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

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

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District of Ontario
Division No. 9 - Toronto
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ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY & INSOLVENCY)
[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

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

---

[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

Appendix 1

Industry Canada | Industrie Canada
Office of the Superintendent of Bankruptcy Canada | Bureau du surintendant des faillites Canada

District of Ontario
Division No. 09 - Mississauga
Court No. 32-2853708
Estate No. 32-2853708

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

iS5 Communications Inc.

Insolvent Person

GRANT THORNTON LIMITED

Licensed Insolvency Trustee

Date of the Notice of Intention: August 05, 2022

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

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

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

Date: August 05, 2022, 13:18

E-File/Dépôt Electronique

Official Receiver

Appendix 2

District of: Ontario
Division No. 09 - Toronto
Court No. 32-2853708
Estate No.

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
iS5 Communications Inc.
of the city of Mississauga, in the Province of Ontario

The attached statement of projected cash flow of iS5 Communications Inc., as of the 5th day of August 2022, consisting of projections for the period ending November 4th, 2022, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: ☒ the management and employees of the insolvent person or ☐ the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: ☒ management or ☐ the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 5th day of August 2022.

Grant Thornton Limited - Licensed Insolvency Trustee
Per:

Daniel Wootton

Daniel Wootton - Licensed Insolvency Trustee
11 th Floor, 200 King Street West, Box 11
Toronto ON M5H 3T4
Phone: (416) 366-0100 Fax: (416) 360-4948

District of: Ontario
Division No. 09 - Toronto
Court No. 32-2853708
Estate No.

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
iS5 Communications Inc.
of the city of Mississauga, in the Province of Ontario

Purpose:

This cash flow has been filed pursuant to the requirements set out in Paragraph 50(6) of the Bankruptcy a Insolvency Act.

Projection 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' best estimate on the receipt of such sales.
3. Trade Payables, Credit Cards and Employee Expenses relate to ongoing operations with an adjustmen 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 contrac 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 Flo Statement period.
8. The Company has made a SR&ED claim and is anticipating a payment from the Canada Revenue Agency, however the payment has not been included in the above cash flow statement as timing of receip remains unknown.
9. The Company's cash flow statement does not contemplate the payment of pre-filing unsecured creditor with the exception of potential Critical Suppliers (as defined). Furthermore, the cash flow statement does n contemplate any ongoing payments to the Company's secured creditors during the Cash Flow Statement period.

Dated at the City of Toronto in the Province of Ontario, this 5th day of August 2022.

Grant Thornton Limited - Licensed Insolvency Trustee
Per:

Daniel Wootton

Daniel Wootton - Licensed Insolvency Trustee
11th Floor, 200 King Street West, Box 11
Toronto ON M5H 3T4
Phone: (416) 366-0100 Fax: (416) 360-4948

District of:	Ontario
Division No.	09 - Toronto
Court No.	32-2853708
Estate No.	

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
iS5 Communications Inc.
of the city of Mississauga, in the Province of Ontario

The Management of iS5 Communications Inc., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 5th day of August 2022, consisting of projections for the period ending November 4th, 2022.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 5th day of August 2022.

iS5 Communications Inc.
Debtor

Clive Dias, President & CEO
Name and title of signing officer

Name and title of signing officer

District of: Ontario
Division No. 09 - Toronto
Court No. 32-2853708
Estate No.

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
iS5 Communications Inc.
of the city of Mississauga, in the Province of Ontario

Purpose:

This cash flow has been filed pursuant to the requirements set out in Paragraph 50(6) of the Bankruptcy and Insolvency Act.

Projection 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 has made a SR&ED claim and is anticipating a payment from the Canada Revenue Agency, however the payment has not been included in the above cash flow statement as timing of receipt remains unknown.
9. 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). Furthermore, the cash flow statement does not contemplate any ongoing payments to the Company's secured creditors during the Cash Flow Statement period.

Dated at the City of Toronto in the Province of Ontario, this 5th day of August 2022.

iS5 Communications Inc.

iS5 Communications Inc.
13 Week Cash Flow Projection
As at August 5, 2022

Week Ended		12-Aug-22 **Week 1**	19-Aug-22 **Week 2**	26-Aug-22 **Week 3**	2-Sep-22 **Week 4**	9-Sep-22 **Week 5**	16-Sep-22 **Week 6**	23-Sep-22 **Week 7**	30-Sep-22 **Week 8**	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**	**13 Week Total**
Cash Receipts (USD)															
Collections	*Note 2 & 8*	117,399	19,440	50,307	155,053	49,525	21,404	82,406	53,371	7,910	13,184	266,225	82,487	82,227	1,000,938
HST		-	-	-	-	15,000	-	-	-	-	15,000	-	-	-	30,000
Total Cash Receipts		117,399	19,440	50,307	155,053	64,525	21,404	82,406	53,371	7,910	28,184	266,225	82,487	82,227	1,030,938
Cash Disbursements (USD)															
Operational															
Trade Payables	*Note 3*	(200,000)	(100,000)	(35,000)	(79,000)	(42,000)	(18,000)	(22,000)	(18,000)	(43,000)	(20,000)	(48,000)	(18,000)	(48,000)	(691,000)
Credit Cards and Employee Exper	*Note 3*	-	(3,000)	-	(15,000)	-	-	(3,000)	-	(15,000)	-	(3,000)	-	(5,000)	(44,000)
Channel Partner Commissions		-	(6,000)	-	-	-	-	(6,000)	-	-	-	(6,000)	-	-	(18,000)
Consultants		(5,000)	-	(11,906)	-	(8,000)	-	-	(8,000)	-	-	-	-	(8,000)	(40,906)
Rent		-	-	-	(19,637)	-	-	-	(19,637)	-	-	-	-	(19,637)	(58,912)
Utilities		-	-	(1,912)	(3,498)	-	-	(966)	-	(4,991)	-	(419)	-	(4,991)	(16,777)
Bank Charges		-	-	(1,093)	-	-	-	-	(1,093)	-	-	-	-	-	(2,185)
Office/Communication		-	(1,686)	(121)	(1,953)	-	-	(1,686)	-	(2,074)	-	(1,686)	-	(2,074)	(11,281)
Independent Director		-	-	-	(13,672)	-	-	-	(13,672)	-	-	-	-	-	(27,344)
IT Systems/Software Subscriptions	*Note 4*	(102)	(6,563)	-	(9,889)	(1,102)	-	-	-	(10,889)	(102)	-	-	(10,889)	(39,535)
Payroll	*Note 5*														
Benefits		-	(50)	(15,438)	(4,530)	-	-	(50)	(15,438)	-	-	-	(15,438)	(4,530)	(55,474)
Payroll Canada		(94,938)	(109,375)	-	(109,375)	-	(109,375)	-	(109,375)	-	(109,375)	-	(109,375)	-	(751,188)
Payroll US		-	(15,000)	-	(10,000)	-	(15,000)	-	(10,000)	-	(15,000)	-	(10,000)	(10,000)	(85,000)
Payroll International		-	-	-	(10,000)	-	-	-	(10,000)	-	-	-	-	-	(20,000)
Restructuring Fees	*Note 6*														
Trustee Fees		-	(25,000)	-	-	-	(25,000)	-	-	-	-	(15,000)	-	-	(65,000)
Legal Counsel Fees		-	-	-	-	-	(50,000)	-	-	-	-	(15,000)	-	-	(65,000)
Total Cash Disbursements		(300,039)	(266,675)	(65,469)	(276,554)	(51,102)	(217,375)	(33,702)	(205,215)	(75,954)	(144,477)	(89,105)	(152,813)	(113,121)	(1,991,601)
Net Cash Flow		(182,640)	(247,234)	(15,162)	(121,501)	13,423	(195,971)	48,704	(151,843)	(68,044)	(116,293)	177,119	(70,326)	(30,894)	(960,663)
Opening Cash (USD)		109,718	527,078	279,843	264,681	143,180	156,603	460,632	509,335	357,492	289,448	173,156	350,275	279,949	109,718
Debtor in Possession Financing (USD)	*Note 7*	600,000	-	-		-	500,000	-	-	-	-	-	-	-	1,100,000
Closing Cash (USD)		**527,078**	**279,843**	**264,681**	**143,180**	**156,603**	**460,632**	**509,335**	**357,492**	**289,448**	**173,156**	**350,275**	**279,949**	**249,055**	**249,055**

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 November 4, 2022. Management is of the opinion 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 has made a SR&ED claim and is anticipating a payment from the Canada Revenue Agency, however the payment has not been included in the above cash flow statement as timing of receipt remains unknown.
9. 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). Furthermore, the cash flow statement does not contemplate any ongoing payments to the Company's secured creditors during the Cash Flow Statement period.

Friday, August 5, 2022

iS5 Communications Inc.

Per:

Clive Dias, President

Grant Thornton Limited

Per: Daniel Wootton

Dan Wootton, CIRP, LIT