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

SEVENTH REPORT OF THE MONITOR

September 14, 2020

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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 provided 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.

2. On June 12, 2020, the Court heard a motion brought by the Applicant and, among other things, amended and restated the initial order (the "**Amended and Restated Initial Order**") and extended the Stay Period to July 3, 2020.

3. On July 2, 2020, the Court heard a motion brought by the Applicant and approved a debtor-in-possession credit agreement and extended the Stay Period to August 14, 2020.

4. On September 2, 2020, the Court heard a motion brought by the Applicant and approved an additional debtor-in-possession credit agreement and further extended the Stay Period to October 2, 2020.

PURPOSE

5. The purpose of this seventh report of the Monitor (the "**Seventh Report**") is to provide information to this Court about:

   a) the Applicant's request to increase the number of shares available under an existing stock option plan; and

   b) the Applicant's request to make pre-filing payments to certain critical suppliers, subject to the Monitor's review and approval of same.

TERMS OF REFERENCE

6. Capitalized terms used but not defined in this Seventh Report are defined in the Affidavit of Ronald Glibbery affirmed in connection with the Company's motion (the "**September 11 Glibbery Affidavit**").

7. In preparing this Seventh 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**").

8. 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.

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

10. This Seventh Report should be read in conjunction with the September 11 Glibbery Affidavit for additional background with respect to the Applicant.

STOCK OPTION PLAN

11. As described in more detail in the September 11 Glibbery Affidavit, Peraso's employees and contractors have been integral to the success of the business through the restructuring process. While many of Peraso's employees have continued working for the company during the CCAA proceeding, due to a combination of natural attrition and cost-cutting measures, headcount has reduced since December 2019. Management is concerned that, absent additional incentives, the Company is at risk of additional key employees and contractors seeking new opportunities, all of which could impact Peraso's restructuring efforts.

12. In light of Peraso's concerns, the Company is requesting the ability to increase its existing stock option plan ("**SOP**"). At the discretion of Peraso's Board of Directors, the SOP provides employees, directors and contractors with an option (the "**Option**") to purchase a specified number of common shares from Peraso's treasury at a specified price, within a specified time period. The exercise price is based on the fair market value (as determined by Peraso's Board of Directors) of the Company's common shares as at the date the Option is granted.

13. Currently the SOP caps the number of option shares at 10% of Peraso's total outstanding common shares. The Company now seeks to increase that cap to 20% of Peraso's total outstanding common shares. All other material aspects of the SOP will remain unchanged.

14. The Monitor understands the Company proposes to issue the additional Options to Peraso employees, contractors, and management/contractor/employee directors for the purpose of retaining such employees, contractors, and management/contractor/employee directors during the pendency of the CCAA Proceedings and beyond.

15. The Monitor further understands that the Company has consulted with Roadmap and Ubiquiti (as defined the Affidavit of Ronald Glibbery, affirmed June 25, 2020), the current interim lenders and neither party objects to the requested authorization. Furthermore, both Roadmap and Ubiquiti are existing shareholders, with Roadmap being the Company's largest shareholder.

16. The requested amendments to the SOP should assist the Company with retaining key employees and contractors during a pivotal moment in its restructuring, increasing the likelihood that Peraso can continue to operate in the normal course of business. Absent the ability to offer these individuals additional Options, there is a risk of increased turnover and attrition which may impair Peraso's ability to retain the workforce needed to maintain normal operations.

PRE-FILING PAYMENTS TO CRITICAL SUPPLIERS

17. As further discussed in the September 11 Glibbery Affidavit, Peraso is also requesting authorization to make payments on pre-filing arrears to certain suppliers (the "**Critical Suppliers**") that provide the Company with critical goods and/or services. These goods and/or services are considered necessary for Peraso's ongoing operations and the cooperation of the Critical Suppliers will be necessary to implement the commercial resolution the Company is currently attempting to conclude with Ubiquiti. The Applicant is proposing that any such payments, to a cumulative maximum of $250,000, would require the prior approval of the Monitor.

18. The Monitor understands that the Company does not have any readily available means to replace the Critical Suppliers and, in any case, doing so would be time consuming and costly. Moreover, a lack of cooperation from the Critical Suppliers could jeopardize the potential Ubiquiti settlement.

19. The Applicant contends that it requires the requested flexibility to garner the cooperation and support of the Critical Suppliers in pursuit of a settlement with Ubiquiti and its overall restructuring. Given the risks to the Applicant described above, and in light of the fact that Roadmap and Ubiquiti both support the requested

relief, the Monitor supports the request for authorization by Peraso to make the requested pre-filing payments, subject to the Monitor’s approval in each case.

RECOMMENDATION

20. For the reasons stated herein, the Monitor supports the relief sought by the Applicant.

All of which is respectfully submitted this 14th day of September, 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

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Proceedings commenced at Toronto

SEVENTH REPORT OF THE MONITOR ERNST & YOUNG INC.

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