

**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 TEHAMA INC.**

Applicant

**SECOND REPORT OF THE MONITOR
DATED FEBRUARY 8, 2023**

INTRODUCTION

1. On January 20, 2023, Tehama Inc. (the "**Applicant**" or "**Tehama**") commenced proceedings (the "**CCAA Proceedings**") under the Companies' Creditors Arrangement Act, R.S.C., 1985, c. C-36 (the "**CCAA**"), pursuant to the Order of Justice Kimmel of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated January 20, 2023 (the "**Initial Order**").
2. On January 30, 2023, this Honourable Court granted the Amended and Restated Initial Order (the "**ARIO**"), approving, amongst other things, an extension of the stay of proceedings until March 31, 2023 (the "**Stay Period**") and increases to certain priority charges.
3. Capitalized terms not defined in this Second Report of the Monitor (the "**Second Report**") are as defined in the Initial Order or the First Report.
4. Unless otherwise stated monetary amounts contained herein are expressed in Canadian dollars.

PURPOSE

5. The Monitor files this Second Report in connection with Tehama's motion, to be heard by

this Honourable Court on February 9, 2023 (the “**February 9 Hearing**”), for an Order approving:

- (a) A sale and investment solicitation process involving all of the Applicant’s assets, property and undertakings (the “**SISP**”); and,
 - (b) A stalking horse purchase agreement dated February 7, 2023 (the “**Stalking Horse APA**”) between the Applicant and 14667913 Canada Inc (the “**Stalking Horse Bidder**”).
6. This Second Report provides information to this Honourable Court regarding the following:
- (a) the activities of the Monitor since the First Report;
 - (b) the proposed SISP, together with the Monitor’s observations thereon;
 - (c) the Stalking Horse APA, together with the Monitor’s observations thereon;
 - (d) the Applicant’s actual cash flow for the one (1) week period ended January 27, 2023, as compared with the Previous Cash Flow Forecast, a copy of which is attached as **Appendix “A”**; and
 - (e) the Applicant’s revised cash flow forecast for the 13-week period ending April 28, 2023, a copy of which is attached as **Appendix “B”** (the “**Revised Cash Flow Forecast**”) and
 - (f) The Monitor’s recommendations regarding the relief sought by the Applicant at the February 6 Hearing.

TERMS OF REFERENCE

7. In preparing this Second Report, the Monitor has been provided with, and has relied upon, certain unaudited financial information, books, records and financial information prepared by the Applicant and has had discussions with and received information from the Applicant’s management (“**Management**”) (collectively, the “**Information**”). Except as described in this Second Report in respect of the Revised Cash Flow Forecast:
- (a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not

audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards (“GAAS”) pursuant to the CPA Canada Handbook (the “CPA Handbook”) and, accordingly, the Monitor express no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

(b) some of the information referred to in this Second Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the CPA Handbook, has not been performed.

8. Future oriented financial information referred to in this Second Report was prepared based on the Applicant’s estimates and assumptions. Readers are cautioned that, since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

ACTIVITIES OF THE MONITOR

9. The Monitor has engaged in the following activities since the date of the First Report:

(a) Conducted meetings and discussions with Management and the Applicant’s legal counsel regarding Tehama’s business and financial affairs, including its cash flow forecast, financing requirements, operational restructuring activities, and other matters relating generally to the CCAA Proceedings;

(b) Assisted Tehama in developing the proposed SISP, and consulted with Tehama in respect of the Stalking Horse APA as further discussed herein;

(c) Reviewed with Management the Applicant’s ongoing cash flow, and weekly variances from forecast, as well as assisted the Applicant in the preparation of the Revised Cash Flow Forecast;

(d) corresponded and held discussions with a number of the Applicant’s creditors;

(e) prepared for and attended Tehama’s extension hearing on January 30, 2023; and

- (f) prepared this Second Report.

SALE AND INVESTMENT SOLICITATION PROCESS

Background on Tehama's prior efforts to raise capital

10. As further detailed in the Rob White affidavit sworn January 20, 2023 (the “**First White Affidavit**”), efforts to secure additional funding for Tehama have been ongoing throughout 2021 and 2022. Initially, Tehama was successful in raising debt. In April 2021, Tehama closed a USD\$4.5M debt issuance. In early 2022, Tehama also closed a USD\$3.0M convertible debenture issuance with an additional funding raise of USD\$1.0M under the same instrument in October 2022. Throughout this period the Applicant also reached out to over sixty (60) organizations, including traditional venture capital firms, corporate venture capital investors and strategic investors regarding potential further investments in Tehama. Feedback from these potential investors included:
- (a) An overall positive response to Tehama's product offerings and capability;
 - (b) A lack of demonstrated consistency in revenue growth, as well as relatively undesirable customer account concentration;
 - (c) Lower than desirable revenue volume and competitive gross margins; and
 - (d) Higher than desirable corporate debt burden.
11. The Monitor is advised that, in July 2022, the Applicant entered into negotiations with a potential new investor who had an interest in lending a significant amount of funds into the business by way of a convertible promissory note. The cash injection would have significantly assisted the Applicant's efforts to continue to invest in its technology and to enhance its marketing efforts to increase revenues. Unfortunately, the Applicant was unable to conclude a funding arrangement with this potential investor.

Summary of the SISP

12. The SISP has been developed by the Applicants in consultation with the Monitor and sets out the terms and procedures to market the assets and undertakings of Tehama, within its current liquidity constraints. The SISP has been designed to:

- (a) Obtain the highest and best offer for the Applicant's business operations (the "**Business**"), including all Property;
 - (b) Ensure certainty for the continuation of the Business, which is in the best interest of the Applicant's stakeholders; and
 - (c) Allow for a commercially reasonable marketing of the Business of the Applicants given its significant liquidity constraints.
13. In order to ensure (b) above and to establish an appropriate and competitive floor for bids to be considered under the SISP, on February 7, 2023 the Applicant entered into the Stalking Horse APA (which is more fully described in the following section of this report) with the Stalking Horse Bidder. A copy of the proposed SISP and a copy of the Stalking Horse APA are attached as exhibits to the Rob White affidavit sworn February 7, 2023 (the "**Third White Affidavit**"). Capitalized terms used but not otherwise defined in this section have the meanings given to them under the SISP and the Stalking Horse APA.
14. As was noted in the First Report, Mr. Michael Aiello, an individual unaffiliated with Tehama or the Stalking Horse Bidder, was recently appointed to the board of directors of Tehama to be the independent voice representing Tehama and its board of directors in connection with the SISP. Mr. Aiello is the Chief Technology Officer of Secureworks Corp., a publicly-traded cybersecurity business headquartered in Atlanta, Georgia in the United States. Mr. Aiello is considered knowledgeable in the sector in which Tehama operates and experienced in corporate transactions. The Monitor is confident that he will independently carry out the role of Tehama's independent director in connection with the SISP. Mr. Aiello has familiarized himself with the proposed SISP and the Stalking Horse APA, and has indicated to the Monitor that he is supportive of both.
15. The SISP contemplates a potentially multi-phase process to be conducted by the Monitor, in consultation with the Independent Director, over a period of up to nine-weeks, which can be extended under certain circumstances. The first phase of the SISP requires potential bidders to declare their intent to participate in the process and be approved by the Participation Deadline. The second phase of the SISP requires the submission of binding bids by the Bid Deadline. In the event that at least one Qualified Bid other than the Stalking

Horse APA is received the Monitor shall conduct an auction. This process is further outlined and described below.

16. The proposed timeline for the SISP is summarized below:

Phase/ Event	Estimated Timing	Description of Activities
SISP approval	February 9, 2023	Commencement of the SISP if court approval is granted
Solicitation Materials Distribution Date	By no later than February 10, 2023 at 5:00 p.m. (prevailing Eastern Time) or such later date as may be agreed to by Tehama with the consent of the Monitor	Distribution of a solicitation notice describing the opportunity (teaser document), the form non-disclosure agreement (“ NDA ”), and inviting any party identified as a potential bidder by any of the Monitor, Independent Director, or Tehama (each, a “ Potential Bidder ”) to submit a bid pursuant to the SISP procedures
Participation Deadline	March 2, 2023 at 5:00 p.m. (prevailing Eastern Time)	Due date for delivery by Potential Bidders of a letter (a “ Participation Letter ”) providing the (a) identity, type of the bidder, (b) information sufficient for the Monitor to ascertain financial capabilities of the bidder to consummate a transaction, (c) acknowledgment of the SISP process, and (d) an executed NDA If there are no deemed Qualified Bidders than the Stalking Horse APA is considered the Successful Bid
Bid Deadline	March 16, 2023 at 5:00 p.m. (prevailing Eastern Time) (Subject to extension of up to one (1) week if the Monitor determines same to be appropriate)	Due date for binding bids which include: an executed APA, required deposit, appropriate authorization and acknowledgements, timelines, and various other

		requirements as further detailed in the SISP
Auction Date	March 20, 2023 (Subject to one (1) week extension in the event Bid Deadline is extended)	If one or more Qualified Bids are received (which includes a Superior Offer, defined as a creditable and fully financed offer made by a Qualified bidder with a purchase price in excess of \$100,000 of the Stalking Horse APA), the Monitor shall conduct an auction to determine the highest and best Qualified Bid. The Auction will include multiple rounds (if needed) of minimum incremental bids of \$100,000 over the opening bid until a successful bidder is determined
Approval Motion Date	No later than seven (7) calendar days following either the conclusion of the Auction, or the date on which a determination is made by the Monitor, not to proceed with an Auction in accordance with paragraph 22 of the SISP	Hearing of the Approval Motion
Outside Date	March 31, 2023 or such later date as may be agreed to by Tehama and the Successful Bidder, with the consent of the Monitor	Deadline for completion of the transaction(s) represented by the Successful Bid(s)

17. The Monitor, with the assistance of the Applicant, has compiled a list of approximately 80 entities who may be prospective purchasers. If the SISP is approved by this Honourable Court, the Monitor will send to each of these prospective purchasers a teaser document which the Monitor has prepared (with the assistance of the Applicant). In addition, if the SISP is approved, the Monitor will post the SISP Approval Order and the SISP on the Monitor's website www.insolvencies.deloitte.ca/en-ca/Tehama, and will cause a notice of the SISP to be published in the Globe and Mail (National Edition).

18. To be considered a Qualified Bidder, as defined in the SISP, each Potential Bidder must submit a satisfactory Participation Letter, an executed NDA and, based on the reasonable judgement of the Monitor, in consultation with the Independent Director, be determined to possess the required financial capabilities to be able to consummate a transaction on or before the Outside Date.
19. The Monitor will provide each Qualified Bidder with access to an electronic data room (“EDR”) containing information regarding the Property and Business of the Applicant.
20. To be considered a Qualified Bid, as defined in the SISP, a Qualified Bidder must submit a Bid to the Monitor by the Bid Deadline and the bid must (a) constitute a Superior Offer (a credible, fully financed offer for consideration totaling at least \$100,000 higher than that in the Stalking Horse APA) and (b) meet the requirements of paragraph 17 of the SISP: include a Deposit in an amount equal to fifteen percent (15%) of the total consideration of the Bid, and include their own Asset Purchase Agreement as well as a marked version showing changes from the Stalking Horse APA. It is contemplated under the SISP that the Stalking Horse APA shall be considered a Qualified Bid.
21. The Monitor, in consultation with the Independent Director, will review and assess each bid to determine whether such bid is a Qualified Bid, using the following non-exhaustive list of considerations:
 - (a) the purchase price and net value (including assumed liabilities and other obligations to be performed by the bidder);
 - (b) the firm, irrevocable commitment for financing of the transaction;
 - (c) the closing conditions and other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals which may be required to close the transaction); and
 - (d) the terms of transaction documents, including, if applicable, the proposed revisions to the Stalking Horse APA.
22. The Monitor, in consultation with the Independent Director, may reject any Participation

Letter or Bid that is (a) inadequate or insufficient; (b) not in conformity with the requirements pursuant to the SISP procedures; (c) contrary to the best interest of the Debtors; or (d) as applicable, not a Qualified Bid.

23. In the event that no Participation Letters are received or, in the event that Participation Letters are received but no Qualified Bid other than the Stalking Horse APA is received, then (a) there will be no auction, (b) the Stalking Horse APA will be deemed to be the Successful Bid, and (c) the Applicant shall seek approval to consummate the Stalking Horse APA and the transactions provided for therein at the Approval Motion.
24. If one or more Qualified Bids other than the Stalking Horse APA are received, then the Monitor, in consultation with the Independent Director, shall conduct the Auction to determine the highest and best Qualified Bid(s), the procedures for which are described in detail within the SISP.

Observations

25. The Monitor makes the following observations with respect to the SISP for consideration by this Honourable Court:
 - (a) the SISP, if approved, will be conducted by the Monitor, in consultation or with the assistance of the Independent Director. The Monitor will control communications with bidders, the qualifying of prospective bidders and the determination of Qualified Bids and potential Overbids as defined in the Auction process;
 - (b) the Monitor has reviewed approximately 10 Court-approved SISPs relating to CCAA proceedings which involve debtors of varying sizes and sectors and is of the view that the multi-phase approach (including a Participation Deadline of approximately three (3) weeks and a binding bid deadline of approximately five (5) weeks, as well as the provision of an auction process) is reasonable given:
 - (i) the small size of the Applicant and limited complexity of the Business;
 - (ii) the limited nature of the Applicant's prior refinancing/investment efforts (which was primarily focused on soliciting potential investors versus potential sale opportunities); and

- (iii) the Applicant’s current liquidity constraints as further outlined in the cash flow section information provided further herein.

This SISP allow the Applicants to canvas the current market for a potential Superior Offer while also having the opportunity to close a transaction relatively quickly should it become clear that there will be no potential Qualified Bids in excess of the Stalking Horse APA.

STALKING HORSE APA

26. The Stalking Horse APA is in the form of a definitive asset purchase agreement in respect of substantially all of the assets of Tehama, which was negotiated by the Applicants and the Stalking Horse Bidder. The Monitor has been advised that the Stalking Horse APA was executed with the approval of the Independent Director.
27. The Stalking Horse Bidder is an entity controlled by current and former Tehama shareholders and provides the vast majority of its consideration via a credit bid of the secured debt that it owns of Tehama. The secured debt being bid was acquired from CIBC on January 11, 2023, as referenced in Tehama’s original application materials in these CCAA Proceedings, and in the Monitor’s prior reports.
28. In connection with the assignment of the CIBC debt, the Monitor’s independent legal counsel, Goodmans LLP, conducted an independent review of the validity and enforceability of Newco’s security on Tehama’s assets and, subject to normal assumptions and qualifications, determined the registrations were proper and valid.
29. A summary of the key terms in the Stalking Horse APA is as follows (capitalized terms as defined in the APA):

Summary of Key Non-Economic Terms of the Stalking Horse APA	
Purchaser	<ul style="list-style-type: none">14667913 Canada Inc. (“Newco”), a corporation wholly owned by current and former Tehama shareholders
Purchase Price	<ul style="list-style-type: none">\$2.8 million credit bid¹, plus assumed liabilities, for total consideration of approximately \$3 million (also see

¹ On January 11, 2023, Newco and CIBC (the Applicant’s former secured lender) entered into an assignment of debt and Security, making Newco the Applicant’s largest secured creditor.

	paragraphs 32 and 33, below)
Deposit	<ul style="list-style-type: none"> • N/A
Execution Date	<ul style="list-style-type: none"> • February 7, 2023
Target Closing Date	<ul style="list-style-type: none"> • Five (5) business days following the approval and vesting, or some other date as agreed upon, but no later than March 31, 2023
Acquired Assets and Assigned Contracts	<ul style="list-style-type: none"> • all equipment and machinery (including computer hardware, software and telecommunications equipment), chattels, improvements, furniture, furnishings, peripheral equipment, supplies and accessories, and other tangible property owned or held by the Vendor and related to the Business; • all inventory and supplies of any nature or kind, including inventory manufactured by the Vendor or purchased from third party vendors; • all accounts receivable relating to the Business or otherwise; • all cash on hand, cash equivalents, bank deposits, cash floats and petty cash of the Vendor; • all Contracts, and to the extent not otherwise included in this Section 2.1, the Assigned Contracts; • all Intellectual Property owned by the Vendor that is used in connection with the Purchased Assets; • the goodwill of the Business, together with the exclusive right of the Purchaser to represent itself as carrying on the Business in continuation of and in succession to the Vendor, including all choses in action where the Vendor is the plaintiff or moving party and other intangibles relating to the Business that do not form part of the Intellectual Property; • all authorizations owned, held or used by the Vendor in connection with the Business to the extent they are transferable; • all rights of the Vendor to tax refunds, credits, rebates, or similar benefits relating to the Purchased Assets for the period prior to the Closing Date; • all funds or deposits held by suppliers, customers, or any other Person in trust for or on behalf of the Vendor (if any) including any pre-paid expenses; • all funds or deposits held by suppliers, customers, or any

	<p>other Person in trust for or on behalf of the Vendor (if any) including any pre-paid expenses;</p> <ul style="list-style-type: none"> • the issued and outstanding shares of Tehama USA, Inc.; and • the Books and Records.
Assumed Liabilities	<ul style="list-style-type: none"> • All liabilities set out in section 2.07 of the Stalking Horse APA, including: <ul style="list-style-type: none"> ○ all Liabilities relating to Employees as set out in section 5.03 of the Stalking Horse APA; ○ all Liabilities arising from or in connection with the Assigned Contracts, including any Cure Costs; and ○ all Liabilities arising from or in connection with any tax, levy, penalty, interest or costs for which the Purchaser is responsible pursuant section 2.06 and any Permitted Encumbrances.
Excluded Assets	<ul style="list-style-type: none"> • the Excluded Contracts; • shares and other interests or capital in the Vendor; • the tax records and insurance policies of the Vendor, save and except for those tax records that are required with respect to any Purchased Assets; • Books and Records not pertaining primarily to the Purchased Assets; and • any other assets listed in Schedule E to the Stalking Horse APA.
SISP Bidding Procedure	<ul style="list-style-type: none"> • The SISP Approval Order shall, among things, approve the proposed SISP and the bidding procedures contained therein. in the form of the proposed SISP.
Conditions Precedent	<ul style="list-style-type: none"> • Mutual Conditions

	<ul style="list-style-type: none">○ the Court shall have issued and entered the Approval and Vesting Order, which Approval and Vesting Order shall not have been stayed, set aside, or vacated;○ no Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise in effect that restrains or prohibits the completion of the Transaction; and○ no motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction contemplated by this Agreement.● Purchaser Conditions<ul style="list-style-type: none">○ the representations and warranties of the Vendor set forth in this Agreement will be true and correct in all material respects at the Time of Closing with the same force and effect as if made at and as of such time;○ the Vendor will have performed or complied in all material respects with all of the obligations and covenants of this Agreement to be performed or complied with by the Vendor at or prior to the Time of Closing; and○ no action or proceeding in Canada will be pending by any third party to enjoin or prohibit the sale and purchase of the Purchased Assets.● Vendor Conditions<ul style="list-style-type: none">○ the representations and warranties of the Purchaser set forth in this Agreement will be true and correct in all material respects at the Time of Closing with the same force and effect as if made at and as of such time;○ the Purchaser will have performed or complied in all material respects with all of the obligations and covenants of this Agreement to be performed or complied with by the Purchaser at or prior to the Time of Closing;○ no action or proceeding in Canada will be pending by any third party to enjoin or prohibit the purchase and sale of the Purchased Assets; and○ the Purchaser will have paid or will have made arrangements, satisfactory to the Vendor, to pay all Cure Costs pursuant to Section 2.8(2) of the Stalking Horse APA.
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30. The Monitor makes the following observations with respect to the Stalking Horse APA for consideration by this Honourable Court:
- (a) the Stalking Horse APA will provide some certainty to Tehama's stakeholders (including customers, suppliers, and employees) that the Business will continue following the completion of the SISP, which will also help stabilize the Business enterprise during the CCAA Proceedings; and
 - (b) the Stalking Horse APA has terms and conditions that are reasonable and customary relative to precedents that the Monitor has reviewed of SISPs conducted within a CCAA process, including that it has no significant unusual conditions to closing.
31. Although the Stalking Horse APA is an agreement between two related entities, it is the Monitor, in consultation with the Independent Director, which will conduct the SISP and opine on determining whether there is one or more Superior Offer that would result an Auction taking place (for further information relating to the Monitor's role please refer to the SISP section of this Second Report).
32. As part of the transaction whereby the Stalking Horse Bidder acquired CIBC's secured debt on January 11, 2023 (as described further in the First White Affidavit), the Stalking Horse Bidder issued a promissory note to Tehama which, with the approval of Tehama's Board, allowed the Stalking Horse Bidder to make use of certain of Tehama's funds to allow for a timely closing of the CIBC transaction. Since that date and prior to filing, more than half of the promissory note obligation has been repaid. As at the date of this report, approximately \$470,000 is owing under the promissory note. As noted in the next section of this report, approximately \$105,000 have been advanced under the DIP Facility to January 27, 2023. Further advances have since been made under the DIP Facility such that the total DIP obligations as of the date of this Report are \$296,706. Consistent with the Revised Cash Flow Forecast (as defined below), it is anticipated that the DIP will be fully funded by the time of closing of any transaction under the SISP.
33. As a result of the foregoing, the Stalking Horse Bidder has agreed not to credit bid current or future DIP obligations unless and only to the extent that such DIP obligations exceed the

obligations under the promissory note. The DIP Lender has also confirmed through counsel that, to the extent any amount remains owing under the promissory note at the time of closing, such amounts will be considered paid by a corresponding set off and repayment of the DIP Obligations on the closing of any transaction under the Stalking Horse APA or otherwise.

ACTUAL RECEIPTS AND DISBURSEMENTS COMPARED TO FORECAST

34. Tehama’s actual cash receipts and disbursements for the one (1) week period ended January 27, 2023 (the “Reporting Period”), as compared with the Previous Cash Flow Forecast attached hereto as **Appendix “A”**, are summarized below:

**Cash Flow Variance Analysis Summary
For the Period January 20, 2023 to January 27, 2023**

CAD\$	Projected	Actual	Variance (\$)	(%)
Total Revenues	62,129	88,800	26,672	43%
Total Expenses	(220,389)	(104,600)	115,789	53%
Net operating expenses	(158,260)	(15,800)	142,460	90%
Restructuring cost	(30,000)	(30,000)	-	0%
Loan advances	97,440	105,977	8,537	9%
Net cash flow	(90,820)	60,177	150,997	166%
Opening cash balance	398,802	398,802		
Closing cash balance	307,982	458,979		

35. In aggregate Tehama experienced an approximately \$151,000 positive net cash flow variance during the Reporting Period. A summary of the variances are set out below:
- Customer collections exceeded forecast by approximately \$27,000 as Tehama collected certain receivables one (1) week earlier than planned.
 - Certain operating expenses contemplated in the Previous Cash Flow Forecast have been revised to comply with the payment terms set out in the ARIO, resulting in a timing variance of approximately \$110,000.
 - Forecast other operating expenses comprised mainly of credit card expenses that Tehama did not incur as management continues its efforts to reduce costs resulting in a positive permanent variance of \$6,000.
 - Loan advances exceeded forecast by approximately \$8,500, which management

believes is a timing difference that will reverse in future periods.

REVISED CASH FLOW FORECAST

36. Tehama’s Revised Cash Flow Forecast for the 13-week period ending April 28, 2023 (the “**Revised Cash Flow Period**”), attached hereto as **Appendix “B”**, is summarized below. The notes to the Revised Cash Flow Forecast, outlining the probable and hypothetical assumptions, should be read in conjunction with the Revised Cash Flow Forecast. The Revised Cash Flow Forecast reflects certain updated assumptions of Management based on developments to date during the course of the CCAA Proceedings.

Revised Cash Flow Forecast Summary For the Period February 3, 2023 to April 28, 2023

CAD\$	03-Feb-23 to 31-Mar-23 (the “SISP CF Period”) (Nine (9) weeks)	07-Apr-23 to 28-Apr-23 (Four (4) weeks)	Total
Total Revenues	789,514	209,033	998,547
Total Expenses	(1,222,614)	(383,454)	(1,606,068)
Net operating expenses	(433,100)	(174,421)	(607,521)
Restructuring cost	(417,395)	(125,000)	(542,395)
Net cash flow	(850,495)	(299,421)	(1,149,916)
Opening cash balance	458,979	-	458,979
DIP Financing	391,516	299,421	690,937
Closing cash balance	-	-	-
<i>Cumulative DIP</i>	<i>491,422</i>	<i>790,843</i>	<i>790,843</i>

37. The Monitor makes the following observations with respect to the Revised Cash Flow Forecast:
- (a) The Revised Cash Flow Forecast is primarily focused on Tehama’s liquidity requirements for the nine (9) week period ending March 31, 2023 to execute the proposed SISP (the “**SISP CF Period**”);
 - (b) A summary of the Revised Cash Flow Forecast for the 13-week period ending April 28, 2023 is as follows:
 - (i) total receipts are forecast to be approximately \$999,000 in the Cash Flow Period. Of this amount, approximately 790,000 (79%) is forecast in the SISP CF Period;
 - (ii) total operating disbursement are forecast to be approximately \$1.6 million.

Significant disbursements include employee costs (38%) and critical service providers to maintain current business operations (49%). Management is continuing to negotiate payment plans with its critical service providers to increase Tehama's liquidity position during the SISP CF Period; and

- (iii) the cumulative DIP requirements forecasted through to April 28, 2023 totals approximately \$791,000.
 - (c) The majority of receipts in the SISP CF Period relate to an expected Harmonized Sales Tax ("HST") refund, as well as a reimbursement from Canada Revenue Agency ("CRA") with respect to available Scientific Research and Experimental Development ("SRED") tax credits. Tehama's ability to achieve its forecast results in the SISP CF Period is critically dependent on the receipt of these funds. Should they not be received, the DIP Financing will not provide sufficient funds for the Applicant to complete the proposed SISP and operate in the normal course without significantly reducing disbursements and / or further committed funding from the DIP Lender.
 - (d) The cumulative DIP requirement forecast in the SISP CF Period totals approximately \$491,000 to maintain operations through the proposed SISP period.
38. The Monitor's review of the Revised Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the Management and employees of Tehama. Since hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the cash flow statement. The Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the cash flow statement.
39. Based on the Monitor's review of the Revised Cash Flow Forecast, 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 cash flow

statement;

- (b) as at the date of this Second Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Petitioners or do not provide a reasonable basis for the cash flow statement, given the hypothetical assumptions; or
- (c) the cash flow statement does not reflect the probable and hypothetical assumptions.

40. Since the Revised Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Revised Cash Flow Forecast will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Second Report or relied upon by the Monitor in preparing this Second Report.

CONCLUSION AND RECOMMENDATIONS

- 41. In the Monitor's opinion, Tehama is acting in good faith and with due diligence in an effort to further its restructuring efforts.
- 42. The proposed SISP procedures, including the execution of the Stalking Horse APA, are reasonable in all of the circumstances of this case, including without limitation the financial liquidity concerns of the Applicant and that the SISP will be administered by the Monitor with the assistance of the Independent Director.
- 43. Based on the Revised Cash Flow, Tehama is forecast to have the liquidity required to execute the SISP (if approved) to the end of the current stay period of March 31, 2023.
- 44. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court approve the SISP, and the Stalking Horse APA, being sought by the Applicant.

All of which is respectfully submitted this 8th day of February 2023.

DELOITTE RESTRUCTURING INC.
in its capacity as the Monitor
of the Applicant

Per:

A handwritten signature in blue ink, appearing to read "Philip Reynolds". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Philip J Reynolds, LIT
Senior Vice President

APPENDIX “A”

Tehama Inc.
Forecast vs. Actual Variance Analysis
For the period ended January 27, 2023
(Unaudited, CAD\$)

Week Ended	27-Jan-23 Projected	27-Jan-23 Actual	Variance
Revenue			
Receivables	62,129	87,875	25,747
Other revenues	-	925	925
Total Revenue	62,129	88,800	26,672
Payments			
Salaries and wages	(104,389)	(104,138)	251
Rent	(110,000)	-	110,000
Vendor payments		(463)	(463)
Other operating expenses	(6,000)	-	6,000
Total Payments	(220,389)	(104,600)	115,789
Net Cash Flow From Operations	(158,260)	(15,800)	
Professional fees	(30,000)	(30,000)	-
Loan Advances	97,440	105,977	8,537
Net Cash Flow	(90,820)	60,177	8,537
Opening Cash balance (deficit)	398,802	398,802	
Net Cash Flow	(90,820)	60,177	
Closing Cash balance (deficit)	307,982	458,979	
Cumulative DIP advances	97,440	99,906	

APPENDIX “B”

Tehama Inc.
Cash Flow Forecast
For the Consolidated 13-week period ending April 28, 2023
(Unaudited, CAD\$\$)

Prepared by Management

Week Ended	Notes	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total Projected
		3-Feb-23 Projected	10-Feb-23 Projected	17-Feb-23 Projected	24-Feb-23 Projected	3-Mar-23 Projected	10-Mar-23 Projected	17-Mar-23 Projected	24-Mar-23 Projected	31-Mar-23 Projected	7-Apr-23 Projected	14-Apr-23 Projected	21-Apr-23 Projected	28-Apr-23 Projected	
Revenue															
Receivables	1	165,482	-	-	-	209,033	-	-	-	-	209,033	-	-	-	583,547
Other revenues	2	-	-	-	110,000	-	305,000	-	-	-	-	-	-	-	415,000
Total Revenue		165,482	-	-	110,000	209,033	305,000	-	-	-	209,033	-	-	-	998,547
Payments															
Salaries and wages	3	-	(104,389)	-	(104,389)	-	(104,389)	-	(104,389)	-	(104,389)	-	(104,389)	-	(626,332)
Rent	4	(55,000)	-	(55,000)	-	-	-	-	-	-	-	-	-	-	(110,000)
Insurance	5	-	(2,412)	-	-	-	(1,206)	-	-	-	(1,206)	-	-	-	(4,824)
Vendor payments	6	-	(154,000)	(160,970)	(15,000)	(160,970)	(125,000)	-	-	-	(160,970)	-	-	-	(776,911)
Other operating expenses	7	-	-	-	(19,000)	-	-	-	(19,000)	-	-	-	-	-	(38,000)
CIBC settlement payments	8	(12,500)	-	-	-	(12,500)	-	-	-	(12,500)	-	-	-	(12,500)	(50,000)
Total Payments		(67,500)	(260,801)	(215,970)	(138,389)	(173,470)	(230,595)	-	(123,389)	(12,500)	(266,565)	-	(104,389)	(12,500)	(1,606,068)
Net Cash Flow From Operations		97,982	(260,801)	(215,970)	(28,389)	35,562	74,405	-	(123,389)	(12,500)	(57,533)	-	(104,389)	(12,500)	(607,521)
Professional fees	9	(127,395)	(30,000)	(30,000)	(100,000)	(30,000)	-	-	(100,000)	-	-	-	(125,000)	-	(542,395)
Loan Advances	10	-	100,000	7,206	128,389	-	-	-	143,421	12,500	57,533	-	229,389	12,500	690,937
Net Cash Flow		(29,413)	(190,801)	(238,765)	-	5,562	74,405	-	(79,967)	-	-	-	-	-	(458,979)
Opening Cash balance (deficit)		458,979	429,565	238,765	-	-	5,562	79,967	79,967	-	-	-	-	-	458,979
Net Cash Flow		(29,413)	(190,801)	(238,765)	-	5,562	74,405	-	(79,967)	-	-	-	-	-	(458,979)
Closing Cash balance (deficit)		429,565	238,765	-	-	5,562	79,967	79,967	-	-	-	-	-	-	-
Cumulative DIP advances		99,906	199,906	207,111	335,500	335,500	335,500	335,500	478,922	491,422	548,954	548,954	778,343	790,843	

General Notes

Tehama Inc. ("Tehama"), headquartered in Ontario Canada with a satellite office in the United States, provides a next generation desktop as a service ("Daas") platform, which enables customers to utilize cloud-based virtual offices, rooms, and desktops anywhere in the world, facilitating secure, virtual workspaces. The Tehama 13-week cash flow (the "Tehama CF") was prepared by Management based on a potential CCAA filing date of January 19, 2023. The Tehama CF converts all USD transactions based on the Bank of Canada's January 2023 monthly average exchange rate of CAD\$1.34 = USD\$1.00.

Specific notes and assumptions:

- Receivable collections are based on a review of the current aged receivables and corresponding historical collection terms.
- Tehama has filed its claims with the Canada Revenue Agency ("CRA") for its commodity tax credits and available Scientific Research and Experimental Development ("SRED") tax credits and anticipates receiving a commodity tax refund of approximately \$110,000 the week ending February 24, 2023 and a SRED refund of approximately \$305,000 the week ending March 10, 2023.
- Tehama currently employs 24 key personnel (15 full-time and 9 part-time staff) to maintain the day-to-day operations of the company. Prior to the date of this report approximately 32 employees were laid off with recall dates ranging from February 2023 to August 2023, in accordance with the applicable labour laws. Tehama uses a third party payroll service provider, ADP.
- Tehama entered into a six year and 10-month lease, with a related party, for office premises commencing September 1, 2019 for approximately \$110,000 per month. Pursuant to the Amended and Restated Initial Order, payments are to be made twice-monthly in equal payments on the first and fifteenth day of each month.
- Tehama holds one (1) insurance policy through Lloyd's Underwriters from commercial general liability, automobile liability, employer liability and errors & omissions and Cyber liability expiring in July 2023. All premiums are current and are paid monthly. Director and office liability coverage is held at the parent company level for all subsidiary companies.
- Vendor payments comprise of direct costs to maintain operations during the 13-week period ending April 28, 2023. Weeks 2 and 6 of the Tehama CF includes a vendor deposits in the amount of \$125,000 to secure the continuation of critical services.
- Operating expenses comprise of general office and administrative costs incurred to maintain day-to-day operations, including, but not limited to, office expenses, bank fees, payroll fees, and proposed credit card expenses.
- Tehama executed a Settlement Agreement with CIBC dated January 19, 2023. As part of the CIBC Settlement, Tehama agreed to pay CIBC \$150,000 in costs and expenses, payable in 12 equal monthly installments starting on February 1, 2023.
- Professional fees have been forecast based on projected costs by professional services firms related to the restructuring. Actual expenses will be dependent on a number of unknown factors, including the timing of a restructuring plan to be put forward to the creditors and the number of Court applications which are required.
- The Tehama CF reflects a proposed DIP requirement totaling approximately \$791,000 (excluding costs and expenses) for the 13-week cash flow period ending April 28, 2023.

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 TEHAMA INC.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto, Ontario

SECOND REPORT OF THE MONITOR DATED
FEBRUARY 8, 2023

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