



SUPERIOR COURT OF JUSTICE

COUNSEL SLIP

COURT FILE NO.: CV-23-00692784-00CL DATE: JANUARY 12, 2023

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9:00 AM

TITLE OF PROCEEDING: INSCAPE CORPORATION ET AL

BEFORE JUSTICE: CONWAY

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party, Crown:

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For Defendant, Respondent, Responding Party, Defence:

Name of Person Appearing	Name of Party	Contact Info
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For Other, Self-Represented:

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ENDORSEMENT OF JUSTICE CONWAY:

All defined terms used in this Endorsement shall, unless otherwise defined, have the meanings ascribed to them in the Factum of the Applicants for the motion returnable January 12, 2023.

The Inscape Group brings this Application for an Initial Order under the CCAA. According to the affidavit evidence of Eric Ehgoetz, Chief Executive Officer of the companies, the Inscape Group is in the business of manufacturing and selling office furniture equipment and architectural walls. Its financial performance over the last decade has declined, and the situation was exacerbated by COVID-19. The Inscape Group is insolvent and has determined, in consultation with its advisors, that the best path forward to maximize value for its stakeholders is through a court-supervised CCAA process.

This application is for a liquidating CCAA, not a restructuring. This use of the CCAA has been recognized and permitted by the Supreme Court of Canada in *9354-9186 Québec inc. v. Callidus Capital Corp.*, 2020 SCC 10, paras. 42 to 46. In response to my questions, counsel for the Inscape Group explained that they are proceeding under the CCAA instead of bankruptcy legislation because it will afford them more flexibility in addressing timing and various issues such as the cross-border dimension of this case.

There are 218 employees of the Inscape Group, 92 of which are unionized. The Inscape Group has four pension plans and is current on its contributions to each of the defined contribution plans.

The Inscape Group leases five premises for its business in Ontario and the U.S., some of which are manufacturing and warehouse facilities and some of which are showrooms.

As of November 30, 2022, the Inscape Group has cash of \$1.6 million, receivables of just over \$10 million, and inventory of \$5.4 million. As of January 9, 2023, unsecured debt is approximately \$6.3 million. The Inscape Group is in default under its secured debt facility. It owes approximately \$2.6 million and cannot obtain additional financing for operations. The secured lender, Hilco Capital Limited, has provided a forbearance agreement to enable the Inscape Group to pursue these liquidation and wind-down proceedings.

I am satisfied that each of the Applicants is a debtor company within the meaning of the CCAA, including Inscape Delaware (which has a bank account at Royal Bank of Canada) and Inscape New York (which does business in Canada). The Inscape Group has debt in excess of \$5 million and is insolvent in that the companies are unable to meet their liabilities as they become due.

I am granting an initial stay of proceedings to January 20, 2023. I am satisfied that the relief being granted today is that which is reasonably necessary for the continued operations during this period, as required by s. 11.001. The Applicants can continue to use the existing Cash Management System during the initial period. It will be monitored by the proposed Monitor.

The charges are an Administration Charge of \$250,000 and a Directors' Charge of \$750,000. I questioned the quantum of the Directors' Charge. It was developed with the assistance of the proposed Monitor and calculated to cover the exposure of the directors and officers for payroll and vacation pay during the period up to January 20, 2023. I am satisfied that it should be approved.

I appoint Alvarez and Marsal as the Monitor.

In light of the fact that this is a liquidating CCAA, I am dispensing with the need to make the Securities Filings, which will only cause additional expense. This is consistent with orders previously granted by this court in the CannTrust Holdings and Pure Global Cannabis CCAA proceedings. Stakeholders will have access to detailed financial and other information about the Inscape Group through the CCAA proceedings.

The form of Initial Order is acceptable to me. Order to go as signed by me and attached to this Endorsement. This order is effective from today's date and is enforceable without the need for entry and filing.

The comeback hearing is scheduled for **one hour on January 20, 2023 at noon before me (confirmed with the Commercial List office)**.

A handwritten signature in blue ink, appearing to read "Conway J.", with a stylized flourish at the end.