Court File No.: CV-20-00642010-00CL

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 PERASO TECHNOLOGIES INC.

Applicant

FIRST REPORT OF THE MONITOR ERNST & YOUNG INC.

June 10, 2020

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FIRST REPORT OF THE MONITOR

INTRODUCTION

1. On June 3, 2020, Peraso Technologies Inc. ("**Peraso**", the "**Company**" or the "**Applicant**") applied for and was granted protection from the Ontario Superior Court of Justice (Commercial List) (the "**Court**") under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended ("**CCAA**"), pursuant to an Order of Mr. Justice Hainey dated June 3, 2020 (the "**Initial Order**"). Ernst & Young Inc. ("**EY**" or the "**Monitor**") was appointed Monitor of the Applicant in this CCAA proceeding. The Initial Order provides a stay of proceedings until June 13, 2020 (the "**Stay Period**") with respect to the Applicant and certain current and former directors of the Applicant.

PURPOSE

2. The purpose of this first report of the Monitor (the "**First Report**") is to provide information to this Court about:

   i) the Monitor's activities since its appointment;

   ii) the Applicant's operations and communications since the issuance of the Initial Order;

iii) the actual receipts and disbursements of the Applicant from May 30, 2020 to June 5, 2020;

iv) the Applicant's revised cash flow forecast for the period from June 6, 2020 to July 3, 2020;

v) the commencement of an ancillary insolvency proceeding under Chapter 15 of Title 11 of the *United States Code*;

vi) the Applicant's request for an order amending and restating the Initial Order; and

vii) the Applicant's request for an order that the stay of proceedings be extended up to and including July 3, 2020.

TERMS OF REFERENCE

3. Capitalized terms used but not defined in this First Report are defined in the Affidavit of Ronald Glibbery affirmed in connection with the Company's motion (the "**June 9 Glibbery Affidavit**").

4. In preparing this First Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books, records and financial information prepared by the Applicant, discussions with management of the Applicant ("**Management**"), and information from other third party sources (collectively, the "**Information**"). Except as described in this Report in respect of the Cash Flow Forecast:

i) 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 *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

ii) some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

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

6. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Report concerning the Applicant and its business is based on the Information, and not independent factual determinations made by the Monitor.

7. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars.

OVERVIEW OF THE APPLICANT

8. This First Report should be read in conjunction with the June 9 Glibbery Affidavit for additional background and financial information with respect to the Applicant.

9. The Applicant's products are primarily used in wireless technology that operates on the 60 gigahertz ("**GHz**") band and are being designed to power the next generation of high-speed wireless networks.

10. While Peraso currently generates most of its revenue by providing engineering services, it anticipates its future revenue will be primarily derived from two primary product lines: (i) software and (ii) chipsets. "Software" refers to the programs and technology used by computers, but does not consist of a physical item. "Chipsets" are physical products, made up of electrical components, at least one radio, one baseband, and typically an antenna. Peraso primarily manufactures and distributes two chipsets:

i) **“W” Series Chipsets** – these chipsets operate as an alternative to wired technology in consumer electronic devices; and

ii) **“X” Series Chipsets –** these chipsets work with high performance wireless applications and can create wireless networks with a range of more than 1.5 km.

11. Peraso is in the process of leveraging its expertise with the 60 GHz wireless technology to enter the highly publicized 5G market.

12. As of June 9, 2020, the Applicant employed approximately 78 individuals and contractors in Canada and the United States.

UPDATE ON THE MONITOR’S ACTIVIES SINCE ITS APPOINTMENT

13. As discussed in the Pre-Filing Report of the Proposed Monitor, dated June 2, 2020 (the “**Pre-Filing Report**”), the Monitor has established a website at www.ey.com/ca/peraso (the “**Monitor’s Website**”). All court documents and certain other documents will be posted on the Monitor’s Website. Further, the Monitor has arranged for two phone numbers at 1-888-338-1759 (toll-free) and 416-943-3306 (outside of North America) for calls related to this proceeding, and an email address at peraso.monitor@ca.ey.com for e-mail correspondence related to this CCAA proceeding.

14. Pursuant to the Initial Order, the following notices have been posted on the Monitor’s Website, and/or sent to the Applicant’s stakeholders since the date of the Initial Order:

i) on June 3, 2020, the Monitor uploaded a copy of the Pre-Filing Report of the Proposed Monitor to the Monitor’s Website;

ii) on June 4, 2020, the Monitor uploaded a list showing the names and addresses of those creditors of the Applicant with claims greater than C$1,000 and the estimated amounts of those claims to the Monitor’s Website, as required by the Initial Order;

iii) on June 5, 2020, the Monitor mailed or emailed a notice of the CCAA proceeding (the "**Notice to Creditors**") to every known creditor who has a claim against the Applicant of more than C$1,000 (excluding contractors, individual employees, former employees with pension and/or retirement savings plan entitlements, and retirees and other beneficiaries who have entitlements under any pension or retirement savings plans), based on the contact information of such known creditors provided by the Applicant. A copy of the Notice to Creditors has also been posted on the Monitor's Website; and

iv) on June 5, 2020, the Monitor filed the first and second forms (Forms 1 and 2) with respect to the granting of the Initial Order and certain other information as required by the Office the Superintendent of Bankruptcy.

15. Pursuant to the Initial Order, the Monitor placed a notice concerning the CCAA proceeding in the *Globe and Mail* (National Edition) on June 9, 2020.

16. In addition, the Monitor has also been assisting the Applicant with respect to the following:

i) consulting with the Applicant's Management in dealing with certain creditors and other stakeholders of the Applicant;

ii) supporting the Applicant in its ongoing analysis and refinement of its cash flow projections; and

iii) assisting the Applicant with respect to the ongoing process to enter into a debtor-in-possession financing arrangement.

UPDATE ON THE APPLICANT'S ACTIVITIES AND COMMUNICATIONS

17. Since the granting of the Initial Order, the Applicant, with the assistance of the Monitor, has been working to stabilize its operations and to address questions from its employees, suppliers and stakeholders regarding the CCAA proceeding.

18. As further described in the June 9 Glibbery Affidavit, the Applicant is engaged in discussions with several parties regarding DIP financing. While no agreement has been finalized as of the date of this First Report, discussions are ongoing and Peraso anticipates returning to this Court to seek approval of an interim financing arrangement.

ACTUAL RECEIPTS AND DISBURSEMENTS

19. As at May 30, 2020, the Applicant had available cash of approximately $1.35 million.

20. From May 30, 2020 to June 5, 2020, the Applicant had total receipts of approximately $205 thousand and total disbursements of approximately $172 thousand for a net cash flow of approximately $33 thousand.

UPDATED CASH FLOW FORECAST

21. The Applicant, with the assistance of the Monitor, has prepared the Cash Flow Forecast for the four (4) week period from June 6, 2020 to July 3, 2020 (the "**Cash Flow Period**") for the purpose of projecting the Applicant's estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Forecast is attached as Exhibit "B" to the June 9 Glibbery Affidavit.

22. The Cash Flow Forecast has been prepared by the Applicant using probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast. The Cash Flow Forecast reflects Management's estimates of receipts and disbursements on a weekly basis over the four (4) week Cash Flow Period.

23. The cash position of the Applicant as at June 6, 2020 was approximately $1.397 million. The cost of the CCAA proceeding will be paid from the Applicant's available cash. The Applicant's Cash Flow Forecast estimates that during the Cash Flow Period, the Applicant will collect receipts of approximately $250 thousand and will incur projected estimated disbursements of approximately $1.513 million. The Cash Flow Forecast projects that the Applicant will have sufficient liquidity

during the proposed Stay Period based on their existing cash resources. As previously described, the Applicant, with the assistance of the Monitor, is seeking to address its short-term liquidity challenges, by, among other things, securing additional financing, including debtor-in-possession financing.

24. The Applicant is seeking an extension of the stay of proceedings until July 3, 2020. The Monitor remains cognizant of the current liquidity projections in the Cash Flow Forecast and intends to monitor the Applicant's liquidity throughout the Stay Period and provide the Court with an update, in the event that it becomes apparent that the Applicant will not have sufficient liquidity to continue to fund their operations throughout the entirety of the Stay Period.

25. The Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to Information supplied to it by certain key members of Management. Since the probable and 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 Forecast. The Monitor also reviewed the support provided by Management for the probable and hypothetical assumptions, and the preparation and presentation of the Cash Flow Forecast.

26. Based on the Monitor's review, nothing has come to its attention that causes it to believe that, in all material respects:

i) the probable and hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;

ii) as at the date of this Report, the probable and hypothetical assumptions developed by Management are not suitably supported and consistent with the restructuring plans of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast; or

iii) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

27. As described in the Terms of Reference above, since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the probable and hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Monitor expresses no opinion or other form of assurance with respect to the accuracy of financial information presented in the Cash Flow Forecast, or relied upon by the Monitor in preparing this Report.

28. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

CHAPTER 15 PROCEEDING

29. On June 3, 2020, the Monitor, in its capacity as the foreign representative of the Applicant, commenced an ancillary proceeding under chapter 15 of Title 11 of the *United States Code* (the "**Bankruptcy Code**") with the United States Bankruptcy Court for the Southern District of New York (the "**US Court**") by filing a petition seeking an order recognizing the CCAA proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code and giving full force and effect to the Initial Order (as may be amended or extended) in the United States (the "**Chapter 15 Petition**"). On the same date, the Monitor filed an emergency motion with the US Court seeking an order giving full force and effect to the Initial Order (as may be amended or extended) in the United States, including the Initial Order's stay of proceedings as to the Applicant's current and former directors, on an interim basis pending final disposition of the Chapter 15 Petition (the "**Provisional Relief Motion**").

30. On June 8, 2020, U.S. counsel to Ubiquiti Inc. ("**Ubiquiti**") filed an objection to the Provisional Relief Motion contending that the motion should be denied (the "**Ubiquiti Objection**"). In its objection, Ubiquiti generally asserted:

    i) that there was no genuine emergency or need for provisional relief;

ii) that the Chapter 15 Petition was filed in bad faith in order to move the License Litigation (as defined in the Affidavit of Ron Glibbery, sworn June 2, 2020) to this Court; and

iii) that the US Court should deny the Monitor's request to extend the automatic stay to protect the Applicant's current and former directors.

31. The US Court held a hearing on the Provisional Relief Motion on June 8, 2020. At the hearing, the US Court explicitly overruled the Ubiquiti Objection and granted the Provisional Relief Motion. The US Court reasoned, among other things:

i) that Ubiquiti would not be seriously prejudiced if the motion were granted;

ii) that there is a substantial likelihood that the Monitor will obtain success with respect to the Chapter 15 Petition; and

iii) that granting the relief requested by the motion would not be contrary to U.S. public policy and failure to grant the motion would likely irreparably harm the Applicant.

Thus, the US Court found that the Provisional Relief Motion satisfied the applicable standard for such motions under the applicable U.S. law.

32. On June 10, 2020, the US Court entered an order on the Provisional Relief Motion as well as an order scheduling a hearing on the Chapter 15 Petition for July 8, 2020 at 10:00 a.m. (ET). A copy of the Chapter 15 Petition notice is appended hereto as Appendix "**A**". Documents relating to the chapter 15 proceeding can be found on the Monitor's Website.

INTERIM FINANCING

33. As discussed in the Pre-Filing Report, the Cash Flow Forecast prepared by Management suggests the Applicant will need to borrow funds in the course of the CCAA proceeding. The Monitor understands the Applicant is discussing the terms of interim financing with some of its stakeholders. While no agreement has been

reached as of the date of this Report, the Monitor understands the Applicant remains confident an interim financing agreement will be entered into in the near term.

AMENDMENT TO THE ADMINISTRATION CHARGE

34. The maximum amount of the Administration Charge (as defined in the Initial Order) is proposed to increase from C$200,000 to C$725,000. The amount of the Administration Charge requested and approved in the Initial Order was determined relative to the anticipated exposure accumulated by the Applicant's counsel, and the Monitor and its Canadian and US counsel during the initial 10-day Stay Period. The Administration Charge is proposed to increase to reflect the anticipated exposure during the balance of the CCAA proceeding. The Administration Charge has been established based on the respective professionals' previous history and experience with restructurings of similar magnitude and complexity.

EXTENSION OF THE STAY PERIOD

35. Pursuant to the Initial Order, the Stay Period is currently set to expire on June 13, 2020. The Applicant is currently requesting an extension of the Stay Period to July 3, 2020.

36. The Monitor is of the view that an extension of the Stay Period is appropriate for the following reasons, among others:

    i) management has focused on stabilization efforts since the commencement of the CCAA proceeding, maintaining business as usual and communicating with certain creditors and stakeholders;

    ii) management has worked diligently to obtain interim financing since the commencement of the CCAA proceeding; and

    iii) the Applicant continues to operate in good faith and with due diligence since the date of the Initial Order.

RECOMMENDATION

37. For the reasons stated herein, the Monitor supports the relief sought by the Applicant, including but not limited to the increase of the Administration Charge and an extension of the Stay Period.

All of which is respectfully submitted this 10th day of June, 2020.

ERNST & YOUNG INC.
Solely in its capacity as the Monitor of
Peraso Technologies Inc. and not
in its personal capacity

Per:

Brian M. Denega, CPA, CA, LIT, CIRP
Senior Vice President

This is Appendix “**A**”

to the First Report of the Monitor

Dated June 10, 2020

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: PERASO TECHNOLOGIES INC.,[1] Debtor in a Foreign Proceeding.	Chapter 15 Case No. 20-11354 (SHL)

NOTICE OF FILING OF AND HEARING ON
PETITION FOR RECOGNITION OF FOREIGN PROCEEDING

PLEASE TAKE NOTICE that on June 3, 2020, Ernst & Young Inc., the court-appointed monitor (the "**Monitor**") and authorized foreign representative of Peraso Technologies Inc. ("**Peraso**") in a proceeding (the "**Canadian Proceeding**") under Canada's *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, (as amended, the "**CCAA**"), pending before the Ontario Superior Court of Justice, Commercial List (the "**Ontario Court**"), filed a *Verified Petition for Recognition of Foreign Proceeding and Related Relief* (the "**Chapter 15 Petition**") and a *Memorandum of Law in Support of the Verified Petition for Recognition of Foreign Proceeding and Related Relief* (the "**Memorandum of Law**") with the United States Bankruptcy Court for the Southern District of New York (the "**Court**") under chapter 15 of title 11 of the United States Code (as amended, the "**Bankruptcy Code**") seeking, among other things, recognition of the Canadian Proceeding as a "foreign main proceeding" under the Bankruptcy Code.

PLEASE TAKE FURTHER NOTICE that the aforementioned documents were filed on the docket of the chapter 15 case bearing case no. 20-11354.

PLEASE TAKE FURTHER NOTICE that the Court has scheduled a hearing to consider the relief requested in the Chapter 15 Petition at **10:00 a.m. (ET) on July 8, 2020** (the "**Recognition Hearing**").

PLEASE TAKE FURTHER NOTICE that the Recognition Hearing will be held before the Honorable Sean H. Lane of the United States Bankruptcy Court for the Southern District of New York and will be conducted telephonically in accordance with General Order M-543, dated March 20, 2020 (Morris, C.J.) ("**General Order M-543**"). Any parties wishing to participate must do so telephonically by making arrangements through CourtSolutions LLC (www.court-solutions.com). Instructions to register for CourtSolutions LLC are attached to General Order M-543.

PLEASE TAKE FURTHER NOTICE that General Order M-543, along with other temporary procedures implemented by the Court in connection with the COVID-19

[1] The last four digits of the United States Tax Identification Number, or similar foreign identification number, as applicable, for Peraso Technologies Inc. are 8747.

pandemic (including electronic filing procedures for *pro se* parties) can be found by visiting http://www.nysb.uscourts.gov and clicking on the "Coronavirus COVID-19 Protocol" link.

PLEASE TAKE FURTHER NOTICE that any objection or response to the Chapter 15 Petition must be made in accordance with the Bankruptcy Code, the Local Rules of the United States Bankruptcy Court for the Southern District of New York, and the Federal Rules of Bankruptcy Procedure, in a writing that sets forth the basis for such objection with specificity. Any such objection or response must be filed electronically with the Court on the Court's electronic case filing system in accordance with General Order M-399 (a copy of which may be viewed on this Court's website at www.nysb.uscourts.gov) and the Court's Procedures for the Filing, Signing and Verification of Documents by Electronic Means, and served by e-mail upon the Monitor's U.S. counsel, Allen & Overy LLP, to Ken Coleman and Jonathan Cho at ken.coleman@allenovery.com and jonathan.cho@allenovery.com so as to be received by **4:00 p.m. (ET) on July 1, 2020**, with a courtesy copy served by e-mail upon the Chambers of the Honorable Sean H. Lane at shl.orders@nysb.uscourts.gov.

PLEASE TAKE FURTHER NOTICE that if no response is timely filed and served as provided above, the Court may grant the relief requested without further notice or hearing.

PLEASE TAKE FURTHER NOTICE that any party in interest objecting to the Chapter 15 Petition must appear telephonically at the Recognition Hearing.

PLEASE TAKE FURTHER NOTICE that the Recognition Hearing may be adjourned from time to time without further notice other than an announcement in open court at such hearings of the adjourned date or dates or any adjourned hearing.

PLEASE TAKE FURTHER NOTICE that no time period or place for the filing of proofs of claim has been established and creditors need not file proofs of claim at this time.

PLEASE TAKE FURTHER NOTICE that copies of the filings in this case are presently available (1) on the Court's Electronic Case Filing System, which can be accessed from the Court's website at https://ecf.nysb.uscourts.gov (a PACER login and a password are required to retrieve a document), and/or (2) upon written request to the Monitor's counsel addressed to:

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New York, New York 10020
Attn: Josh Neifeld
josh.neifeld@allenovery.com

Dated: New York, New York
June 10, 2020

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Counsel to Ernst & Young Inc., as the Monitor and Foreign Representative of Peraso Technologies Inc.

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Proceedings commenced at Toronto

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