDN) is owing to trade creditors;

    b. approximately $NIL is owing to landlords;

    c. approximately $52,974 (CDN) is owing for accrued wages and $121,520 (CDN) for accrued and unused vacation pay;

    d. all payroll and source deduction obligations are current; and

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[1] The Dias Affidavit provides further details in respect of the security held by SVB. In addition, the Dias Affidavit explains that a number of other security registrations have apparently been filed.

e. all government remittances are current.

OVERVIEW OF THE PROPOSAL TRUSTEE'S ACTIVITIES

17. Prior to and since the commencement of these Proceedings, the Proposal Trustee has performed the following activities:

    a. corresponded and held numerous discussions with iS5's management and iS5's counsel;

    b. assisted the Company with the development of a communication strategy;

    c. developed a protocol to monitor the Company's cash flows on a weekly basis in accordance with the requirements of the BIA and reporting on same to SVB and Phoenix (as the proposed DIP Lender);

    d. filed the necessary prescribed forms required under the BIA for the NOI. A copy of the filing certificate is attached hereto as **Appendix "1"**;

    e. assisted the Company in preparing the Cash Flow Projection; and

    f. maintained a public website for the Proceedings in accordance with the Commercial List E-Service Protocol.

CASH FLOW PROJECTION

18. In order to satisfy section 50.4(2)(a) of the BIA, the Company prepared a 13-week cash flow forecast to the week ending November 4, 2022 (the "**Cash Flow Projection**"). The Cash Flow Projection together with the Company's Report on the Cash Flow Projection dated

August 5, 2022 and the Proposal Trustee's Report on the Cash Flow Projection dated August 5, 2022, are attached hereto as **Appendix "2".**

19. The Cash Flow Projection has been prepared by management using probable and hypothetical assumptions set out therein (the "**Probable and Hypothetical Assumptions**").

20. In accordance with the BIA, and based on the Proposal Trustee's review, nothing has come to its attention that causes it to believe that, in all material respects:

    a. the Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Projection;

    b. as at the date of this First Report, the Probable and Hypothetical Assumptions developed by management are not suitably supported and consistent with the Company's plans or do not provide a reasonable basis for the Cash Flow Projection, given the Probable or Hypothetical Assumptions; or

    c. the Cash Flow Projection does not reflect the Probable and Hypothetical Assumptions.

21. The Cash Flow Projection provides that iS5 will require incremental advances under the DIP Facility of approximately $1.1 million (USD) to fund operations and the Proceedings during the Cash Flow Projection period. The Company has estimated the need to maintain a cash balance of $100,000 (USD) in any given week to ensure that operations remain stable during the Proceedings.

22. The Proposal Trustee makes the following general comments on the Cash Flow Projection:

a. receipts represent the anticipated collection of receivables and ongoing sales that will be expected as the Company will continue to operate;

b. disbursements appear to be consistent with the level of operations contemplated by management and the Proposal Trustee for the Company during the Cash Flow Projection period;

c. the Cash Flow Projection contemplates the payment of accrued and unpaid employee vacation pay, post-filing employee obligations and related source deductions, as well as any post-filing government related obligations;

d. the Cash Flow Projection contemplates paying vendors in accordance with existing credit terms, with provisions for the possibility of revised credit terms;

e. the Cash Flow Projection treats all secured creditors the same, wherein there are no payments to secured creditors during the Cash Flow Projection period; and

f. disbursements include the payment to the Company's legal counsel, financial advisors, the Proposal Trustee, and the Proposal Trustee's legal counsel.

PROPOSED DEBTOR-IN-POSSESION FINANCING

23. As mentioned previously, iS5 historically obtained financing through debt and equity raises. Unfortunately, no such traditional financing has been available to the Company. As a result, the Company has secured financing through a proposed debtor in possessing financing facility ("**DIP Financing**").

24. The DIP Financing would be available to the Company during the Proceedings and based on certain milestones and based on the Cash Flow Projection. After the funding of the initial amount described in paragraph 25, the next milestone would be the Company's ability to secure a sale agreement with a stalking horse purchaser and the approval of a sale process, at which time an increase to the DIP Financing may be requested, and as contemplated in the Cash Flow Projection.

25. In considering Phoenix Venture's intention to become a stalking horse purchaser, iS5 entered into a DIP loan agreement (the "**DIP Financing Agreement**") on August 5, 2022 with Phoenix Venture (in such capacity, the "**DIP Lender**"). Phoenix Venture has agreed to advance to the Company a total amount of up to $1.1 million (USD) (the "**DIP Facility**"), which will be made available to the Company during the Proceedings, of which an initial amount of $600,000 (USD) will be advanced to the Company during the week ending August 12, 2022, and limited to the estimated amount required to complete a negotiation of the stalking horse sale agreement.

26. Given the limited resources and the circumstances of the Company, the Proposal Trustee is of the view that it would be very difficult for the Company to obtain financing outside of formal restructuring proceedings, or from any other source, given the limited amount of time available for the Company before it runs out of cash.

27. Based on the information it has received, the Proposal Trustee is of the view that the DIP Facility and the DIP Charge (defined herein) are appropriate in the circumstances.

PROPOSED COURT ORDERED CHARGES

28. The Court Order sought by the Company provides for three charges that rank as follows:

    a. first – the Administration Charge,

    b. second – the Directors and Officers Charge

    c. third – the DIP Charge,

    (collectively, the "**Charges**"). The proposed Order states that the Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any individual, firm, corporation, governmental body or agency or any other entities (all of the foregoing, collectively being "**Persons**", and individually, a "**Person**"), except any validly perfected security interest in favour of equipment lessors.

29. The Proposal Trustee is of the understanding that SVB, as the primary secured creditor, is aware of the Charges and has indicated that they will not oppose.

ADMINISTRATION CHARGE

30. The proposed Order contemplates the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel, be granted a court-ordered charge on the assets of the Company as security for the professional fess and disbursements relating to services rendered in respect of the Company (whether incurred prior to or after the commencement of these Proceedings) at the standard rates and charge in an amount not to exceed $150,000 (CDN) (the "**Administration Charge**").

31. The Administration Charge threshold has been established based on the various professionals' previous history and experience with restructurings of similar magnitude and complexity. If the proposed Order is granted the Proposal Trustee believes that the proposed Administration Charge is required and reasonable in the circumstances.

DIRECTORS AND OFFICERS' CHARGE

32. In order to provide adequate protection to the Company's directors and officers, iS5 is requesting the approval of a charge against the assets of iS5 in favour of the director and officers in the amount of $200,000 (CDN) (the "**D&O Charge**"), The quantum of the D&O Charge represents one pay period of payroll and related expenses, including the period of time in which it takes for payroll to be remitted to employees, in the normal course.

33. The Proposal Trustee is of the view that the granting of the D&O Charge, as well as the quantum of the D&O Charge, is reasonable in the circumstances.

DIP CHARGE

34. As set out above and depicted in the Cash Flow Projection the Company will need to utilize the DIP Facility. As a condition of the DIP Facility a charge over the assets of the Company which would be limited to the amount advanced under the DIP Facility and pursuant to the terms of the DIP Financing Agreement (the "**DIP Charge**").

35. The Proposal Trustee is of the view that the granting of the DIP Charge is necessary and reasonable.

COMPANY'S REQUEST OF PRE-FILING PAYMENTS

36. The Company is seeking the Court's approval to make pre-filing payments to a maximum aggregate limit of $120,000 (USD) ("**Pre-Filing Payments**"), and in each case with the consent of the Proposal Trustee, and only to suppliers that are deemed critical to the Company's ongoing business operation and which are required to preserve the value of the Company's business (the "**Critical Suppliers**").

37. The Proposal Trustee is supportive of the Company's request considering the nature and location of the Company's suppliers and where such flexibility may be required in order to maintain operations and the opportunity to complete a future sale transaction.

CONCLUSION AND RECOMMENDATION

38. Based on the above, the Proposal Trustee supports the relief sought by iS5 and respectfully recommends that the Court grant such relief.

All of which is respectfully submitted,

GRANT THORNTON LIMITED
As Trustee under a Notice of Intention to
Make a Proposal filed by iS5 Communications Inc.
and not in its personal capacity.

Daniel Wootton
____
D. Wootton, CIRP, LIT
Senior Vice President

Estate No. 32-2853708
Court File No. 32-2853708

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY
(COMMERCIAL LIST)

THE HONOURABLE	)	MONDAY, THE 8TH
	)	
JUSTICE OSBORNE	)	DAY OF AUGUST, 2022

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF iS5 COMMUNICATIONS INC., OF THE CITY OF MISSISSAUGA IN THE PROVINCE OF ONTARIO

ORDER

(Re: DIP Term Sheet and Priority Charges)

THIS MOTION, made by iS5 Communications Inc. (the "**Debtor**"), pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") was heard this day by video conference at 330 University Avenue, Toronto, Ontario.

ON READING the notice of motion, the affidavit of Clive Dias sworn August 5, 2022 (the "**Dias Affidavit**") and the Exhibits thereto, and the first report of Grant Thornton Limited, in its capacity as proposal trustee (the "**Proposal Trustee**"), and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Debtor, counsel for the proposed DIP Lender (as defined below), counsel for Silicon Valley Bank ("**SVB**"), and such other counsel who were present as listed on the Counsel Slip, no one else appearing for any other person on the service list, although duly served as it appears from the affidavit of service of Mitch Stephenson sworn August 5, 2022,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record is hereby abridged and service is validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

OPERATIONS

2. THIS COURT ORDERS that the Debtor shall be entitled but not required to pay the following expenses whether incurred prior to, on, or after the date of this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

(b) the fees and disbursements of any employees, consultants, agents, experts, accountants, counsel and such other persons retained or employed by the Debtor in respect of these proceedings, at their standard rates and charges existing as of the date of this Order; and

(c) amounts owing to vendors determined by the Debtor to be necessary in order to ensure an uninterrupted supply of goods and/or services to the Debtor that are material to the continued operation of the Debtor's business; provided that such payments shall (i) be consistent with the cash flow forecast attached as Exhibit "N" to the Dias Affidavit, (ii) not exceed an aggregate amount of USD$120,000, and (iii) be approved in advance by the Proposal Trustee or by further Order of the Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

3. THIS COURT ORDERS that the Debtor shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Debtor after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

4. THIS COURT ORDERS that the directors and officers of the Debtor shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"), which charge shall not exceed an aggregate amount of CDN$200,000, as security for the indemnity provided in paragraph 3 of this Order. The Directors' Charge shall have the priority set out in paragraphs 16 and 18 herein.

5. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Debtor's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 3 of this Order.

ADMINISTRATION CHARGE

6. THIS COURT ORDERS that the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Debtor shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Debtor as part of the costs of these proceedings. The Debtor is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Debtor on a bi-weekly basis and, in addition, the Debtor is hereby authorized, *nunc pro tunc*, to pay to the Proposal Trustee, counsel to the Proposal Trustee, and counsel to the Debtor, retainers in the amounts of CDN$15,000, CDN$20,000, and CDN$75,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

7. THIS COURT ORDERS that the Proposal Trustee and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Proposal Trustee and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

8. THIS COURT ORDERS that the Proposal Trustee, counsel to the Proposal Trustee, if any, and the Debtor's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount

of CDN$150,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 16 and 18 hereof.

9. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Proposal Trustee under the BIA or as an officer of this Court, the Proposal Trustee shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Proposal Trustee under the BIA or any applicable legislation.

DIP FINANCING

10. THIS COURT ORDERS that the Debtor is hereby authorized and empowered to obtain and borrow under a credit facility in the maximum aggregate principal amount of USD $1,100,000 (the "**DIP Facility**") from Phoenix Contact Venture Funds I GmbH (in such capacity, the "**DIP Lender**") in order to finance the Debtor's working capital requirements and other general corporate purposes and capital expenditures; provided that unless permitted by further Order of this Court, advances under the DIP Facility shall not exceed the principal amount of USD $600,000 (excluding interest, the commitment fee, and reasonable fees and expenses payable under the DIP Term Sheet).

11. THIS COURT ORDERS the DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet between the Debtor and the DIP Lender dated as of August 5, 2022, attached as Exhibit "O" to the Dias Affidavit (the "**DIP Term Sheet**"), subject to such minor amendments as may be acceptable to the Debtor and the DIP Lender, and supported by the Proposal Trustee and SVB.

12. THIS COURT ORDERS AND DIRECTS that the Debtor is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Debtor is hereby authorized and directed to

pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

13. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property as security for the Debtor's obligations to the DIP Lender under the DIP Term Sheet, which DIP Lender's Charge shall not exceed the amount of USD $622,000 (plus interest and the reasonable fees and expenses payable under the DIP Term Sheet). The DIP Lender's Charge shall not secure any obligation that exists before this Order is made, unless permitted by further Order of this Court. The DIP Lender's Charge shall have the priority set out in paragraphs 16 and 18 hereof.

14. THIS COURT ORDERS that, notwithstanding any other provision of this Order or the BIA (including sections 69 and 69.1):

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the DIP Term Sheet or the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon notice to the Debtor, may exercise any and all of its rights and remedies against the Debtor or the Property under or pursuant to the DIP Term Sheet, the Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Debtor and set off and/or consolidate any amounts owing by the DIP Lender to the Debtor against the obligations of the Debtor to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Debtor and for the appointment of a trustee in bankruptcy of the Debtor; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Debtor or the Property.

15. THIS COURT ORDERS AND DECLARES that, unless otherwise agreed to by the DIP Lender, the DIP Lender shall be treated as unaffected in any proposal filed by the Debtor under the BIA with respect to any advances made under the DIP Term Sheet or the Definitive Documents.

16. THIS COURT ORDERS that: (a) pending expiry of the time for filing a notice of appeal or application for leave to appeal, or an appeal in respect of this Order and the disposition of any claims, actions, proceedings, applications, or motions to review, rescind or vary this Order, or applications for leave to appeal or appeals from this Order (collectively, "**Challenges**"), the Debtor is authorized to borrow funds under the DIP facility in accordance with the DIP Term Sheet; and (b) irrespective of the disposition of any Challenges, the DIP Lender shall have the benefit of the DIP Charge and all other provisions of this Order in respect of all amounts so advanced; and (c) this Order is subject to provisional execution to the extent necessary to give effect to the foregoing.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

17. THIS COURT ORDERS that the priorities of the Administration Charge, the Directors' Charge and the DIP Lender's Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of CDN $150,000);

Second – Directors' Charge (to the maximum amount of CDN $200,000); and

Third – DIP Lender's Charge (to the maximum amount of USD $622,000 plus interest and reasonable costs and expenses payable under the DIP Term Sheet).

18. THIS COURT ORDERS that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

19. THIS COURT ORDERS that each of the Charges (as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or

otherwise (collectively, "**Encumbrances**") in favour of any individual, firm, corporation, governmental body or agency or any other entities (all of the foregoing, collectively being "**Persons**", and individually, a "**Person**"), except any validly perfected security interest in favour of equipment lessors.

20. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Debtor shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Debtor also obtains the prior written consent of the Proposal Trustee and the beneficiaries of the Charges (collectively, the "**Chargees**"), or further Order of this Court.

21. THIS COURT ORDERS that the Charges, the DIP Term Sheet, and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees thereunder shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing or deemed filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Debtor, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Debtor of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Debtor entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Debtor pursuant to this Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

22. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Debtor's interest in such real property leases.

SERVICE AND NOTICE

23. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL 'www.grantthornton.ca/is5'.

24. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Debtor and the Proposal Trustee are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

25. THIS COURT ORDERS that the Debtor or the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

26. THIS COURT ORDERS that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Debtor, the Business or the Property.

27. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Debtor, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Debtor and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

28. THIS COURT ORDERS that each of the Debtor and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Proposal Trustee is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

29. THIS COURT ORDERS that any interested party (including the Debtor and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

30. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Toronto time on the date of this Order, and this Order is enforceable without the need for entry and filing.

____

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF iS5 COMMUNICATIONS INC., OF THE CITY OF MISSISSAUGA IN THE PROVINCE OF ONTARIO

Estate No. 32-2853708
Court File No. 32-2853708

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at
Toronto

ORDER
(Re: DIP Term Sheet and Priority Charges)

FASKEN MARTINEAU DuMOULIN LLP
Barristers and Solicitors
333 Bay Street, Suite 2400
Bay Adelaide Centre, Box 20
Toronto ON   M5H 2T6

Dylan Chochla (LSO: 62137I)
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Tel: 416 868 3425

Lawyers for the Moving Party, iS5 Communications Inc.

SUPERIOR COURT OF JUSTICE

COUNSEL SLIP/ENDORSEMENT

COURT FILE NO.: 32-2853708 DATE: 08 August 2022

6

TITLE OF PROCEEDING

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF Is5 COMMUNICATIONS INC.

BEFORE MR. JUSTICE OSBORNE

NAMES OF COUNSEL AND PARTY:

- ☒ APPLICANT(S) – **Dylan Chochla**
- ☐ PLAINTIFF(S)

Maurizio Milani (CFO-iS5)

PHONE

EMAIL dchocla@fasken.com

NAMES OF COUNSEL AND PARTY:

- ☐ DEFENDANT(S)
- ☒ RESPONDENT(S) – **Kyle Plunkett** (SVB)
- ☐ DEFENDANT(S)
- ☒ RESPONDENT(S) – **McKenzie** (McCharles Family Trust)

Mitch Grossell (Phoenix)

Jennifer Allen (Corp. Counsel, Phoenix)

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EMAIL kplunkett@airdberlis.com mgrossell@tgf.ca lawyerbill@rogers.com;

PHONE

EMAIL

NAMES OF COUNSEL AND OTHER PARTIES:

- ☒ **Dan Wootton** (Proposal Trustee)
- ☐

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EMAIL

ENDORSEMENT OF OSBORNE, J:

[1] This is a motion by iS5 Communications Inc., [the "Debtor" or "iS5"], for approval of DIP financing on an interim basis as more particularly described below, establishing an Administration Charge in the maximum amount of CDN $150,000, certain indemnification of the directors and officers and a D&O charge, and authorization for the company to pay prefiling amounts owing to certain suppliers if necessary to ensure the ongoing operation of the company, in the maximum amount of USD $120,000.

[2] The Debtor filed an NOI under the BIA on August 5, 2022. Grant Thornton Limited was named as Proposal Trustee.

[3] The relief sought proceeds on the consent of all parties present, save for that of Mr. McKenzie, counsel for the McCharles Family Trust ["MFT"].

[4] In particular, by Silicon Valley Bank ["SVB"], the primary secured lender who is most directly affected by the relief sought, and Phoenix Contact Venture Funds I GmbH ["Phoenix"], the proposed DIP lender who is also an existing creditor and the owner of approximately 14% of the equity of the Debtor, support the relief sought.

[5] MFT owns, according to the most recent capitalization table available to the proposed DIP lender, Phoenix, approximately 3.3% of the equity of the Debtor.

[6] MFT seeks an adjournment of this motion for approximately two - three weeks on the basis that it was just served with the materials last Friday, August 5, and that counsel for MFT, Mr. McKenzie, has not been able to obtain instructions from the principal of his client who is on vacation. Mr. McKenzie to the relatively brief adjournment he is seeking.

[7] Mr. McKenzie on behalf of MFT has filed no materials, nor has he sought to cross-examine the deponent on whose affidavit the Debtor relies today, Mr. Dias, recognizing as I do that he has had only a brief opportunity to consider doing so. His submissions today, however, as to why the adjournment ought to be granted, and made in the understandable absence of evidence from MFT, relate to possible concerns with the sale process contemplated by the Debtor, with Phoenix as a potential purchaser, and other matters not relevant today.

[8] While the concerns and issues or potential issues raised by Mr. McKenzie may be real and require further negotiation between the parties or a determination to be made by this Court, none of those issues is before me today. Approval of a sales process, and hopefully approval of a sale and vesting order, are all for another day.

[9] Mr. Chochla for the Applicant, supported by Phoenix and SVB, urged that the relief sought today is time-critical and emergent, and that the company will cease operations if the relief sought today is not granted.

[10] The Debtor relies on the affidavit of Mr. Dias, the chief executive officer, and principally on his evidence to the effect that the directors and officers will likely resign and leave the company without proper [or any] governance or leadership, and the fact that the company is out of money and unable to continue operations without the first advance contemplated to be made immediately pursuant to the terms of the DIP.

[11] I am satisfied that the relief sought by the Debtor should be granted and that the issues and concerns raised by Mr. McKenzie relate to the contemplated sales process and other issues not before the Court today. I have required, however, counsel for the Applicant to amend the proposed order sought to include a comeback clause permitting any affected party to return to Court as may be necessary and appropriate. I have also directed counsel that all stakeholders be put on notice and given a copy of this endorsement and a copy of the order, as revised, that I have signed today.

[12] I am satisfied that the relief sought should be granted and that there is no practical alternative to maximize the recovery for stakeholders.

[13] iS5 provides integrated services and information technology solutions to clients. It also manufactures ethernet projects primarily for industrial and infrastructure clients. It is an Ontario Corporation with its head office in Mississauga, Ontario.

[14] Until recently, the Board of Directors was comprised of five members. Two have resigned since June, 2022 as a result of liquidity issues, such that three remain.

[15] The company has 39 employees of whom 38 are full-time, salaried employees. None are unionized.

[16] The evidence of Mr. Dias, President, Chief Executive Officer and a member of the Board of Directors, is to the effect that, prior to the commencement of the NOI Proceeding, the company was negotiating with one of its existing creditors, Phoenix [or one of its affiliates], with respect to a potential sale. It has become apparent that the company lacks sufficient or indeed any liquidity to allow it the time to complete those negotiations without bridge financing.

[17] Phoenix has offered to provide DIP financing. It is contemplated that Phoenix will act in the role as a stalking horse with a view to promoting and facilitating the proposed sales process.

[18] SVB entered into an agreement with the company as of May 15, 2019 pursuant to which it agreed to make term loan advances available to the company up to an aggregate amount of USD $3 million on terms.

[19] As of July 26, 2022, the aggregate amount outstanding and payable to SVB is approximately $2 million, comprised of a term loan and revolving credit facility.

[20] The evidence of Mr. Dias is to the effect that SVB's security interest is in first priority position.

[21] The company also has issued and outstanding secured notes in the aggregate amount of CDN $11,104,905 inclusive of principal and interest, all owing to the "Secured Noteholders" as defined in the DS affidavit.

[22] The company also has approximately CAD $4 million in unsecured debt, in addition to exposure for unpaid wages and vacation pay which are contemplated by the company to be paid from the first advance under the DIP facility if approved.

[23] The company is current on all HST remittances and other government obligations such as business taxes and payments in respect of employee wage deductions at source. In addition, the company owes the Federal Economic Development Agency approximately CDN $2,590,000 in respect of two unsecured federal development loans.

[24] The Dias affidavit states that, according to the June 30, 2022 balance sheet of the Company, it is insolvent, with assets of approximately USD $6 million and total liabilities of approximately USD $13 million. The company's cash flow, operation and liquidity challenges are set out in the Dias affidavit.

[25] The DS affidavit further states that, commencing the week of August 8, 2022, the company will not have sufficient liquidity to meet its employee wages and ongoing obligations that will accrue thereafter in the absence of interim financing and further that the directors have indicated that they are unlikely to continue in that capacity as such without access to the proposed interim financing.

[26] The interim financing sought through the first advance proposed to be made under the DIP facility is limited to the amount required to allow Phoenix and the company a brief window to finalize the negotiation of a binding stalking horse purchase agreement and is capped at the maximum amount of USD $600,000.

[27] The relief sought today, as noted above, does not include approval of that stalking horse purchase agreement, and that is for another day.

[28] It was the company's liquidity crisis that led to the filing of the NOI.

[29] The company has prepared a cash flow statement which is attached to the Dias affidavit as Exhibit "N" and is also attached to the first report of the Proposal Trustee as Appendix 2.

[30] That cash flow statement supports the statements in the Dias affidavit to the effect that in the absence of approval of the DIP financing and particularly the first advance in the amount of USD $600,000, the company is insolvent and unable obligations including payroll obligations now.

[31] The DIP Term Sheet requires that the company close a transaction no later than October 31, 2022 and contemplates that Phoenix will provide further interim financing in the maximum amount of USD $1,100,000 to be advanced according to the terms of the DIP facility. That amount includes the initial advance of $600,000 referred to above.

[32] Phoenix would have the benefit of a charge over the assets of the company ranking in priority to all our claims and encumbrances, except for the Administration and D&O Charges and validly perfected security in favour of equipment lessors.

[33] The BIA at section 50.6 authorizes the approval of interim financing and an associated priority charge, if the three criteria set out in that provision are met:

a. notice has been given to secured creditors likely to be affected by the DIP Charge;

b. the amount of the DIP is appropriate and required, having regard to the debtor's cash flow statement; and

c. the DIP Charge does not secure a pre-existing obligation.

[34] I am satisfied that the criteria are met here. SVB is the company's senior secured creditor and it supports the relief sought. The second ranking secured noteholders have also received notice of the relief sought. The charges rank behind any validly perfected security interests of equipment financiers so that while they have not been provided notice, the charges are subordinate to their security interests.

[35] As noted above, the cash flow statement is clear as to both the need, and the immediacy of the need, for financing.

[36] Having considered all of the factors set out in section 50.6(5) of the BIA, I am satisfied that an order made under that section is appropriate here. They will allow the company to continue to operate as a going concern. There is no other practical alternatives. This will in turn permit the best opportunity for all stakeholders to maximize their recovery.

[37] Similarly, I am satisfied that the Administration Charge should be granted, in the maximum amount of CDN $150,000, to secure the fees and disbursements of the Proposal Trustee, and counsel. I am satisfied that the requirements of section 64.2 of the BIA have been met in this regard. Again, the secured creditors who are

likely to be affected by this security are on notice. I am satisfied that the services of the Proposal Trustee and counsel are necessary the next steps as contemplated. The quantum of the proposed charge is reasonable.

[38] I am also satisfied that the indemnity and charge in favour of the remaining directors and officers should be granted, in the maximum amount of $200,000, ranking behind the Administration Charge but above the DIP Charge. It is supported by the consent of Phoenix. Again, section 64.1 of the BIA authorizes such. The company and its stakeholders will benefit from the continued leadership and governance of those directors and officers remaining in office during the process.

[39] Finally, the company owes trade suppliers the aggregate amount of approximately USD $803,500. The evidence of Mr. Dias is to the effect that the company is dependent upon the continued supply of products from those vendors to ensure that it is able to meet the needs of its customers and therefore remain in business.

[40] Moreover, the authorization to pay prefiling amounts to those vendors deemed critical to the operations of the company is capped at a maximum aggregate amount of USD $120,000 in accordance with the cash flow statement, and subject to the approval of the Proposal Trustee or further order of this Court. In the circumstances, these limited payments are appropriate (See *1732427 Ontario Inc. v. 1787930 Ontario Inc*., 2019 ONCA at para. 13, 14).

[41] While noting the consent and support of the proposed stalking horse purchaser, itself an existing creditor and equityholder, as well as SVB, the first priority ranking creditor, I am mindful of the concerns raised by Mr. McKenzie on behalf of MFT, which is a minority [indeed a small] shareholder but not a creditor. The order provides for comeback rights for MFT and/or other affected parties. MFT or other affected parties have the ability to challenge at a later date the approval of the sales process and if the company gets that far, any sale approval and vesting order. Counsel for the company confirm that nothing prevents MFT from being a potential purchaser if it elected to submit a bid.

[42] The proposed order largely tracks the Model Order of this Court except as noted above and I am satisfied that it is appropriate in the circumstances for the above reasons. Counsel for the Applicant is directed to forthwith upload to CaseLines and file with the Commercial List Office all materials that were provided to the Court on a confidential basis, which materials can now form part of the public record.

[43] Order to go as signed by me today which shall be effective without the necessity of issuing and entering.

Osborne, J.

APPENDIX - 2

District of Ontario
Division No. 9 - Toronto
Court File No. 32-2853708
Estate File No. 32-2853708

ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF iS5 COMMUNICATIONS INC. OF THE CITY OF MISSISSAUGA, PROVINCE OF ONTARIO

SECOND REPORT OF PROPOSAL TRUSTEE
Pursuant to Section 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* (Canada)

August 26, 2022

Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario
M5H 3T4

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[COMMERCIAL LIST]

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF iS5 COMMUNICATIONS INC. OF THE CITY OF MISSISSAUGA, PROVINCE OF ONTARIO

SECOND REPORT OF PROPOSAL TRUSTEE

Pursuant to Section 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* (Canada)

August 26, 2022

INTRODUCTION

1. This report ("**Second Report**") is filed by Grant Thornton Limited in its capacity as proposal trustee (in such capacity, the "**Proposal Trustee**") in connection with a Notice of Intention to Make a Proposal ("**NOI**") filed on August 5, 2022 (the "**Filing Date**") by iS5 Communications Inc. ("**iS5**" or the "**Company**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**").

2. iS5 is a company that provides customers with information technology services and proprietary hardware products. Specifically, the Company services critical infrastructure, including the energy, transportation, heavy industrial, and defense industries. The Company's products are used in digital transformation and cybersecurity applications. The

Company operates from a third-party leased premise located at 5895 Ambler Drive, Mississauga, Ontario.

3. On August 8, 2022, pursuant to a motion by the Company, the Court granted an Order approving, amongst other things, a DIP Facility, and three charges as follows:

   a) First – Administration Charge (to the maximum amount of CDN $150,000);

   b) Second – Directors' Charge (to the maximum amount of CDN $200,000); and

   c) Third – DIP Lender's Charge (to the maximum amount of USD $622,000 plus interest and reasonable costs and expenses payable under the DIP Term Sheet).

   A copy of the Order and corresponding Endorsement is attached hereto as **Appendix "1"**.

4. This Second Report has been prepared in conjunction with iS5's motion for an Order for certain additional relief, which the Proposal Trustee views as being consistent with the Company's overall objective and its efforts to restructure its business and affairs:

   a) approving the Company's request for an extension of the stay of proceedings to October 17, 2022, representing a 44-day extension from the expiry of the initial 30 day stay of proceedings pursuant to the filing of the Company's NOI on August 5, 2022;

   b) approving an interim distribution by the Company to the Company's primary secured creditor, Silicon Valley Bank ("**SVB**");

   c) approving the Company's appointment of Mr. John Gillberry as an independent director of the company to assist management during the Company's sale process and anticipated sale transaction;

d) approving the First Report, attached hereto as **Appendix “2”**, and this Second Report, including the actions and activities of the Proposal Trustee as describe in the First Report, and this Second Report.

PURPOSE OF THIS SECOND REPORT

5. The purpose of this Second Report is to provide the Court with information on the activities of the Company as provided to the Proposal Trustee and the Proposal Trustee’s view on the following:

   a) an update since the Proposal Trustee’s First Report;

   b) the Company’s request for an extension of the stay of proceedings;

   c) the proposed interim distribution to SVB; and,

   d) the appointment of Mr. John Gillberry as a new independent director of iS5.

6. Detailed background information concerning the Company and its stakeholders is provided in the two Dias Affidavits which have been filed with the Court, and which are available on the Proposal Trustee’s webpage, www.grantthornton.ca/iS5.

RESTRICTIONS

7. In preparing this Second Report, the Proposal Trustee has relied upon unaudited financial information, the Company’s records, financial information, projections and discussions with the Company’s management and employees. While the Proposal Trustee reviewed various documents provided by the Company and believes that the information therein provides a fair summary of the transactions and material as reflected in the documents, such work does

not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("**GAAP**") or International Financial Reporting Standards ("**IFRS**"). Accordingly, the Proposal Trustee expresses no opinion or other form of assurance pursuant to GAAP or IFRS with respect to such information.

8. This Second Report has been prepared for the use of this Court and the Company's stakeholders as general information relating to the Company. Accordingly, the reader is cautioned that this Second Report may not be appropriate for any other purpose.

9. All references to dollars are denoted in its currency.

10. Capitalized terms not defined in this Second Report have the meanings ascribed to them in the Dias Affidavits and the First Report.

UPDATE SINCE THE FIRST REPORT

11. Since the commencement of these Proceedings, the Company has continued to trade and carry on business in the normal course on a go forward basis. The Company has implemented a communication strategy, with the assistance of the Proposal Trustee, to effectively notify stakeholders (employees, suppliers, customers, lenders, shareholders, etc.) of these Proceedings, the Company's objective in seeking a sale transaction, proposed next steps, the potential impact to stakeholders, and the manner by which stakeholders can contact the Company (and the Proposal Trustee) if they have any questions or concerns.

12. The Company has worked extensively to create data room materials for a stalking horse sale process as well as to assist Phoenix with their due diligence in finalizing a stalking horse sale

agreement whereby Phoenix may act as a stalking horse purchaser in a sale process on terms as may be approved by the Court. The Proposal Trustee understands that it was the Company's intention to seek approval of a sale process along with a Phoenix stalking horse sale agreement at the scheduled September 2, 2022 Court hearing however, despite the progress being made between iS5 and Phoenix to date, the sale agreement has not been finalized. The Proposal Trustee is not aware of any issues which would cause iS5 and Phoenix to not finalize a stalking horse sale agreement, if the parties have additional time to complete their negotiations. It is anticipated that iS5 may seek a new date for a Court hearing, during the month of September 2022, to seek approval of a sale process and a Phoenix stalking horse sale agreement.

CASH FLOW

13. The Company has responded to all of the Proposal Trustee's requests, including providing supporting documentation to assist the Proposal Trustee in monitoring the Company's cash flow. The Company has maintained its cash flow in accordance with the initial Cash Flow Projection, with the exception of the early receipt of a SRED claim from Canada Revenue Agency in the amount of $1,249,942 (CDN). The SRED claim is subject to the terms of the DIP Financing Agreement whereby the DIP Lender's consent is required, acting reasonably, on the use of such SRED claim proceeds. It is the Proposal Trustee's understanding that aside from a partial distribution to SVB, the SRED proceeds may be used by iS5 in future operations, pursuant to the Company's updated cash flow projection (the "**Updated Cash Flow Statement**"), such that the balance of the DIP Facility may not be required by iS5 at this time. The Proposal Trustee has been advised that the DIP Lender has consented to the Company's proposed use of the SRED claim proceeds received from CRA.

14. In addition to approving the DIP Facility and certain charges, the August 8, 2022 Court order also authorized iS5 to make certain payments in respect of pre-filing liabilities, including accrued vacation pay, and other supplier related liabilities up to a maximum amount of $120,000 (USD), to ensure continuity of service by its employees and critical suppliers. Any proposed pre-filing supplier related payments require the Proposal Trustee's consent and are to be included within the Company's Updated Cash Flow Statement. As at the date of this Second Report, the Company has paid all accrued vacation pay arrears, and none of the authorized cap of $120,000 (USD) has been used for any pre-filing supplier-related payments.

15. Attached hereto as **Appendix 3** is a copy of the Company's Updated Cash Flow Statement, with actual results to the week ending August 19, 2022.

REQUEST FOR AN EXTENTION

16. The Company is seeking an extension of the stay under the BIA in these Proceedings to:

    a) provide additional time for the stalking horse sale agreement between iS5 and Phoenix to be finalized;

    b) seek court approval of that agreement and a stalking horse sale process

    c) if approved, administer such sale process;

    d) seek court approval of the successful bid; and

    e) complete the anticipated sale transaction.

17. In considering the progress made to date, the estimated liquidation value of iS5's assets compared to a going-concern sale transaction, and the receipt of the SRED proceeds which provides additional interim liquidity for iS5, the Company is seeking an extension period of 44-days, or to October 17, 2022 to continue its sale and restructuring efforts.

18. The Proposal Trustee supports the Company's request for an extension of the stay of proceedings to October 17, 2022 for the following reasons:

   a) the Company has continued operations in the normal course and, in the view of the Proposal Trustee, has complied with the requirements of the BIA;

   b) the Company has been acting in good faith and with due diligence;

   c) the extension will increase the likelihood of a successful proposal;

   d) no creditor would be materially prejudiced if the extension being applied for is granted; and,

   e) the Proposal Trustee is of the view that in order to complete a sale process, a sale transaction, and to consider the terms of a proposal while attempting to minimize the costs of these proceedings, that the requested extension of the stay in this Proceeding is appropriate in the circumstances.

SECURED CREDITOR DISTRIBUTION

19. The Company has advised the Proposal Trustee that they intend to make a partial distribution to SVB, the Company's primary secured lender, in the amount of $209,666.66 (USD), from the SRED proceeds. Such a distribution would be outside of the normal course

of business and as a result, the Company is seeking the Proposal Trustee's consent, and Court approval for such interim distribution.

20. The Proposal Trustee's counsel, Cozen O'Connor LLP ("**Cozen**"), has reviewed the security held by SVB, as granted by the Company (the "**Security Review**"). Cozen has provided an independent oral opinion to the Proposal Trustee, subject to customary qualifications and assumptions, that SVB has a valid and enforceable secured interest in the subject assets of the Company that would be enforceable against a License Insolvency Trustee of the Company. The Security Review conclusion is also subject to any unregistered interests, deemed trusts, statutory created priority claims, and the charges granted pursuant to the August 8, 2022 Court order.

21. The Proposal Trustee is not aware of any priority payable arrears and recognizes that the proposed distribution represents an interim distribution consisting of only a portion of the SRED proceeds.

22. It is the Proposal Trustee's view that the proposed distribution to SVB is appropriate considering that SVB has specifically loaned funds to iS5 in respect of the SRED proceeds, and that such interim distribution will not impact the viability of liquidity of the Company. The Proposal Trustee consents to the proposed distribution of $209,666.66 (USD) to SVB on the basis is in the circumstances.

APPOINTMENT OF INDEPENDENT DIRECTOR

23. The Company previously advised the Proposal Trustee of its intention to appoint an independent director to iS5's board of directors. The purpose of the appointment of the new

director is to provide assistance to management and to provide additional comfort to the Company's stakeholders. Certain of the Company's secured creditors requested the appointment of an independent director and support the appointment of Mr. John Gillberry in such role. The independent director would receive financial compensation and such consideration has been included in the Company's initial Cash Flow Projection and the Updated Cash Flow Statement. In addition, the independent director would benefit from the previously approved Director's Charge within these proceedings. The Proposal Trustee consents to the appointment of Mr. Gillberry as an independent director of iS5.

PROPOSAL TRUSTEE'S ACTIVITIES

24. Since the First Report, the Proposal Trustee has performed the following activities:

a) corresponded and held numerous discussions with iS5's management and iS5's counsel;

b) assisted with the implementation of a communication strategy involving the Company's various stakeholders arising from the filing of the NOI, and the granting of the Initial Relief from the Court on August 8, 2022;

c) prepared a creditor package in accordance with the provisions of the BIA and the direction of the Court, and issued such to all known creditors of the Company as provided to the Proposal Trustee, which package included the August 8, 2022 Order of the Court, and accompanying Endorsement of Mr. Justice Osborne;

d) monitored the Company's cash flow and compared such to the initial Cash Flow Projection on a weekly basis, in accordance with the BIA, and reported on same to SVB and the DIP Lender;

e) assisted the Company in gathering and preparing information and documentation for due diligence purposes for the anticipated sale process;

f) engaged Cozen as counsel for the Proposal Trustee; and,

g) maintained a public website for the Proceedings in accordance with the Commercial List E-Service Protocol.

CONCLUSION AND RECOMMENDATION

25. Based on the above, the Proposal Trustee supports the relief sought by iS5 and respectfully recommends that the Court grant such relief.

All of which is respectfully submitted,

GRANT THORNTON LIMITED
As Trustee under a Notice of Intention to
Make a Proposal filed by iS5 Communications Inc.
and not in its personal capacity.

Daniel Wootton
____
D. Wootton, CIRP, LIT
Senior Vice President

Court File No. 32-2853708
Estate No. 32-2853708

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY
(COMMERCIAL LIST)

THE HONOURABLE	)	FRIDAY, THE 2ND
	)	
JUSTICE OSBORNE	)	DAY OF SEPTEMBER, 2022

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF iS5 COMMUNICATIONS INC., OF THE CITY OF MISSISSAUGA IN THE PROVINCE OF ONTARIO

ORDER
(Extension of Proposal Period)

THIS MOTION, made by iS5 Communications Inc. (the "**Debtor**"), pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") was heard this day by video conference at 330 University Avenue, Toronto, Ontario.

ON READING the notice of motion, the affidavit of Clive Dias sworn August 26, 2022 (the "**Dias Affidavit**") and the Exhibits thereto, the first report of Grant Thornton Limited, in its capacity as proposal trustee (the "**Proposal Trustee**"), dated August 5, 2022 (the "**First Report**") and the second report of the Proposal Trustee, dated August 26, 2022 (the "**Second Report**"), and on hearing the submissions of counsel for the Debtor, counsel for the Proposal Trustee, counsel for Silicon Valley Bank, counsel for Phoenix Contact Venture Funds I GmbH, and such other counsel who were present as listed on the Counsel Slip, no one else appearing for any other person on the service list, although duly served as it appears from the affidavits of service of Carolyn Flanagan and Danny David sworn August 26, 2022, filed.

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF THE PROPOSAL PERIOD

2. THIS COURT ORDERS that, pursuant to subsection 50.4(9) of the BIA, the time for filing a proposal with the Official Receiver in the proceedings of the Debtor, including the stay of proceedings, is extended to and including October 17, 2022.

INTERIM DISTRIBUTION

3. THIS COURT ORDERS AND DIRECTS that the Debtor be and is hereby authorized and directed to distribute to Silicon Valley Bank USD $209,666.66 in partial satisfaction of its secured claim.

APPOINTMENT OF INDEPENDENT DIRECTOR

4. THIS COURT ORDERS that the Debtor is hereby authorized and directed to retain John Gillberry as an independent director of the Debtor.

5. THIS COURT ORDERS that John Gillberry shall be entitled to the benefit of the indemnity provided by the Debtor to the directors and officers of the Debtor and the Directors' Charge, as set out and defined at paragraphs 3 and 4 in the order of the Honourable Justice Osborne made in this proceeding dated August 8, 2022.

REPORT AND ACTIVITIES OF THE PROPOSAL TRUSTEE

6. THIS COURT ORDERS that the First Report, the Second Report, and the actions, conduct and activities of the Proposal Trustee described therein, be and are hereby approved, provided, however, that only the Proposal Trustee, in its personal capacity only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

GENERAL

7. THIS COURT ORDERS that the Debtor or the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

8. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Debtor, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Debtor and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

9. THIS COURT ORDERS that each of the Debtor and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Proposal Trustee is authorized and empowered to

act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

10. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Toronto time on the date of this Order, and this Order is enforceable without the need for entry and filing.

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF iS5 COMMUNICATIONS INC., OF THE CITY OF MISSISSAUGA IN THE PROVINCE OF ONTARIO

Estate No. 32-2853708
Court File No. 32-2853708

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

ORDER
(Extension of Proposal Period)

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SUPERIOR COURT OF JUSTICE

COUNSEL SLIP

COURT FILE NO.: BK-22-02853708-0032

DATE: 02-SEP-2022

1

TITLE OF PROCEEDING: iS5 COMMUNICATIONS INC.

BEFORE JUSTICE OSBORNE

NAMES OF COUNSEL AND PARTY:

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- Dylan Chochla (Counsel to iS5 COMMUNICATIONS INC.)
- Daniel Richer (Counsel to iS5 COMMUNICATIONS INC.)

☐ PLAINTIFF(S)

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NAMES OF COUNSEL AND PARTY:

☐ RESPONDENT(S)
☐ RESPONDENT(S)
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☐ DEFENDANT(S)

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NAMES OF COUNSEL AND OTHER PARTIES:

☒ - Steven Weisz (Counsel to PROPOSAL TRUSTEE, GRANT THORNTON LIMITED)
- Kyle Plunkett (Counsel to CREDITOR, SILICON VALLEY BANK)

☐

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ENDORSEMENT OF JUSTICE OSBORNE:

[1] iS5 Communications Inc. (the "Debtor") seeks an extension of the deadline for filing a proposal pursuant to section 50.4(9) of the BIA, authorization for an interim distribution to SVB of USD $209,666.66, the appointment of Mr. John Gillberry as an independent director with indemnification, and approval of the First Report, Second Report, and the activities of the Proposal Trustee as described therein.

[2] I am satisfied that the Debtor has acted, and is acting, in good faith and with due diligence, would likely be able to make a viable proposal if the extension is granted and no creditor would be materially prejudiced if the extension were granted.

[3] The Service List has been served with the motion materials and the relief sought today is unopposed. Both the Proposal Trustee and DIP lender support the relief sought, as does Phoenix, the proposed stalking horse, although the Debtor and Phoenix have yet to conclude a stalking horse purchase agreement. They require additional time to complete that, and hence the extension sought today.

[4] I observe that the material filed in support of the motion is clear that the Debtor received a SRED tax credit refund on August 11, 2022, with the result that it has sufficient liquidity to make the proposed interim distribution to SVB and still maintain operations through the extension period. The Debtor is current with respect to HST remittances, does not maintain a pension plan and is current on employee source deduction remittances. The Proposal Trustee supports, and the DIP Lender consents to, the interim distribution to SVB.

[5] Since June, 2022, two members of the company's Board of Directors have resigned with the result that only three remain. Mr. Gillberry has experience with companies experiencing liquidity issues at the board level and I am satisfied he will bring value to the Board of Directors, to the process and therefore to the stakeholders generally. It is also appropriate that he have the benefit of the protections enjoyed by the other directors under the DIP Order [as defined in the materials]. Phoenix supports his appointment to the board.

[6] Order to go in the form signed by me today which is effective without the necessity of issuing and entering.

Osborne, J.

APPENDIX - 3

SALE AND INVESTOR SOLICITATION PROCESS

On August 5, 2022, iS5 Communications Inc. (the "**Company**") filed a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") with the Office of the Superintendent of Bankruptcy. Grant Thornton Limited was appointed as proposal trustee (in such capacity, the "**Proposal Trustee**").

It is anticipated that on October 17, 2022, the Company will apply to Court for an Order, which, among other things: (a) approves this sale and investor solicitation process (the "**SISP**"), and (b) authorizes the execution by the Company of the stalking horse agreement of purchase and sale between the Company and the Stalking Horse Bidder (as defined below) (the "**Stalking Horse Agreement**") as the stalking horse bid for the purpose of conducting the SISP.

The purpose of the SISP is to identify one or more financiers, purchasers of and/or investors in the Company, the Business and/or Assets (each as defined below) to make an offer (each a "**Bid**") that is superior to the offer contemplated by the Stalking Horse Agreement, and to complete the transactions contemplated by any such offer, or by the Stalking Horse Agreement if no other offers are accepted. Set forth below are the procedures (the "**SISP Procedures**") that shall govern the SISP and any transactions consummated as a result thereof.

1. <u>Defined Terms</u>

The following capitalized terms have the following meanings when used in this SISP:

"**2020 Noteholders**" means collectively, BDC Capital Inc., ClearSky Power & Technology Fund II LLC, ClearSky Security Fund I LLC, Phoenix Contact Venture Funds I GmbH, Cao Yang, and Coutinho Family Trust;

"**2020 Notes**" means the secured convertible promissory notes issued to the 2020 Noteholders in the aggregate amount of CAD $6,055,000 on November 19, 2020;

"**2021 Noteholders**" means collectively, ClearSky Power & Technology Fund II LLC, ClearSky Security Fund I LLC, Phoenix Contact Venture Funds I GmbH, Cao Yang, Clive Dias, and Artemis Capital Limited;

"**2021 Notes**" means the secured convertible promissory notes issued to the 2021 Noteholders in the aggregate amount of CAD $3,820,000 on August 17, 2021;

"**Acknowledgment of the SISP**" means an acknowledgment of the SISP in the form attached as Schedule "A" hereto;

"Additional Confidential Information" means commercially sensitive information with respect to the Company, the Business and/or Assets, which may include copies of material customer and vendor agreements, details of the equity and capital structure of the Business, and meetings with management and key employees;

"**Aggregate Bid**" means a combination of Portion Bids that do not overlap for Assets sought to be purchased, and which, when totalled, equal or exceed the Minimum Bid Amount;

"**Assets**" means the assets, undertakings and property of the Company;

"**Auction**" has the meaning given to it in Section 15;

"**Auction Procedur**e" has the meaning given to it in Section 15;

"**Back-Up Bid Expiration Date**" has the meaning given to it in Section 18;

"**Back-Up Bid**" has the meaning given to it in Section 15;

"**Back-Up Bidder**" has the meaning given to it in Section 15;

"**BIA**" has the meaning given to it in the introduction;

"**Bid**" has the meaning given to it in the introduction;

"**Business**" means the business carried on by the Company, which consists primarily of providing integrated services and information technology solutions to clients, and manufacturing intelligent industrial ethernet products designed to meet the stringent demand requirements of utility sub-stations, roadside transportation, rail, and industrial applications;

"**Business Day**" means any day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario, on which commercial banks in Toronto, Ontario are open for business;

"**Company**" has the meaning given to it in the introduction;

"**Confidentiality Agreement**" means the confidentiality agreement, with terms satisfactory to the Proposal Trustee and the Company, entered into between the Company and an Interested Party;

"**Court**" has the meaning given to it in the introduction;

"**Data Room**" means an electronic data room created and maintained by the Company containing confidential information in respect of the Company, the Business and the Assets, but does not contain the Additional Confidential Information.

"**Deposit**" has the meaning given to it in Section 14(e);

"**DIP Lender**" means Phoenix Contact Venture Funds I GmbH;

"**DIP Term Sheet**" means the debtor-in-possession financing term sheet dated August 5, 2022 between iS5 Communications Inc., as borrower, and the DIP Lender, as lender;

"**Form Purchase Agreement**" means the template agreement of purchase and sale posted in the Data Room substantially in the form of the Stalking Horse Agreement;

"**Guaranteed Purchase Price**" has the meaning given to it in the Stalking Horse Agreement;

"**Interested Party**" has the meaning given to it in Section 2;

"**Investment Proposal**" has the meaning given to it in Section 9;

"**Known Potential Bidders**" has the meaning give to it in Section 5(a);

"**Management**" has the meaning given to it in Section 4;

"**Minimum Bid Amount**" means in the case of a Sale Proposal or Investment Proposal, an overall result or value which the Company, in consultation with the Proposal Trustee, considers to be greater than the Guaranteed Purchase Price by at least USD $350,000;

"**Notes**" means together, the 2020 Notes and the 2021 Notes;

"**Notice**" has the meaning given to it in Section 5(b);

"**Outside Date**" means December 23, 2022, or such other date as the Company, the Proposal Trustee, and the Successful Bidder(s) or the Back-Up Bidder, if applicable, may agree, acting reasonably;

"**Participation Notice**" has the meaning given to it in Section 4;

"**Phase I Bid**" means an initial non-binding Bid submitted by an Interested Party pursuant to Section 9 hereof;

"**Phase I Bid Deadline**" has the meaning given to it in Section 9 hereof;

"**Phase I Bidder**" means a bidder submitting a Phase I Bid;

"**Phase I Deposit**" has the meaning given to it in Section 11(i);

"**Phase I Participant Requirements**" has the meaning given to it in Section 10 hereof;

"**Phase II Bid**" means a binding unconditional Bid submitted by a Qualified Phase I Bidder;

"**Phase II Bidder**" means a bidder submitting a Phase II Bid;

"**Phase II Bid Deadline**" has the meaning given to it in Section 9;

"**Portion Bid**" means a Bid for less than all, or substantially all of the Assets, that is otherwise a Qualified Phase I Bid or a Qualified Phase II Bid;

"**Portion Bidder**" means a Qualified Phase I Bidder and/or a Qualified Phase II Bidder that submits a Portion Bid;

"**Proposal Trustee**" has the meaning given to in the introduction;

"**Purchase Price**" has the meaning given to it in Section 11(a)(i);

"Qualified Phase I Bid" means a Phase I Bid that satisfies the conditions set out in Section 11 hereof. For greater certainty, a Portion Bid may be a Qualified Phase I Bid if it forms part of an Aggregate Bid;

"**Qualified Phase I Bidder**" means a bidder submitting a Qualified Phase I Bid;

"**Qualified Phase II Bid**" means a Phase II Bid that satisfies the conditions set out in Section 14 hereof. For greater certainty, a Portion Bid may be a Qualified Phase II Bid if it forms part of an Aggregate Bid;

"**Qualified Phase II Bidder**" means bidder submitting a Qualified Phase II Bid;

"**Qualified Investment Bid**" is an Investment Proposal that is determined to be a Qualified Phase II Bid by the Company and the Proposal Trustee pursuant to Section 14;

"**Qualified Sale Bid**" is a Sale Proposal that is determined to be a Qualified Phase II Bid by the Company and the Proposal Trustee pursuant to Section 14;

"**Sale Proposal**" has the meaning given to it in Section 9;

"**Secured Lender**s" means Silicon Valley Bank and the holders of the Company's secured notes;

"**SISP**" has the meaning given to it in the introduction;

"**SISP Procedures**" has the meaning given to it in the introduction;

"**Stalking Horse Agreement**" has the meaning given to it in the introduction;

"**Stalking Horse Bidder**" means Elektrophoenix GmbH, or an affiliate thereof;

"**Successful Bid**" has the meaning given to it in Section 15;

"**Successful Bidder**" has the meaning given to it in Section 15;

"**SVB**" means Silicon Valley Bank; and

"**Teaser Letter**" has the meaning given to it in Section 5(c).

2. The SISP Procedures

The SISP shall consist of two phases. In the first phase, any interested party (an "**Interested Party**") that meets the preliminary participant requirements set out herein, including having executed a Confidentiality Agreement and an Acknowledgment of the SISP, shall be provided with access to the Data Room in order to prepare and submit a Phase I Bid by the Phase I Bid Deadline. Phase I Bidders that are determined by the Company, in consultation with the Proposal Trustee, to be Qualified Phase I Bidders shall be invited to participate in the second phase wherein they will be given access to the Additional Confidential Information in order to complete diligence prior to submitting a Phase II Bid by the Phase II Bid Deadline.

The Company, in consultation with the Proposal Trustee, shall supervise the SISP Procedures and each will generally consult with the other in respect of all matters arising out of these SISP Procedures. The Proposal Trustee shall direct and preside over the Auction, if applicable. In the event that there is disagreement as to the interpretation or application of these SISP Procedures, the Court will have the jurisdiction to hear and resolve such dispute.

3. "As Is, Where Is"

The sale of the Business or all or any part of the Assets or an investment in the Company will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature or description by the Company, the Proposal Trustee or any of their employees, officers, directors, agents or advisors, except to the extent set forth in the relevant definitive Sale Proposal or Investment Proposal agreement, as applicable, with a Successful Bidder.

By participating in this process, each Interested Party is deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Business, the Assets or the Company prior to making its Bid, that it has relied solely on its own independent review, investigation, and/or inspection of any documents and/or regarding the Business, the Assets or the Company in making its Bid, and that it did not rely on any written or oral statements, representations, promises, warranties, conditions or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Business, the Assets or the Company or the completeness of any information provided in connection therewith, except as expressly stated in the terms of any definitive transaction documents.

4. Timeline

The following table sets out the key milestones under the SISP:

Milestone	Deadline
Commencement of SISP	October 17, 2022
Distribution of the Notice, Teaser Letter Confidentiality Agreement and Acknowledgement of SISP	October 21, 2022
Phase I Bid Deadline (5:00 PM (Eastern Time))	November 16, 2022
Phase II Bid Deadline (5:00 PM (Eastern Time))	December 1, 2022
Selection of Successful Bid(s), Back-Up Bid(s), or Notification of Auction (if any)	December 2, 2022
Auction (if any)	December 5, 2022
Sale Approval Hearing	As soon as practicable
Closing Date Deadline	December 23, 2022

5. Solicitation of Interest

As soon as is reasonably practicable and, in any event, by no later than October 21, 2022:

(a) the Company and the Proposal Trustee will prepare a list of potential bidders, including (i) parties that have approached the Company or the Proposal Trustee indicating an interest in the opportunity; and (ii) strategic parties who the Company and the Proposal Trustee believe may be interested in purchasing all or part of the Business and Assets, or investing in the Company, pursuant to the SISP ("**Known Potential Bidders**");

(b) the Proposal Trustee, with the assistance of the Company, will cause a notice of the SISP (and such other relevant information that the Company, in consultation with the Proposal Trustee, considers appropriate (the "**Notice**") to be published in *The Globe and Mail* (National Edition) and *Insolvency Insider* and any other newspaper, journal or industry publication as the Company and the Proposal Trustee considers appropriate, if any; and

(c) the Company and the Proposal Trustee will prepare: (i) a process summary (the "**Teaser Letter**") describing the opportunity, outlining the process under the

SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; a (ii) Confidentiality Agreement; and (iii) an Acknowledgement of the SISP, in each case in form and substance satisfactory to the Company and the Proposal Trustee.

The Proposal Trustee, with the assistance of the Company will publish the Notice and send the Teaser Letter, Confidentiality Agreement, and Acknowledgement of the SISP to all Known Potential Bidders by no later than October 21, 2022, and to any other party who requests a copy of the Teaser Letter, Confidentiality Agreement, and Acknowledgement of the SISP, or who is identified to the Company or the Proposal Trustee as a potential bidder, as soon as reasonably practicable after such request or identification, as applicable

6. Role of Management of the Company

In the event that any party or parties that are associated with the Board of Directors or management of the Company (collectively, "**Management**") intends to submit a Bid pursuant to the SISP, any such party or parties must advise the Proposal Trustee of such intention in writing by November 1, 2022 (the "**Participation Notice**"). Upon receipt of a Participation Notice, such party or parties will be excluded from any participation in the SISP that might create an unfair advantage or jeopardize the integrity of the SISP, and any such party or parties delivering a Participation Notice will be subject to the SISP Procedures as an Interested Party. For greater certainty, Marcus Boker, a Senior Director of the Stalking Horse Bidder and a Director of the Company shall be excluded from participating in the SISP without the requirement of delivering a Participation Notice.

7. Role of the Proposal Trustee

The Proposal Trustee's responsibilities pursuant to the SISP include:

(a) consulting with the Company in connection with the bidding procedures included in this SISP and the closing of the transaction contemplated in the Successful Bid(s);

(b) overseeing the SISP Procedures;

(c) reporting to the Court in connection with the SISP Procedures, including the bidding procedures described in this SISP, and the closing of the transaction contemplated in the Successful Bid(s);

(d) conducting an Auction, if necessary, in accordance with the Auction Procedures attached hereto as Schedule "C"; and

(e) assisting the Company to facilitate information requests, including assisting the Company in preparing or modifying financial information to assist with the bidding procedures described in this SISP and the closing of the transaction contemplated in the Successful Bid(s) (including the Stalking Horse Agreement).

8. **Access to Due Diligence Materials**

Only Interested Parties that satisfy the Phase I Participant Requirements will be eligible to receive access to the Data Room. If the Company, in consultation with the Proposal Trustee, determines that a Phase I Bidder does not constitute a Qualified Phase I Bidder, then such Phase I Bidder shall not be eligible to receive the Additional Confidential Information. For greater certainty, the Data Room shall not contain the Additional Confidential Information and the Company shall provide the Additional Confidential Information to a Qualified Phase I Bidder by alternative means.

The Company, with the assistance of the Proposal Trustee, will be responsible for the coordination of all reasonable requests for additional information and due diligence access from Interested Parties. Neither the Company nor the Proposal Trustee shall be obligated to furnish any due diligence information after the Phase I Bid Deadline other than the Additional Confidential Information to Qualified Phase I Bidders before the Phase II Bid Deadline. Neither the Company nor the Proposal Trustee shall be obligated to furnish any due diligence information after the Phase II Bid Deadline, provided however that the Company and the Proposal Trustee may, but are not obligated to, provide further information including, without limitation, financial information to the Successful Bidder (including the Stalking Horse Bidder). Neither the Company nor the Proposal Trustee is responsible for, and will bear no liability with respect to, any information obtained by any party in connection with the sale of the Assets and the Business, or an investment in the Company. If the Company provides additional information and due diligence to an Interested Party that was not previously provided to the Stalking Horse Bidder, the Company shall concurrently provide such additional information to the Stalking Horse Bidder or notify the Stalking Horse Bidder that such information is available in the Data Room.

9. **Bid Deadlines**

An Interested Party that wishes to make a Bid to: (a) acquire the Business or all, substantially all or any part of the Assets, including any offer to acquire some or all of the Company's software, intellectual property, manufacturing equipment, accounts receivable and furniture, fixtures and equipment (a "**Sale Proposal**"), or (b) make an investment in the Company by way of private issuances, sale or placement of newly issued or treasury equity, equity-linked or debt securities, instruments or obligations of the Company with one or more lenders and/or investors or security holders (an "**Investment Proposal**"), must deliver an executed copy of a Phase I Bid to the Proposal Trustee, at the address specified in Schedule "B" hereto (including by email) so as to be received by it **not later than 5:00 p.m. (Eastern Time) on November 16, 2022**, or such other later date or time as may be agreed by the Company and the Proposal Trustee (the "**Phase I Bid Deadline**").

All Phase II Bids must be submitted to the Proposal Trustee, at the address specified in Schedule "B" hereto (including by email) so as to be received by it **not later than 5:00 p.m. (Eastern Time) on December 1, 2022**, or such other later date or time as may be agreed by the Company and the Proposal Trustee (the "**Phase II Bid Deadline**").

PHASE I – NON BINDING BIDS

10. Phase I Participant Requirements.

To participate in Phase I of the SISP and to otherwise be considered for any purpose hereunder, each Interested Party must provide the Company with an executed copy of each of the following prior to being provided with access to the Data Room: (i) a Confidentiality Agreement; and (ii) an Acknowledgement of the SISP (collectively, the "**Phase I Participant Requirements**").

11. Qualified Phase I Bids

Only Qualified Phase I Bidders shall be allowed to participate in Phase II of the SISP and be eligible to receive the Additional Confidential Information.

In order for the Company to determine whether an Interested Party is a Qualified Phase I Bidder, the Interested Party must provide, in form and substance satisfactory to the Company, in consultation with the Proposal Trustee, each of the following on or before the Phase I Bid Deadline:

(a) Non- Binding Letter of Intent Describing the Phase 1 Bid: A non-binding letter of intent describing the material terms of the Phase I Bid which includes the following information:

(i) Sale Proposal: in the case of a Sale Proposal, the material terms and conditions of the proposed transaction, including identification of the Business or the Assets proposed to be acquired, the obligations to be assumed, the purchase price for the Business or Assets proposed to be acquired (the "**Purchase Price**"), and the structure and financing of the proposed transaction; and

(ii) Investment Proposal: in the case of an Investment Proposal, the material terms and conditions of the proposed transaction, including details regarding the proposed equity and debt structure of the Company following completion of the proposed transaction, the direct or indirect investment target and the aggregate amount of equity and debt investment (including the sources of such capital, the underlying assumptions regarding the *pro forma* capital structure, as well as anticipated tranches of debt, debt service fees, interest and amortization) to be made in the Company, and the debt, equity, or other securities, if any, proposed to be allocated to creditors of the Company;

(b) Purchase Price: Evidence that the Purchase Price (in the case of a Sale Proposal) or imputed value (in the case of an Investment Proposal) under the Phase I Bid or Aggregate Bid shall be an amount greater than the Minimum Bid Amount (a "**Superior Offer**"); provided that any Portion Bidder shall not be subject to the Minimum Bid Amount except to the extent that it forms an Aggregate Bid. For greater certainty, any Phase I Bid must provide for payment in full in cash on closing in an amount sufficient to satisfy all indebtedness, fees, and expenses owed by the Company to the DIP Lender in accordance with the DIP Term Sheet;

(c) Proof of Financial Ability to Perform: Written evidence upon which the Company and the Proposal Trustee may reasonably conclude that the Interested Party has the necessary financial ability to close the contemplated transaction on or before the Outside Date and provide adequate assurance of future performance of all obligations to be assumed in such contemplated transaction. Such information should include, among other things, the following:

(i) evidence of the Interested Party's internal resources and proof of any debt or equity funding commitments that are needed to close the contemplated transaction;

(ii) contact names and phone numbers for verification of financing sources; and

(iii) any such other form of financial disclosure or credit-quality support information or enhancement requested by and reasonably acceptable to the Company and the Proposal Trustee demonstrating that such Interested Party has the ability to close the contemplated transaction;

(d) Outstanding Due Diligence: a description of any additional due diligence required to be conducted in order to submit a Qualified Phase II Bid;

(e) Identification: Full written disclosure of the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the Phase I Bid, including whether any prior or current member of the Company's board, management, any employee or consultant to the Company or any creditor) or shareholder of the Company is involved in any way with the Phase I Bid or assisted with the Phase I Bid, and the complete terms of any such participation as well as evidence of corporate authority to sponsor or participate in the Phase I Bid;

(f) Acknowledgment: An acknowledgement and representation that the Interested Party: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents regarding the Company, the Business and/or the Assets to be acquired, or the liabilities to be assumed in making its Phase I Bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties conditions or guaranties whatsoever, whether express or implied (by operation of law or otherwise) by the Company, the Proposal Trustee or any of their respective employees, directors, officers, agents, advisors or other representatives, regarding the Company, the Business, the Assets to be acquired, or the liabilities to be assumed, or the completeness of any information provided in connection therewith, except as expressly provided in any definitive transaction documents;

(g) Authorization: Evidence, in form and substance reasonably satisfactory to the Company and the Proposal Trustee, of authorization and approval from the Interested Party's board of directors (or comparable governing body) with respect to the submission, execution and delivery of the Phase I Bid, and identification of any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;

(h) Break or Termination Fee: Evidence that it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;

(i) Deposit: A cash deposit (the "**Phase I Deposit**") in an amount equal to 5% of the Purchase Price (in the case of a Sale Proposal) or imputed value (in the case of an Investment Proposal) that shall be paid to the Proposal Trustee in trust, which Phase I Deposit shall be held and dealt with in accordance with these SISP Procedures;

(j) Employees: If applicable, the proposed number of employees of the Company who are expected to become employees of the Phase I Bidder if determined to be the Successful Bidder;

(k) Other: Such other information as may reasonably be requested by the Company or the Proposal Trustee; and

(l) Phase I Bid Deadline: It is received by the Proposal Trustee, at the address specified in Schedule "B" hereto (including by email) on or before the Phase I Bid Deadline.

The Company and with the approval of the Proposal Trustee, may waive any one or more minor and non-material violations of the requirements specified for Qualified Phase I Bids and deem such non-compliant Bids to be Qualified Phase I Bids.

12. Evaluation of Qualified Phase I Bids and Designation as Qualified Phase I Bidder

The Company, in consultation with the Proposal Trustee, shall evaluate Qualified Phase I Bids on various grounds including, but not limited to, the Purchase Price or imputed or projected value, the treatment of creditors and related implied recovery for creditors (in each case, as applicable), the assumed liabilities, the certainty of closing the transactions contemplated by the Phase I Bid on or before the Outside Date and any delay or other risks (including closing risks) in connection with the Qualified Phase I Bids.

The Company, with the approval of the Proposal Trustee, shall have the option, in its discretion, to aggregate Portion Bids into an Aggregate Bid.

The Company shall be under no obligation to accept the highest or best offer or any offer (other than the offer contained in the Stalking Horse Agreement if no other higher or better offer is accepted).

As soon as practicable after the Phase I Bid Deadline, the Company, in consultation with the Proposal Trustee, will advise an Interested Party whether or not its Phase I Bid constitutes a Qualified Phase I Bid and that it is a Qualified Phase I Bidder and, if such Phase I Bidder is a Qualified Phase I Bidder, that it is invited to participate in Phase II of the SISP.

For certainty, the Stalking Horse Agreement is a Qualified Phase I Bid and the Stalking Horse Bidder is a Qualified Phase I Bidder for all purposes of these SISP Procedures.

13. No Qualified Phase I Bids

If no Qualified Phase I Bid other than the Bid pursuant to the Stalking Horse Agreement is received by the Phase I Bid Deadline, the Stalking Horse Bidder shall be declared the Successful Bidder and the Stalking Horse Agreement shall be declared the Successful Bid.

PHASE II – BINDING BIDS

14. Qualified Phase II Bid Requirements

Only Qualified Phase I Bidders shall be entitled to submit a Phase II Bid. In order to be considered a Qualified Phase II Bid, as determined by the Company, in consultation with the Proposal Trustee: (i) a Phase II Bid must satisfy all of the requirements for a Qualified Phase I Bid contained in Section 11, provided, however, that the Phase I Bid Deadline shall not apply, and; (ii) the Qualified Phase I Bidder must also submit the following, in form and substance satisfactory to the Company, in consultation with the Proposal Trustee, on or before the Phase II Bid Deadline:

(a) Irrevocable Bid: A cover letter stating that the Phase II Bid is irrevocable until Court approval of the Successful Bid(s), provided that if such Phase II Bidder is selected as the Successful Bidder or the Back-Up Bidder, its Phase II Bid shall remain irrevocable until the Back-Up Bid Expiration Date (as defined below), which includes:

(i) Sale Proposal: in the case of a Sale Proposal, a duly authorized and executed definitive purchase agreement together with all completed schedules thereto substantially in the form of the Form Purchase Agreement, together with a blackline comparing the purchase agreement submitted to the Form Purchase Agreement which includes all or substantially all of the terms set out in the non-binding letter of intent submitted in Phase I; and

(ii) Investment Proposal: in the case of an Investment Proposal, a duly authorized and executed binding term sheet which includes all or substantially all of the terms set out in the non-binding investment proposal submitted in Phase I;

(b) Unconditional Bid: Evidence that it is not conditioned on: (i) the outcome of unperformed due diligence including the review of any Additional Confidential Information; (ii) obtaining financing; and/or (iii) any other material closing conditions;

(c) Acknowledgment: An acknowledgement and representation that the Phase II Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents regarding the Company, the Business and/or the Assets to be acquired, or liabilities to be assumed in making its Phase II Bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties conditions or guaranties whatsoever, whether express or implied (by operation of law or otherwise) by the Company, the Proposal Trustee or any of their respective employees, directors, officers, agents, advisors or other representatives, regarding the Company, the Business, the Assets to be acquired, liabilities to be assumed, or the completeness of any information provided in connection therewith, except as expressly provided in any definitive transaction documents;

(d) Authorization: Evidence, in form and substance reasonably satisfactory to the Company and the Proposal Trustee, of authorization and approval from the Interested Party's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Phase II Bid, and confirmation that any other required approvals have been obtained;

(e) Deposit: A cash deposit (the "**Deposit**") which, in combination with the Phase I Deposit, shall be in an amount not less than 10% of the Purchase Price (in the case of a Sale Proposal) or imputed value (in the case of an Investment Proposal) that shall be paid to the Proposal Trustee in trust, which Deposit shall be held and dealt with in accordance with these SISP Procedures;

(f) Employees: If applicable, full details of the proposed number of employees of the Company who will become employees of the Phase II Bidder if determined to be the Successful Bidder and the proposed terms and conditions of employment to be offered to those employees;

(g) Other: Such other information as may reasonably be requested by the Company or the Proposal Trustee; and

(h) Phase II Bid Deadline: It is received by the Proposal Trustee, at the address specified in Schedule "B" hereto (including by email) on or before the Phase II Bid Deadline.

15. Evaluation of Qualified Phase II Bids and Subsequent Actions

The Company, in consultation with the Proposal Trustee, shall evaluate Qualified Phase II Bids on various grounds including, but not limited to, the Purchase Price or imputed or projected value, the treatment of creditors and related implied recovery for creditors (in each case, as applicable), the assumed liabilities, the certainty of closing the transactions contemplated by the Qualified Phase II Bid on or before the Outside Date and any delay or other risks (including closing risks) in connection with the Qualified Phase II Bids.

For certainty, the Stalking Horse Agreement is a Qualified Phase II Bid and the Stalking Horse Bidder is a Qualified Phase II Bidder for all purposes of these SISP Procedures.

Following such evaluation, the Company, with the approval of the Proposal Trustee, shall:

(a) identify if any Qualified Phase II Bid is a Superior Offer; and

(b) if one or more Qualified Phase II Bids are considered to be a Superior Offer, each Qualified Phase II Bidder presenting a Superior Offer shall proceed to an auction (the "**Auction**") with the Stalking Horse Bidder in accordance with the procedures set out in the attached Schedule "C" (the "**Auction Procedure**") to identify the "**Successful Bid**", and the Qualified Phase II Bidder making such Successful Bid, the "**Successful Bidder**". The determination of any Successful Bid by the Company, in consultation with the Proposal Trustee, shall be subject to approval by the Court.

The Company, with the approval of the Proposal Trustee, shall have the option to aggregate Portion Bids into an Aggregate Bid. Notwithstanding anything to the contrary herein, the Company, with the approval of the Proposal Trustee, shall be permitted to include Qualified Investment Bids or Qualified Sale Bids in the Auction, including to the extent such Qualified Phase II Bids are Portion Bids, provided that such Qualified Investment Bids or Qualified Sale Bids constitute a Superior Offer.

Following the selection of the Successful Bid, the Company shall take such steps as may be necessary to finalize definitive transaction documents for the Successful Bid(s) with the Successful Bidder(s).

The Company may conditionally accept one or more (if for distinct and compatible transactions that are Portion Bids) Qualified Phase II Bids, which acceptance will be conditional upon the failure of the transaction(s) contemplated by the Successful Bid to close (the "**Back-up Bid**" and Qualified Phase II Bidder making such Back-up Bid being the "**Back-Up Bidder**").

The Company shall be under no obligation to accept the highest or best offer or any offer (other than the offer contained in the Stalking Horse Agreement if no Superior Offer is accepted) or to select any Successful Bidder(s) and any Back-Up Bidder(s). For greater certainty, any accepted offer, whether at the Auction or otherwise, must constitute a Superior Offer.

As soon as reasonably practicable and by no later than December 2, 2022, the Company shall advise the Qualified Phase II Bidders if Successful Bid(s) and Back-Up Bid(s) have been accepted, or conditionally accepted, as the case may be. If the Company determines it is necessary to conduct an Auction pursuant to the SISP Procedures, the Company or the Proposal Trustee will advise the Qualified Phase II Bidders of the date, time, location and the rules (if any) of the Auction in accordance with the Auction Procedure.

16. **No Qualified Phase II Bids**

If no Superior Offer is received by the Phase II Bid Deadline, the Auction will not be held, and the Stalking Horse Bidder will be declared to be the Successful Bidder and the Stalking Horse Agreement shall be declared the Successful Bid.

APPROVAL MOTION

17. **Approval Motion**

The Company shall use reasonable efforts to make a motion to the Court to approve the Successful Bid(s) and Back-Up Bid(s) as soon as practicable following the determination by it and the Proposal Trustee of the Successful Bidder(s). The Company will be deemed to have accepted the Successful Bid(s) only when it has been approved by the Court. All Qualified Phase II Bids (other than the Successful Bid(s) and the Back-Up Bid(s)) shall be deemed rejected by the Company on and as of the date of approval of the Successful Bid(s) by the Court.

18. **Back-Up Bidder**

If a Successful Bidder fails to close the transaction contemplated by the Successful Bid(s) on or before the Outside Date for any reason, then the Company will be deemed to have accepted the Back-Up Bid(s) and will proceed with the transaction pursuant to the terms thereof. The Back-Up Bid(s) shall remain open for acceptance until the closing of the Successful Bid(s), or such other later date as the Company and the Back-Up Bidder may agree, acting reasonably (the "**Back-Up Bid Expiration Date**").

MISCELLANEOUS

19. **Information From Interested Parties**

Each Interested Party shall comply with all reasonable requests for additional information by the Company or the Proposal Trustee regarding such Interested Party and its contemplated transaction. Failure by an Interested Party to comply with requests for additional information will be a basis for the Company to determine that the Interested Party is not a Qualified Phase I Bidder or a Qualified Phase II Bidder, as applicable.

20. **Deposits**

All Deposits shall be held by the Proposal Trustee in a single interest bearing account designated solely for such purpose. A Deposit paid by a Successful Bidder shall be dealt with in accordance with the definitive documents for the transactions contemplated by the Successful Bid. Deposits, and any interest earned thereon, paid by Phase I Bidders not selected as either a Qualified Phase I Bidder or a Qualified Phase II Bidder shall be returned to such Phase I Bidder within three Business Days of being advised that it is not a Qualified Phase I Bidder or a Qualified Phase II Bidder, as the case may be. Deposits, and any interest thereon, paid by Qualified Phase II Bidders not selected as either a Successful Bidder or a Back-Up Bidder shall be returned to such Qualified Phase II Bidders within three Business Days of Court approval of the Successful Bid. In the case of Back-Up Bid(s), the Deposit and any interest earned thereon shall be retained by the Proposal Trustee until the Back-Up Bid Expiration Date and returned to the Back-Up Bidder within three Business Days thereafter or, if a Back-Up Bid becomes a Successful Bid, shall be dealt with in accordance with the definitive documents for the Back-Up Bid.

21. Modifications and Termination

The Company, in consultation with the Proposal Trustee, shall have the right to adopt such other rules for the SISP Procedures (including rules that may depart from those set forth herein) that will better promote the sale of the Business or all or any part of the Assets or investment in the Company under these SISP Procedures. The Company, in consultation with the Proposal Trustee, shall apply to the Court if it wishes to materially modify or terminate the process set out in these SISP Procedures. For certainty, any amendments to the Phase I Bid Deadline or the Phase II Deadline or other dates set out in these SISP Procedures, including those relating to the Auction, shall not constitute a material modification, provided that any extensions to the Phase I Bid Deadline or the Phase II Deadline are not longer than seven calendar days.

22. Consultation with the Secured Lenders

The Company, in consultation with the Proposal Trustee, shall, as appropriate, consult with SVB throughout the SISP; provided that, SVB shall not be permitted to participate in the SISP.

23. Credit Bids

Any holder of Notes is permitted to credit bid the amount outstanding under the Notes that it holds in partial satisfaction of the Purchase Price provided that: (i) the amount owing to any party with a claim against the Company in priority to the Notes; and (ii) the amount outstanding under all of the Notes, which each rank *parri passu*, is paid in cash or assumed by the Purchaser with the consent of such party.

24. Other

Neither the Company nor the Proposal Trustee shall be liable for any claim for a brokerage commission, finder's fee or like payment in respect of the consummation of any of the transactions contemplated under the SISP arising out of any agreement or arrangement entered into by the parties that submitted the Successful Bid(s) and Back-Up Bid(s). Any such claim shall be the sole liability of the parties that submitted such Successful Bid(s) and Back-Up Bid(s).

Neither the Company nor the Proposal Trustee shall have any liability whatsoever to any person or party, including without limitation, to any Potential Bidder, Phase 1 Bidder, Phase 2 Bidder, a Successful Bidder or Back-Up Bidder, or any creditor, or other stakeholder, for any act or omission related to this SISP. By submitting a Bid, each

Interested Party shall be deemed to have agreed that it has no claim against the Company or the Proposal Trustee for any reason, matter or thing whatsoever related to this SISP.

SCHEDULE "A"

Acknowledgement of the SISP

The undersigned hereby acknowledges receipt of the Sale and Investor Solicitation Process approved by the Order of the Honourable Justice Cavanagh of the Ontario Superior Court of Justice (Commercial List) dated October 17, 2022 (the "**SISP**") and that compliance with the terms and provisions of the SISP is required in order to participate in the SISP and for any Bids to be considered by the Company.

This ____day of _______________, 2022.

[NAME]

By:

____
[Signing Officer]

SCHEDULE "B"
ADDRESS PARTICULARS

Grant Thornton Limited
11th Floor, 200 King Street West
Toronto, ON M5H 3T4

Attention: Jason Kanji
Phone: 416.777.6136
Fax: 416.360.4949
Email: jason.kanji@ca.gt.com

SCHEDULE "C"
AUCTION PROCEDURES

Auction

1. If the Company, with the approval of the Proposal Trustee, determines to conduct an Auction pursuant to the SISP Procedures, the Company or the Proposal Trustee will notify the Qualified Phase II Bidders (including the Stalking Horse Bidder) who made a Qualified Phase II Bid that the Auction will be held virtually at 9:00 a.m. (Eastern Time) on a date that is determined by the Company or the Proposal Trustee, provided that it is a date that is not later than two Business Days after the Phase II Bid Deadline, or such other place, date and time as the Company or the Proposal Trustee may advise. Capitalized terms used but not defined herein have the meaning given to them in the SISP Procedures.

The Auction shall be conducted in accordance with the following procedures:

(a) Participation At the Auction. Only a Qualified Phase II Bidder is eligible to participate in the Auction. Each Qualified Phase II Bidder must inform the Company and the Proposal Trustee whether it intends to participate in the Auction no later than 12:00 p.m. (Eastern Time) on the Business Day prior to the Auction. Only the authorized representatives of each of the Qualified Phase II Bidders, the Proposal Trustee and the Company, and their respective counsel and other advisors, and any other parties acceptable to the Company in consultation with the Proposal Trustee, shall be permitted to attend the Auction.

(b) Bidding at the Auction. Bidding at the Auction shall be conducted in rounds. The highest Qualified Phase II Bid at the beginning of the Auction shall constitute the "**Opening Bid**" for the first round and the highest Overbid (as defined below) at the end of each round shall constitute the "**Opening Bid**" for the following round. In each round, a Qualified Phase II Bidder may submit no more than one Overbid. Only a Qualified Phase II Bidder who bids in a round (including the Qualified Phase II Bidder that submitted the Opening Bid for such round) shall be entitled to participate in the next round of bidding at the Auction. For greater certainty, an Aggregate Bid may be determined to be the Opening Bid for any round including the opening round.

(c) Proposal Trustee Shall Conduct the Auction. The Proposal Trustee and its advisors shall direct and preside over the Auction. At the start of the Auction, the Proposal Trustee shall provide the terms of the Opening Bid to all participating Qualified Phase II Bidders at the Auction. The determination of which Qualified Phase II Bid constitutes the Opening Bid for each round shall take into account any factors that the Proposal Trustee reasonably deems relevant to the value of the Qualified Phase II Bid, including, among other things, the following: (i) the amount and nature of the consideration, including the value of any non-cash consideration; (ii) the proposed assumption of any liabilities and the related implied impact on recoveries for creditors; (iii) the Proposal Trustee's reasonable assessment of the certainty of the Qualified Phase II Bidder to close the proposed transaction on or before the Outside Date; (iv) the likelihood, extent and impact of any potential delays in closing; (v) the impact of the contemplated transaction on any actual or potential litigation; (vi) the net economic effect of any changes from the Opening Bid of the previous round; (vii) the net after-tax consideration to be received by the Company; and (viii) such other considerations as the Proposal Trustee deems relevant in its reasonable business judgment (collectively, the "**Bid Assessment Criteria**"). For greater certainty, the Proposal Trustee may ascribe monetary values to non-monetary terms in Overbids for the purposes of assessing and valuing such Overbids, including without limitation, the value to be ascribed to any liabilities or contracts to be assumed. All Bids made after the Opening Bid shall be Overbids, and shall be made and received on an open basis, and all material terms of the highest and best Overbid shall be fully disclosed to all other Qualified Phase II Bidders that are participating in the Auction. The Proposal Trustee shall maintain a record of the Opening Bid and all Overbids made and announced at the Auction, including the Successful Bid and the Back-Up Bid.

(d) Terms of Overbids. An "**Overbid**" is any Bid made at the Auction subsequent to the Proposal Trustee's announcement of the Opening Bid. To submit an Overbid, in any round of the Auction, a Qualified Phase II Bidder must comply with the following conditions:

(i) *Minimum Overbid Increment:* Any Overbid shall be made in such increments as the Proposal Trustee may determine in order to facilitate the Auction (the "**Minimum Overbid Increment**"). The amount of the cash purchase price consideration or value of any Overbid shall not be less than the cash purchase price consideration or value of the Opening Bid, plus the Minimum Overbid Increment(s) at that time plus any additional Minimum Overbid Increments. In respect of the Stalking Horse Agreement and any Overbid by the Stalking Horse Purchaser, the value shall include the amount of any indebtedness owing to it that is to be deemed repaid or otherwise released and any priority indebtedness to be assumed pursuant to and in accordance with the terms of the Stalking Horse Agreement.

(ii) *The Bid Requirements same as for Qualified Phase II Bids:* Except as modified herein, an Overbid must comply with the bid requirements contained herein, provided, however, that the Phase II Bid Deadline shall not apply. Any Overbid made by a Qualified Phase II Bidder must provide that it remains irrevocable and binding on the Qualified Phase II Bidder and open for acceptance until the closing of the Successful Bid(s).

(iii) *Announcing Overbids:* At the end of each round of bidding, the Proposal Trustee shall announce the identity of the Qualified Phase II Bidder and the material terms of the then highest and/or best Overbid, including the nature of the proposed transaction contemplated by the best Overbid, the assets proposed to be acquired and the obligations proposed to be assumed, the basis for calculating the total consideration offered in such Overbid, and the resulting benefit to the Company based on, among other things, the Bid Assessment Criteria. For greater certainty, an Aggregate Bid may be determined to be the highest and/or best Overbid.

(iv) *Consideration of Overbids:* The Proposal Trustee reserves the right, in consultation with the Company, to make one or more adjournments in the Auction to, among other things: (A) facilitate discussions between the Company and individual Qualified Phase II Bidders; (B) allow individual Qualified Phase II Bidders to consider how they wish to proceed; (C) consider and determine the current highest and/or best Overbid at any given time during the Auction; and (D) give Qualified Phase II Bidders the opportunity to provide the Proposal Trustee with such additional evidence as it, or the Company, may require, that the Qualified Phase II Bidder has obtained all required internal corporate approvals, has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing Overbid amount. The Proposal Trustee and Company may have clarifying discussions with a Qualified Phase II Bidder, and the Proposal Trustee may allow a Qualified Phase II Bidder to make technical clarifying changes to its Overbid following such discussions.

(v) *Portion Bids:* Notwithstanding the forgoing, each Portion Bidder entitled to participate in the Auction shall be entitled to submit an Overbid (in a minimum increment to be determined by the Proposal Trustee) with respect to the Assets on which it is bidding without being required to submit an Overbid with respect to all Assets or the applicable Opening Bid; provided that any Aggregate Bid that is an Overbid shall be subject to these Auction procedures as any other Overbid, including that such Aggregate Bid that is an Overbid shall be subject to the Minimum Overbid Increment. Portion Bids can be aggregated with any other Qualified Phase II Bid, as determined by the Company and the Proposal Trustee.

(vi) *Failure to Bid:* If at the end of any round of bidding a Qualified Phase II Bidder (other than a Portion Bidder, or the Qualified Phase II Bidder that submitted the then highest and/or best Overbid or Opening Bid, as applicable) fails to submit an Overbid, then such Qualified Phase II Bidder shall not be entitled to continue to participate in the next round of the Auction.

(e) <u>Discussion with other Bidders</u>. A Qualified Phase II Bidder shall not strategize or discuss with other Qualified Phase II Bidders for the purpose of submitting an Overbid without the consent of the Proposal Trustee.

(f) <u>Additional Procedures</u>. The Proposal Trustee may, in consultation with the Company, adopt rules for the Auction at or prior to the Auction that will better promote the goals of the Auction, including rules pertaining to the structure of the Auction, the order of bidding provided they are not inconsistent with any of the provisions of the SISP Procedures and provided further that no such rules may change the requirement that all material terms of the then highest and/or best

Overbid at the end of each round of bidding will be fully disclosed to all other Qualified Phase II Bidders.

(g) Closing the Auction. The Auction shall be closed after the Proposal Trustee, with the assistance of the Company and their respective legal counsel, has (i) reviewed the final Overbid of each Qualified Phase II Bidder on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the proposed sale, and (ii) identified the Successful Bid and the Back-Up Bid and advise the Qualified Phase II Bidders participating in the Auction of such determination. One or more Portion Bids can, in the discretion of the Proposal Trustee, form part of a Successful Bid and Back-Up Bid so long as such Portion Bids do not overlap in respect of the Assets sought to be purchased and in such case, such Portion Bid shall be included in the definition of Successful Bidder or Back-Up Bid, as applicable.

(h) Finalizing Documentation. Promptly following a Bid of a Qualified Phase II Bidder being declared the Successful Bid or the Back-Up Bid, the applicable Qualified Phase II Bidder shall execute and deliver such revised and updated definitive transaction agreements as may be required to reflect and evidence the Successful Bid or Back-Up Bid.

(i) Qualified Investment Bids. Notwithstanding any other provision of these SISP Procedures, if a Qualified Phase II Bidder submits a Qualified Investment Bid, which the Company or the Proposal Trustee considers would result in a greater value being received for the benefit of the Company's creditors than the Qualified Sale Bids, then the Proposal Trustee may allow such Qualified Phase II Bidder to participate in the Auction, notwithstanding that such Qualified Investment Bid may not otherwise comply with the terms of these Auction Procedures. In such case, the Proposal Trustee may adopt appropriate rules to facilitate such Qualified Phase II Bidder's participation in the Auction.

APPENDIX - 4

AGREEMENT FOR THE PURCHASE OF ALL THE SHARES

OF

iS5 COMMUNICATIONS INC.

BY

ELEKTROPHOENIX GMBH

DATED [DATE], 2022

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SHARE PURCHASE AGREEMENT

This Agreement dated **[DATE]**, 2022 is made

B E T W E E N

iS5 Communcations Inc.

(the "**Corporation**")

- and -

Elektrophoenix GmbH

(the "**Purchaser**")

RECITALS

A. On August 3, 2022, PHOENIX CONTACT GmbH & Co. KG ("**Phoenix**") and the Corporation entered into a non-binding letter of intent (the "**LOI**") that, among other things, contemplated a stalking horse transaction (the "**Transaction**") as part of a sales process commenced by the Corporation under the NOI Proceeding (defined below).

B. On August 5, 2022, PHOENIX CONTACT Venture Funds I GmbH (the "**DIP Lender**") and the Corporation entered into a debtor-in-possession financing term sheet (the "**DIP Term Sheet**") whereby the DIP Lender agreed to provide a non-revolving credit facility up to the maximum amount of USD $1,100,000 (the "**DIP Facility**").

C. On August 5, 2022, the Corporation filed a Notice of Intention to make a Proposal under the *Bankruptcy and Insolvency Act* (Canada) (the "**NOI Proceeding**"). On the same date, Grant Thornton Limited was appointed as proposal trustee of the Corporation (in such capacity, the "**Proposal Trustee**").

D. On August 8, 2022, the Ontario Superior Court of Justice (Commercial List) (the "**Court**") granted an order (the "**DIP Order**") that, among other things, approved the DIP Facility and granted a super-priority charge in the amount of USD $600,000 plus interest, fees, and expenses (the "**DIP Charge**").

E. Phoenix owns all of the issued and outstanding shares in the capital of each of the Purchaser and PHOENIX CONTACT Innovation Ventures GmbH. PHOENIX CONTACT Innovation Ventures GmbH owns all of the issued and outstanding shares in the capital of the DIP Lender.

F. This Agreement shall serve as a stalking horse bid in a sale and investment solicitation process to be commenced by the Corporation in the NOI Proceeding, subject to approval of the Court. The Transaction will be implemented pursuant to this Agreement, to be approved pursuant to an Approval and Vesting Order (defined below) granted by the Court in the CCAA Proceeding.

G. The Corporation will seek to obtain the Stalking Horse Sale Procedure Order (defined below) authorizing the Corporation to enter into this Agreement and authorizing the Sale Procedure (defined below).

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by each Party, the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions.

In this Agreement:

"**Affiliate**" means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such Person, and includes any Person in like relation to an Affiliate. A Person shall be deemed to "**control**" another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise; and the term "**controlled**" shall have a similar meaning.

"**Agreement**" means this share purchase agreement and all the Exhibits and the Schedules attached hereto.

"**Applicable Law**" means, with respect to any Person, property, transaction, event or other matter, (i) any foreign or domestic constitution, treaty, law, statute, regulation, code, ordinance, principle of common law or equity, rule, municipal by-law, Order or other requirement having the force of law, (ii) any policy, practice, protocol, standard or guideline of any Governmental Authority which, although not necessarily having the force of law, is regarded by such Governmental Authority as requiring compliance as if it had the force of law (collectively, the "**Law**") relating or applicable to such Person, property, transaction, event or other matter and also includes, where appropriate, any interpretation of the Law (or any part thereof) by any Person having jurisdiction over it, or charged with its administration or interpretation.

"**Approval and Vesting Order**" means an order of the Court substantially in the form attached hereto as Schedule 1.1(a) and otherwise acceptable to the Corporation, the Purchaser, and the Proposal Trustee, each acting reasonably: (i) authorizing and approving the transactions contemplated in this Agreement and pursuant to the terms of this Agreement, (ii) vesting out of the Corporation all Excluded Assets, Excluded Contracts and Excluded Liabilities and discharging all Liens against the Corporation, except only the Permitted Liens; (iii) authorizing and directing the Corporation to file the Articles of Reorganization, issue the New Shares, and undertake the Consolidation and Cancellation; (v) authorizing and directing the Corporation to issue the Post-Consolidation Shares, and vesting in the Purchaser all right, title, benefit and interest in and to the Post-Consolidation Shares, free and clear of any and all claims against the Post-Consolidation Shares of every nature and kind howsoever arising, including all Liens, upon the delivery of the Monitor's Certificate to the Purchaser indicating, among other things, that parties to this Agreement have certified in writing to the Monitor that the conditions precedent to the consummation of the transactions contemplated by this Agreement have been satisfied or waived (where permissible).

"**Assumed Liabilities**" means only the following Liabilities of the Corporation:

(a) Liabilities under (i) the Contracts (other than Excluded Contracts); (ii) the Licenses; and (iii) the Intellectual Property, in each case in respect of the period commencing at the Closing Time and not related to any matter, circumstance or default existing at, prior to or as a consequence of Closing;

(b) Liabilities on account of trade accounts payable incurred in the Ordinary Course of Business after the Filing Date;

(c) Liabilities respecting Employees, other than liabilities included in Excluded Liabilities; and

(d) Liabilities to the Vendor's customers under written warranties given by the Vendor to its customers in the Ordinary Course of Business (other than any Liability arising out of or relating to a breach thereof that occurred prior to the Closing Time).

"**Bid Deadline**" has the meaning set forth in Schedule 1.1(c).

"**Books and Records**" means the Financial Records and all other books, records, files and papers of the Corporation including drawings, engineering information, manuals and data, sales and advertising materials, sales and purchase correspondence, trade association files, research and development records, lists of present and former customers and suppliers, personnel, employment and other records, and the minute and share certificate books of the Corporation and all records, data and information stored electronically, digitally or on computer-related media.

"**Break-Up Fee**" has the meaning set forth in Section 5.1.

"**Business**" means the business carried on by the Corporation which involves operating as a developer, manufacturer and value added reseller of Industrial Ethernet switches, routers, media converters, servers, remote terminal units (RTUs), network management software, and wireless products to be used in demanding environments such as utility sub-stations, roadside transportation, rail, and in industrial applications such as mining, oil and gas and services/products ancillary or complementary thereto.

"**Business Day**" means any day except Saturday, Sunday or any day on which banks are generally not open for business in either the City of Toronto or Blomberg, Germany.

"**Cash Consideration**" has the meaning set out in Section 3.2(c).

"**CCAA**" means the *Companies' Creditors Arrangement Act* (Canada).

"**CCAA Proceeding"** means a proceeding to be commenced by the Corporation under the CCAA pursuant to an order of the Court, among other things, authorizing the Corporation to continue its NOI Proceeding under the CCAA.

"Claim" means any claim, chose in or cause of action, demand, suit, debt, obligation, Legal proceeding, Liability, Damages, losses, costs and expenses (including attorneys' fees) of every kind or nature whatsoever, known or unknown, actual or potential, suspected or unsuspected, fixed or contingent.

"**Closing**" means the completion of the purchase and sale of the Post-Consolidation Shares in accordance with the provisions of this Agreement.

"**Closing Date**" means the Target Closing Date or such earlier or later date as may be agreed to in writing by the Parties.

"**Closing Sequence**" has the meaning set out in Section 2.1.

"**Closing Time**" means the time of Closing on the Closing Date provided for in Section 7.1.

"**Confidential Information**" means, in relation to the Corporation or a Party (the "**Discloser**"):

(a) all information, in whatever form communicated or maintained, whether orally, in writing, electronically, in computer readable form or otherwise, that the Discloser discloses to, or that is gathered by inspection by a Party (the "**Recipient**") or any of the Recipient's Representatives in the course of the Recipient's review of the Transaction contemplated by this Agreement, whether provided before or after the date of this Agreement, including information that contains or otherwise reflects information concerning the Discloser or its businesses, affairs, financial condition, assets, liabilities, operations, prospects or activities, and specifically includes financial information, budgets, business plans, ways of doing business, business results, prospects, customer lists, forecasts, engineering reports, environmental reports, evaluations, legal opinions, names of venture partners and contractual parties, and any information provided to the Discloser by third parties under circumstances in which the Discloser has an obligation to protect the confidentiality of such information;

(b) all plans, proposals, reports, analyses, notes, studies, forecasts, compilations or other information, in any form, that are based on, contain or reflect any Confidential Information regardless of the identity of the Person preparing the same ("**Notes**");

(c) the existence and terms of this Agreement;

(d) the fact that information has been disclosed or made available to the Recipient or the Recipient's Representatives; and

(e) the fact that discussions or negotiations are or may be taking place with respect to the Transaction, the proposed terms of the Transaction and the status of any discussions or negotiations under this Agreement;

but does not include any information that:

(f) is at the time of disclosure to the Recipient or thereafter becomes generally available to the public, other than as a result of a disclosure by the Recipient or any of the Recipient's Representatives in breach of this Agreement;

(g) is or was received by the Recipient on a non-confidential basis from a source other than the Discloser or its Representatives if such source is not known to the Recipient to be prohibited from disclosing the information to the Recipient by a confidentiality agreement with, or a contractual, fiduciary or other legal confidentiality obligation to, the Discloser; or

(h) was known by the Recipient prior to disclosure in connection with the Transaction contemplated by this Agreement and was not subject to any contractual, fiduciary or other legal confidentiality obligation on the part of the Recipient.

"**Consent**" means any consent, approval, permit, waiver, ruling, exemption or acknowledgement from any Person (other than the Corporation) which is provided for or required: (i) in respect of or pursuant to the terms of any Contract; or (ii) under any Applicable Law, in either case in connection with the sale of the Shares to the Purchaser on the terms contemplated in this Agreement, to permit the Corporation to carry on the Business after Closing, or which is otherwise necessary to permit the Parties to perform their obligations under this Agreement, but does not include a Regulatory Approval.

"**Consolidation and Cancellation**" means the conversion of all Existing Shares to common shares in the capital of the Corporation, the consolidation of all New Common Shares and Existing Shares in accordance with the Consolidation Ratio, and the cancellation of all fractional New Common Shares and Existing Shares in accordance with ARTICLE 2.

"**Consolidation Ratio**" means the ratio by which all New Common Shares and Existing Shares shall be consolidated, as determined by the Purchaser, acting reasonably and in consultation with the Corporation and the Proposal Trustee, given the intended effect of the Transaction.

"**Contracts**" means all pending and executory contracts, agreements, leases and arrangements (whether oral or written) to which the Corporation is a party or by which the Corporation or any of its properties or assets or the Business is bound or under which the Corporation has rights, including Premises Leases and Permitted Liens.

"**Corporation**" has the meaning set out in Recital A.

"**Court**" has the meaning set out in Recital D.

"**Credit Bid Consideration**" has the meaning set out in Section 3.2(b).

"**Credit Bid Consideration Statement**" has the meaning set out in Section 3.2(b).

"**Damages**" means any loss, cost, Liability, claim, interest, fine, penalty, assessment, damages available at law or in equity (including incidental, consequential, special, aggravated, exemplary or punitive damages), expense (including reasonable costs, fees and expenses of legal counsel on a full indemnity basis, without reduction for tariff rates or similar reductions and reasonable costs, fees and expenses of investigation) or diminution in value.

"**Deposit**" has the meaning set out in Section 3.2(a).

"**DIP Charge**" has the meaning set out in Recital D.

"**DIP Facility**" has the meaning set out in Recital B.

"**DIP Lender**" has the meaning set out in Recital B.

"**DIP Order**" has the meaning set out in Recital D.

"**DIP Term Sheet**" has the meaning set out in Recital B.

"**Discloser**" has the meaning set out in the definition of Confidential Information.

"**Disclosure Letter**" means the disclosure letter delivered to the Purchaser and dated as of the date of this Agreement.

"**Distribution Order**" means an order of the Court to be sought by the Monitor in the CCAA Proceeding that, among other things, authorizes the Monitor to distribute the net proceeds of the Cash Consideration to the creditors of the Corporation in accordance with their relative priorities.

"**Equity Interests**" has the meaning set out in section 2 of the BIA and includes the Existing Shares, any shareholder agreement in respect of the Existing Shares, and any other interest or entitlement to shares in the capital of the Company, but, for greater certainty, does not include the Post-Consolidation Shares.

"**Employee**" means an individual who is employed by the Corporation, whether on a full-time or part-time basis.

"**Excluded Assets**" has the meaning set out in Section 4.1.

"**Excluded Contracts**" has the meaning set out in Section 4.1.

"**Excluded Liabilities**" has the meaning set out in Section 2.3(1).

"**Existing Shares**" means all of the common and preferred shares of all classes of the Corporation that are issued and outstanding immediately prior to the Closing

Time, which, for greater certainty, does not include the New Common Shares or the Post-Consolidation Shares.

"**Filing Date**" means August 5, 2022.

"**Financial Records**" means all of the Corporation's books of account and other financial data and information, and includes all records, data and information stored electronically, digitally or on computer-related media.

"**Financial Statements**" means the annual audited financial statements of the Corporation for the fiscal year ended March 31, 2021 and the internally prepared unaudited financial statements for the fiscal year ended March 31, 2022, true and complete copies of which are attached as Section 9.9(2)(c) of the Disclosure Letter.

"**Governmental Authority**" means:

(a) any domestic or foreign government, whether national, federal, provincial, state, territorial, municipal or local (whether administrative, legislative, executive or otherwise);

(b) any agency, authority, ministry, department, regulatory body, court, central bank, bureau, board or other instrumentality having legislative, judicial, taxing, regulatory, prosecutorial or administrative powers or functions of, or pertaining to, government;

(c) any court, commission, individual, arbitrator, arbitration panel or other body having adjudicative, regulatory, judicial, quasi-judicial, administrative or similar functions; and

(d) any other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange or professional association.

"**Improvements**" means all buildings, fixtures, sidings, parking lots, roadways, structures, erections, fixed machinery, fixed equipment and appurtenances situate on, in, under, over or forming part of, any real property.

"**Income Tax Act**" means the *Income Tax Act*, R.S.C. 1985, 5th Supplement and the regulations thereunder.

"**Intellectual Property**" means all rights to and interests in:

(a) all business names, trade names, corporate names, telephone numbers, domain names, domain name registrations, website names and worldwide web addresses and other communications addresses used by the Corporation in the Business;

(b) all inventions, patents, patent rights, patent applications (including all reissues, divisions, continuations, continuations-in-part and extensions of any patent or patent application) used by the Corporation in the Business;

(c) all industrial designs and applications for and registration of industrial designs, design patents and industrial design registrations used by the Corporation in the Business;

(d) all trade-marks (whether used with wares or services and including the goodwill attaching to such trade-marks) and registrations and applications for registration of trade-marks and all trade dress, logos, slogans and brand names used by the Corporation in the Business;

(e) all copyright in all works (including software programs and databases) and database rights and registrations and applications for registrations of copyright used by the Corporation in the Business;

(f) all rights and interests in and to processes, lab journals, notebooks, data, trade secrets, designs, know-how, product formulae and information, manufacturing, engineering and other drawings and manuals, technology, blue prints, research and development reports, agency agreements, technical information, technical assistance, engineering data, design and engineering specifications, and similar materials recording or evidencing expertise or information used by the Corporation in the Business;

(g) all other intellectual property rights throughout the world used by the Corporation in carrying on, or arising from the operation of, the Business;

(h) all licenses granted by the Corporation of the intellectual property listed in items (a) to (g) above;

(i) all future income and proceeds from any of the intellectual property listed in items (a) to (g) above and the licenses listed in item (h) above; and

(j) all rights to damages and profits by reason of the infringement of any of the intellectual property listed in items (a) to (g) above and the licenses listed in item (h) above.

"**Interim Period**" means the period from the date of execution of this Agreement to the Closing Time.

"**Law**" has the meaning set out in the definition of "Applicable Law".

"**Leased Premises**" means all real property that is leased, subleased, licensed or otherwise occupied or used by a Person, including all Improvements thereon, therein or thereunder.

"**Legal Proceeding**" means any litigation, action, application, suit, investigation, hearing, claim, deemed complaint, grievance, civil, administrative, regulatory or criminal, arbitration proceeding or other similar proceeding, before or by any court, tribunal or Governmental Authority, and includes any appeal or review thereof and any application for leave for appeal or review.

"**Liability**" means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

"**License**" means any license, permit, authorization, approval or other evidence of authority issued or granted to, conferred upon, or otherwise created for, the Corporation by any Governmental Authority.

"**Lien**" means any lien, mortgage, charge, hypothec, pledge, security interest, prior assignment, option, warrant, lease, sublease, right to possession, encumbrance, claim, right or restriction which affects, by way of a conflicting ownership interest or otherwise, the right, title or interest in or to any particular property.

"**LOI**" has the meaning set out in Recital A.

"**Material Contract**" means a Contract which involves or may reasonably be expected to involve the payment to or by the Corporation of more than $10,000 over the term of that Contract, a Contract with an unexpired term of more than one year, a Contract containing a non-competition or non-solicitation covenant or other provision that restrict the Corporation's freedom to carry on the Business in any way or is otherwise material to the operation of the Business.

"**Monitor**" means Grant Thornton Limited or any other Person appointed by the Court, solely in its capacity as monitor of the Corporation, and shall include, as the context so requires, Grant Thornton Limited, in its capacity as monitor or trustee in bankruptcy of ResidualCo. If appointed by the Court.

"**Monitor's Certificate**" means a certificate signed by the Monitor to be filed with the Court following Closing substantially in the form attached as Schedule A to the Approval and Vesting Order confirming that (i) the Purchaser has paid, and the Corporation has received payment of, the Purchase Price in relation to the purchase by the Purchaser of the Post-Consolidation Shares; and (ii) the Proposal Trustee has received written confirmation from the Corporation and the Purchaser that the conditions to be complied with at or prior to the Closing Time as set out in Sections 8.1 and 8.2, respectively, have been satisfied or waived by the Corporation or the Purchaser, as applicable, pursuant to Section 8.3.

"**Mutual NDA**" has the meaning set out in Section 11.7.

"**New Common Shares**" means the common shares of the Corporation to be issued to the Purchaser as part of Closing in exchange for the Purchase Price.

"**NOI Proceeding**" has the meaning set out in Recital C.

"**Notes**" has the meaning set out in paragraph (b) of the definition of Confidential Information.

"**Order**" means any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Governmental Authority.

"**Ordinary Course of Business**" when used in relation to the taking of any action by the Corporation means that the action:

(a) is consistent in nature, scope and magnitude with the past practices of the Corporation and is taken in the ordinary course of normal day-to-day operations of the Corporation;

(b) is similar in nature, scope and magnitude to actions customarily taken in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as the Corporation; and

(c) does not require the authorization of the shareholders of the Corporation or any other separate or special authorization of any nature.

"**Outside Date**" means December 23, 2022 or such later date as the Parties may mutually agree.

"**Party**" means a party to this Agreement and any reference to a Party includes its successors and permitted assigns and "**Parties**" means every Party.

"**Permitted Liens**" means:

(a) Liens for Taxes and utilities that in each case are not yet due or are not in arrears;

(b) construction, mechanics', carriers', workers', repairers', storers' or other similar liens (inchoate or otherwise) if individually or in the aggregate they: (i) are not material; (ii) arose or were incurred in the Ordinary Course of Business; (iii) have not been filed, recorded or registered in accordance with Applicable Law; (iv) notice of them has not been given to the Corporation; and (v) the indebtedness secured by them is not in arrears;

(c) minor title defects or irregularities, minor unregistered easements or rights of way and other minor unregistered restrictions affecting the use of Leased Premises if such title defects, irregularities or restrictions are complied with and do not, in the aggregate, materially adversely affect the operation of the Business or the continued use of the Leased Premises to which they relate after the Closing on substantially the same basis as the Business is currently being operated and such Leased Premises is currently being used;

(d) easements, covenants, rights of way and other restrictions if registered provided that they are complied with and do not, in the aggregate, materially adversely affect the operation of the Business or the continued use of the Leased Premises to which they relate after the Closing on substantially the same basis as the Business is currently being operated and such Leased Premises is currently being used;

(e) registered agreements with municipalities or public utilities if they: (i) have been complied with or adequate security has been furnished to secure compliance; and (ii) do not, in the aggregate, materially adversely affect the operation of the Business or the continued use of the Leased Premises to which they relate after the Closing on substantially the same basis as the Business is currently being operated and such Leased Premises is currently being used; and

(f) the Liens listed in Schedule 1.1(b).

"**Person**" is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, a Governmental Authority, and the executors, administrators or other legal representatives of an individual in such capacity.

"**Personal Information**" means information about an identifiable individual as defined in Privacy Law.

"**Post-Consolidation Shares**" means the 1,000 common shares of the Corporation that will remain after the Consolidation and Cancellation, which shall: (i) represent 100% of the issued and outstanding common shares of the Corporation after the Consolidation and Cancellation; and (ii) be solely owned and controlled by the Purchaser.

"**Post-Filing**" means the period of time after and including the Filing Date.

"**Post-Filing Tax Obligations**" has the meaning given to it in Section 9.3.

"**Premises Lease**" means a lease, an agreement to lease, a sublease, a license agreement and an occupancy or other agreement under which the Corporation has the right, or has granted another Person the right, to use or occupy any Leased Premises.

"**Privacy Law**" means the *Personal Information Protection and Electronic Documents Act* (Canada), the *Freedom of Information and Protection of Privacy Act* (Ontario) and any comparable Law of any other province or territory of Canada.

"**Proposal Trustee**" has the meaning set out in Recital C.

"**Purchase Price**" has the meaning set out in Section 2.2.

"**Qualified Bid**" has the meaning given in the Sale Procedure.

"**Recipient**" has the meaning set out in the definition of Confidential Information.

"**Regulatory Approval**" means any approval, Consent, ruling, authorization, notice, permit or acknowledgement that may be required from any Person pursuant to Applicable Law or under the terms of any License or the conditions of any Order in connection with the sale of the Shares to the Purchaser on the terms contemplated in this Agreement, to permit the Corporation to carry on the Business after Closing or which is otherwise necessary to permit the Parties to perform their obligations under this Agreement.

"**Representative**" when used with respect to a Party means each director, officer, employee, agent, consultant, adviser and other representative of that Party who is involved in the Transaction contemplated by this Agreement.

"**ResidualCo**" means a corporation to be incorporated by the Corporation in advance of Closing, to which the Excluded Assets, Excluded Contracts and Excluded Liabilities will be transferred to as part of the Closing Sequence, which shall have no issued and outstanding shares.

"**Retained Assets**" has the meaning set out in Section 4.1.

"**Sale Procedure**" means the stalking horse sale and solicitation process approved by the Stalking Horse Sale Procedure Order and on terms substantially similar to those attached as Schedule 1.1(c) hereto.

"**Stalking Horse Sale Procedure Order**" means an order of the Court issued in the NOI Proceeding approving the execution of this Agreement as a "stalking horse" share purchase agreement, the Transaction contemplated herein, and the Sale Procedure, in form and content acceptable to the Parties and the Proposal Trustee, each acting reasonably.

"**Successful Bid**" has the meaning given in the Sale Procedure.

"**Target Closing Date**" means the third Business Day following the issuance of the Approval and Vesting Order.

"**Taxes**" means all taxes including all income, sales, use, goods and services, harmonized sales, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, levies, imposts and other assessments or similar charges in the nature of a tax including Canada Pension Plan and provincial pension plan contributions, employment insurance and unemployment insurance payments and workers' compensation premiums, together with any instalments with respect thereto, and any interest, fines and penalties, in all cases imposed by any Governmental Authority in respect thereof and whether disputed or not.

"**Tax Returns**" means all returns, information returns, reports, elections, agreements, declarations or other documents of any nature or kind required to be filed with any applicable Governmental Authority in respect of Taxes.

"**Terminated Employees**" means no more than five (5) individuals currently employed by the Corporation as identified by the Purchaser as soon as possible, but in any event by no later than fifteen (15) days before Closing, whose employment will be terminated prior to Closing pursuant to Section 8.1(5).

"**Threatened**", when used in relation to a Legal Proceeding or other matter, means that a demand or statement (oral or written) has been made or a notice (oral or written) has been given that a Legal Proceeding or other matter is to be asserted, commenced, taken or otherwise pursued in the future or that an event has occurred or circumstances exist that would lead a reasonable Person to conclude that a Legal Proceeding or other matter is likely to be asserted, commenced, taken or otherwise pursued in the future.

"**Transaction**" has the meaning set out in Recital A.

"**Transaction Personal Information**" means any Personal Information in the possession, custody or control of the Corporation or the Corporation at the Closing Time, including Personal Information about Employees, suppliers, customers, directors, officers or shareholders of the Corporation that is:

(a) disclosed to the Purchaser or any Representative of the Purchaser prior to the Closing Time by the Corporation or its Representatives or otherwise; or

(b) collected by the Purchaser or any Representative of the Purchaser prior to the Closing Time from the Corporation, any of its Representatives or otherwise,

in either case in connection with the Transaction contemplated by the Agreement.

"**US Dollars**" means the lawful currency of the United States of America.

1.2 Accounting Principles.

Whenever in this Agreement reference is made to generally accepted accounting principles, or to GAAP, such reference shall be deemed to be to generally accepted accounting principles in effect from time to time in the United States of America.

1.3 Actions on Non-Business Days.

If any payment is required to be made or other action (including the giving of notice) is required to be taken pursuant to this Agreement on a day which is not a Business Day, then such payment or action shall be considered to have been made or taken in compliance with this Agreement if made or taken on the next succeeding Business Day.

1.4 Currency and Payment Obligations.

Except as otherwise expressly provided in this Agreement:

(a) all dollar amounts referred to in this Agreement are stated in US Dollars;

(b) any payment contemplated by this Agreement shall be made by wire transfer of immediately available funds to an account specified by the payee, by cash, by certified cheque or by any other method that provides immediately available funds; and

(c) except in the case of any payment due on the Closing Date, any payment due on a particular day must be received by and be available to the payee not later than 2:00 p.m. on the due date at the payee's address for notice under Section 11.4 or such other place as the payee may have specified in writing to the payor in respect of a particular payment and any payment made after that time shall be deemed to have been made and received on the next Business Day.

1.5 Calculation of Interest.

In calculating interest payable under this Agreement for any period of time, the first day of such period shall be included and the last day of such period shall be excluded.

1.6 Calculation of Time.

In this Agreement, a period of days shall be deemed to begin on the first day after the event which began the period and to end at 5:00 p.m. Toronto time on the last day of the period. If any period of time is to expire hereunder on any day that is not a Business Day, the period shall be deemed to expire at 5:00 p.m. Toronto time on the next succeeding Business Day.

1.7 Knowledge.

Where any representation, warranty or other statement in this Agreement is expressed to be made by the Corporation to its knowledge or is otherwise expressed to be limited in scope to facts or matters known to the Corporation or of which the Corporation is aware, it shall mean such knowledge as is actually known to Clive Dias, CEO or Maurizio Milani, CFO who have overall responsibility for or knowledge of the matters relevant to such statement.

1.8 Tender.

Except as otherwise provided in Section 3.2(a), any tender of documents or money hereunder may be made upon the Parties or their respective counsel and money shall be tendered by wire transfer.

1.9 Additional Rules of Interpretation.

(1) *Gender and Number*. In this Agreement, unless the context requires otherwise, words in one gender include all genders and words in the singular include the plural and vice versa.

(2) *Headings and Table of Contents*. The inclusion in this Agreement of headings of Articles and Sections and the provision of a table of contents are for convenience

of reference only and are not intended to be full or precise descriptions of the text to which they refer.

(3) *Section References*. Unless the context requires otherwise, references in this Agreement to Sections, Schedules or Exhibits are to Sections, Schedules or Exhibits of this Agreement.

(4) *Words of Inclusion*. Wherever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation" and the words following "include", "includes" or "including" shall not be considered to set forth an exhaustive list.

(5) *References to this Agreement*. The words "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions shall be construed as referring to this Agreement in its entirety and not to any particular Section or portion of it.

(6) *Statute References*. Unless otherwise indicated, all references in this Agreement to any statute include the regulations thereunder, in each case as amended, re-enacted, consolidated or replaced from time to time and in the case of any such amendment, re-enactment, consolidation or replacement, reference herein to a particular provision shall be read as referring to such amended, re-enacted, consolidated or replaced provision and also include, unless the context otherwise requires, all applicable guidelines, bulletins or policies made in connection therewith.

(7) *Document References*. All references herein to any agreement (including this Agreement), document or instrument mean such agreement, document or instrument as amended, supplemented, modified, varied, restated or replaced from time to time in accordance with the terms thereof and, unless otherwise specified therein, includes all schedules and exhibits attached thereto.

(8) *Disclosure Letter.* Information disclosed any section, subsection or paragraph in the Disclosure Letter is deemed to be disclosed under and incorporated into the corresponding Section of this Agreement and to the extent that it is reasonably apparent that it applies to another section, subsection or subclause of Section 6.1 of the Agreement, such other section as well.

1.10 Schedules and Exhibits.

The following are the Schedules and Exhibits attached to and incorporated in this Agreement by reference and deemed to be a part hereof:

SCHEDULES

1.1(a)	Approval and Vesting Order
1.1(b)	Permitted Liens
1.1(c)	Sale Procedure
2.3(1)	Excluded Liabilities
4.1	Excluded Assets and Excluded Contracts

ARTICLE 2
PURCHASE OF SHARES

2.1 Closing Sequence

At the Closing Time, the Closing shall take place in the following sequence (the "**Closing Sequence**"):

(1) Payment of Purchase Price: The Purchaser shall pay the unpaid balance of the Cash Consideration to be held in escrow by the Monitor, on behalf of the Corporation, and the entire Purchase Price shall be dealt with in accordance with this Closing Sequence.

(2) Release of Credit Bid Consideration: The DIP Lender shall cause the Corporation to be released from all amounts owing from the Corporation to the DIP Lender under the DIP Term Sheet, including all Credit Bid Consideration.

(3) Reverse Vesting: The Corporation shall be deemed to transfer to ResidualCo the Excluded Assets, Excluded Contracts, and Excluded Liabilities, in accordance with the Approval and Vesting Order.

(4) Share Issuance. The Corporation shall issue the New Common Shares to the Purchaser in a number to be determined by the Purchaser, acting reasonably and in consultation with the Corporation and the Proposal Trustee, having regard to the intended effect of the Transaction, free and clear of all Liens, in exchange for the payment of the Purchase Price.

(5) Share Consolidation. The Corporation's Articles shall be amended to, among other things: (i) convert all issued and outstanding shares of the Corporation into common shares; (ii) consolidate the New Common Shares and the Existing Shares (as converted to common shares) on the basis of the Consolidation Ratio; and (iii) provide for such additional changes to the rights and conditions attached to the New Common Shares and Existing Shares as may be requested by the Purchaser, in its sole and unfettered discretion.

(6) Share Cancellation. Any fractional New Common Shares and fractional Existing Shares held by any holder of such shares immediately following the consolidation of such shares shall be cancelled without any Liability, payment or other compensation in respect thereof, and the Articles shall be altered as necessary to achieve such cancellation.

(7) Equity Interests Extinguished. Any and all Equity Interests (for greater certainty, not including the Post-Consolidation Shares) that remain issued and outstanding immediately following the Consolidation and Cancellation shall be cancelled and extinguished without any Liability, payment or other compensation in respect thereof and all Equity Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without any Liability, payment or other compensation in respect thereof

(8) Distribution of Cash Consideration. The net proceeds of the Cash Consideration shall be released from escrow, but shall continue to be held by the Monitor on ResidualCo's behalf. Upon filing of the Monitor's Certificate, the Monitor shall cause the net proceeds of the Cash Consideration to be distributed in accordance with the Distribution Order, or further order of the Court.

2.2 Post-Consolidation Shares

Subject to the terms and conditions of this Agreement, effective immediately after the Closing Time and following the Consolidation and Cancellation, the Purchaser shall be the sole owner of the Post-Consolidation Shares, which shall represent 100% of the Corporation's issued and outstanding equity.

2.3 Assumed Liabilities of the Company

(1) Pursuant to the Approval and Vesting Order, save and except for the Assumed Liabilities, all debts, obligations, Liabilities, Liens, Claims, indebtedness, Contracts, leases, agreements, undertakings, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Corporation or relating to any Excluded Assets or Excluded Contracts as at the Closing Time, including, *inter alia*, the non-exhaustive list of Liabilities set forth in Schedule 2.3(1), any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Corporation may be bound as at the Closing Time, all Liabilities relating to or under the Excluded Contracts and Excluded Assets, Liabilities for Terminated Employees whose employment with the Corporation is terminated on or before Closing (collectively, the "**Excluded Liabilities**") shall be excluded and will no longer be binding on the Corporation following the Closing Time.

(2) Pursuant to the Approval and Vesting Order, the Excluded Liabilities shall be channeled to and assumed in full by ResidualCo in accordance with and as further described in ARTICLE 4, and the Corporation and its assets, undertakings, Business and properties shall be discharged of such Excluded Liabilities. All Claims attaching to the Excluded Liabilities, if any, shall continue to exist against ResidualCo and the Purchase Price and the Excluded Assets, if any, shall be available to satisfy such Claims.

ARTICLE 3
PURCHASE PRICE

3.1 Amount of Purchase Price.

The aggregate price payable by the Purchaser to the Corporation for the New Common Shares (the "**Purchase Price**") is $5,000,000.

3.2 Payment of Purchase Price.

The Purchaser shall pay the Purchase Price at the Closing Time as follows:

(a) the Purchaser shall pay a cash deposit in the amount of USD $500,000 (the "**Deposit**") to the Monitor within two (2) business days after the granting of the Stalking Horse Sale Procedure Order by the Court, which Deposit shall be held in escrow by the Monitor in a non-interest bearing account on behalf of the Corporation. If the Closing does not occur and the Agreement is terminated, the Deposit will be forthwith refunded in full to the Purchaser (without interest, offset or deduction), except if the Agreement is terminated by the Corporation in accordance with Section 10.1(6) or if the Agreement is terminated by the Purchaser but the Purchaser is otherwise in breach of its obligations under this Agreement, in which case the Deposit shall not be refunded to the Purchaser. The Deposit shall be applied against the Purchase Price on Closing;

(b) an amount equivalent to all amounts and obligations owing by the Corporation to the DIP Lender under the DIP Term Sheet, including the principal amount of indebtedness outstanding thereunder and interest accrued thereon as of the Closing Date, plus any other fees or expenses owing by the Corporation under the DIP Term Sheet, which the Purchaser shall cause the release thereof in favour of the Corporation at Closing (the "**Credit Bid Consideration**"), as particularized in a written payout statement provided by the Purchaser to the Corporation and the Monitor by no less than two Business Days prior to the Closing Date (the "**Credit Bid Consideration Statement**");

(c) the Purchaser shall pay to the Monitor by wire transfer, certified cheque, bank draft or other means of immediately available funds, the difference between: (i) the Purchase Price, and (ii) the sum of the Deposit and Credit Bid Consideration (together with the Deposit, the "**Cash Consideration**").

ARTICLE 4
TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES

4.1 Transfer of Excluded Assets to ResidualCo.

On the Closing Date, the Corporation shall retain all of the assets owned by it on the date of this Agreement and any assets acquired by it up to and including Closing, including its Contracts, and Books and Records (the "**Retained Assets**"), save and except for the excluded assets set out on Schedule 4.1 (the "**Excluded Assets**") and the excluded contracts set out on Schedule 4.1 (the "**Excluded Contracts**"), which the Company shall transfer to ResidualCo on or before the Closing Time or shall be vested in ResidualCo pursuant to the Approval and Vesting Order.

4.2 Transfer of Excluded Liabilities to ResidualCo

At or before the Closing Time, the Excluded Liabilities shall have been channeled to and assumed by ResidualCo, in accordance with the Closing Sequence and pursuant to the

Approval and Vesting Order. Notwithstanding any other provision of this Agreement, neither the Purchaser nor the Corporation shall assume or have any Liability for any of the Excluded Liabilities and all Excluded Liabilities shall be discharged from the Corporation and its assets, undertakings, Business and properties from and after the Closing Time.

ARTICLE 5
STALKING HORSE SALE PROCEDURE

5.1 Stalking Horse Sale Procedure Order; Approval and Vesting Order.

(1) This Agreement is subject to Court approval and the granting of the Stalking Horse Sale Procedure Order, and Closing is subject to: (i) this Agreement being determined to be the Successful Bid in accordance with the Sale Procedure, and (ii) the issuance of the Approval and Vesting Order.

(2) The Corporation shall bring a motion as soon as practicable for approval of the Sale Procedure. The Stalking Horse Sale Procedure Order shall recognize this Agreement as a baseline or “stalking horse bid” (the “**Stalking Horse Bid**”), and shall also provide for a marketing process of all or substantially all of the assets or Shares of the Corporation by the Corporation with the potential for competitive bidding. The Purchaser acknowledges and agrees that the aforementioned process is in contemplation of determining whether a superior bid can be obtained.

(3) In consideration for the Purchaser's expenditure of time and money and agreement to act as the initial bidder through the Stalking Horse Bid, and the preparation of this Agreement, and subject to Court approval, the Purchaser shall be entitled to a break fee of $200,000 (the “**Break-Up Fee**”) and an expense reimbursement fee in the amount of a maximum of $50,000 (exclusive of HST, if any) (the “**Expense Reimbursement Fee**”) payable by the Corporation to the Purchaser only in the event that a successful bid other than the Stalking Horse Bid is accepted by the Corporation, approved by the Court and completed, provided, however, that the Break-Up Fee and Expense Reimbursement Fee shall not be paid to the Purchaser in the event the Agreement is terminated by the Corporation prior to Closing in accordance with Section 10.1(6) or if the Agreement is terminated by the Purchaser prior to Closing but the Purchaser is otherwise in breach of its obligations under this Agreement, and the Corporation accepts a successful bid other than the Stalking Horse Bid as a result. The payment of the foregoing amounts shall be approved in the Stalking Horse Sale Procedure Order and shall be payable to the Purchaser out of the sale proceeds derived from and upon completion of the winning bid. The Parties acknowledge and agree that the foregoing amounts represent a fair and reasonable estimate of the expenses that will be incurred by the Purchaser as a result of preparing for and entering into this Agreement, and is not intended to be punitive in nature nor to discourage competitive bidding for the assets or shares of the Corporation. For certainty, the Break-Up Fee and the Expense Reimbursement Fee do not form part of the Purchase Price.

(4) In the event that one or more Persons submits a Qualified Bid, the Corporation shall conduct an auction for the determination and selection of a winning bid (the Person submitting such bid being the "**Winning Bidder**"). Upon the selection of the Winning Bidder, there shall be a binding agreement of purchase and sale between the Winning Bidder and the Corporation. The Corporation shall forthwith bring a motion following the selection of the Winning Bidder for an order, among other things, approving the agreement reached with the Winning Bidder and, if granted, shall proceed with closing the transaction forthwith.

(5) Subject to the provision of Section 5.1(3), in the event that the Purchaser is not the Winning Bidder, then upon the closing of a transaction with such Winning Bidder, this Agreement shall be terminated and the Purchaser shall be entitled to the Break-Up Fee, the Expense Reimbursement Fee and a return of the Deposit and neither Party hereto shall have any further Liability, except as expressly provided for in this Agreement.

(6) If no Qualified Bids other than the Stalking Horse Bid are received by the Bid Deadline, the Corporation shall forthwith bring a motion to the Court to obtain the Approval and Vesting Order and, if granted, shall proceed with completing the Transaction contemplated hereby forthwith.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of the Corporation.

Subject to the issuance of the Approval and Vesting Order, the Corporation hereby represents and warrants to and in favour of the Purchaser as set out below, and acknowledges that, as of the Closing Time, the Purchaser is entering into this Agreement in reliance upon the representations and warranties of the Corporation set out in this Section 6.1:

(1) *Authority; Incorporation and Power of the Corporation*. The Corporation is a corporation incorporated, organized and subsisting under the laws of the jurisdiction of its incorporation and is in good standing under the *Business Corporations Act* (Ontario). The Corporation has the corporate power, authority and capacity to execute and deliver this Agreement and all other agreements and instruments to be executed by it as contemplated herein and to perform its other obligations hereunder and under all such other agreements and instruments.

(2) *Authorization.* The execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it as contemplated herein and the completion of the Transaction contemplated hereby and thereby have been duly authorized, including all necessary corporate actions, on the part of the Corporation.

(3) *Enforceability of the Corporation's Obligations*. Subject to the Approval and Vesting Order having been issued, this Agreement constitutes a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms.

(4) *Authorized and Issued Capital and Title to New Common Shares.* Immediately following the Closing Time and the Consolidation and Cancellation, the Post-Consolidation Shares will constitute all of the issued and outstanding shares in the capital of the Corporation and the Purchaser will be the sole registered and beneficial owner of the Post-Consolidation Shares, with good and valid title thereto, free and clear of all Liens, pursuant to and in accordance with the Approval and Vesting Order. Immediately following the Closing Time and the Consolidation and Cancellation, the Post-Consolidation Shares will be duly authorized and validly issued as fully paid and non-assessable.

(5) *No Other Agreements to Purchase.* Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition from the Corporation of any New Common Shares, Post-Consolidation Shares, or any Retained Assets.

(6) *Legal Proceedings*. There is no Legal Proceeding in progress, pending or, to the knowledge of the Corporation, Threatened against or affecting the Corporation or any of its property or assets or title thereto (including the New Common Shares, the Post-Consolidation Shares and the Retained Assets), which would reasonably be expected to enjoin, delay, restrict or prohibit the issuance of the New Common Shares, the Consolidation and Cancellation, or the Closing of the Transactions, as contemplated by this Agreement. Except for Orders granted in the NOI Proceeding and the CCAA Proceeding, as applicable, there is no outstanding Order against or affecting the Corporation or any of its property or assets, which would reasonably be expected to enjoin, delay, restrict or prohibit the issuance of the New Common Shares, the Consolidation and Cancellation, or the Closing of the Transactions, as contemplated by this Agreement.

(7) *Residence of the Corporation*. The Corporation is not a non-resident of Canada for purposes of section 116 of the Income Tax Act.

(8) *Organization of the Corporation*. The information set out in Section 6.1(8) of the Disclosure Letter concerning the name and jurisdiction of incorporation, the authorized, issued and outstanding shares and the directors and officers of the Corporation is materially true and complete.

(9) *Assumed Contracts.* The Corporation has provided to the Purchaser correct and complete copies of each Assumed Contract listed in Section 6.1(9) of the Disclosure Letter, together with all amendments, modifications and supplements thereto.

(10) *Licenses and Compliance with Applicable Law*. Section 6.1(10) of the Disclosure Letter lists all the Licenses and identifies those that by their terms are not transferable. The Licenses are the only licenses, permits, approvals or evidences of authority of any Governmental Authority required for the operation of the Business and are held by the Corporation free and clear of any and all Liens. Except as disclosed in Section 6.1(10) of the Disclosure Letter, the Corporation is conducting the Business in accordance with all terms and conditions of the Licenses and in material compliance with Applicable Law. All the Licenses are valid and are in full force and effect, and no Person has Threatened to revoke, amend

or impose any condition in respect of, or commenced proceedings to revoke, amend or impose conditions in respect of, any License. Except as specifically disclosed in this Agreement, no Regulatory Approval is required in connection with the Transaction contemplated by this Agreement or in order to maintain any License in full force and effect and in good standing after Closing.

(11) *Regulatory Approvals*. Except as set forth in Section 6.1(11) of the Disclosure Letter, no Regulatory Approval or filing with, notice to, or waiver from any Governmental Authority is required to be obtained or made by the Corporation: (a) in connection with the execution and delivery of, and performance by the Corporation of its obligations under, this Agreement or the consummation of the Transaction contemplated hereby; (b) to avoid the loss of any License; or (c) to permit the Corporation to carry on the Business after the Closing as the Business is currently carried on by the Corporation.

(12) *Absence of Conflict*. The execution, delivery and performance of this Agreement by the Corporation and the completion (with any required Consents and Regulatory Approvals and the giving of any required notices) of the Transaction contemplated by this Agreement do not and will not result in or constitute any of the following:

(a) a default, breach or violation or an event that, with notice or lapse of time or both, would be a default, breach or violation of any of the terms, conditions or provisions of the articles or by-laws of the Corporation; or

(b) the violation of any Applicable Law.

6.2 Representations and Warranties of the Purchaser.

The Purchaser represents and warrants to the Corporation as follows:

(1) *Incorporation and Corporate Power*. The Purchaser is a corporation incorporated, organized and subsisting under the laws of the jurisdiction of its incorporation. The Purchaser has the corporate power, authority and capacity to execute and deliver this Agreement and all other agreements and instruments to be executed by it as contemplated herein and to perform its obligations under this Agreement and under all such other agreements and instruments.

(2) *Authorization by Purchaser*. The execution and delivery of this Agreement and all other agreements and instruments to be executed by it as contemplated herein and the completion of the Transaction contemplated by this Agreement and all such other agreements and instruments have been duly authorized by all necessary corporate action on the part of the Purchaser.

(3) *Enforceability of Obligations*. This Agreement constitutes a valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms. There is no Legal Proceeding in progress, pending, or, to the knowledge of the Purchaser, Threatened against or affecting the Purchaser, and there are no grounds on which any such Legal Proceeding might be commenced and there is no Order outstanding against or affecting the Purchaser which, in any such case,

affects adversely or might affect adversely the ability of the Purchaser to enter into this Agreement or to perform its obligations hereunder.

(4) *Absence of Conflict*. The execution, delivery and performance of this Agreement by the Purchaser and the completion of the Transaction contemplated by this Agreement do not and will not result in or constitute any of the following:

(a) a default, breach or violation or an event that, with notice or lapse of time or both, would be a default, breach or violation of any of the terms, conditions or provisions of the articles or by-laws of the Purchaser; or

(b) the violation of any Applicable Law.

(5) *Consents, Regulatory Approvals.* No Consent or Regulatory Approval or filing with, notice to, or waiver from any Governmental Authority is required to be obtained or made by the Purchaser in connection with the execution and delivery of, and performance by the Purchaser of its obligations under, this Agreement or the consummation of the Transaction contemplated hereby.

(6) *Investment Canada Act*. The Purchaser is a "non-Canadian" within the meaning of the ICA.

6.3 Commissions.

Each Party represents and warrants to the other Party that such other Party will not be liable for any brokerage commission, finder's fee or other similar payment in connection with the Transaction contemplated by this Agreement because of any action taken by, or agreement or understanding reached by, that Party.

6.4 As is, Where is.

The representations and warranties of the Corporation shall survive the Closing Time on the Closing Date, provided, however, that the Purchaser's recourse for any breach or inaccuracy for such representation and warranties shall be against ResidualCo. The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the New Common Shares and the Post-Consolidation Shares shall be sold and delivered to the Purchaser on an "as is, where is" basis, subject only to the representations and warranties contained herein. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, Liens, description, fitness for purpose, merchantability, condition or quality or in respect of any other matter or thing whatsoever, including with respect to the New Common Shares, the Post-Consolidation Shares, and the Retained Assets.

ARTICLE 7
CLOSING ARRANGEMENTS

7.1 Pre-Closing

The Purchaser and the Corporation shall work cooperatively and use commercially reasonable efforts to prepare, before the Closing Date, all documentation necessary and do such other acts and things as are necessary to give effect to the Consolidation and Cancellation.

7.2 Closing.

The Closing shall take place virtually whereby required executed closing deliverables are circulated by electronic mail in pdf format on the Closing Date, in accordance with the Closing Sequence, and released at such time and pursuant to such protocols and confirmations as the Parties may agree.

7.3 Corporation's Closing Deliveries.

At the Closing, the Corporation shall deliver or cause to be delivered to the Purchaser the following documents:

(a) a true copy of the Approval and Vesting Order, as issued and entered by the Court;

(b) an executed copy of the Monitor's Certificate;

(c) share certificate(s) representing the New Common Shares;

(d) an executed copy of the Tax Direction, if applicable;

(e) the minute books, share certificate books and corporate seal of the Corporation;

(f) a bring-down certificate executed by the Corporation dated as of the Closing Date, in form and substance satisfactory to the Purchaser, acting reasonably, certifying that (i) all of the representations and warranties of the Corporation hereunder remain true and correct in all material respects as of the Closing Date as if made on and as of such date or, if made as of a date specified therein, as of such date, and (ii) all of the terms and conditions set out in this Agreement to be complied with or performed by the Corporation at or prior to Closing have been complied with or performed by the Corporation in all material respects; and

(g) the written resignation of each director and officer of the Corporation designated by the Purchaser in a form acceptable to the Purchaser in its sole discretion.

7.4 Purchaser's Closing Deliveries.

At the Closing, the Purchaser shall deliver or cause to be delivered to the Corporation the following documents and payments:

(a) the Credit Bid Consideration Statement;

(b) a release of the Corporation from the DIP Lender for all amounts owing from the Corporation to the DIP Lender under the DIP Term Sheet, including all Credit Bid Consideration;

(c) the payment referred to in Section 3.2(c), which shall be made to the Monitor;

(d) a bring-down certificate executed by a senior officer of the Purchaser dated as of the Closing Date, in form and substance satisfactory to the Corporation, acting reasonably, certifying that (i) all of the representations and warranties of the Purchaser hereunder remain true and correct in all material respects as of the Closing Date as if made on and as of such date or, if made as of a date specified therein, as of such date, and (ii) all of the terms and conditions set out in this Agreement to be complied with or performed by the Purchaser at or prior to Closing have been complied with or performed by the Purchaser in all material respects; and

(e) all such other assurances, consents, agreements, documents and instruments as may be reasonably required by the Corporation to complete the Transaction provided for in this Agreement, all of which shall be in form and substance satisfactory to the Corporation, acting reasonably.

ARTICLE 8
CONDITIONS OF CLOSING

8.1 Purchaser's Conditions.

The Purchaser shall not be obligated to complete the Transaction pursuant to this Agreement unless, at or before the Closing Time, each of the conditions listed below in this Section 8.1 has been satisfied, it being understood that the said conditions are included for the exclusive benefit of the Purchaser. The Corporation shall take all such actions, steps and proceedings as are reasonably within their control as may be necessary to ensure that the conditions listed below in this Section 8.1 are fulfilled at or before the Closing Time.

(1) *Court Approval.* The Stalking Horse Sale Procedure Order and the Approval and Vesting Order shall each have been issued and entered by the Court.

(2) *Successful Bid.* The Corporation, in consultation with the Proposal Trustee, shall have determined in accordance with the Sale Procedure that this Agreement is the Successful Bid.

(3) *Corporation's Deliverables*. The Corporation shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 7.3.

(4) *Representations and Warranties*. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, the representations and warranties of the Corporation in Section 6.1 shall be true and correct in all material respects: (i) as at the Closing as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

(5) *Corporation Employees*. The Corporation shall have terminated the employment of the Terminated Employees, as requested by the Purchaser in its sole discretion, and all Liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of statutory notice, termination payments, severance, vacation pay, benefits, bonuses or other compensation or entitlements, shall be either satisfied by the Corporation prior to Closing or Excluded Liabilities pursuant to the Approval and Vesting Order.

(6) *Corporation's Compliance*. The Corporation shall have performed and complied with all of the terms and conditions in this Agreement on their part to be performed or complied with at or before the Closing Time and shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 7.3 and elsewhere in this Agreement.

8.2 Corporation's Conditions.

The Corporation shall not be obligated to complete the Transaction contemplated by this Agreement unless, at or before the Closing Time, each of the conditions listed below in this Section 8.2 has been satisfied, it being understood that the said conditions are included for the exclusive benefit of the Corporation. The Purchaser shall take all such actions, steps and proceedings as are reasonably within the Purchaser's control as may be necessary to ensure that the conditions listed below in this Section 8.2 are fulfilled at or before the Closing Time.

(1) *Court Approval.* The Stalking Horse Sale Procedure Order and the Approval and Vesting Order shall each have been issued and entered by the Court.

(2) *Successful Bid.* The Corporation, in consultation with the Proposal Trustee, shall have determined in accordance with the Sale Procedure that this Agreement is the Successful Bid.

(3) *Purchaser's Deliverables*. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Corporation at the Closing all the documents contemplated in Section 7.4.

(4) *Representations and Warranties*. The representations and warranties of the Purchaser in Section 6.2 shall be true and correct at the Closing.

(5) *Purchaser's Compliance*. The Purchaser shall have performed and complied with all of the terms and conditions in this Agreement on its part to be performed or complied with at or before the Closing Time and shall have executed and delivered or caused to have been executed and delivered to the Corporation at the Closing all the documents contemplated in Section 7.4 and elsewhere in this Agreement.

(6) *Monitor's Certificate*. The Monitor shall have provided an executed copy of the Monitor's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Corporation.

8.3 Monitor's Certificate.

The Parties acknowledge and agree that the Monitor shall be entitled to deliver to the Purchaser, and file with the Court, an executed Monitor's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Monitor shall have no Liability to the Parties in connection therewith. The Parties further acknowledge and agree that upon written confirmation from each Party that all conditions of Closing in favour of such Party have been satisfied or waived, the Monitor may deliver the executed Monitor's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Monitor's written confirmation that all such funds have been received. Upon such confirmation being given, the Monitor's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred.

ARTICLE 9
COVENANTS

9.1 Closing Date

The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date.

9.2 Motion for Approval and Vesting Order

As soon as practicable if the Purchaser is selected as the Winning Bidder, the Corporation shall bring a motion for the Approval and Vesting Order. The Corporation shall diligently use its commercially reasonable efforts to seek the issuance and entry of the Approval and Vesting Order and the Purchaser shall cooperate with the Corporation in its efforts to obtain the issuance and entry of the Approval and Vesting Order, including for greater certainty, supporting the approval of the releases of the directors and officers of the Corporation, its advisors, the Monitor and the Monitor's counsel sought in the Approval and Vesting Order.

9.3 Tax Matters

The Corporation shall be responsible for all Taxes owed or owing or accrued due by the Corporation in respect of the period commencing on the Filing Date and ending on the Closing Date (the "**Post-Filing Tax Obligations**").

All Taxes owed or owing or accrued due by the Corporation prior to the Filing Date shall be transferred to, assumed by, and vested in ResidualCo as Excluded Liabilities.

Prior to Closing, the Corporation shall provide evidence in form and substance satisfactory to the Purchaser that all such Post-Filing Tax Obligations have been paid in full to the relevant Governmental Authority or that sufficient cash reserves will be held by the Corporation at Closing to pay all such Post-Filing Tax Obligations in full post-Closing. To the extent that any Post-Filing Tax Obligations remain outstanding and the Corporation will have insufficient cash reserves to cover such obligations at Closing, the Corporation shall provide an irrevocable direction to the Purchaser (the "**Tax Direction**") authorizing and directing the Purchaser to pay a portion of the Cash Consideration to the relevant Governmental Authorities to satisfy any such amounts. For certainty, the Post-Filing Tax Obligations include, but are not limited to, any and all withholding taxes, property taxes, and excise taxes. For greater certainty, any audits or reassessments by the Canada Revenue Agency or other Governmental Authority that occur after the Filing Date but relate to a time period occurring, or facts arising, prior to the Filing Date are not, and shall not be considered to be, Post-Filing Tax Obligations but shall be transferred to ResidualCo as Excluded Liabilities.

9.4 Investigation.

During the Interim Period, the Corporation shall give, or cause to be given, to the Purchaser and its Representatives reasonable access during normal business hours to the Business and the property and assets of the Corporation, including the Books and Records, the Contracts and the property subject to Premises Leases to conduct such investigations, inspections, surveys or tests thereof and of the financial and legal condition of the Corporation as the Purchaser deems necessary or desirable to familiarize itself with such properties, assets and other matters. Without limiting the generality of the foregoing, the Purchaser shall be permitted complete access during normal business hours to all documents relating to information scheduled or required to be disclosed under this Agreement and to the Employees. Such investigations, inspections, surveys and tests shall be carried out during normal business hours and without undue interference with the operations of the Corporation and the Business and the Corporation shall co-operate fully in facilitating such investigations, inspections, surveys and tests and shall furnish copies of all such documents and materials relating to such matters as may be reasonably requested by or on behalf of the Purchaser. The Corporation shall execute and deliver any authorizations required to permit such investigations, inspections, surveys and tests.

9.5 Personal Information.

Each Party shall comply with Privacy Law in the course of collecting, using and disclosing Transaction Personal Information. The Purchaser shall collect Transaction Personal Information prior to Closing only for purposes related to the Transaction contemplated by this Agreement and as is necessary to determine whether to proceed with such Transaction in connection with its investigations of the Business, the Corporation and its property and assets and, if the Purchaser does not elect to terminate this Agreement as provided herein, for the completion of such Transaction. Prior to Closing, the Purchaser shall not disclose Transaction Personal Information to any Person other than to its Representatives who are evaluating and advising on the Transaction contemplated by this Agreement who need to know such information to perform such tasks. If the Purchaser proceeds with the Transaction contemplated by this Agreement, the Purchaser shall not, following the Closing, without the consent of the individuals to whom such Personal Information relates or as permitted or required by Applicable Law, use or disclose Transaction Personal Information:

(a) for purposes other than those for which such Transaction Personal Information was collected by the Corporation prior to the Closing; and

(b) which does not relate directly to the carrying on of the Business or to the carrying out of the purposes for which the Transaction contemplated by this Agreement was implemented.

The Purchaser shall protect and safeguard the Transaction Personal Information against unauthorized collection, use or disclosure, as provided by Privacy Law. The Purchaser shall cause its Representatives to observe the terms of this Section 9.5 and to protect and safeguard Transaction Personal Information in their possession. If the Corporation or the Purchaser terminates this Agreement as provided herein, the Purchaser shall promptly deliver to the Corporation all Transaction Personal Information in its possession or in the possession of any of its Representatives, including all copies, reproductions, summaries or extracts thereof and destroy any electronic copies thereof that remain in the possession or control of Purchaser or any of its Representatives.

9.6 Confidentiality.

(1) *Information To Be Confidential*. Each Party shall treat confidentially and not disclose, and shall cause each of its Representatives to treat confidentially and not disclose, other than as expressly contemplated by this Agreement, any Confidential Information of the other Parties.

(2) *Use Of Confidential Information*. Each Party may disclose Confidential Information only to those of its Representatives who need to know such Confidential Information for the purpose of implementing the Transaction contemplated by this Agreement. No Party shall use, or permit its Representatives to use, Confidential Information for any other purpose nor in any way that is, directly or indirectly, detrimental to the other Parties.

(3) *Required Disclosure*. If any Party or any of its Representatives receives a request or is legally required to disclose all or any part of the Confidential Information, such Party shall (a) immediately notify the other Parties of the request or requirement, (b) consult with the other Parties on the advisability of taking legally available steps to resist or narrow the request or lawfully avoid the requirement, and (c) if requested by the other Parties, take all necessary steps to seek a protective order or other appropriate remedy. If a protective order or other remedy is not available, or if the other Parties waive compliance with the provisions of this Section 9.6(3), (i) the Party receiving the request for disclosure or its Representatives, as the case may be, may disclose to the Person requiring disclosure only that portion of the Confidential Information which such Party is advised by written opinion of counsel is legally required to be disclosed, and (ii) such Party shall not be liable for such disclosure unless such disclosure was caused by or resulted from a previous disclosure by such Party or its Representatives not permitted by this Agreement.

(4) *Return or Destruction*. Following the termination of this Agreement in accordance with the provisions of this Agreement, each Party shall (and shall cause each of its Representatives to) (a) return promptly to the other Parties all physical copies of the Confidential Information, excluding Notes, then in such Party's possession or in the possession of its Representatives, (b) destroy all (i) electronic copies of the Confidential Information, and (ii) Notes (including electronic copies thereof)

prepared by such Party or any of its Representatives, including electronic back-ups of the foregoing in a manner that ensures the same may not be retrieved or undeleted by such Party or any of its Representatives, and (c) deliver to the other Parties a certificate executed by one of its duly authorized senior officers indicating that the requirements of this sentence have been satisfied in full.

9.7 Risk of Loss.

If before the Closing all or any substantial portion of the property or assets of the Corporation are lost, damaged or destroyed or are expropriated or seized by any Governmental Authority or any other Person in accordance with Applicable Law or if notice of any such expropriation or seizure shall have been given in accordance with Applicable Law, the Purchaser, in its sole discretion, shall have the option, exercisable by notice to the Corporation given prior to the Closing Time:

(a) to terminate this Agreement by notice to the Corporation, as provided in Section 10.1(4); or

(b) to complete the Transaction contemplated by this Agreement and require the Corporation to reduce the Purchase Price by the amount of the cost of repair of the property and assets which were damaged or destroyed or, if lost or damaged beyond repair or seized or expropriated, by the replacement cost of the property and assets so lost, damaged, expropriated or seized, such reduction in price to be net of all proceeds of insurance or compensation for expropriation or seizure actually received by the Corporation.

9.8 Indemnity

The Purchaser hereby indemnifies the Corporation and its Representatives, and saves them fully harmless against, and will reimburse or compensate them for, any Damages arising from, in connection with or related in any manner whatsoever to:

(1) the Purchaser's access in accordance with Section 9.1; and

(2) the collection, use or disclosure of Transaction Personal Information by the Purchaser and its Representatives.

9.9 Action During Interim Period.

(1) *Operate in Ordinary Course*. Except: (i) as contemplated or permitted by this Agreement (ii) as necessary in connection with the NOI Proceeding or CCAA Proceeding; (iii) as otherwise provided in the DIP Order, Stalking Horse Sale Procedure Order and any other court Orders, prior to the Closing Time; or (iv) as consented to by the Purchaser and the Company, such consent not to be unreasonably withheld, conditioned or delayed, during the Interim Period, the Corporation shall operate the Business in the Ordinary Course of Business in compliance with Applicable Law and the terms and conditions of all Material Contracts.

(2) *Negative Covenants*. Except: (i) as contemplated or permitted by this Agreement (ii) as necessary in connection with the NOI Proceeding or CCAA Proceeding; (iii) as otherwise provided in the DIP Order, Stalking Horse Sale Procedure Order and any other court Orders, prior to the Closing Time; or (iv) as consented to by the Purchaser and the Company, such consent not to be unreasonably withheld, conditioned or delayed, during the Interim Period, save and except as otherwise specified herein, the Corporation shall ensure that it does not:

(a) amend its articles or by-laws or similar document adopted or filed in connection with the creation, formation or organization of the Corporation;

(b) directly or indirectly, declare, set aside for payment or pay any dividend or make any other payment or distribution on or in respect of any of the Shares;

(c) dispose of or revalue any of the assets reflected on the balance sheet forming part of the most recent Annual Financial Statements, except sales of assets in the Ordinary Course of Business;

(d) make any change in its accounting principles, policies, practices or methods;

(e) enter into any contract or any other transaction that is not in the Ordinary Course of Business;

(f) terminate, cancel, modify or amend in any material respect which would entitle any party to any Material Contract to terminate, cancel, modify or amend any Material Contract (other than by reducing, delaying or ceasing to pay amounts owing under Material Contracts from prior to the Filing Date);

(g) purchase or otherwise acquire any interest in any securities of any other Person;

(h) make any capital expenditure or authorize any capital expenditure or make any commitment for the purchase, construction or improvement of any capital assets except in the Ordinary Course of Business;

(i) enter into any Contract or commitment to hire, or terminate the service of, any officer or senior management employee; or

(j) agree, commit or enter into any understanding to take any actions enumerated in paragraphs (a) to (j) of this Section 9.8.

9.10 Consents and Approvals.

Commencing forthwith after the date hereof the Corporation shall use all commercially reasonable efforts to obtain, at or prior to the Closing Time, all Consents and Regulatory Approvals.

ARTICLE 10
TERMINATION

10.1 Grounds for Termination.

This Agreement may be terminated on or prior to the Closing Date:

(1) automatically and without any action or notice by either the Corporation to the Purchaser or the Purchaser to the Corporation, immediately upon the selection by the Corporation, in consultation with the Proposal Trustee, of a Successful Bid if this Agreement is not the Successful Bid selected at such time;

(2) by either Party upon written notice to the other Party if: (i) the Approval and Vesting Order has not been obtained by the Outside Date, or (ii) the Court declines at any time to grant the Approval and Vesting Order; in each case for reasons other than a breach of this Agreement by the Party proposing to terminate the Agreement;

(3) by the mutual written agreement of the Corporation and the Purchaser, provided however that if this Agreement has been approved by the Court, any such termination shall require either the consent of the Proposal Trustee or Monitor, as applicable, or approval of the Court;

(4) by written notice from the Purchaser to the Corporation in accordance with Section 9.7 (Risk of Loss);

(5) by written notice from the Purchaser to the Corporation if there has been a material breach by the Corporation of any representation, warranty or covenant contained in this Agreement, which breach has not been waived by the Purchaser, and such breach is not curable and has rendered the satisfaction of any condition in Section 8.1 impossible by the Outside Date, provided that at the time of providing such notice of termination, the Purchaser is not in breach of any of its obligations under this Agreement;

(6) by written notice from the Corporation to the Purchaser if there has been a material breach by the Purchaser of any representation, warranty or covenant contained in this Agreement, which breach has not been waived by the Corporation and such breach is not curable and has rendered the satisfaction of any condition in Section 8.2 impossible by the Outside Date, provided that at the time of providing such notice of termination, the Corporation is not in breach of any of their obligations under this Agreement; and

(7) by the Purchaser, on the one hand, or by the Corporation, on the other hand, upon written notice to the other Party if the Closing has not occurred by the Outside Date, provided, however, that the right to terminate this Agreement pursuant to this Section 10.1(7) shall not be available to any Party whose breach hereof has been the principal cause of, or has directly resulted in the Closing not occurring by the Outside Date.

10.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 10.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability hereunder, except as contemplated in Sections 3.2(a) (Treatment of Deposit), 5.1(3) (Break-Up Fee), 9.5 (Personal Information), 9.8 (Indemnity), 10.2 (Effect of Termination), 11.4 (Notices), 11.7 (Entire Agreement), 11.8 (Amendment), 11.10 (Severability), 11.12 (Attornment), 11.13 (Governing Law), 11.14 (Successors and Assigns) and 11.15 (Assignment), which shall survive such termination.

ARTICLE 11
GENERAL

11.1 Payment of Taxes.

Except as otherwise provided in this Agreement, the Purchaser shall pay all Taxes applicable to, or resulting from the Transaction contemplated by, this Agreement (other than Taxes payable by the Corporation under Applicable Law, including Post-Filing Tax Obligations) and any filing, recording or transfer fees payable in connection with the instruments of transfer provided for in this Agreement.

11.2 Preparation of Tax Returns.

After Closing, the Purchaser shall cause to be prepared and filed on a timely basis all Tax Returns for the Corporation for (a) any period which ends on or before the Closing Date and for which Tax Returns have not been filed as of such date and (b) for any period that begins prior to the Closing Date and ends after the Closing Date for which Tax Returns are required to be prepared and filed.

11.3 Public Announcements.

Except to the extent otherwise required by Applicable Law or with the prior consent of the other Party, neither Party shall make any public announcement regarding this Agreement or the Transaction contemplated by this Agreement.

11.4 Notices.

(1) *Mode of Giving Notice*. Any notice, direction, certificate, consent, determination or other communication required or permitted to be given or made under this Agreement shall be in writing and shall be effectively given and made if (i) delivered personally, (ii) sent by prepaid courier service or mail, or (iii) sent by e-mail or other similar means of electronic communication, in each case to the applicable address set out below:

(a) if to the Corporation or to ResidualCo, to:

iS5 Communications Inc.
5895 Ambler Drive
Mississauga, ON
L4W 5B7

Attention: Clive Dias
Email: clivedias@is5com.com

with a copy to:

Fasken Martineau DuMoulin LLP
55 Metcalfe Street, Suite 1300
Ottawa, ON K1P 6L5

Attention: Julia Kennedy
Email: jkennedy@fasken.com

(b) if to the Purchaser, to:

ELEKTROPHOENIX GmbH
Flachsmarktstraße 8
32825 Blomberg, Germany

Attention: Marcus Böker
Email: mboeker@phoenixcontact.com

with a copy to:

Allen McDonald Swartz LLP
100 King Street West, Suite 5600
First Canadian Place
Toronto, ON
M5X 1C9

Attention: Jennifer Allen
Email: jallen@amsbizlaw.com

(c) and in either case, with a copy to the Proposal Trustee/ Monitor, to:

Grant Thornton Limited
11th Floor, 200 King Street West
Toronto, ON M5H 3T4

Attention: Daniel Wootton
Email: Dan.Wootton@ca.gt.com

AND

Grant Thornton Limited
11th Floor, 200 King Street West
Toronto, ON M5H 3T4

Attention: Jason Kanji
Email: Jason.Kanji@ca.gt.com

with a copy to:

Cozen O'Connor LLP
Bay Adelaide Centre - West Tower
333 Bay Street, Suite 1100
Toronto, ON M5H 2R2

Attention: Steven Weisz
Email: SWeisz@cozen.com

(2) *Deemed Delivery of Notice*. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered or sent before 4:30 p.m. on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day. Any such communication sent by mail shall be deemed to have been given and made and to have been received on the fifth Business Day following the mailing thereof; provided however that no such communication shall be mailed during any actual or apprehended disruption of postal services. Any such communication given or made in any other manner shall be deemed to have been given or made and to have been received only upon actual receipt.

(3) *Change of Address*. Any Party may from time to time change its address under this Section 11.4 by notice to the other Party given in the manner provided by this Section 11.4.

11.5 Time of Essence.

Time shall be of the essence of this Agreement in all respects.

11.6 Further Assurances.

Each Party shall from time to time promptly execute and deliver or cause to be executed and delivered all such further documents and instruments and shall do or cause to be done all such further acts and things in connection with this Agreement that the other Party may reasonably require as being necessary or desirable in order to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement or any provision hereof.

11.7 Entire Agreement.

This Agreement, together with the Mutual Confidentiality and Nondisclosure Agreement dated effective July 29, 2022 among the Corporation and Phoenix ("**Mutual NDA**"), which Purchaser acknowledges being bound by, constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, (including the LOI). There are no conditions, representations, warranties, obligations or other agreements between the Parties in connection with the subject matter of this

Agreement (whether oral or written, express or implied, statutory or otherwise) except or explicitly set out in this Agreement or in the Mutual NDA.

11.8 Amendment.

No amendment of this Agreement shall be effective unless made in writing and signed by the Parties.

11.9 Waiver.

A waiver of any default, breach or non-compliance under this Agreement shall not be effective unless in writing and signed by the Party to be bound by the waiver. No waiver shall be inferred from or implied by any failure to act or delay in acting by a Party in respect of any default, breach or non-observance or by anything done or omitted to be done by the other Party. The waiver by a Party of any default, breach or non-compliance under this Agreement will not operate as a waiver of that Party's rights under this Agreement in respect of any continuing or subsequent default, breach or non-observance (whether of the same or any other nature).

11.10 Severability.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and will be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

11.11 Remedies Cumulative.

The rights, remedies, powers and privileges herein provided to a Party are cumulative and in addition to and not exclusive of or in substitution for any rights, remedies, powers and privileges otherwise available to that Party.

11.12 Attornment.

Each Party agrees (i) that any Legal Proceeding relating to this Agreement must be brought in the Court, and for that purpose now irrevocably and unconditionally attorns and submits to the jurisdiction of the Court; (ii) that it irrevocably waives any right to, and shall not, oppose any such Legal Proceeding in the Province of Ontario on any jurisdictional basis, including *forum non conveniens*; and (iii) not to oppose the enforcement against it in any other jurisdiction of any Order duly obtained from the Court as contemplated by this Section 11.12. Each Party agrees that service of process on such Party as provided in Section 11.4 shall be deemed effective service of process on such Party.

11.13 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in such Province and this Agreement shall be treated, in all respects, as an Ontario contract.

11.14 Successors and Assigns.

This Agreement shall enure to the benefit of, and be binding on, the Parties and their respective successors and permitted assigns. Neither Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its respective rights or obligations under this Agreement without the prior written consent of the other Party.

11.15 Assignment.

Prior to the issuance of the Approval and Vesting Order, the Purchaser may assign all of its rights and obligations under this Agreement to an Affiliate, provided that (i) the Purchaser shall remain liable to perform all of its obligations hereunder, and (ii) the Purchaser and its assignee execute and deliver to the Vendors an assignment and assumption agreement, in form and substance satisfactory to the Vendors, evidencing such assignment. Other than in accordance with the preceding sentence, the Purchaser may not assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its rights or obligations under this Agreement.

11.16 Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original and both of which taken together shall be deemed to constitute one and the same instrument. To evidence its execution of an original counterpart of this Agreement, a Party may send a copy of its original signature on the execution page hereof to the other Party by electronic transmission and such transmission shall constitute delivery of an executed copy of this Agreement to the receiving Party.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

IS5 COMMUNICATIONS INC.

By: ______________________________

Name:
Title:

ELEKTROPHOENIX GMBH

By: ______________________________

Name: Frank Stührenberg
Title: Authorized Signing Officer

By: ______________________________

Name: Axel Wachholz
Title: Authorized Signing Officer

SCHEDULE 1.1(a)

Form of Approval and Vesting Order

See attached.

Court File No. 32-2853708

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	[▶], THE [▶]
	)	
	)	
JUSTICE OSBORNE	)	DAY OF [▶], 2022

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF iS5 COMMUNICATIONS INC.

ORDER
(Approval and Vesting Order)

THIS MOTION, made by iS5 Communications Inc. (the "**Debtor**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order, among other things: (i) approving the Share Purchase Agreement (the "**SPA**") between the Debtor and Elektrophoenix GmbH (the "**Purchaser**"), dated [▶], 2022, and the transaction contemplated therein (the "**Transaction**"), (ii) adding [▶] ("**ResidualCo**") as an Applicant to these CCAA proceedings; (iii) transferring and vesting all of the Debtor's right, title and interest in and to the Excluded Assets, Excluded Contracts and Excluded Liabilities (as defined in the SPA) to and in ResidualCo; and (iv) vesting all of the right, title and interest in and to the New Common Shares (as defined in the SPA) in the Purchaser; was heard on [▶], 2022, by video conference in accordance with the Guidelines To Determine Mode of Proceeding in Civil.

ON READING the Debtor's Notice of Motion, the affidavit of [▶] sworn [▶], 2022, and the [▶] Report of Grant Thornton Limited, in its capacity as Monitor of the Debtor (the "**Monitor**"), to be filed (the "[▶] **Report**"), and on hearing the submissions of counsel for the Debtor, counsel for the Monitor, counsel for the Purchaser, and counsel for those other parties appearing as indicated by the counsel slip, no one appearing for any other party, although duly served as appears from the affidavit of service of [▶] sworn [▶], 2022, filed,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby validated so that this Motion was properly returnable on [▶], 2022, and hereby dispenses with further service thereof.

DEFINED TERMS

2. **THIS COURT ORDERS** that capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the SPA.

APPROVAL AND VESTING

3. **THIS COURT ORDERS AND DECLARES** that the SPA and the Transaction be and are hereby approved and that the execution of the SPA by the Debtor is hereby authorized, approved and ratified, with such minor amendments as the parties thereto may deem necessary, with the approval of the Monitor. The Debtor is hereby authorized and directed to perform its obligations under the SPA and to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the New Common Shares and the Post-Consolidation Common Shares to the Purchaser.

4. **THIS COURT ORDERS AND DECLARES** that notwithstanding any provision hereof, the closing of the Transaction shall be deemed to occur in the manner, order and sequence set out in the SPA, including in accordance with the Closing Sequence, with such alterations, changes or amendments as may be agreed to by the Purchaser and the Debtor, with the approval of the Monitor, provided that such alterations, changes or amendments do not materially alter or impact the Transaction or the consideration which the Debtor and/or its applicable stakeholders will benefit from as part of the Transaction.

5. **THIS COURT ORDERS AND DECLARES** that this Order shall constitute the only authorization required by the Debtor to proceed with the Transaction (including, for certainty, the Pre-Closing Reorganization and the Closing Sequence), and that no shareholder or other approval shall be required in connection therewith.

6. **THIS COURT ORDERS AND DECLARES** that upon the delivery of the Monitor's certificate (the "**Monitor's Certificate**") to the Purchaser (the "**Effective Time**"), substantially in the form attached as Schedule "A" hereto, the following shall occur and shall be deemed to have occurred at the Effective Time in the following sequence:

(a) first, all of the right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in ResidualCo, and all Claims and Encumbrances (each as defined below) shall continue to attach to the Excluded Assets and to the Proceeds (as defined below) in accordance with paragraph 9 of this Order, in either case with the same nature and priority as they had immediately prior to the transfer;

(b) second, all Excluded Contracts and Excluded Liabilities of the Debtor (which for certainty includes all debts, liabilities, obligations, indebtedness, contracts, leases, agreements, and undertakings of any kind or nature whatsoever, whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise), other than: (i) the Assumed Liabilities, and (ii) any set off claims asserted as defences to any claims made by the Debtor, shall be channelled to, assumed by and vest absolutely and exclusively in ResidualCo such that the Excluded Contracts and Excluded Liabilities shall become obligations of ResidualCo and shall no longer be obligations of the Debtor, and the Debtor and all of its assets, licenses, undertakings and properties of every nature and kind whatsoever and wherever situate (together with the Retained Assets, the "**Debtor's Property**") shall be and are hereby forever released and discharged from such Excluded Contracts and Excluded Liabilities and all related Claims and all Encumbrances (each as defined below) affecting or relating to the Debtor's Property are hereby expunged and discharged as against the Debtor's Property;

(c) third, all options, conversion privileges, equity-based awards, warrants, securities, debentures, loans, notes or other rights, agreements or commitments of any character whatsoever that are held by any Person (defined below) and are convertible or exchangeable for any securities of the Debtor or which require the issuance, sale or transfer by the Debtor, of any shares or other securities of the Debtor and/or the share capital of the Debtor, or otherwise relating thereto, shall be deemed terminated and cancelled;

(d) fourth, all of the right, title and interest in and to the New Common Shares shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**"), including without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Initial Order or any other Order of the Court in this CCAA Proceeding; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry systems; and (iii) those Claims listed on Schedule "B" hereto (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule "C" hereto). For greater certainty, this Court orders that all of the Encumbrances affecting or relating to the New Common Shares are hereby expunged and discharged as against the New Common Shares; and

(e) fifth, the Debtor shall be deemed to cease being a Debtor in these CCAA proceedings, and the Debtor shall be deemed to be released from the purview of the Initial Order and all other Orders of this Court granted in respect of this CCAA Proceeding, save and except for this Order, the provisions of which (as they relate to the Debtor) shall continue to apply in all respects.

7. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof in connection with the Transaction.

8. **THIS COURT ORDERS** that the Monitor may rely on written notice from the Debtor and the Purchaser regarding the fulfilment of conditions to closing under the SPA and shall have no liability with respect to delivery of the Monitor's Certificate.

9. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the New Common Shares (including, for greater certainty, the Deposit and the Cash Consideration) (the "**Proceeds**") shall stand in the place and stead of the Debtor's Property, and that from and after the delivery of the Monitor's Certificate, all Claims and Encumbrances shall attach to the Proceeds and the Excluded Assets with the same priority as they had with respect to the Debtor's Property immediately prior to the sale.

10. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, as amended, the Debtor or the Monitor, as the case may be, is authorized, permitted and directed to, at the Effective Time, disclose to the Purchaser all human resources and payroll information in the Debtor's records pertaining to past and current employees of the Debtor. The Purchaser shall maintain and protect the privacy of such information in accordance with applicable law and shall be entitled to use the personal information provided to it in a manner that is in all material respects identical to the prior use of such information by the Debtor.

11. **THIS COURT ORDERS AND DECLARES** that, at the Effective Time and without limiting the provisions of paragraph 6 hereof, the Purchaser and the Debtor shall be deemed released from any and all claims, liabilities (direct, indirect, absolute or contingent), or obligations with respect to any Taxes (including penalties and interest thereon) of, or that relate to, the Debtor (provided, as it relates to the Debtor, such release shall not apply to Taxes in respect of the business and operations conducted by the Debtor after the Effective Time), including without limiting the generality of the foregoing, all Taxes that could be assessed against the Purchaser or the Debtor (including its affiliates and any predecessor corporations) pursuant to section 160 of the *Income Tax Act*, R.S.C. 1985 c. 1 (5th Supp.), or any provincial equivalent, in connection with the Debtor. For greater certainty, nothing in this paragraph shall release or discharge any Claims with respect to Taxes that are transferred to ResidualCo.

12. **THIS COURT ORDERS** that except to the extent expressly contemplated by the SPA, all Contracts to which the Debtor is a party at the time of delivery of the Monitor's Certificate

will be and remain in full force and effect upon and following delivery of the Monitor's Certificate and no individual, firm, corporation, governmental body or agency, or any other entity (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") who is a party to any such arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set off, dilution or other remedy) or make any demand under or in respect of any such arrangement and no automatic termination will have any validity or effect, by reason of:

(a) any event that occurred on or prior to the delivery of the Monitor's Certificate and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults or events of default arising as a result of the insolvency of the Debtor);

(b) the insolvency of the Debtor or the fact that the Debtor sought or obtained relief under the *Bankruptcy and Insolvency Act*, R.S.C 195, c. B-3, as amended (the "**BIA**") and the CCAA;

(c) any compromises, releases, discharges, cancellations, transactions, arrangements, reorganizations or other steps taken or effected pursuant to the SPA, the Transaction or the provisions of this Order, or any other Order of the Court in these proceedings; or

(d) any transfer or assignment, or any change of control of the Debtor arising from the implementation of the SPA, the Transaction or the provisions of this Order.

13. **THIS COURT ORDERS**, for greater certainty, that (a) nothing in paragraph 12 hereof shall waive, compromise or discharge any obligations of the Debtor in respect of any Assumed Liabilities, and (b) the designation of any Claim as an Assumed Liability is without prejudice to the Debtor's right to dispute the existence, validity or quantum of any such Assumed Liability, and (c) nothing in this Order or the SPA shall affect or waive the Debtor's rights and defences, both legal and equitable, with respect to any Assumed Liability, including, but not limited to, all rights with respect to entitlements to set offs or recoupments against such Assumed Liability.

14. **THIS COURT ORDERS** that from and after the Effective Time, all Persons shall be deemed to have waived any and all defaults of the Debtor then existing or previously committed

by the Debtor, or caused by the Debtor, directly or indirectly, or non-compliance with any covenant, warranty, representation, undertaking, positive or negative pledge, term, provision, condition, or obligation, expressed or implied in any Contract existing between such Person and the Debtor (including for certainty, those Contracts constituting Retained Assets) arising directly or indirectly from the commencement of the NOI Proceeding or the conversion to the CCAA Proceedings and the implementation of the Transaction, including without limitation any of the matters or events listed in paragraph 12 hereof and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under a Contract shall be deemed to have been rescinded and of no further force or effect, provided that nothing herein shall be deemed to excuse the Debtor from performing its obligations under the SPA or be a waiver of defaults by the Debtor under the SPA and the related documents.

15. **THIS COURT ORDERS** that from and after the Effective Time, any and all Persons shall be and are hereby forever barred, estopped, stayed and enjoined from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, whether directly, derivatively or otherwise, and including without limitation, administrative hearings and orders, declarations and assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against the Debtor relating in any way to or in respect of any Excluded Assets, Excluded Liabilities or Excluded Contracts and any other claims, obligations and other matters that are waived, released, expunged or discharged pursuant to this Order.

16. **THIS COURT ORDERS** that from and after the Effective Time:

(a) the nature of the Assumed Liabilities retained by the Debtor, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of the Transaction or this Order;

(b) the nature of the Excluded Liabilities, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of their transfer to ResidualCo;

(c) any Person that prior to the Effective Time had a valid right or claim against the Debtor under or in respect of any Excluded Contract or Excluded Liability (each an "**Excluded Liability Claim**") shall no longer have such right or claim against the Debtor but will have an equivalent Excluded Liability Claim against ResidualCo in respect of the Excluded Contract or Excluded Liability from and after the Effective Time in its place and stead, and nothing in this Order limits, lessens or extinguishes the Excluded Liability Claim of any Person as against ResidualCo; and

(d) the Excluded Liability Claim of any Person against ResidualCo following the Effective Time shall have the same rights, priority and entitlement as such Excluded Liability Claim had against the Debtor prior to the Effective Time.

17. **THIS COURT ORDERS AND DECLARES** that, as of the Effective Time:

(a) ResidualCo shall be a company to which the CCAA applies; and

(b) ResidualCo shall be added as an Applicant in this CCAA Proceeding and all references in any Order of this Court in respect of this CCAA Proceeding to (i) an "Applicant" shall refer to and include ResidualCo, and (ii) "Property" shall include the current and future assets, licenses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof, of ResidualCo (the "**ResidualCo Property**"), and, for greater certainty, each of the Charges (as defined in the Initial Order dated [►], 2022), shall constitute a charge on the ResidualCo Property.

18. **THIS COURT ORDERS** that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the BIA, in respect of ResidualCo and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of ResidualCo;

the SPA, the implementation of the Transaction (including without limitation the transfer and vesting of the Excluded Assets, Excluded Contracts and Excluded Liabilities in and to ResidualCo, the transfer and vesting of the New Common Shares in and to the Purchaser) and any payments by or to the Purchaser, ResidualCo or the Monitor authorized herein shall be binding on any trustee in bankruptcy that may be appointed in respect of ResidualCo and shall not be void or voidable by creditors of ResidualCo, as applicable, nor shall they constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the CCAA, the BIA or any other applicable federal or provincial legislation, nor shall they constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

MONITOR'S ENHANCED POWERS

19. THIS COURT ORDERS that in addition to the powers and duties of the Monitor set out in the Initial Order or any other Order of this Court in this CCAA Proceeding, and without altering in any way the limitations and obligations of ResidualCo as a result of these proceedings, the Monitor be and is hereby authorized and empowered, but not required, to:

(a) take any and all actions and steps, and execute all documents and writings, on behalf of, and in the name of ResidualCo in order to facilitate the performance of any ongoing obligations of ResidualCo, including with respect to any Excluded Liability Claim, and to carry out the Monitor's duties under this Order or any other Order of this Court in this CCAA Proceeding;

(b) exercise any powers which may be properly exercised by a board of directors of ResidualCo;

(c) cause ResidualCo to retain the services of any person as an employee, consultant, or other similar capacity all under the supervision and direction of the Monitor and on the terms as agreed with the Monitor;

(d) open one or more new accounts (the "**ResidualCo Accounts**") into which all funds, monies, cheques, instruments and other forms of payment payable to ResidualCo shall be deposited from and after the making of this Order from any source whatsoever and to operate and control, as applicable, on behalf of ResidualCo, the ResidualCo Accounts in such manner as the Monitor, in its sole discretion, deems necessary or appropriate to assist with the exercise of the Monitor's powers and duties;

(e) cause ResidualCo to perform such other functions or duties as the Monitor considers necessary or desirable in order to facilitate or assist the winding-down of ResidualCo or the distribution of the proceeds of the ResidualCo Property or any other related activities, including in connection with bringing this CCAA Proceeding to an end;

(f) engage, deal, communicate, negotiate, agree and settle with any creditor or other stakeholder of ResidualCo in the name of or on behalf of ResidualCo;

(g) claim or cause ResidualCo to claim any and all insurance refunds or tax refunds, including refunds of harmonized sales taxes, to which ResidualCo is entitled;

(h) have access to all books and records that are the property of ResidualCo in ResidualCo's possession or control in addition to the Debtor's books and records in accordance with the terms of the SPA;

(i) assign ResidualCo, or cause ResidualCo to be assigned, into bankruptcy, and the Monitor shall be entitled but not obligated to act as trustee in bankruptcy thereof;

(j) consult with Canada Revenue Agency with respect to any issues arising in respect of this CCAA Proceeding; and

(k) apply to this Court for advice and directions or any orders necessary or advisable to carry out its powers and obligations under this Order or any other Order granted by this Court including for advice and directions with respect to any matter.

20. THIS COURT ORDERS that notwithstanding anything contained in this Order, the Monitor is not and shall not be or be deemed to be, a director, officer, or employee of ResidualCo or the Debtor.

21. THIS COURT ORDERS that, without limiting the provisions of the Initial Order, ResidualCo shall remain in possession and control of its Property and Business (each as defined in the Initial Order) and the Monitor shall not take, or be deemed to have taken, possession or control of the Property or the Business of ResidualCo, or any part thereof.

22. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor and its legal counsel shall continue to have the benefit of all of the indemnities, charges, protections and priorities as set out in the Initial Order and any other Order of this Court and all such indemnities, charges, protections and priorities shall apply and extend to the Monitor and the fulfillment of its duties and the carrying out of the provisions of this Order.

23. THIS COURT ORDERS that nothing in this Order shall constitute or be deemed to constitute the Monitor as receiver, assignee, liquidator, administrator, receiver-manager, agent of the creditors or legal representative of the Debtor or ResidualCo within the meaning of any relevant legislation and that any distributions to creditors of ResidualCo or the Debtor by the Monitor will be deemed to have been made by ResidualCo.

24. THIS COURT ORDERS that the power and authority granted to the Monitor by virtue of this Order shall, if exercised in any case, be paramount to the power and authority of ResidualCo with respect to such matters and, in the event of a conflict between the terms of this Order and those of the Initial Order or any other Order of this Court, the provisions of this Order shall govern.

RELEASES

25. **THIS COURT ORDERS** that effective upon filing of the Monitor's Certificate, (i) the current directors, officers, employees, independent contractors that have provided legal or financial services to the Debtor, legal counsel and advisors of the Debtor, and (ii) the Monitor and its legal counsel (collectively, the "**Released Parties**") shall be deemed to be forever irrevocably released and discharged from any and all present and future claims (including, without limitation, claims for contribution or indemnity), liabilities, indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part of any act or omission, transaction, dealing or other occurrence existing or taking place prior to the filing of the Monitor's Certificate and that relate in any manner whatsoever to the Debtor or any of its

assets (current or historical), obligations, business or affairs or this CCAA Proceeding, including any actions undertaken or completed pursuant to the terms of this Order, or arising in connection with or relating to the SPA or the completion of the Transaction, or the administration and/or management of the Debtor or these proceedings (collectively, the "**Released Claims**"), which Released Claims are hereby fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, *provided that* nothing in this paragraph shall waive, discharge, release, cancel or bar any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA.

GENERAL

26. **THIS COURT ORDERS** that, following the Effective Time, the Purchaser shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances as against the New Common Shares.

27. **THIS COURT ORDERS** that, following the Effective Time, the title of these proceedings is hereby changed to

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF [►]

28. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

29. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist ResidualCo, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to ResidualCo and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist ResidualCo and the Monitor and their respective agents in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that each of ResidualCo and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

____

Schedule A – Form of Monitor's Certificate

Court File No. 32-2853708

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF iS5 COMMUNICATIONS INC.

RECITALS

A. Pursuant to the Initial Order of the Honourable Mr. Justice Osborne of the Ontario Superior Court of Justice (Commercial List), dated [►], 2022, as amended, iS5 Communications Inc. (the "**Debtor**") was granted protection from its creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, and Grant Thornton Limited was appointed as the monitor ("**Monitor**") of the Debtor.

B. Pursuant to the Approval and Vesting Order of the Court dated [►], 2022 (the "**Order**"), the Court approved the transaction (the "**Transaction**") contemplated by the Share Purchase Agreement dated [►], 2022 (the "**SPA**"), between the Debtor and Elektrophoenix GmbH (the "**Purchaser**"), and ordered, *inter alia*, that: (i) all of the Debtor's right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in ResidualCo; (ii) all of the Excluded Contracts and Excluded Liabilities shall be transferred to, assumed by and vest in ResidualCo; and (iii) all of the right, title and interest in and to the New Common Shares shall vest absolutely and exclusively in the Purchaser, which vesting is, in each case, to be effective upon the delivery by the Monitor to the Purchaser of a certificate confirming that the Monitor has received written confirmation in the form and substance satisfactory to the Monitor from the Purchaser and the Debtor that all conditions to closing have been satisfied or waived by the parties to the SPA.

C. Capitalized terms not defined herein shall have the meaning given to them in the Order.

THE MONITOR CERTIFIES the following:

1. The Monitor has received written confirmation from the Purchaser and from the Debtor, in form and substance satisfactory to the Monitor, that all conditions to closing have been satisfied or waived by the parties to the SPA.

2. This Monitor's certificate was delivered by the Monitor at __________ on ___________, 2022.

Grant Thornton Limited, in its capacity as Monitor of the Debtor, and not in its personal capacity.

Per: ________________________________

Name:

Title:

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **iS5 COMMUNICATIONS INC.**

Court File No. 32-2853708

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

APPROVAL AND VESTING ORDER

FASKEN MARTINEAU DuMOULIN LLP
Barristers and Solicitors
333 Bay Street, Suite 2400
Bay Adelaide Centre, Box 20
Toronto ON M5H 2T6

Dylan Chochla (LSO: 62137I)
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Tel: 416 868 3425

Lawyers for the Moving Party, iS5 Communications Inc.

SCHEDULE 1.1(b)

PERMITTED LIENS

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	Collateral Class. CG	I	E	A	O	MV
1.	785852595 ***PPSA***	2	20220816 1537 5064 4829 Reg. 04 year(s)	IS5 COMMUNICATIONS INC.	VAULT CREDIT CORPORATION			X		X	
		General Collateral Description: AC/DC/IR/GB HIPOT SAFETY TESTER, DESCRIBED IN AGREEMENT NUMBER 217019, TOGETHER WITH ALL GOODS OF EVERY NATURE OR KIND , WHICH AGREEMENT MAY BE ASSIGNED TO THE SECURED PARTY AND FINANCED BY THE SECURED PARTY, FINANCED BY THE SECURED PARTY TO THE DEBTOR AND AS AMENDED FROM TIME TO TIME, TOGETHER WITH ANY AND ALL PAST, PRESENT AND FUTURE ACQUIRED PARTS, ATTACHMENTS, ACCESSORIES, ACCESSIONS, ADDITIONS, SUBSTITUTIONS, IMPROVEMENTS, REPAIR AND REPLACEMENT PARTS AND OTHER EQUIPMENT PLACED ON OR FORMING PART OF THE GOODS DESCRIBED HEREIN AND ANY AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL OR PROCEEDS THEREOF AND WITHOUT LIMITATION, MONEY, CHEQUES, DEPOSITS IN DEPOSIT TAKING INSTITUTIONS, GOODS, ACCOUNTS RECEIVABLE, RENTS OR OTHER PAYMENTS ARISING FROM THE LEASE OF THE COLLATERAL, INCLUDING ALL GOODS, SECURITIES, INSTRUMENTS DOCUMENTS OF TITLE, CHATTEL PAPER, INTANGIBLES (AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT), RIGHTS OF INSURANCE PAYMENTS OR ANY OTHER PAYMENT AS INDEMNITY OR COMPENSATION FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL.									

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	Collateral Class. CG	I	E	A	O	MV
2.	779706666 ***PPSA***	8	20220117 1204 6005 7407 Reg. 04 year(s)	IS5 COMMUNICATIONS INC.	CWB NATIONAL LEASING INC.			X			
		General Collateral Description:									

ALL COMPUTER EQUIPMENT- INTELLAFLEX BLADE 36 PORT AGGREGATION/FILTERING BLADE C/W RELATED COMPONENTS OF EVERY NATURE OR KIND DESCRIBED IN AGREEMENT NUMBER 3080052, BETWEEN QUESTOR FINANCIAL CORP., AS ORIGINAL SECURED PARTY AND THE DEBTOR, WHICH AGREEMENT WAS ASSIGNED BY THE ORIGINAL SECURED PARTY TO THE SECURED PARTY, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, SUBSTITUTIONS AND PROCEEDS OF ANY KIND DERIVED DIRECTLY OR INDIRECTLY THEREFROM.

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	Collateral Class.					
						CG	I	E	A	O	MV
3.	779150808 ***PPSA***	14	20211220 1009 1462 0406 Reg. 3 year(s)	IS5 COMMUNICATIONS INC.	VAULT CREDIT CORPORATION			X		X	

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	Collateral Class.					
						CG	I	E	A	O	MV
4.	774831753 ***PPSA***	18	20210727 1719 1901 1930 Reg. 03 year(s)	IS5 COMMUNICATIONS INC.	GREATCANADA FINANCIAL SERVICES INC.			X			

No Fixed Maturity Date

General Collateral Description:

2 ADOBE FRAMEMAKER FOR TEAMS - TEAM LICENSING SUBSCRIPTION RENEWAL (MONTHLY) - 1 USER 21 ADOBE ACROBAT STANDARD DC FOR TEAMS - TEAM LICENSING SUBSCRIPTION RENEWAL (MONTHLY) -- 1 USER - VIP SELECT - LEVEL 12 (10-49) - 3 YEARS COMMITMENT - WIN -- MULTI NORTH AMERICAN LANGUAGE 10 ADOBE ACROBAT PRO DC FOR TEAMS - TEAM LICENSING SUBSCRIPTION RENEWAL (MONTHLY) - 1 USER 1 ADOBE PHOTOSHOP CC FOR TEAMS - TEAM LICENSING SUBSCRIPTION RENEWAL (MONTHLY) - 1 USER 2 ADOBE CREATIVE CLOUD FOR TEAMS - ALL APPS - TEAM LICENSING SUBSCRIPTION RENEWAL (MONTHLY) -- 1 USER 2 ADOBE INDESIGN CC FOR TEAMS - TEAM LICENSING SUBSCRIPTION RENEWAL (MONTHLY) - 1 USER 4 ADOBE ILLUSTRATOR CC FOR TEAMS - TEAM LICENSING SUBSCRIPTION RENEWAL (MONTHLY) - 1 USER -- VIP SELECT - LEVEL 12 (10-49) - 3 YEARS COMMITMENT - WIN, MAC -- MULTI NORTH AMERICAN LANGUAGE 101 TREND MICRO X DETECTION & RESPONSE FOR USERS -- SUBSCRIPTION LICENSE RENEWAL - 1 USER - VOLUME - 101-250 LICENSES -- APPROVAL REQUIRED 2 LENOVO THINKSYSTEM SR650 7X06 - SERVER - RACK-MOUNTABLE - 2U - 2- WAY - RAM 0 GB - NO HDD -- NO GRAPHICS - NO OS - MONITOR NONE -CTO WITH LENOVO FOUNDATION SERVICE 1 TRIPP LITE PDU SWITCHED 120V 15A 5-15R 16 OUTLET 1U RM -- HORIZONTAL RACKMOUNT - POWER DISTRIBUTION UNIT (RACK-MOUNTABLE) - 15 A - AC 120 V - 1.4 KW - ETHERNET 10/100 - INPUT NEMA 5-15 -

OUTPUT CONNECTORS 16 - 1U 1 VISSTUDIO PMSDN USER LSA 2 STARTECH.COM USB TO RS232/RS485/RS422 4 1 STARTECH.COM USB TO RS232/RS485/RS422 4 2 ACER V277U - LED MONITOR - 27" - 2560 X 2 STARTECH.COM 4 PORT USB TO SERIAL RS232 2 TRIPP LITE USB-C TO M.2 NVME SSD (M-KEY) 1 VERBATIM - 50 X DVD-R - 4.7 GB (120MIN) 1 STARTECH.COM M.2 SSD ALUMINUM ENCLOSURE 2 STARTECH.COM 4 PORT PCIE NETWORK CARD 2 STARTECH.COM DUAL PORT GIGABIT PCI EXPRE 3 IOGEAR USB PDA/ SERIAL ADAPTER GUC232A - 3 WD MY PASSPORT WDBYVG0010BBK - HARD DRIVE 1 LENOVO THINKPAD P1 (2ND GEN) 20QT - CORE 5 STARTECH.COM 4-PORT USB 3.0 SUPERSPEED H 1 3DCONNEXION SPACEMOUSE WIRELESS - 3D MOUSE 1 LENOVO THINKPAD P14S GEN 1 20S4 - CORE I 5 KINGSTON DATATRAVELER 100 G3 - USB FLASH 5 KINGSTON DATATRAVELER KYSON - USB FLASH 5 KINGSTON CANVAS SELECT PLUS - FLASH MEMO 5 IOGEAR USB PDA/ SERIAL ADAPTER GUC232A - 5 STARTECH.COM 4-PORT USB 3.0 HUB WITH BUI 2 STARTECH.COM 4 PORT USB TO SERIAL RS232 3 STARTECH.COM 4 PORT USB TO SERIAL RS232 1 LENOVO THINKPAD P15S GEN 1 - 15.6" - COR 2 LENOVO THINKPAD PRO DOCKING STATION - DO 2 C2G USB 3.0 TO GIGABIT ETHERNET NETWORK 3 SANDISK ULTRA FLAIR - USB FLASH DRIVE - 2 LOGITECH H600 - HEADSET -- ON EAR - 2.4 G 2 STARTECH.COM USB 3.0 TO GIGABIT ETHERNET 2 ADD ON USB 3.0 (A) TO RJ-45 ADAPTER - NET 2 LINKSYS USB ETHERNET ADAPTER USB3GIG - N 2 TRIPP LITE USB 3.0 SUPERSPEED TO GIGABIT 1 TRIPP LITE 1.4KW SINGLE-PHASE SWITCHED P 5 SANDISK ULTRA FLAIR - USB FLASH DRIVE - 1 LENOVO THINKSYSTEM SR650 7X06 - SERVER WITH LENOVO FOUNDATION SERVICE 1 LENOVO THINKPAD THUNDERBOLT 3 WORKSTATION 1 LENOVO THINKPAD THUNDERBOLT 3 DOCK GEN2 2 BROTHER TN-880 - SUPER HIGH YIELD -- BLACK 1 WINDOWS 10 PRO - LICENSE -- 1 LICENSE 1 LENOVO THINKPAD X1 CARBON GEN 8 - 14" 5 LOGITECH USB HEADSET H340 - HEADSET - ON 1 LENOVO THINKPAD P15S GEN 1 20T4 - CORE 2 WD MY PASSPORT WDBYVG0010BBK - HARD DRIVE 10 IOGEAR USB PDA/ SERIAL ADAPTER GUC232A 1 WD MY PASSPORT WDBYVG0010BBK - HARD DRIVE 3 STARTECH.COM USB TO RS232/ RS485/RS422 8 5 LOGITECH WIRELESS COMBO MK270 -- KEYBOARD 2 LENOVO THINKPAD P1 (3RD GEN) - 15.6" 1 KINGSTON - DDR4 - 16 GB -- SODIMM 260 1 LENOVO THINKPAD THUNDERBOLT 3 WORKSTATION 1 KINGSTON - DDR4 - 16 GB -- SODIMM 260 AND ALL PRODUCTS, PROCEEDS AND ATTACHMENTS

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	Collateral Class. CG	I	E	A	O	MV
5.	768498147 ***PPSA***	37	20201211 1239 1793 3248 Reg. 4 year(s)	IS5 COMMUNICATIONS INC.	NFS LEASING CANADA LTD. PEOPLES UNITED BANK			X			

No Fixed Maturity Date

General Collateral Description:

ALL EQUIPMENT, PERIPHERALS AND ANY AND ALL INVENTORY (COLLECTIVELY "**EQUIPMENT**") WHEREVER LOCATED, FINANCED UNDER AND DESCRIBED IN THE SCHEDULE 01 TO MASTER LEASE AGREEMENT 2020-0284 (THE "**LEASE**") ENTERED INTO BETWEEN LESSEE AND LESSOR AND ALL OF LESSOR'S RIGHTS, TITLE AND INTEREST IN AND TO USE ANY SOFTWARE AND SERVICES (COLLECTIVELY" SOFTWARE") FINANCED UNDER AND DESCRIBED IN THE LEASE, ALONG WITH ANY MODIFICATIONS OR SUPPLEMENTS TO THE LEASE WHICH ARE INCORPORATED OR EVIDENCED IN WRITING AND ALL SUBSTITUTIONS, ADDITIONS, ACCESSIONS AND REPLACEMENTS TO THE EQUIPMENT OR SOFTWARE NOW OR HEREAFTER

INSTALLED IN, AFFIXED TO, OR USED IN CONJUNCTION WITH THE EQUIPMENT OR SOFTWARE AND THE PROCEEDS THEREOF TOGETHER WITH ALL PAYMENTS, INSURANCE PROCEEDS, CREDITS OR REFUNDS OBTAINED BY LESSEE FROM A MANUFACTURER, LICENSOR OR SERVICE PROVIDER, OR OTHER PROCEEDS AND PAYMENTS DUE AND TO BECOME DUE AND ARISING FROM OR RELATING TO SUCH EQUIPMENT, SOFTWARE OR THE LEASE. IN THE EVENT LESSEE PURCHASES ANY SUCH EQUIPMENT OR SOFTWARE, THEN LESSEE, IN ACCORDANCE WITH THE PROVISIONS OF THE LEASE, HEREBY GRANTS TO LESSOR A FIRST PRIORITY SECURITY INTEREST IN ANY SUCH EQUIPMENT OR SOFTWARE PURCHASED UNTIL SUCH TIME AS LESSOR RECEIVES PAYMENT OF THE FULL PURCHASE PRICE FROM LESSEE.

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	Collateral Class.					
						CG	I	E	A	O	MV
6.	766044945 ***PPSA***	46	20200923 1450 2203 0358 Reg. 02 year(s)	IS5 COMMUNICATIONS INC. IS5 COMMUNICATIONS INC	INDCOM LEASING INC.			X		X	

General Collateral Description:

SOFTWARE, TESTING, EVALUATION EQUIPMENT, IECEE CERTIFICATION TOGETHER WITH ALL ACCESSORIES, OPTIONAL EQUIPMENT, COMPONENTS, PARTS, INSTRUMENTS, APPURTENANCES, FURNISHINGS AND OTHER EQUIPMENT OF WHATEVER NATURE OR KIND IN CONNECTION WITH THEREFOR SAID EQUIPMENT.

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	Collateral Class.					
						CG	I	E	A	O	MV
7.	763408296 ***PPSA***	48	20200707 1030 6005 4093 Reg. 05 year(s)	IS5 COMMUNICATIONS INC.	CWB NATIONAL LEASING INC.			X			

General Collateral Description:

ALL COMPUTER EQUIPMENT-FIXED, OFFICE FURNITURE, GAMING CHAIRS WITH RELATED COMPONENTS OF EVERY NATURE OR KIND DESCRIBED IN AGREEMENT NUMBER 3005283, BETWEEN CATALYST FINANCE PARTNERS INC., AS ORIGINAL SECURED PARTY AND THE DEBTOR, WHICH AGREEMENT WAS ASSIGNED BY THE ORIGINAL SECURED PARTY TO THE SECURED PARTY, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, SUBSTITUTIONS AND PROCEEDS OF ANY KIND DERIVED DIRECTLY OR INDIRECTLY THEREFROM.

	File No.		Reg. No.	Debtor(s)	Secured Party	Collateral Class.

		Enquiry Page No.				CG	I	E	A	O	MV
8.	758100006 ***PPSA***	51	20191129 1602 2203 0086 Reg. 04 year(s)	IS5 COMMUNICATIONS INC. IS5 COMMUNICATIONS INC	INDCOM LEASING INC.	X				X	
		General Collateral Description: EMC TESTING EQUIPMENT WITH ALL ATTACHMENTS AND ACCESSORIES									

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	Collateral Class.					
						CG	I	E	A	O	MV
9.	758100969 ***PPSA***	52	20191129 1625 1901 6977 Reg. 04 year(s)	IS5 COMMUNICATIONS INC.	BLUE CHIP LEASING CORPORATION			X		X	
		53	20191203 1606 1902 8127 A AMENDMENT	IS5 COMMUNICATIONS INC.							
		Reason for Amendment: AMEND DEBTOR FROM IS5 COMMUNICATIONS INC. 5895 AMBER DR MISSISSAUGA, ON, L4W5B7 TO IS5 COMMUNICATIONS INC. 5895 AMBLER DR MISSISSAUGA, ON, L4W5B7									

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	Collateral Class.					
						CG	I	E	A	O	MV
10.	757449954 ***PPSA***	54	20191108 1713 1462 7719 Reg. 4 year(s)	IS5 COMMUNICATIONS INC.	VAULT CREDIT CORPORATION			X		X	

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	CG	I	E	A	O	MV
11.	754590942 ***PPSA***	55	20190820 1433 8077 6213 Reg. 4 year(s)	IS5 COMMUNICATIONS INC.	RCAP LEASING INC.			X	X	X	

No Fixed Maturity Date

General Collateral Description:

ALL COMPUTER EQUIPMENT FROM TIME TO TIME LEASED BY THE SECURED PARTY TO THE DEBTOR AS DESCRIBED ON LEASES, CONDITIONAL SALES AGREEMENTS AND ANY OTHER FINANCING AGREEMENTS ENTERED INTO BETWEEN THE SECURED PARTY AND THE DEBTOR FROM TIME TO TIME AND ANY PROCEEDS THEREOF, TOGETHER WITH ALL REPLACEMENT PARTS, ACCESSORIES AND ATTACHMENTS.

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	CG	I	E	A	O	MV
12.	753395328 ***PPSA***	58	20190716 1136 2203 9957 Reg. 04 year(s)	IS5 COMMUNICATIONS INC. IS5 COMMUNICATIONS INC	INDCOM LEASING INC	X		X		X	

General Collateral Description:

COMPUTER EQUIPMENT AND OFFICE FURNITURE TOGETHER WITH ALL ACCESSORIES, OPTIONAL EQUIPMENT, COMPONENTS, PARTS, INSTRUMENTS, APPURTENANCES, FURNISHINGS AND OTHER EQUIPMENT OF WHATEVER NATURE OR KIND IN CONNECTION WITH THEREFOR SAID EQUIPMENT.

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	CG	I	E	A	O	MV

13.	752424687 ***PPSA***	60	20190618 1125 6005 1917 Reg. 05 year(s)	IS5 COMMUNICATIONS INC.	CWB NATIONAL LEASING INC.			X			
		General Collateral Description: ALL COMPUTER EQUIPMENT,ADAPTOR CARDS, ADAPTERS, THINKPADS, DVD BURNERS, CASSETTES, PRINTERS, SCANNERS, LASER PRINTERS, THINKSTATIONS, DDR2, DDR4, EXTENDERS, TONERS, THINKCENTRES, AND LICENSING SUBSCRIPTIONS OF EVERY NATURE OR KIND DESCRIBED IN AGREEMENT NUMBER 2916700, BETWEEN SOFTCHOICE LP, AS ORIGINAL SECURED PARTY AND THE DEBTOR, WHICH AGREEMENT WAS ASSIGNED BY THE ORIGINAL SECURED PARTY TO THE SECURED PARTY, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, SUBSTITUTIONS AND PROCEEDS OF ANY KIND DERIVED DIRECTLY OR INDIRECTLY THEREFROM.									
	File No.	**Enquiry Page No.**	**Reg. No.**	**Debtor(s)**	**Secured Party**	**Collateral Class.**					
						CG	**I**	**E**	**A**	**O**	**MV**
14.	751721958 ***PPSA***	63	20190529 1526 1901 8999 Reg. 04 year(s)	IS5 COMMUNICTIONS INC.	GOULD LEASING LTD.			X			
		64	20190529 1704 1902 1348 A AMENDMENT	IS5 COMMUNICTIONS INC. IS5 COMMUNICATIONS INC.							
		Reason for Amendment: AMEND DEBTOR FROM IS5 COMMUNICTIONS INC. 5895 AMBLER DRIVE MISSISSAUGA, ON, L4W5B7 TO IS5 COMMUNICATIONS INC. 5895 AMBLER DRIVE MISSISSAUGA, ON, L4W5B7									
	File No.	**Enquiry Page No.**	**Reg. No.**	**Debtor(s)**	**Secured Party**	**Collateral Class.**					
						CG	**I**	**E**	**A**	**O**	**MV**

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	CG	I	E	A	O	MV
15.	750936663 ***PPSA***	65	20190507 1042 1902 5508 Reg. 05 year(s)	IS5 COMMUNICATIONS INC	LBEL INC.			X		X	
		General Collateral Description: COMPUTER EQUIPMENT WITH ALL ACCESSORIES									
	File No.	**Enquiry Page No.**	**Reg. No.**	**Debtor(s)**	**Secured Party**	**CG**	**I**	**E**	**A**	**O**	**MV**
16.	750023478 ***PPSA***	69	20190410 1545 6005 9877 Reg. 05 year(s)	IS5 COMMUNICATIONS INC.	CWB NATIONAL LEASING INC.			X			
		General Collateral Description: ALL OFFICE FURNITURE, RECTANGULAR TABLE, NESTING CHAIRS, DESKS, STORAGE WITH PLANTER TOP, PLANTER SURROUNDS, 3 HIGH LATERAL FILES, PANELS, PANELS WITH GLASS, AND VILLA CORDED SERIOUS WITH RELATED COMPONENTS OF EVERY NATURE OR KIND DESCRIBED IN AGREEMENT NUMBER 2916165, BETWEEN QUESTOR FINANCIAL CORP., AS ORIGINAL SECURED PARTY AND THE DEBTOR, WHICH AGREEMENT WAS ASSIGNED BY THE ORIGINAL SECURED PARTY TO THE SECURED PARTY, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS.									
	File No.	**Enquiry Page No.**	**Reg. No.**	**Debtor(s)**	**Secured Party**	**CG**	**I**	**E**	**A**	**O**	**MV**
17.	749490201 ***PPSA***	72	20190327 1434 8077 8500 Reg. 5 year(s)	IS5 COMMUNICATIONS INC	RCAP LEASING INC.			X	X	X	
		No Fixed Maturity Date General Collateral Description: ALL COMPUTER EQUIPMENT AND COMPUTER PERIPHERALS FROM TIME TO TIME LEASED BY THE SECURED PARTY TO THE DEBTOR AS DESCRIBED ON LEASES, CONDITIONAL SALES AGREEMENTS AND ANY OTHER FINANCING AGREEMENTS									

		ENTERED INTO BETWEEN THE SECURED PARTY AND THE DEBTOR FROM TIME TO TIME AND ANY PROCEEDS THEREOF, TOGETHER WITH ALL REPLACEMENT PARTS, ACCESSORIES AND ATTACHMENTS.									
		75	20190405 1033 8077 9061 A AMENDMENT	IS5 COMMUNICATIONS INC							
		Reason for Amendment: AMEND DEBTOR'S ADDRESS AND AMEND THE GENERAL COLLATERAL DESCRIPTION General Collateral Description: ALL COMPUTER EQUIPMENT AND SIGNAGE EQUIPMENT AND COMPUTER PERIPHERALS FROM TIME TO TIME LEASED BY THE SECURED PARTY TO THE DEBTOR AS DESCRIBED ON LEASES, CONDITIONAL SALES AGREEMENTS AND ANY OTHER FINANCING AGREEMENTS ENTERED INTO BETWEEN THE SECURED PARTY AND THE DEBTOR FROM TIME TO TIME AND ANY PROCEEDS THEREOF, TOGETHER WITH ALL REPLACEMENT PARTS, ACCESSORIES AND ATTACHMENTS.									

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party	Collateral Class.					
						CG	I	E	A	O	MV
18.	748756494 ***PPSA***	81	20190304 1128 6005 9051 Reg. 05 year(s)	IS5 COMMUNICATIONS INC.	CWB NATIONAL LEASING INC.			X			
		General Collateral Description: ALL COMPUTER EQUIPMENT, COMPUTER SOFTWARE OF EVERY NATURE OR KIND DESCRIBED IN AGREEMENT NUMBER 2914527, BETWEEN THE SECURED PARTY AND THE DEBTOR, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS.									

SCHEDULE 1.1(c)

SALE PROCEDURE

See attached.

SALE AND INVESTOR SOLICITATION PROCESS

On August 5, 2022, iS5 Communications Inc. (the "**Company**") filed a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") with the Office of the Superintendent of Bankruptcy. Grant Thornton Limited was appointed as proposal trustee (in such capacity, the "**Proposal Trustee**").

It is anticipated that on October 17, 2022, the Company will apply to Court for an Order, which, among other things: (a) approves this sale and investor solicitation process (the "**SISP**"), and (b) authorizes the execution by the Company of the stalking horse agreement of purchase and sale between the Company and the Stalking Horse Bidder (as defined below) (the "**Stalking Horse Agreement**") as the stalking horse bid for the purpose of conducting the SISP.

The purpose of the SISP is to identify one or more financiers, purchasers of and/or investors in the Company, the Business and/or Assets (each as defined below) to make an offer (each a "**Bid**") that is superior to the offer contemplated by the Stalking Horse Agreement, and to complete the transactions contemplated by any such offer, or by the Stalking Horse Agreement if no other offers are accepted. Set forth below are the procedures (the "**SISP Procedures**") that shall govern the SISP and any transactions consummated as a result thereof.

1. <u>Defined Terms</u>

The following capitalized terms have the following meanings when used in this SISP:

> "**2020 Noteholders**" means collectively, BDC Capital Inc., ClearSky Power & Technology Fund II LLC, ClearSky Security Fund I LLC, Phoenix Contact Venture Funds I GmbH, Cao Yang, and Coutinho Family Trust;
>
> "**2020 Notes**" means the secured convertible promissory notes issued to the 2020 Noteholders in the aggregate amount of CAD $6,055,000 on November 19, 2020;
>
> "**2021 Noteholders**" means collectively, ClearSky Power & Technology Fund II LLC, ClearSky Security Fund I LLC, Phoenix Contact Venture Funds I GmbH, Cao Yang, Clive Dias, and Artemis Capital Limited;
>
> "**2021 Notes**" means the secured convertible promissory notes issued to the 2021 Noteholders in the aggregate amount of CAD $3,820,000 on August 17, 2021;
>
> "**Acknowledgment of the SISP**" means an acknowledgment of the SISP in the form attached as Schedule "A" hereto;
>
> "**Additional Confidential Information**" means commercially sensitive information with respect to the Company, the Business and/or Assets, which may include copies of material customer and vendor agreements, details of the equity and capital structure of the Business, and meetings with management and key employees;

"**Aggregate Bid**" means a combination of Portion Bids that do not overlap for Assets sought to be purchased, and which, when totalled, equal or exceed the Minimum Bid Amount;

"**Assets**" means the assets, undertakings and property of the Company;

"**Auction**" has the meaning given to it in Section 15;

"**Auction Procedur**e" has the meaning given to it in Section 15;

"**Back-Up Bid Expiration Date**" has the meaning given to it in Section 18;

"**Back-Up Bid**" has the meaning given to it in Section 15;

"**Back-Up Bidder**" has the meaning given to it in Section 15;

"**BIA**" has the meaning given to it in the introduction;

"**Bid**" has the meaning given to it in the introduction;

"**Business**" means the business carried on by the Company, which consists primarily of providing integrated services and information technology solutions to clients, and manufacturing intelligent industrial ethernet products designed to meet the stringent demand requirements of utility sub-stations, roadside transportation, rail, and industrial applications;

"**Business Day**" means any day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario, on which commercial banks in Toronto, Ontario are open for business;

"**Company**" has the meaning given to it in the introduction;

"**Confidentiality Agreement**" means the confidentiality agreement, with terms satisfactory to the Proposal Trustee and the Company, entered into between the Company and an Interested Party;

"**Court**" has the meaning given to it in the introduction;

"**Data Room**" means an electronic data room created and maintained by the Company containing confidential information in respect of the Company, the Business and the Assets, but does not contain the Additional Confidential Information.

"**Deposit**" has the meaning given to it in Section 14(e);

"**DIP Lender**" means Phoenix Contact Venture Funds I GmbH;

“**DIP Term Sheet**” means the debtor-in-possession financing term sheet dated August 5, 2022 between iS5 Communications Inc., as borrower, and the DIP Lender, as lender;

“**Form Purchase Agreement**” means the template agreement of purchase and sale posted in the Data Room substantially in the form of the Stalking Horse Agreement;

“**Guaranteed Purchase Price**” has the meaning given to it in the Stalking Horse Agreement;

“**Interested Party**” has the meaning given to it in Section 2;

“**Investment Proposal**” has the meaning given to it in Section 9;

“**Known Potential Bidders**” has the meaning give to it in Section 5(a);

“**Management**” has the meaning given to it in Section 4;

“**Minimum Bid Amount**” means in the case of a Sale Proposal or Investment Proposal, an overall result or value which the Company, in consultation with the Proposal Trustee, considers to be greater than the Guaranteed Purchase Price by at least USD $350,000;

“**Notes**” means together, the 2020 Notes and the 2021 Notes;

“**Notice**” has the meaning given to it in Section 5(b);

“**Outside Date**” means December 23, 2022, or such other date as the Company, the Proposal Trustee, and the Successful Bidder(s) or the Back-Up Bidder, if applicable, may agree, acting reasonably;

“**Participation Notice**” has the meaning given to it in Section 4;

“**Phase I Bid**” means an initial non-binding Bid submitted by an Interested Party pursuant to Section 9 hereof;

“**Phase I Bid Deadline**” has the meaning given to it in Section 9 hereof;

“**Phase I Bidder**” means a bidder submitting a Phase I Bid;

“**Phase I Deposit**” has the meaning given to it in Section 11(i);

“**Phase I Participant Requirements**” has the meaning given to it in Section 10 hereof;

“**Phase II Bid**” means a binding unconditional Bid submitted by a Qualified Phase I Bidder;

"**Phase II Bidder**" means a bidder submitting a Phase II Bid;

"**Phase II Bid Deadline**" has the meaning given to it in Section 9;

"**Portion Bid**" means a Bid for less than all, or substantially all of the Assets, that is otherwise a Qualified Phase I Bid or a Qualified Phase II Bid;

"**Portion Bidder**" means a Qualified Phase I Bidder and/or a Qualified Phase II Bidder that submits a Portion Bid;

"**Proposal Trustee**" has the meaning given to in the introduction;

"**Purchase Price**" has the meaning given to it in Section 11(a)(i);

"Qualified Phase I Bid" means a Phase I Bid that satisfies the conditions set out in Section 11 hereof. For greater certainty, a Portion Bid may be a Qualified Phase I Bid if it forms part of an Aggregate Bid;

"**Qualified Phase I Bidder**" means a bidder submitting a Qualified Phase I Bid;

"**Qualified Phase II Bid**" means a Phase II Bid that satisfies the conditions set out in Section 14 hereof. For greater certainty, a Portion Bid may be a Qualified Phase II Bid if it forms part of an Aggregate Bid;

"**Qualified Phase II Bidder**" means bidder submitting a Qualified Phase II Bid;

"**Qualified Investment Bid**" is an Investment Proposal that is determined to be a Qualified Phase II Bid by the Company and the Proposal Trustee pursuant to Section 14;

"**Qualified Sale Bid**" is a Sale Proposal that is determined to be a Qualified Phase II Bid by the Company and the Proposal Trustee pursuant to Section 14;

"**Sale Proposal**" has the meaning given to it in Section 9;

"**Secured Lender**s" means Silicon Valley Bank and the holders of the Company's secured notes;

"**SISP**" has the meaning given to it in the introduction;

"**SISP Procedures**" has the meaning given to it in the introduction;

"**Stalking Horse Agreement**" has the meaning given to it in the introduction;

"**Stalking Horse Bidder**" means Elektrophoenix GmbH, or an affiliate thereof;

"**Successful Bid**" has the meaning given to it in Section 15;

"**Successful Bidder**" has the meaning given to it in Section 15;

"**SVB**" means Silicon Valley Bank; and

"**Teaser Letter**" has the meaning given to it in Section 5(c).

2. The SISP Procedures

The SISP shall consist of two phases. In the first phase, any interested party (an "**Interested Party**") that meets the preliminary participant requirements set out herein, including having executed a Confidentiality Agreement and an Acknowledgment of the SISP, shall be provided with access to the Data Room in order to prepare and submit a Phase I Bid by the Phase I Bid Deadline. Phase I Bidders that are determined by the Company, in consultation with the Proposal Trustee, to be Qualified Phase I Bidders shall be invited to participate in the second phase wherein they will be given access to the Additional Confidential Information in order to complete diligence prior to submitting a Phase II Bid by the Phase II Bid Deadline.

The Company, in consultation with the Proposal Trustee, shall supervise the SISP Procedures and each will generally consult with the other in respect of all matters arising out of these SISP Procedures. The Proposal Trustee shall direct and preside over the Auction, if applicable. In the event that there is disagreement as to the interpretation or application of these SISP Procedures, the Court will have the jurisdiction to hear and resolve such dispute.

3. "As Is, Where Is"

The sale of the Business or all or any part of the Assets or an investment in the Company will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature or description by the Company, the Proposal Trustee or any of their employees, officers, directors, agents or advisors, except to the extent set forth in the relevant definitive Sale Proposal or Investment Proposal agreement, as applicable, with a Successful Bidder.

By participating in this process, each Interested Party is deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Business, the Assets or the Company prior to making its Bid, that it has relied solely on its own independent review, investigation, and/or inspection of any documents and/or regarding the Business, the Assets or the Company in making its Bid, and that it did not rely on any written or oral statements, representations, promises, warranties, conditions or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Business, the Assets or the Company or the completeness of any information provided in connection therewith, except as expressly stated in the terms of any definitive transaction documents.

4. Timeline

The following table sets out the key milestones under the SISP:

Milestone	Deadline
Commencement of SISP	October 17, 2022
Distribution of the Notice, Teaser Letter Confidentiality Agreement and Acknowledgement of SISP	October 21, 2022
Phase I Bid Deadline (5:00 PM (Eastern Time))	November 16, 2022
Phase II Bid Deadline (5:00 PM (Eastern Time))	December 1, 2022
Selection of Successful Bid(s), Back-Up Bid(s), or Notification of Auction (if any)	December 2, 2022
Auction (if any)	December 5, 2022
Sale Approval Hearing	As soon as practicable
Closing Date Deadline	December 23, 2022

5. Solicitation of Interest

As soon as is reasonably practicable and, in any event, by no later than October 21, 2022:

(a) the Company and the Proposal Trustee will prepare a list of potential bidders, including (i) parties that have approached the Company or the Proposal Trustee indicating an interest in the opportunity; and (ii) strategic parties who the Company and the Proposal Trustee believe may be interested in purchasing all or part of the Business and Assets, or investing in the Company, pursuant to the SISP (“**Known Potential Bidders**”);

(b) the Proposal Trustee, with the assistance of the Company, will cause a notice of the SISP (and such other relevant information that the Company, in consultation with the Proposal Trustee, considers appropriate (the “**Notice**”) to be published in *The Globe and Mail* (National Edition) and *Insolvency Insider* and any other newspaper, journal or industry publication as the Company and the Proposal Trustee considers appropriate, if any; and

(c) the Company and the Proposal Trustee will prepare: (i) a process summary (the “**Teaser Letter**”) describing the opportunity, outlining the process under the

SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; a (ii) Confidentiality Agreement; and (iii) an Acknowledgement of the SISP, in each case in form and substance satisfactory to the Company and the Proposal Trustee.

The Proposal Trustee, with the assistance of the Company will publish the Notice and send the Teaser Letter, Confidentiality Agreement, and Acknowledgement of the SISP to all Known Potential Bidders by no later than October 21, 2022, and to any other party who requests a copy of the Teaser Letter, Confidentiality Agreement, and Acknowledgement of the SISP, or who is identified to the Company or the Proposal Trustee as a potential bidder, as soon as reasonably practicable after such request or identification, as applicable

6. Role of Management of the Company

In the event that any party or parties that are associated with the Board of Directors or management of the Company (collectively, "**Management**") intends to submit a Bid pursuant to the SISP, any such party or parties must advise the Proposal Trustee of such intention in writing by November 1, 2022 (the "**Participation Notice**"). Upon receipt of a Participation Notice, such party or parties will be excluded from any participation in the SISP that might create an unfair advantage or jeopardize the integrity of the SISP, and any such party or parties delivering a Participation Notice will be subject to the SISP Procedures as an Interested Party. For greater certainty, Marcus Boker, a Senior Director of the Stalking Horse Bidder and a Director of the Company shall be excluded from participating in the SISP without the requirement of delivering a Participation Notice.

7. Role of the Proposal Trustee

The Proposal Trustee's responsibilities pursuant to the SISP include:

(a) consulting with the Company in connection with the bidding procedures included in this SISP and the closing of the transaction contemplated in the Successful Bid(s);

(b) overseeing the SISP Procedures;

(c) reporting to the Court in connection with the SISP Procedures, including the bidding procedures described in this SISP, and the closing of the transaction contemplated in the Successful Bid(s);

(d) conducting an Auction, if necessary, in accordance with the Auction Procedures attached hereto as Schedule "C"; and

(e) assisting the Company to facilitate information requests, including assisting the Company in preparing or modifying financial information to assist with the bidding procedures described in this SISP and the closing of the transaction contemplated in the Successful Bid(s) (including the Stalking Horse Agreement).

8. Access to Due Diligence Materials

Only Interested Parties that satisfy the Phase I Participant Requirements will be eligible to receive access to the Data Room. If the Company, in consultation with the Proposal Trustee, determines that a Phase I Bidder does not constitute a Qualified Phase I Bidder, then such Phase I Bidder shall not be eligible to receive the Additional Confidential Information. For greater certainty, the Data Room shall not contain the Additional Confidential Information and the Company shall provide the Additional Confidential Information to a Qualified Phase I Bidder by alternative means.

The Company, with the assistance of the Proposal Trustee, will be responsible for the coordination of all reasonable requests for additional information and due diligence access from Interested Parties. Neither the Company nor the Proposal Trustee shall be obligated to furnish any due diligence information after the Phase I Bid Deadline other than the Additional Confidential Information to Qualified Phase I Bidders before the Phase II Bid Deadline. Neither the Company nor the Proposal Trustee shall be obligated to furnish any due diligence information after the Phase II Bid Deadline, provided however that the Company and the Proposal Trustee may, but are not obligated to, provide further information including, without limitation, financial information to the Successful Bidder (including the Stalking Horse Bidder). Neither the Company nor the Proposal Trustee is responsible for, and will bear no liability with respect to, any information obtained by any party in connection with the sale of the Assets and the Business, or an investment in the Company. If the Company provides additional information and due diligence to an Interested Party that was not previously provided to the Stalking Horse Bidder, the Company shall concurrently provide such additional information to the Stalking Horse Bidder or notify the Stalking Horse Bidder that such information is available in the Data Room.

9. Bid Deadlines

An Interested Party that wishes to make a Bid to: (a) acquire the Business or all, substantially all or any part of the Assets, including any offer to acquire some or all of the Company's software, intellectual property, manufacturing equipment, accounts receivable and furniture, fixtures and equipment (a "**Sale Proposal**"), or (b) make an investment in the Company by way of private issuances, sale or placement of newly issued or treasury equity, equity-linked or debt securities, instruments or obligations of the Company with one or more lenders and/or investors or security holders (an "**Investment Proposal**"), must deliver an executed copy of a Phase I Bid to the Proposal Trustee, at the address specified in Schedule "B" hereto (including by email) so as to be received by it **not later than 5:00 p.m. (Eastern Time) on November 16, 2022**, or such other later date or time as may be agreed by the Company and the Proposal Trustee (the "**Phase I Bid Deadline**").

All Phase II Bids must be submitted to the Proposal Trustee, at the address specified in Schedule "B" hereto (including by email) so as to be received by it **not later than 5:00 p.m. (Eastern Time) on December 1, 2022**, or such other later date or time as may be agreed by the Company and the Proposal Trustee (the "**Phase II Bid Deadline**").

PHASE I – NON BINDING BIDS

10. Phase I Participant Requirements.

To participate in Phase I of the SISP and to otherwise be considered for any purpose hereunder, each Interested Party must provide the Company with an executed copy of each of the following prior to being provided with access to the Data Room: (i) a Confidentiality Agreement; and (ii) an Acknowledgement of the SISP (collectively, the "**Phase I Participant Requirements**").

11. Qualified Phase I Bids

Only Qualified Phase I Bidders shall be allowed to participate in Phase II of the SISP and be eligible to receive the Additional Confidential Information.

In order for the Company to determine whether an Interested Party is a Qualified Phase I Bidder, the Interested Party must provide, in form and substance satisfactory to the Company, in consultation with the Proposal Trustee, each of the following on or before the Phase I Bid Deadline:

(a) Non- Binding Letter of Intent Describing the Phase 1 Bid: A non-binding letter of intent describing the material terms of the Phase I Bid which includes the following information:

(i) Sale Proposal: in the case of a Sale Proposal, the material terms and conditions of the proposed transaction, including identification of the Business or the Assets proposed to be acquired, the obligations to be assumed, the purchase price for the Business or Assets proposed to be acquired (the "**Purchase Price**"), and the structure and financing of the proposed transaction; and

(ii) Investment Proposal: in the case of an Investment Proposal, the material terms and conditions of the proposed transaction, including details regarding the proposed equity and debt structure of the Company following completion of the proposed transaction, the direct or indirect investment target and the aggregate amount of equity and debt investment (including the sources of such capital, the underlying assumptions regarding the *pro forma* capital structure, as well as anticipated tranches of debt, debt service fees, interest and amortization) to be made in the Company, and the debt, equity, or other securities, if any, proposed to be allocated to creditors of the Company;

(b) Purchase Price: Evidence that the Purchase Price (in the case of a Sale Proposal) or imputed value (in the case of an Investment Proposal) under the Phase I Bid or Aggregate Bid shall be an amount greater than the Minimum Bid Amount (a "**Superior Offer**"); provided that any Portion Bidder shall not be subject to the Minimum Bid Amount except to the extent that it forms an Aggregate Bid. For greater certainty, any Phase I Bid must provide for payment in full in cash on closing in an amount sufficient to satisfy all indebtedness, fees, and expenses owed by the Company to the DIP Lender in accordance with the DIP Term Sheet;

(c) Proof of Financial Ability to Perform: Written evidence upon which the Company and the Proposal Trustee may reasonably conclude that the Interested Party has the necessary financial ability to close the contemplated transaction on or before the Outside Date and provide adequate assurance of future performance of all obligations to be assumed in such contemplated transaction. Such information should include, among other things, the following:

(i) evidence of the Interested Party's internal resources and proof of any debt or equity funding commitments that are needed to close the contemplated transaction;

(ii) contact names and phone numbers for verification of financing sources; and

(iii) any such other form of financial disclosure or credit-quality support information or enhancement requested by and reasonably acceptable to the Company and the Proposal Trustee demonstrating that such Interested Party has the ability to close the contemplated transaction;

(d) Outstanding Due Diligence: a description of any additional due diligence required to be conducted in order to submit a Qualified Phase II Bid;

(e) Identification: Full written disclosure of the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the Phase I Bid, including whether any prior or current member of the Company's board, management, any employee or consultant to the Company or any creditor) or shareholder of the Company is involved in any way with the Phase I Bid or assisted with the Phase I Bid, and the complete terms of any such participation as well as evidence of corporate authority to sponsor or participate in the Phase I Bid;

(f) Acknowledgment: An acknowledgement and representation that the Interested Party: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents regarding the Company, the Business and/or the Assets to be acquired, or the liabilities to be assumed in making its Phase I Bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties conditions or guaranties whatsoever, whether express or implied (by operation of law or otherwise) by the Company, the Proposal Trustee or any of their respective employees, directors, officers, agents, advisors or other representatives, regarding the Company, the Business, the Assets to be acquired, or the liabilities to be assumed, or the completeness of any information provided in connection therewith, except as expressly provided in any definitive transaction documents;

(g) Authorization: Evidence, in form and substance reasonably satisfactory to the Company and the Proposal Trustee, of authorization and approval from the Interested Party's board of directors (or comparable governing body) with respect to the submission, execution and delivery of the Phase I Bid, and identification of any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;

(h) Break or Termination Fee: Evidence that it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;

(i) Deposit: A cash deposit (the "**Phase I Deposit**") in an amount equal to 5% of the Purchase Price (in the case of a Sale Proposal) or imputed value (in the case of an Investment Proposal) that shall be paid to the Proposal Trustee in trust, which Phase I Deposit shall be held and dealt with in accordance with these SISP Procedures;

(j) Employees: If applicable, the proposed number of employees of the Company who are expected to become employees of the Phase I Bidder if determined to be the Successful Bidder;

(k) Other: Such other information as may reasonably be requested by the Company or the Proposal Trustee; and

(l) Phase I Bid Deadline: It is received by the Proposal Trustee, at the address specified in Schedule "B" hereto (including by email) on or before the Phase I Bid Deadline.

The Company and with the approval of the Proposal Trustee, may waive any one or more minor and non-material violations of the requirements specified for Qualified Phase I Bids and deem such non-compliant Bids to be Qualified Phase I Bids.

12. Evaluation of Qualified Phase I Bids and Designation as Qualified Phase I Bidder

The Company, in consultation with the Proposal Trustee, shall evaluate Qualified Phase I Bids on various grounds including, but not limited to, the Purchase Price or imputed or projected value, the treatment of creditors and related implied recovery for creditors (in each case, as applicable), the assumed liabilities, the certainty of closing the transactions contemplated by the Phase I Bid on or before the Outside Date and any delay or other risks (including closing risks) in connection with the Qualified Phase I Bids.

The Company, with the approval of the Proposal Trustee, shall have the option, in its discretion, to aggregate Portion Bids into an Aggregate Bid.

The Company shall be under no obligation to accept the highest or best offer or any offer (other than the offer contained in the Stalking Horse Agreement if no other higher or better offer is accepted).

As soon as practicable after the Phase I Bid Deadline, the Company, in consultation with the Proposal Trustee, will advise an Interested Party whether or not its Phase I Bid constitutes a Qualified Phase I Bid and that it is a Qualified Phase I Bidder and, if such Phase I Bidder is a Qualified Phase I Bidder, that it is invited to participate in Phase II of the SISP.

For certainty, the Stalking Horse Agreement is a Qualified Phase I Bid and the Stalking Horse Bidder is a Qualified Phase I Bidder for all purposes of these SISP Procedures.

13. No Qualified Phase I Bids

If no Qualified Phase I Bid other than the Bid pursuant to the Stalking Horse Agreement is received by the Phase I Bid Deadline, the Stalking Horse Bidder shall be declared the Successful Bidder and the Stalking Horse Agreement shall be declared the Successful Bid.

PHASE II – BINDING BIDS

14. Qualified Phase II Bid Requirements

Only Qualified Phase I Bidders shall be entitled to submit a Phase II Bid. In order to be considered a Qualified Phase II Bid, as determined by the Company, in consultation with the Proposal Trustee: (i) a Phase II Bid must satisfy all of the requirements for a Qualified Phase I Bid contained in Section 11, provided, however, that the Phase I Bid Deadline shall not apply, and; (ii) the Qualified Phase I Bidder must also submit the following, in form and substance satisfactory to the Company, in consultation with the Proposal Trustee, on or before the Phase II Bid Deadline:

(a) Irrevocable Bid: A cover letter stating that the Phase II Bid is irrevocable until Court approval of the Successful Bid(s), provided that if such Phase II Bidder is selected as the Successful Bidder or the Back-Up Bidder, its Phase II Bid shall remain irrevocable until the Back-Up Bid Expiration Date (as defined below), which includes:

(i) Sale Proposal: in the case of a Sale Proposal, a duly authorized and executed definitive purchase agreement together with all completed schedules thereto substantially in the form of the Form Purchase Agreement, together with a blackline comparing the purchase agreement submitted to the Form Purchase Agreement which includes all or substantially all of the terms set out in the non-binding letter of intent submitted in Phase I; and

(ii) Investment Proposal: in the case of an Investment Proposal, a duly authorized and executed binding term sheet which includes all or substantially all of the terms set out in the non-binding investment proposal submitted in Phase I;

(b) Unconditional Bid: Evidence that it is not conditioned on: (i) the outcome of unperformed due diligence including the review of any Additional Confidential Information; (ii) obtaining financing; and/or (iii) any other material closing conditions;

(c) Acknowledgment: An acknowledgement and representation that the Phase II Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents regarding the Company, the Business and/or the Assets to be acquired, or liabilities to be assumed in making its Phase II Bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties conditions or guaranties whatsoever, whether express or implied (by operation of law or otherwise) by the Company, the Proposal Trustee or any of their respective employees, directors, officers, agents, advisors or other representatives, regarding the Company, the Business, the Assets to be acquired, liabilities to be assumed, or the completeness of any information provided in connection therewith, except as expressly provided in any definitive transaction documents;

(d) Authorization: Evidence, in form and substance reasonably satisfactory to the Company and the Proposal Trustee, of authorization and approval from the Interested Party's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Phase II Bid, and confirmation that any other required approvals have been obtained;

(e) Deposit: A cash deposit (the "**Deposit**") which, in combination with the Phase I Deposit, shall be in an amount not less than 10% of the Purchase Price (in the case of a Sale Proposal) or imputed value (in the case of an Investment Proposal) that shall be paid to the Proposal Trustee in trust, which Deposit shall be held and dealt with in accordance with these SISP Procedures;

(f) Employees: If applicable, full details of the proposed number of employees of the Company who will become employees of the Phase II Bidder if determined to be the Successful Bidder and the proposed terms and conditions of employment to be offered to those employees;

(g) Other: Such other information as may reasonably be requested by the Company or the Proposal Trustee; and

(h) Phase II Bid Deadline: It is received by the Proposal Trustee, at the address specified in Schedule "B" hereto (including by email) on or before the Phase II Bid Deadline.

15. Evaluation of Qualified Phase II Bids and Subsequent Actions

The Company, in consultation with the Proposal Trustee, shall evaluate Qualified Phase II Bids on various grounds including, but not limited to, the Purchase Price or imputed or projected value, the treatment of creditors and related implied recovery for creditors (in each case, as applicable), the assumed liabilities, the certainty of closing the transactions contemplated by the Qualified Phase II Bid on or before the Outside Date and any delay or other risks (including closing risks) in connection with the Qualified Phase II Bids.

For certainty, the Stalking Horse Agreement is a Qualified Phase II Bid and the Stalking Horse Bidder is a Qualified Phase II Bidder for all purposes of these SISP Procedures.

Following such evaluation, the Company, with the approval of the Proposal Trustee, shall:

(a) identify if any Qualified Phase II Bid is a Superior Offer; and

(b) if one or more Qualified Phase II Bids are considered to be a Superior Offer, each Qualified Phase II Bidder presenting a Superior Offer shall proceed to an auction (the "**Auction**") with the Stalking Horse Bidder in accordance with the procedures set out in the attached Schedule "C" (the "**Auction Procedure**") to identify the "**Successful Bid**", and the Qualified Phase II Bidder making such Successful Bid, the "**Successful Bidder**". The determination of any Successful Bid by the Company, in consultation with the Proposal Trustee, shall be subject to approval by the Court.

The Company, with the approval of the Proposal Trustee, shall have the option to aggregate Portion Bids into an Aggregate Bid. Notwithstanding anything to the contrary herein, the Company, with the approval of the Proposal Trustee, shall be permitted to include Qualified Investment Bids or Qualified Sale Bids in the Auction, including to the extent such Qualified Phase II Bids are Portion Bids, provided that such Qualified Investment Bids or Qualified Sale Bids constitute a Superior Offer.

Following the selection of the Successful Bid, the Company shall take such steps as may be necessary to finalize definitive transaction documents for the Successful Bid(s) with the Successful Bidder(s).

The Company may conditionally accept one or more (if for distinct and compatible transactions that are Portion Bids) Qualified Phase II Bids, which acceptance will be conditional upon the failure of the transaction(s) contemplated by the Successful Bid to close (the "**Back-up Bid**" and Qualified Phase II Bidder making such Back-up Bid being the "**Back-Up Bidder**").

The Company shall be under no obligation to accept the highest or best offer or any offer (other than the offer contained in the Stalking Horse Agreement if no Superior Offer is accepted) or to select any Successful Bidder(s) and any Back-Up Bidder(s). For greater certainty, any accepted offer, whether at the Auction or otherwise, must constitute a Superior Offer.

As soon as reasonably practicable and by no later than December 2, 2022, the Company shall advise the Qualified Phase II Bidders if Successful Bid(s) and Back-Up Bid(s) have been accepted, or conditionally accepted, as the case may be. If the Company determines it is necessary to conduct an Auction pursuant to the SISP Procedures, the Company or the Proposal Trustee will advise the Qualified Phase II Bidders of the date, time, location and the rules (if any) of the Auction in accordance with the Auction Procedure.

16. **No Qualified Phase II Bids**

If no Superior Offer is received by the Phase II Bid Deadline, the Auction will not be held, and the Stalking Horse Bidder will be declared to be the Successful Bidder and the Stalking Horse Agreement shall be declared the Successful Bid.

APPROVAL MOTION

17. **Approval Motion**

The Company shall use reasonable efforts to make a motion to the Court to approve the Successful Bid(s) and Back-Up Bid(s) as soon as practicable following the determination by it and the Proposal Trustee of the Successful Bidder(s). The Company will be deemed to have accepted the Successful Bid(s) only when it has been approved by the Court. All Qualified Phase II Bids (other than the Successful Bid(s) and the Back-Up Bid(s)) shall be deemed rejected by the Company on and as of the date of approval of the Successful Bid(s) by the Court.

18. **Back-Up Bidder**

If a Successful Bidder fails to close the transaction contemplated by the Successful Bid(s) on or before the Outside Date for any reason, then the Company will be deemed to have accepted the Back-Up Bid(s) and will proceed with the transaction pursuant to the terms thereof. The Back-Up Bid(s) shall remain open for acceptance until the closing of the Successful Bid(s), or such other later date as the Company and the Back-Up Bidder may agree, acting reasonably (the "**Back-Up Bid Expiration Date**").

MISCELLANEOUS

19. **Information From Interested Parties**

Each Interested Party shall comply with all reasonable requests for additional information by the Company or the Proposal Trustee regarding such Interested Party and its contemplated transaction. Failure by an Interested Party to comply with requests for additional information will be a basis for the Company to determine that the Interested Party is not a Qualified Phase I Bidder or a Qualified Phase II Bidder, as applicable.

20. **Deposits**

All Deposits shall be held by the Proposal Trustee in a single interest bearing account designated solely for such purpose. A Deposit paid by a Successful Bidder shall be dealt with in accordance with the definitive documents for the transactions contemplated by the Successful Bid. Deposits, and any interest earned thereon, paid by Phase I Bidders not selected as either a Qualified Phase I Bidder or a Qualified Phase II Bidder shall be returned to such Phase I Bidder within three Business Days of being advised that it is not a Qualified Phase I Bidder or a Qualified Phase II Bidder, as the case may be. Deposits, and any interest thereon, paid by Qualified Phase II Bidders not selected as either a Successful Bidder or a Back-Up Bidder shall be returned to such Qualified Phase II Bidders within three Business Days of Court approval of the Successful Bid. In the case of Back-Up Bid(s), the Deposit and any interest earned thereon shall be retained by the Proposal Trustee until the Back-Up Bid Expiration Date and returned to the Back-Up Bidder within three Business Days thereafter or, if a Back-Up Bid becomes a Successful Bid, shall be dealt with in accordance with the definitive documents for the Back-Up Bid.

21. Modifications and Termination

The Company, in consultation with the Proposal Trustee, shall have the right to adopt such other rules for the SISP Procedures (including rules that may depart from those set forth herein) that will better promote the sale of the Business or all or any part of the Assets or investment in the Company under these SISP Procedures. The Company, in consultation with the Proposal Trustee, shall apply to the Court if it wishes to materially modify or terminate the process set out in these SISP Procedures. For certainty, any amendments to the Phase I Bid Deadline or the Phase II Deadline or other dates set out in these SISP Procedures, including those relating to the Auction, shall not constitute a material modification, provided that any extensions to the Phase I Bid Deadline or the Phase II Deadline are not longer than seven calendar days.

22. Consultation with the Secured Lenders

The Company, in consultation with the Proposal Trustee, shall, as appropriate, consult with SVB throughout the SISP; provided that, SVB shall not be permitted to participate in the SISP.

23. Credit Bids

Any holder of Notes is permitted to credit bid the amount outstanding under the Notes that it holds in partial satisfaction of the Purchase Price provided that: (i) the amount owing to any party with a claim against the Company in priority to the Notes; and (ii) the amount outstanding under all of the Notes, which each rank *parri passu*, is paid in cash or assumed by the Purchaser with the consent of such party.

24. Other

Neither the Company nor the Proposal Trustee shall be liable for any claim for a brokerage commission, finder's fee or like payment in respect of the consummation of any of the transactions contemplated under the SISP arising out of any agreement or arrangement entered into by the parties that submitted the Successful Bid(s) and Back-Up Bid(s). Any such claim shall be the sole liability of the parties that submitted such Successful Bid(s) and Back-Up Bid(s).

Neither the Company nor the Proposal Trustee shall have any liability whatsoever to any person or party, including without limitation, to any Potential Bidder, Phase 1 Bidder, Phase 2 Bidder, a Successful Bidder or Back-Up Bidder, or any creditor, or other stakeholder, for any act or omission related to this SISP. By submitting a Bid, each

Interested Party shall be deemed to have agreed that it has no claim against the Company or the Proposal Trustee for any reason, matter or thing whatsoever related to this SISP.

SCHEDULE "A"

Acknowledgement of the SISP

The undersigned hereby acknowledges receipt of the Sale and Investor Solicitation Process approved by the Order of the Honourable Justice Cavanagh of the Ontario Superior Court of Justice (Commercial List) dated October 17, 2022 (the "**SISP**") and that compliance with the terms and provisions of the SISP is required in order to participate in the SISP and for any Bids to be considered by the Company.

This ____day of _______________, 2022.

[NAME]

By:

____
[Signing Officer]

SCHEDULE "B"
ADDRESS PARTICULARS

Grant Thornton Limited
11th Floor, 200 King Street West
Toronto, ON M5H 3T4

Attention:	Jason Kanji
Phone:	416.777.6136
Fax:	416.360.4949
Email:	jason.kanji@ca.gt.com

SCHEDULE "C"
AUCTION PROCEDURES

Auction

1. If the Company, with the approval of the Proposal Trustee, determines to conduct an Auction pursuant to the SISP Procedures, the Company or the Proposal Trustee will notify the Qualified Phase II Bidders (including the Stalking Horse Bidder) who made a Qualified Phase II Bid that the Auction will be held virtually at 9:00 a.m. (Eastern Time) on a date that is determined by the Company or the Proposal Trustee, provided that it is a date that is not later than two Business Days after the Phase II Bid Deadline, or such other place, date and time as the Company or the Proposal Trustee may advise. Capitalized terms used but not defined herein have the meaning given to them in the SISP Procedures.

   The Auction shall be conducted in accordance with the following procedures:

   (a) Participation At the Auction. Only a Qualified Phase II Bidder is eligible to participate in the Auction. Each Qualified Phase II Bidder must inform the Company and the Proposal Trustee whether it intends to participate in the Auction no later than 12:00 p.m. (Eastern Time) on the Business Day prior to the Auction. Only the authorized representatives of each of the Qualified Phase II Bidders, the Proposal Trustee and the Company, and their respective counsel and other advisors, and any other parties acceptable to the Company in consultation with the Proposal Trustee, shall be permitted to attend the Auction.

   (b) Bidding at the Auction. Bidding at the Auction shall be conducted in rounds. The highest Qualified Phase II Bid at the beginning of the Auction shall constitute the "**Opening Bid**" for the first round and the highest Overbid (as defined below) at the end of each round shall constitute the "**Opening Bid**" for the following round. In each round, a Qualified Phase II Bidder may submit no more than one Overbid. Only a Qualified Phase II Bidder who bids in a round (including the Qualified Phase II Bidder that submitted the Opening Bid for such round) shall be entitled to participate in the next round of bidding at the Auction. For greater certainty, an Aggregate Bid may be determined to be the Opening Bid for any round including the opening round.

   (c) Proposal Trustee Shall Conduct the Auction. The Proposal Trustee and its advisors shall direct and preside over the Auction. At the start of the Auction, the Proposal Trustee shall provide the terms of the Opening Bid to all participating Qualified Phase II Bidders at the Auction. The determination of which Qualified Phase II Bid constitutes the Opening Bid for each round shall take into account any factors that the Proposal Trustee reasonably deems relevant to the value of the Qualified Phase II Bid, including, among other things, the following: (i) the amount and nature of the consideration, including the value of any non-cash consideration; (ii) the proposed assumption of any liabilities and the related implied impact on recoveries for creditors; (iii) the Proposal Trustee's reasonable assessment of the certainty of the Qualified Phase II Bidder to close the proposed transaction on or before the Outside Date; (iv) the likelihood, extent and impact of any potential delays in closing; (v) the impact of the contemplated transaction on any actual or potential litigation; (vi) the net economic effect of any changes from the Opening Bid of the previous round; (vii) the net after-tax consideration to be received by the Company; and (viii) such other considerations as the Proposal Trustee deems relevant in its reasonable business judgment (collectively, the "**Bid Assessment Criteria**"). For greater certainty, the Proposal Trustee may ascribe monetary values to non-monetary terms in Overbids for the purposes of assessing and valuing such Overbids, including without limitation, the value to be ascribed to any liabilities or contracts to be assumed. All Bids made after the Opening Bid shall be Overbids, and shall be made and received on an open basis, and all material terms of the highest and best Overbid shall be fully disclosed to all other Qualified Phase II Bidders that are participating in the Auction. The Proposal Trustee shall maintain a record of the Opening Bid and all Overbids made and announced at the Auction, including the Successful Bid and the Back-Up Bid.

(d) Terms of Overbids. An "**Overbid**" is any Bid made at the Auction subsequent to the Proposal Trustee's announcement of the Opening Bid. To submit an Overbid, in any round of the Auction, a Qualified Phase II Bidder must comply with the following conditions:

(i) *Minimum Overbid Increment:* Any Overbid shall be made in such increments as the Proposal Trustee may determine in order to facilitate the Auction (the "**Minimum Overbid Increment**"). The amount of the cash purchase price consideration or value of any Overbid shall not be less than the cash purchase price consideration or value of the Opening Bid, plus the Minimum Overbid Increment(s) at that time plus any additional Minimum Overbid Increments. In respect of the Stalking Horse Agreement and any Overbid by the Stalking Horse Purchaser, the value shall include the amount of any indebtedness owing to it that is to be deemed repaid or otherwise released and any priority indebtedness to be assumed pursuant to and in accordance with the terms of the Stalking Horse Agreement.

(ii) *The Bid Requirements same as for Qualified Phase II Bids:* Except as modified herein, an Overbid must comply with the bid requirements contained herein, provided, however, that the Phase II Bid Deadline shall not apply. Any Overbid made by a Qualified Phase II Bidder must provide that it remains irrevocable and binding on the Qualified Phase II Bidder and open for acceptance until the closing of the Successful Bid(s).

(iii) *Announcing Overbids:* At the end of each round of bidding, the Proposal Trustee shall announce the identity of the Qualified Phase II Bidder and the material terms of the then highest and/or best Overbid, including the nature of the proposed transaction contemplated by the best Overbid, the assets proposed to be acquired and the obligations proposed to be assumed, the basis for calculating the total consideration offered in such Overbid, and the resulting benefit to the Company based on, among other things, the Bid Assessment Criteria. For greater certainty, an Aggregate Bid may be determined to be the highest and/or best Overbid.

(iv) *Consideration of Overbids:* The Proposal Trustee reserves the right, in consultation with the Company, to make one or more adjournments in the Auction to, among other things: (A) facilitate discussions between the Company and individual Qualified Phase II Bidders; (B) allow individual Qualified Phase II Bidders to consider how they wish to proceed; (C) consider and determine the current highest and/or best Overbid at any given time during the Auction; and (D) give Qualified Phase II Bidders the opportunity to provide the Proposal Trustee with such additional evidence as it, or the Company, may require, that the Qualified Phase II Bidder has obtained all required internal corporate approvals, has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing Overbid amount. The Proposal Trustee and Company may have clarifying discussions with a Qualified Phase II Bidder, and the Proposal Trustee may allow a Qualified Phase II Bidder to make technical clarifying changes to its Overbid following such discussions.

(v) *Portion Bids:* Notwithstanding the forgoing, each Portion Bidder entitled to participate in the Auction shall be entitled to submit an Overbid (in a minimum increment to be determined by the Proposal Trustee) with respect to the Assets on which it is bidding without being required to submit an Overbid with respect to all Assets or the applicable Opening Bid; provided that any Aggregate Bid that is an Overbid shall be subject to these Auction procedures as any other Overbid, including that such Aggregate Bid that is an Overbid shall be subject to the Minimum Overbid Increment. Portion Bids can be aggregated with any other Qualified Phase II Bid, as determined by the Company and the Proposal Trustee.

(vi) *Failure to Bid:* If at the end of any round of bidding a Qualified Phase II Bidder (other than a Portion Bidder, or the Qualified Phase II Bidder that submitted the then highest and/or best Overbid or Opening Bid, as applicable) fails to submit an Overbid, then such Qualified Phase II Bidder shall not be entitled to continue to participate in the next round of the Auction.

(e) Discussion with other Bidders. A Qualified Phase II Bidder shall not strategize or discuss with other Qualified Phase II Bidders for the purpose of submitting an Overbid without the consent of the Proposal Trustee.

(f) Additional Procedures. The Proposal Trustee may, in consultation with the Company, adopt rules for the Auction at or prior to the Auction that will better promote the goals of the Auction, including rules pertaining to the structure of the Auction, the order of bidding provided they are not inconsistent with any of the provisions of the SISP Procedures and provided further that no such rules may change the requirement that all material terms of the then highest and/or best

Overbid at the end of each round of bidding will be fully disclosed to all other Qualified Phase II Bidders.

(g) Closing the Auction. The Auction shall be closed after the Proposal Trustee, with the assistance of the Company and their respective legal counsel, has (i) reviewed the final Overbid of each Qualified Phase II Bidder on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the proposed sale, and (ii) identified the Successful Bid and the Back-Up Bid and advise the Qualified Phase II Bidders participating in the Auction of such determination. One or more Portion Bids can, in the discretion of the Proposal Trustee, form part of a Successful Bid and Back-Up Bid so long as such Portion Bids do not overlap in respect of the Assets sought to be purchased and in such case, such Portion Bid shall be included in the definition of Successful Bidder or Back-Up Bid, as applicable.

(h) Finalizing Documentation. Promptly following a Bid of a Qualified Phase II Bidder being declared the Successful Bid or the Back-Up Bid, the applicable Qualified Phase II Bidder shall execute and deliver such revised and updated definitive transaction agreements as may be required to reflect and evidence the Successful Bid or Back-Up Bid.

(i) Qualified Investment Bids. Notwithstanding any other provision of these SISP Procedures, if a Qualified Phase II Bidder submits a Qualified Investment Bid, which the Company or the Proposal Trustee considers would result in a greater value being received for the benefit of the Company's creditors than the Qualified Sale Bids, then the Proposal Trustee may allow such Qualified Phase II Bidder to participate in the Auction, notwithstanding that such Qualified Investment Bid may not otherwise comply with the terms of these Auction Procedures. In such case, the Proposal Trustee may adopt appropriate rules to facilitate such Qualified Phase II Bidder's participation in the Auction.

Schedule 2.3(1)

EXCLUDED LIABILITIES

The following is a non-exhaustive list of Excluded Liabilities:

1. Any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Corporation may be bound as at the Closing Time.

2. Any and all Liabilities in respect of any litigation or Legal Proceedings brought or initiated, or which could be brought or initiated against the Corporation.

3. Any and all Liabilities relating to or under the Excluded Contracts and Excluded Assets.

4. All amounts outstanding to Her Majesty the Queen in Right of Canada, as represented by the Minister responsible for Federal Economic Development Agency in Southern Ontario, in connection with the Business Scale-Up and Productivity Contribution Agreement, including any other related agreements.

5. Any and all Liabilities with regard to the Terminated Employees.

6. Any Liabilities for Taxes owing or accrued due by the Corporation prior to the Filing Date.

7. Any and all Liabilities that are not Assumed Liabilities.

Schedule 4.1

EXCLUDED ASSETS AND EXCLUDED CONTRACTS

Excluded Assets – None.

Excluded Contracts – all agreements relating to Liabilities that are Excluded Liabilities.

APPENDIX - 5

iS5 Communications Inc.
13 Week Cash Flow Projection
As at September 28, 2022

Week Ended		12-Aug-22 Week 1	Actual	Variance	19-Aug-22 Week 2	Actual	Variance
Cash Receipts (USD)							
Collections	*Note 2 & 8*	117,399	69,888	(47,511)	19,440	84,159	64,719
HST		-	-	-	-	-	-
SRED/Misc		-	-	-	-	977,581	977,581
Total Cash Receipts		117,399	69,888	(47,511)	19,440	1,061,740	1,042,300
Cash Disbursements (USD)							
Operational							
Trade Payables	*Note 3*	(200,000)	(2,156)	197,844	(100,000)	(71,502)	28,498
Leases Payable		-	-	-	-	-	-
SVB Principal/Interest		-	-	-	-	-	-
Credit Cards and Employee Expense	*Note 3*	-	(1,699)	(1,699)	(3,000)	(4,384)	(1,384)
Channel Partner Commissions		-	-	-	(6,000)	-	6,000
Consultants		(5,000)	-	5,000	-	-	-
Rent		-	-	-	-	-	-
Utilities		-	-	-	-	-	-
Bank Charges		-	(2)	(2)	-	-	-
Office/Communication		-	-	-	(1,686)	-	1,686
Independent Director		-	-	-	-	-	-
IT Systems/Software Subscriptions	*Note 4*	(102)	-	102	(6,563)	-	6,563
Payroll	*Note 5*						
Benefits		-	-	-	(50)	-	50
Payroll Canada		(94,938)	-	94,938	(109,375)	(180,554)	(71,179)
Payroll US		-	-	-	(15,000)	(20,652)	(5,652)
Payroll International		-	-	-	-	-	-
Restructuring Fees	*Note 6*						
Trustee Fees		-	-	-	(25,000)	(22,379)	2,621
Legal Counsel Fees		-	-	-	-	-	-
Total Cash Disbursements		(300,039)	(3,857)	296,182	(266,675)	(299,471)	(32,797)
Net Cash Flow		(182,640)	66,031	248,671	(247,234)	762,269	1,009,503
Opening Cash (USD)		109,718	204,175	94,457	527,078	870,206	343,129
Debtor in Possession Financing (USD)	*Note 7*	600,000	600,000	-	-	-	-
Closing Cash (USD)		**527,078**	**870,206**	**343,129**	**279,843**	**1,632,475**	**1,352,632**

Week Ended	26-Aug-22 Week 3	Actual	Variance	2-Sep-22 Week 4	Actual	Variance	9-Sep-22 Week 5	Actual	Variance
Cash Receipts (USD)									
Collections	50,307	26,506	(23,801)	155,053	47,055	(107,998)	49,525	56,011	6,487
HST	-	-	-	-	-	-	15,000	-	(15,000)
SRED/Misc	-	-	-	-	-	-	-	-	-
Total Cash Receipts	50,307	26,506	(23,801)	155,053	47,055	(107,998)	64,525	56,011	(8,513)
Cash Disbursements (USD)									
Operational									
Trade Payables	(35,000)	(46,037)	(11,037)	(79,000)	(94,318)	(15,318)	(42,000)	(66,783)	(24,783)
Leases Payable	-	(3,471)	(3,471)	-	(20,897)	(20,897)	-	(2,525)	(2,525)
SVB Principal/Interest	-	-	-	-	(7,491)	(7,491)	(209,667)	-	209,667
Credit Cards and Employee Expense	-	-	-	(15,000)	(11,719)	3,281	-	(9,481)	(9,481)
Channel Partner Commissions	-	(2,335)	(2,335)	-	-	-	-	-	-
Consultants	(11,906)	-	11,906	-	(781)	(781)	(8,000)	-	8,000
Rent	-	-	-	(19,637)	(6,295)	13,342	-	(19,637)	(19,637)
Utilities	(1,912)	(1,925)	(14)	(3,498)	-	3,498	-	-	-
Bank Charges	(1,093)	-	1,093	-	(525)	(525)	-	(257)	(257)
Office/Communication	(121)	-	121	(1,953)	-	1,953	-	-	-
Independent Director	-	-	-	(13,672)	-	13,672	-	-	-
IT Systems/Software Subscriptions	-	-	-	(9,889)	(6,183)	3,706	(1,102)	-	1,102
Payroll									
Benefits	(15,438)	(12,331)	3,107	(4,530)	-	4,530	-	-	-
Payroll Canada	-	-	-	(109,375)	(98,904)	10,471	-	-	-
Payroll US	-	-	-	(10,000)	(10,085)	(85)	-	-	-
Payroll International	-	-	-	(10,000)	(13,892)	(3,892)	-	-	-
Restructuring Fees									
Trustee Fees	-	(14,649)	(14,649)	-	-	-	-	-	-
Legal Counsel Fees	-	(19,531)	(19,531)	-	-	-	-	-	-
Total Cash Disbursements	(65,469)	(100,280)	(34,811)	(276,554)	(271,089)	5,465	(260,769)	(98,683)	162,086
Net Cash Flow	(15,162)	(73,774)	(58,612)	(121,501)	(224,035)	(102,533)	(196,244)	(42,672)	153,572
Opening Cash (USD)	1,632,475	1,632,475	-	1,617,313	1,558,701	(58,612)	1,495,811	1,334,666	(161,145)
Debtor in Possession Financing (USD)	-	-	-	-	-	-	-	-	-
Closing Cash (USD)	**1,617,313**	**1,558,701**	**(58,612)**	**1,495,811**	**1,334,666**	**(161,145)**	**1,299,568**	**1,291,995**	**(7,573)**

Week Ended	16-Sep-22 Week 6	Actual	Variance	23-Sep-22 Week 7	Actual	Variance	30-Sep-22 Week 8	Actual	Variance
Cash Receipts (USD)									
Collections	21,404	226,678	205,274	82,406	180,081	97,676	53,371	12,098	(41,273)
HST	-	-	-	-	-	-	-	-	-
SRED/Misc	-	-	-	-	101	101	-	-	-
Total Cash Receipts	21,404	226,678	205,274	82,406	180,182	97,776	53,371	12,098	(41,273)
Cash Disbursements (USD)									
Operational									
Trade Payables	(18,000)	(123,908)	(105,908)	(22,000)	(35,513)	(13,513)	(18,000)	(2,579)	15,421
Leases Payable		-	-	-	(1,478)	(1,478)	-	(10,273)	(10,273)
SVB Principal/Interest	-	(202,175)	(202,175)	-	-	-	-	-	-
Credit Cards and Employee Expense	-	-	-	(3,000)	(2,344)	656	-	(4,406)	(4,406)
Channel Partner Commissions	-	-	-	(6,000)	-	6,000	-	(7,364)	(7,364)
Consultants	-	-	-	-	-	-	(8,000)	-	8,000
Rent	-	-	-	-	-	-	(19,637)	-	19,637
Utilities	-	-	-	(966)	(1,918)	(952)	-	-	-
Bank Charges	-	-	-	-	-	-	(1,093)	-	1,093
Office/Communication	-	(1,686)	(1,686)	(1,686)	(1,840)	(154)	-	-	-
Independent Director	-	-	-	-	-	-	(13,672)	-	13,672
IT Systems/Software Subscriptions	-	-	-	-	(874)	(874)	-	-	-
Payroll					0				
Benefits	-	-	-	(50)	(12,522)	(12,472)	(15,438)	-	15,438
Payroll Canada	(109,375)	(98,662)	10,713	-	-	-	(109,375)	(99,216)	10,159
Payroll US	(15,000)	(7,239)	7,761	-	-	-	(10,000)	(12,886)	(2,886)
Payroll International	-	-	-	-	-	-	(10,000)	(11,886)	(1,886)
Restructuring Fees									
Trustee Fees	(25,000)	-	25,000	-	-	-	-	-	-
Legal Counsel Fees	(50,000)	-	50,000	-	-	-	-	-	-
Total Cash Disbursements	(217,375)	(433,671)	(216,296)	(33,702)	(56,489)	(22,787)	(205,215)	(148,610)	56,605
Net Cash Flow	(195,971)	(206,992)	(11,021)	48,704	123,693	74,990	(151,843)	(136,511)	15,332
Opening Cash (USD)	1,299,568	1,291,995	(7,573)	1,103,596	1,085,002	(18,594)	1,152,300	1,208,696	56,396
Debtor in Possession Financing (USD)	-	-	-	-	-	-	-	-	-
Closing Cash (USD)	**1,103,596**	**1,085,002**	**(18,594)**	**1,152,300**	**1,208,696**	**56,396**	**1,000,457**	**1,072,184**	**71,727**

Week Ended	7-Oct-22 Week 9	14-Oct-22 Week 10	21-Oct-22 Week 11	28-Oct-22 Week 12	4-Nov-22 Week 13	11-Nov-22 Week 14	18-Nov-22 Week 15	25-Nov-22 Week 16	2-Dec-22 Week 17	9-Dec-22 Week 18	16-Dec-22 Week 19	23-Dec-22 Week 20
Cash Receipts (USD)												
Collections	151,685	132,909	3,358	7,017	37,425	80,604	57,680	38,112	40,000	40,000	40,000	40,000
HST	-	15,000	-	-	-	-	15,000	-	-	-	-	15,000
SRED/Misc	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts	151,685	147,909	3,358	7,017	37,425	80,604	72,680	38,112	40,000	40,000	40,000	55,000
Cash Disbursements (USD)												
Operational												
Trade Payables	(43,000)	(20,000)	(50,000)	(30,000)	(50,000)	(50,000)	(40,000)	(50,000)	(40,000)	(40,000)	(40,000)	(40,000)
Leases Payable	(21,000)	-	-	(2,000)	(21,000)	-	-	(2,000)	-	-	-	-
SVB Principal/Interest	-	-	-	-	-	-	-	-	-	-	-	-
Credit Cards and Employee Expense	(15,000)	-	(8,000)	(5,000)	(5,000)	-	(5,000)	-	(5,000)	-	(10,000)	-
Channel Partner Commissions	-	-	(6,000)	-	-	-	-	(6,000)	-	-	-	(6,000)
Consultants	-	(16,000)	-	-	(8,000)	-	(2,000)	-	-	(8,000)	-	-
Rent	-	-	-	-	(19,637)	-	-	-	(19,637)	-	-	-
Utilities	(4,991)	-	(419)	-	(4,991)	-	-	-	(4,991)	-	-	-
Bank Charges	-	(500)	-	(300)	-	(500)	-	(800)	-	-	(800)	-
Office/Communication	(2,074)	-	(1,686)	-	(2,074)	-	-	(1,686)	-	-	(1,686)	-
Independent Director	-	(13,672)	-	-	-	-	-	(13,672)	-	-	-	-
IT Systems/Software Subscriptions	(10,889)	(102)	-	-	(10,889)	-	-	-	(10,000)	-	-	-
Payroll												
Benefits	-	-	-	(15,438)	(4,530)		-	(15,438)	(4,530)	-	-	(15,438)
Payroll Canada	-	(99,000)	-	(99,000)	-	(99,000)	-	(99,000)	-	(99,000)	-	(99,000)
Payroll US	-	(8,000)	-	(12,000)	-	(8,000)	-	(12,000)	-	(8,000)	-	(12,000)
Payroll International	-	-	-	-	(12,000)	-	-	-	(12,000)	-	-	-
Restructuring Fees												
Trustee Fees	(14,844)	-	(20,000)	-	(20,000)	-	-	(30,000)	-	-	-	-
Legal Counsel Fees	(75,000)	-	-	-	-	-	-	(215,000)	-	-	-	-
Total Cash Disbursements	(186,797)	(157,274)	(86,105)	(163,738)	(158,121)	(157,500)	(47,000)	(445,596)	(96,158)	(155,000)	(52,486)	(172,438)
Net Cash Flow	(35,112)	(9,365)	(82,747)	(156,721)	(120,696)	(76,896)	25,680	(407,484)	(56,158)	(115,000)	(12,486)	(117,438)
Opening Cash (USD)	1,000,457	965,344	955,980	873,232	716,511	595,815	518,919	544,599	137,115	80,957	465,957	453,470
Debtor in Possession Financing (USD)	-	-	-	-	-	-	-	-	-	500,000	-	-
Closing Cash (USD)	**965,344**	**955,980**	**873,232**	**716,511**	**595,815**	**518,919**	**544,599**	**137,115**	**80,957**	**465,957**	**453,470**	**336,033**

Disclaimers:
1. This statement of projected cash flow of iS5 Communications Inc. (the " **Company**") is prepared by the debtor in accordance with s.50(6)(a) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on Cash Flow Statement and the assumptions below.
2. The Company has prepared the Cash Flow Statement based on probable and hypothetical assumptions that reflect the Company's planned course of action for the period of August 12, 2022 to December 23, 2022. Management is of the view that, as at the date of filing the Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Company and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Cash Flow Statement.
3. The Cash Flow Statement has been prepared by the Company and has been reviewed by the Proposal Trustee. The Proposal Trustee has not verified or confirmed certain expenses incurred by the Company which are reflected in this Cash Flow Statement.
4. The information contained in the Cash Flow Statement is subject to changing assumptions and/or receipt of new or additional information; actual results may vary. This Cash Flow Statement should not be used for any other purpose than its stated purpose, and creditors are cautioned that the information provided in the cash flow could vary based on changing future circumstances.

Notes:
1. Note that all amount referenced above are in USD.
2. The Collections are based on actual sales, sales projections, related payment terms, and the Company's best estimate on the receipt of such sales.
3. Trade Payables, Credit Cards and Employee Expenses relate to ongoing operations with an adjustment to consider that certain payment terms may change during the Cash Flow Statement period.
4. The IT Systems/Software Subscriptions payments reflect expected payments based on existing contracts for software that is critical to the operations of the Company.
5. Payroll and related payments are based on contractual arrangements in place with the respective employees.
6. Restructuring Fees relate to the fees to be incurred during these Proceedings. These expenses include the Company's counsel, Proposal Trustee fees, and the Trustee's Counsel's fees.
7. The Company plans to utilize Debtor in Possession financing to support operations during the Cash Flow Statement period.
8. The Company's cash flow statement does not contemplate the payment of pre-filing unsecured creditors, with the exception of potential Critical Suppliers (as defined).
9. SVB as the secured creditor received a distribution on September 16, 2022, and in turn, the company has decided to maintain payments on its leased assets.

Thursday, October 6, 2022

iS5 Communications Inc.

DocuSigned by:
Per: Clive Dias
Clive
9D5738E363341C...

Grant Thornton Limited

Per: Daniel Wootton
Dan Wootton, CIRP, LIT