

**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 INSCAPE CORPORATION, INSCAPE INC.
AND INSCAPE (NEW YORK) INC.

**SECOND REPORT OF THE MONITOR,
ALVAREZ & MARSAL CANADA INC.**

MARCH 2, 2023

TABLE OF CONTENTS

1.0	INTRODUCTION.....	1
2.0	TERMS OF REFERENCE AND DISCLAIMER	3
3.0	ORDERLY WIND-DOWN UPDATES	4
4.0	CASH FLOW RESULTS	11
5.0	UPDATED CASH FLOW FORECAST	13
6.0	OTHER UPDATES SINCE THE FIRST REPORT	16
7.0	EXTENSION OF THE STAY PERIOD.....	17
9.0	CONCLUSIONS AND RECOMMENDATIONS.....	19

APPENDICES

- Appendix “A”** – Pre-Filing Report of the Proposed Monitor dated January 11, 2023 (without appendices)
- Appendix “B”** – First Report of the Monitor dated January 18, 2023 (without appendices)
- Appendix “C”** – Sale and Liquidation Bid Process Letter
- Appendix “D”** – Updated 13-Week Cash Flow Forecast to and including May 19, 2023
- Appendix “E”** – Management’s Representation Letter Regarding the Cash Flow Forecast
- Appendix “F”** – U.S. Recognition Order dated March 1, 2023
- Confidential Appendix “1”** – Summary of Sale and Liquidation Bids

1.0 INTRODUCTION

- 1.1 On January 12, 2023 (the “**Filing Date**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made an initial order (the “**Initial Order**”) granting Inscape Corporation (“**Inscape Corp**”), Inscape (New York) Inc. (“**Inscape New York**”) and Inscape Inc. (“**Inscape Delaware**”, and collectively with Inscape Corp and Inscape New York, the “**Inscape Group**” or the “**Applicants**”) certain relief pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). The proceedings commenced thereby are referred to herein as the “**CCAA Proceedings**”. Among other things, the Initial Order appointed Alvarez & Marsal Canada Inc. as monitor of the Applicants in the CCAA Proceedings (in such capacity, the “**Monitor**”).
- 1.2 At the comeback hearing, on January 20, 2023 (the “**Comeback Hearing**”), the Applicants obtained an amended and restated Initial Order (“**ARIO**”) which, among other things: (i) increased the Administration Charge (as defined in the First Report of the Monitor dated January 18, 2023 (the “**First Report**”)) from \$250,000 to \$800,000; (ii) approved a key employee retention plan (“**KERP**”) and the related KERP Charge in the amount of \$350,000; and (iii) extended the Stay Period (as defined in the ARIO) to and including March 9, 2023.
- 1.3 Inscape Corp was previously a publicly listed company on the Toronto Stock Exchange (TSX:INQ)¹ and incorporated under the laws of the Province of Ontario. Inscape New York (a New York registered corporation) is a wholly-owned direct subsidiary of Inscape

¹ Following a delisting review by the Toronto Stock Exchange, the Applicants’ shares were delisted effective close of market on February 21, 2023. Trading of shares has been suspended since January 12, 2023 as a result of the CCAA proceedings.

Delaware (a Delaware registered corporation), and an indirect subsidiary of Inscape Corp.

- 1.4 The Inscape Group was in the business of manufacturing and distributing office furniture to customers predominantly located in the United States and Canada, with product lines that included cubicles, movable walls, filing cabinets, bookcases and other ergonomic furniture.
- 1.5 The CCAA Proceedings were commenced to provide a platform for the Applicants to conduct a wind-down and liquidation of their assets and business in an orderly fashion, and to maximize realizations for the benefit of all stakeholders (the “**Orderly Wind-Down**”).
- 1.6 In connection with the CCAA Proceedings, Alvarez & Marsal Canada Inc., then in its capacity as proposed monitor, filed and served the Pre-Filing Report of the Proposed Monitor dated January 11, 2023 (the “**Pre-Filing Report**”). The Monitor has also provided the Court with the First Report. The Pre-Filing Report, the First Report and all other Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at: www.alvarezandmarsal.com/InscapeCorporation (the “**Case Website**”).
- 1.7 Copies of the Pre-Filing Report and the First Report (both without appendices) are attached hereto as **Appendices “A”** and **“B”**, respectively.
- 1.8 The purpose of this Second Report of the Monitor (the “**Second Report**”) is to provide the Court with information and, where applicable, the Monitor’s views on:
 - (i) general updates since the granting of the ARIO, including with respect to the Orderly Wind-Down and the Chapter 15 recognition proceedings;

- (ii) the Applicants' cash flow results for the six-week period ended February 17, 2023, together with an updated 13-week cash flow forecast through the period ending May 19, 2023;
- (iii) the Applicants' request that the Court issue the proposed order (the "**Stay Extension Order**") to: (a) extend the Stay Period to and including April 21, 2023; and (b) seal the Confidential Appendix (as defined herein) until the earlier of: (a) the date immediately following the closing of the transaction contemplated by the Equipment Liquidation Bid (as defined below); and (b) further order of this Court;
- (iv) the activities of the Monitor since the date of the First Report (January 18, 2023); and
- (v) the Monitor's conclusions and recommendations in connection with relief being sought by the Applicants on March 8, 2023.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Second Report, the Monitor has been provided with, and has relied upon, unaudited financial information and the books and records prepared by the Applicants, and has held discussions with management of the Applicants and its legal counsel (collectively, the "**Information**"). Except as otherwise described in this Second Report:

- (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 the Information in a manner that would wholly or partially comply with Canadian

Auditing Standards (“CAS”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Monitor expresses no opinion or any other form of assurance contemplated under the CAS in respect of the Information; and

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

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

2.3 This Second Report should be read in conjunction with the affidavit of Eric Ehgoetz sworn February 28, 2023 (the “**Third Ehgoetz Affidavit**”). Capitalized terms used but not defined in this Second Report have the meanings given to them in the Third Ehgoetz Affidavit.

2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars (“CAD”).

3.0 ORDERLY WIND-DOWN UPDATES

3.1 Pursuant to paragraph 12 of the ARIIO, the Applicants were granted the ability to pursue all avenues of recovery, including, but not limited to, selling their assets and business, in

whole or in part, as part of the Orderly Wind-Down provided that, if the Monitor determines approval of this Court is appropriate for any transaction or transactions, the Applicants shall seek and obtain such approval prior to any material sale or reorganization.

- 3.2 In the First Report, the Monitor provided an overview of: (i) the Applicants' primary assets, which can be summarized to consist of accounts receivable, inventory, equipment and fixtures, pre-pays, HST refunds, real property leases and intangible assets; and (ii) a summary of the Applicants' planned activities in connection with the Orderly Wind-Down, including with respect to the liquidation and sale of the Applicants' assets and business.
- 3.3 The following provides an update on the Orderly Wind-Down since the date of the First Report.

Final Manufacturing & Accounts Receivable

- 3.4 Following the commencement of the CCAA Proceedings, the Applicants continued to employ an initial group of employees² at their two manufacturing plants, including 26 employees at the Holland Landing Facility and three employees at the Jamestown Facility (each as defined and described in the Pre-Filing Report).
- 3.5 These employees were retained to continue certain limited operations of the Applicants' business, including the final manufacturing, fabrication and delivery of certain customer orders, each of which were determined by the Applicants to be: (i) close to completion and able to be finalized and delivered in a timely and efficient manner; and (ii) the cost to complete was less than the benefit to the estate, by way of improved collectability on

² Following the commencement of the final manufacturing and fabrication, certain part-time and hourly staff were employed on a limited basis to assist with the completion of certain projects.

existing outstanding accounts receivable (for example, by completing certain final “punch list” items) or by completing and delivering customer orders not yet recorded in accounts receivable.

3.6 The Monitor understands that as of the date of this Second Report, all manufacturing and fabrication efforts have ceased in the U.S, and almost all manufacturing and fabrication efforts in Canada have ceased, with final activities expected to be completed by March 10, 2023. As described later in this Second Report, additional employee terminations have occurred, and as of the date of this Second Report, there are 17 remaining employees.

3.7 The following table summarizes the results of the final manufacturing efforts and the current status of the accounts receivable collection efforts of the Applicants:

Accounts Receivable Summary	\$CAD 000's
Balance as at January 3, 2023	7,417
Add: Final deliveries and sales booked since January 3, 2023	1,585
Less: Collection prior to the Filing Date (January 12, 2023)	(1,350)
Less: Collections since the Filing Date	(1,085)
Balance as at February 17, 2023	6,567

3.8 Of the remaining accounts receivable balance, approximately \$2.8 million is owing from a single customer. As described in the Third Ehgoetz Affidavit, the Applicants have discussed payment arrangements with the customer and are confident that the full balance will be collected. Further to this balance, the Applicants, with assistance from the Monitor, continue their collection efforts in respect of the remaining accounts receivable.

Sale and Liquidation Process

- 3.9 A key component of the Orderly Wind-Down, is the sale and/or liquidation of the Applicants' remaining assets, consisting primarily of equipment and fixtures, remaining inventory, intellectual property and other miscellaneous assets.
- 3.10 In this regard, the Applicants, under the supervision of and with assistance from the Monitor, commenced a truncated marketing process for the sale and liquidation of any or all of the assets and/or business of the Applicants (the "**Sale and Liquidation Process**").
- 3.11 A summary of the Sale and Liquidation Process completed to date is as follows:
- (i) the purpose of the Sale and Liquidation Process was to identify one or more value maximizing transactions for the Applicants' assets and/or businesses;
 - (ii) the Applicants, with assistance from the Monitor, contacted or received inbound inquiries from 20 parties (the "**Potential Purchasers**"). These parties included a variety of professional liquidators, office furniture manufacturers and distributors, and other parties who, in the opinion of the Applicants or the Monitor, may have been interested in acquiring certain of the Applicants' assets;
 - (iii) to participate in the Sale and Liquidation Process, Potential Purchasers were required to execute a non-disclosure agreement (the "**NDA**"). Following the execution of the NDA, Potential Purchasers were provided with significant detail about the Applicants' assets and business, including detailed asset listings, historical financial information and other relevant information. The Applicants and the Monitor also facilitated additional due diligence requests from Potential

Purchasers, including, among other things, addressing financial and operation information requests and organizing management meetings, site tours and plant visits. All information and due diligence requests were responded to in a timely manner, with assistance from the Monitor where necessary;

- (iv) on January 24, 2023, the Monitor provided the Potential Purchasers with a process letter (the “**Bid Process Letter**”) containing instructions for submitting a letter of intent (“**LOI**”). A copy of the Bid Process Letter is attached hereto as **Appendix “C”**;
- (v) among other things, the Bid Process Letter set out that: (a) Potential Purchasers were required to submit their LOI to the Applicants and to the Monitor by no later than 5:00 p.m. Eastern Time on February 8, 2023 (the “**Bid Deadline**”); and (b) following the Bid Deadline, the Applicants and the Monitor would evaluate any and all bids on various grounds, including, but not limited to, purchase price, certainty and timing of closing, and anticipated future costs to the estate.
- (vi) On or prior to the Bid Deadline, 10 LOIs were received by the Applicants and the Monitor, comprised of the following:
 - (a) five bids that included liquidation or similar proposals for all of the assets of the Applicants; and
 - (b) five bids for the acquisition of individual fixed assets, or parcels of fixed assets of the Applicants, two of which included the proposed acquisition of certain intellectual property,

(collectively, the “**Bids**”).

3.12 Following the Bid Deadline, the Monitor and the Applicants held follow-up discussions and negotiations with certain of the bidders to obtain a full understanding of the Bids and to enhance certain aspects of the Bids. A summary of the Bids is provided in **Confidential Appendix “1”**.

3.13 After analyzing the Bids, and consulting with the Monitor and the Applicants’ senior secured Lender (as defined in the Pre-Filing Report), the Applicants determined that two of the Bids (the “**Successful Bids**”) were superior to the other LOIs submitted for reasons including, but not limited to:

- (i) the value and structure of the purchase price;
- (ii) the inclusion or exclusion of certain assets of the Applicants, which ultimately allowed for the highest available proceeds;
- (iii) the proposed timing to complete the transaction and/or the liquidation process;
- (iv) future costs associated with the liquidation process, including rent and occupancy costs that would be required to be funded by the Applicants; and
- (v) the limited conditionality, including that the Successful Bids were not subject to any financing or further due diligence conditions or requirements.

3.14 The two Successful Bids are comprised of:

- (i) a bid submitted for a particular parcel of assets in respect of a fiber laser system and compressor (the “**Fiber Laser Bid**”); and

- (ii) a liquidation bid submitted for all of the Applicants’ remaining equipment and fixtures (subject to certain exclusions) (the “**Equipment Liquidation Bid**”).

Fiber Laser Bid

- 3.15 Key terms of the Fiber Laser Bid are summarized in the following table:

Purchase Price	<ul style="list-style-type: none">• USD\$925,000 paid in full on the Closing Date.
Purchaser	<ul style="list-style-type: none">• Workingman Capital Corp, (the “Purchaser”).
Closing Date	<ul style="list-style-type: none">• The transaction closed February 24, 2023.
Purchased Assets	<ul style="list-style-type: none">• The complete Amada combination laser system, component and ancillary assets.• The assets were purchased on an “<i>as is, where-is</i>” and are to be removed by the Purchaser at the Purchaser’s expense.

- 3.16 A copy of the executed purchase agreement in respect of this transaction is attached to the Third Ehgoetz Affidavit as Exhibit “B”.

Equipment Liquidation Bid

- 3.17 Regarding the Equipment Liquidation Bid, the Applicants and their legal counsel are actively working to finalize an asset purchase agreement with the successful bidder. The Monitor will update the Court on the progress of the final agreement as information becomes available or at the time the Applicants seek Court approval for the sale transaction as currently required by the Equipment Liquidation Bid.

Other Activities

- 3.18 As described in the Third Ehgoetz Affidavit, the Applicants and the landlord in respect of the Holland Landing lease, together with a third party, were in late stage discussions regarding a structured agreement. As of the date of this Second Report, this agreement has

now been finalized and is expected to provide a positive recovery to the estate following the Applicants' exit from the premises. The Monitor is reviewing the anticipated quantum and timing of the projected proceeds, net of certain exit costs, and will update the Court as additional information becomes available.

- 3.19 The Applicants, in consultation with the Monitor, continue to have discussions with certain Potential Purchasers and other parties in connection with the sale of the Applicants' remaining assets not subject to the two aforementioned transactions, including with respect to certain intellectual property and remaining inventory. The Monitor will update the Court on the progress of these discussions and any transactions that may ultimately be pursued at its next attendance.

4.0 CASH FLOW RESULTS

- 4.1 Actual receipts and disbursements for the six-week period from January 12 to February 17, 2023 (the "**Reporting Period**"), as compared to the "Cash Flow Forecast" attached as Appendix "A" to the Pre-Filing Report, are summarized in the following table:

Cash Flow Variance Report			
CAD \$000's			
	Budget	Actual	Variance
Receipts			
Collection of accounts receivable	\$ 2,916	\$ 1,085	\$ (1,831)
Other collections	172	43	(129)
	3,088	1,127	(1,960)
Disbursements			
General & Administrative	(209)	(391)	(182)
Salaries & Benefits	(1,556)	(1,487)	69
KERP	(142)	(100)	42
Rent, Utilities, Insurance	(703)	(718)	(15)
Taxes	(55)	(5)	50
Professional fees	(848)	(448)	400
Total disbursements	(3512)	(3,149)	363
Net Cash Flow	(424)	(2,021)	(1,597)
Opening cash balance	1,186	2,539	1,353
Net Cash Flow	(424)	(2,021)	(1,597)
Ending cash balance	\$ 762	\$ 518	\$ (244)

4.2 During the Reporting Period:

- (i) the positive variance in the “Opening cash balance” of approximately \$1.4 million is primarily attributable to timing differences relating to: (a) \$1.1 million of accounts receivable collected prior to the Filing Date but projected to occur during the Reporting Period; and (b) \$300,000 in Professional Fees that were projected to be disbursed prior to the Filing Date but were actually paid during the Reporting Period;
- (ii) the negative variance in the “Collection of accounts receivable” of approximately \$1.8 is attributable to: (a) the early collection of \$1.1 million, as described above; and (b) lower than forecast collections during the Reporting Period of \$700,000,

which Management attributes to a timing variance expected to reverse in the coming weeks;

- (iii) the negative variance in “General & Administrative” of approximately \$182,000 relates to higher than forecast disbursements made in connection with the final manufacturing efforts described in Section 3.0 above. These costs were not included in the initial projection and are considered by Management to be permanent negative variances; and
- (iv) the positive variance in “Professional Fees” of approximately \$400,000 is considered timing-related and expected to reverse in the coming weeks.

4.3 As at February 17, 2023, the Applicants’ consolidated cash balance was approximately \$518,000.

5.0 UPDATED CASH FLOW FORECAST

5.1 The Applicants, with assistance from the Monitor, have prepared an updated cash flow forecast (the “**Updated Cash Flow Forecast**”) for the 13-week period from February 18 to May 19, 2023 (the “**Cash Flow Period**”). A copy of the Updated Cash Flow Forecast, together with the Notes and Summary of Assumptions, and management’s report on the cash-flow statement required by subsection 10(2)(b) of the CCAA, are attached hereto as **Appendices “D” and “E”**, respectively.

5.2 The following table provides a summary of the Updated Cash Flow Forecast:

Updated Cash Flow Forecast	
CAD \$000's	
	13-Week Period
	<i>May 19, 2023</i>
Receipts	
Collection of accounts receivable	\$ 4,027
Proceeds from the sale of assets	3,705
	7,732
Disbursements	
General & Administrative	(310)
Salaries & Benefits	(757)
KERP	(134)
Rent, Utilities, Insurance	(1,000)
Taxes	(127)
Professional fees	(2,410)
Total disbursements	(4,737)
Net Cash Flow	2,995
Opening cash balance	518
Net Cash Flow	2,995
Ending cash balance	\$ 3,513

5.3 The Monitor notes the following with respect to the Updated Cash Flow Forecast:

- (i) “Proceeds from the sale of assets” include the projected results of the Sale and Liquidation Process. As described in Section 3.0 above, certain of the proposed transactions are not yet complete and the estimated balances included remain subject to change until the Equipment Liquidation Bid is finalized and other potential asset sales are completed;
- (ii) during the Cash Flow Period, net cash flows are projected to be approximately positive \$3.0 million and are forecast to be sufficiently funded by cash on hand, the collection of accounts receivable and the proceeds from asset sales; and
- (iii) the Applicants are not forecast to require any funding from the Lender during the Cash Flow Period. As described in the Pre-Filing Report, as of the date therein, the Lender was owed approximately \$2.6 million. Forecast disbursements do not include the payment of principal or interest owing to the Lender, which are forecast

to continue to accrue until the anticipated full repayment of the obligations have been made.

5.4 Based on the Monitor's review,³ nothing has come to its attention that causes it to believe, in all material respects, that:

- (i) the Cash Flow Assumptions are not consistent with the purpose of the Updated Cash Flow Forecast;
- (ii) as at the date of this Second Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the Cash Flow Assumptions; or
- (iii) the Updated Cash Flow Forecast does not reflect the Cash Flow Assumptions.

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

³

The Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor by subsection 23(1)(b) of the CCAA. Subsection 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Monitor's review of the Updated Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of management. The Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow 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 Updated Cash Flow Forecast.

6.0 OTHER UPDATES SINCE THE FIRST REPORT

Employees

- 6.1 The Applicants continue to employ approximately 17 employees (15 in Canada and two in the U.S.) to assist with the completion of the Orderly Wind-Down.
- 6.2 Since the commencement of the CCAA Proceedings, approximately 144 employees in Canada and approximately 29 employees in the U.S. have been laid-off or terminated. The Monitor understands that normal-course wages and salaries that were owing to terminated employees through their employment date were paid by the Applicants in the ordinary course, and benefit plans of all laid off and terminated employees have been discontinued as of the date of their respective terminations.

Chapter 15 Proceedings

- 6.3 On January 23, 2023, Inscape Corp, the court-appointed foreign representative for the Applicants, filed in the United States Bankruptcy Court for the Southern District of New York Chapter 15 (the “**U.S. Bankruptcy Court**”) petitions and a verified petition for entry of an order:
- (i) recognizing the CCAA Proceedings as foreign main proceedings pursuant to section 1517 of title 11 of the *United States Code* (the “**U.S. Bankruptcy Code**”);
 - (ii) recognizing Inscape Corp as the foreign representative in respect of the CCAA Proceedings;
 - (iii) recognizing and enforcing the Initial Order and the ARIO; and

(iv) granting a stay of execution against the Applicants' assets and certain other actions against the Applicants or their assets, solely within the territorial jurisdiction of the United States, and applying section 362 of the *U.S. Bankruptcy Code* in the Applicants' Chapter 15 cases.

6.4 A hearing to approve the recognition of the ARIO in the United States was held before the Honorable Michael E. Wiles on February 21, 2023 (the “**Recognition Hearing**”).

6.5 At the Recognition Hearing, among other things, the US Court requested certain additional information from the foreign representative and continued the hearing to March 1, 2023. Specifically, the U.S. Bankruptcy Court requested the filing of supplemental materials addressing the question of the center of main interest of each of Inscape New York and Inscape Delaware.

6.6 The requested additional materials, consisting of a Supplement to the Verified Petition was filed with the US Bankruptcy Court on February 27, 2023 and an order was entered on March 1, 2023 recognizing, among other things, the Canadian Proceedings as foreign main proceedings (the “**U.S. Recognition Order**”). A copy of the U.S. Recognition Order is attached hereto as **Appendix “F”**.

6.7 All documents filed in the Chapter 15 proceedings are available on the Case Website (<https://www.alvarezandmarsal.com/content/inscape-group-chapter-15-proceedings>).

7.0 EXTENSION OF THE STAY PERIOD

7.1 Pursuant to the ARIO, the Stay Period is set to expire on March 9, 2023. The Applicants are seeking an extension of the Stay Period until and including April 21, 2023.

7.2 The Monitor supports the Applicants' motion to extend the Stay Period for the following reasons:

- (i) it will provide the Applicants with the stability necessary to continue the execution of the Orderly Wind-Down;
- (ii) the Applicants are projected to have sufficient liquidity to fund their operations, as reflected in the Updated Cash Flow Forecast, through to the end of the proposed extended Stay Period;
- (iii) the Monitor does not believe that any creditor will be prejudiced if the extension is granted; and
- (iv) the Applicants continue to act in good faith and with due diligence.

8.0 ACTIVITIES OF THE MONITOR SINCE THE FILING DATE

8.1 Since the date of the First Report, the activities of the Monitor have included the following:

- (i) engaging in discussions with the Applicants and their legal counsel regarding the CCAA Proceedings;
- (ii) assisting the Applicants with communications to employees, suppliers and other stakeholders;
- (iii) assisting with and supervising the Applicants with respect to the Sale and Liquidation Process;
- (iv) corresponding and communicating with the Lender;


- (ii) monitoring receipts, disbursements, and purchase commitments, including the review of payments made;
- (iii) responding to inquiries from stakeholders, including addressing questions or concerns of parties who contacted the Monitor on the hotline number or email account established by the Monitor for the CCAA Proceedings;
- (iv) posting non-confidential materials filed with the Court to the Case Website; and
- (v) with the assistance of its legal counsel, preparing this Second Report.

9.0 CONCLUSIONS AND RECOMMENDATIONS

- 1.1 For the reasons set out in this Second Report, the Monitor is of the view that the relief requested by the Applicants is reasonable in the circumstances and respectfully recommends that the Court grant the Order.

All of which is respectfully submitted to the Court this 2nd day of March, 2023.

**Alvarez & Marsal Canada Inc., in its capacity as
Monitor of Inscope Corporation, Inscope Inc. and Inscope (New York) Inc.,
and not in its personal or corporate capacity**

Per: 
Josh Nevsky
Senior Vice-President

APPENDIX “A”

**PRE-FILING REPORT OF THE PROPOSED MONITOR DATED JANUARY 11, 2023
(without appendices)**

**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 INSCAPE CORPORATION, INSCAPE INC. AND INSCAPE (NEW YORK)
INC.

**PRE-FILING REPORT OF THE PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.**

JANUARY 11, 2023

TABLE OF CONTENTS

1.0	INTRODUCTION.....	1
2.0	PURPOSE OF THIS PRE-FILING REPORT	2
3.0	TERMS OF REFERENCE AND DISCLAIMER	4
4.0	A&M’S QUALIFICATIONS TO ACT AS MONITOR	5
5.0	BACKGROUND INFORMATION	6
6.0	CASH FLOW FORECAST	13
7.0	CASH MANAGEMENT SYSTEM.....	15
8.0	INTENDED NEXT STEPS IN THE CCAA PROCEEDINGS	16
9.0	CHAPTER 15 RECOGNITION PROCEEDINGS	17
10.0	COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER.....	17
11.0	STAY OF PROCEEDINGS	19
12.0	CONCLUSIONS AND RECOMMENDATIONS.....	19

APPENDICES

Appendix A – 13-Week Cash Flow Forecast

Appendix B – Management’s Representation Letter Regarding the Cash Flow Forecast

1.0 INTRODUCTION

- 1.1 Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) understands that Inscape Corporation (“**Inscape Corp**”), Inscape (New York) Inc. (“**Inscape New York**”) and Inscape Inc. (“**Inscape Delaware**”, and collectively with Inscape Corp and Inscape New York, the “**Inscape Group**” or the “**Applicants**”) intend to make an application to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for an order (the “**Initial Order**”) granting, among other things, an initial stay of proceedings pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and appointing A&M as Monitor of the Applicants (in such capacity, the “**Monitor**”). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 The Inscape Group’s business is the manufacturing and distribution of office furniture to customers predominantly located in the United States and Canada, with product lines that include cubicles, movable walls, filing cabinets, bookcases and other ergonomic furniture.
- 1.3 Inscape Corp is publicly listed on the Toronto Stock Exchange (TSX:INQ) and incorporated under the laws of the Province of Ontario. Inscape Corp’s head office is located in Holland Landing, Ontario, approximately one hour north of Toronto.
- 1.4 Inscape New York (a New York registered corporation) is a wholly owned direct subsidiary of Inscape Delaware (a Delaware registered corporation), and an indirect subsidiary of Inscape Corp. A simplified legal structure is attached as Exhibit “**D**” to the Ehgoetz Affidavit (as defined below).

- 1.5 The principal purpose of these CCAA Proceedings is to provide a platform to allow the Applicants to conduct a wind-down and liquidation of their assets and business in an orderly fashion, designed to maximize realizations for the benefit of all creditors (the “**Orderly Wind-Down**”). The Proposed Monitor understands that the Applicants are not seeking any specific relief in the proposed Initial Order in respect of the Orderly Wind-Down, but intend to do so in the amended and restated Initial Order at the Comeback Hearing (as defined below).
- 1.6 The Affidavit of Eric Ehgoetz, the CEO of each of the Inscape Group entities, sworn January 11, 2023 in support of the CCAA application (the “**Ehgoetz Affidavit**”), provides a detailed summary of the Applicants’ background, including the events leading up to, and reasons for, the commencement of these CCAA Proceedings.

2.0 PURPOSE OF THIS PRE-FILING REPORT

- 2.1 The purpose of this pre-filing report (the “**Report**”) is to provide the Court with information and, where applicable, the Proposed Monitor’s views on:
- (i) A&M’s qualifications to act as Monitor (if appointed);
 - (ii) some background information with respect to the Applicants;
 - (iii) the Applicants’ cash flow projection for the period January 12, 2023 through to April 7, 2023 (the “**Cash Flow Forecast**”);
 - (iv) the Inscape Group’s centralized cash management system;

- (v) intended next steps in the CCAA Proceedings, including the proposed Chapter 15 recognition proceedings;
- (vi) the priority Court-ordered charges as sought in the Initial Order as follows:
 - (a) an initial charge in the amount of \$250,000 on all of the Applicants' current and future assets, property and undertaking (collectively, the "**Property**") to secure the fees and disbursements of the Applicants' legal counsel, as well as the fees and disbursements of the Monitor and its independent counsel (the "**Administration Charge**"); and
 - (b) a charge in the amount of \$750,000 on the Property in favour of the director and officers of the Applicants (the "**D&O Charge**" and collectively with the Administration Charge, the "**Charges**"); and
- (vii) the Proposed Monitor's conclusions and recommendations in connection with the foregoing.

2.2 If the Initial Order is granted, the Applicants intend to return to Court on or around January 20, 2023 (the "**Comeback Hearing**") to seek the Court's approval of an amended and restated Initial Order which, among other things, would:

- (i) extend the stay of proceedings;
- (ii) increase the amount of the Administration Charge;
- (iii) seek relief in respect of the Orderly Wind-Down, including, among other things, the ability to: (a) disclaim real property leases in accordance with the CCAA; (b)

seek additional relief as it relates to the Chapter 15 recognition proceedings; and

(c) implement a key employee retention plan.

2.3 If the Initial Order is granted by the Court, the Monitor will file a subsequent report to the Court in respect of the Comeback Hearing and the amended and restated Initial Order.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with, and has relied upon, unaudited financial information and the books and records prepared by the Applicants, and has had discussions with management of the Applicants and its legal counsel (collectively, the “**Information**”). Except as otherwise described in this Report in respect of the Applicants’ cash flow forecast:

- (i) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
- (ii) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

- 3.2 Future oriented financial information referred to in this Report was prepared based on the Applicants' management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
- 3.3 This Report should be read in conjunction with the Ehgoetz Affidavit. Capitalized terms used and not defined in this Report have the meanings given to them in the Ehgoetz Affidavit.
- 3.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars ("CAD").

4.0 A&M'S QUALIFICATIONS TO ACT AS MONITOR

- 4.1 Alvarez & Marsal Canada ULC, an affiliate of A&M, was engaged to act as a consultant to the Applicants on December 19, 2022, and, as such, the Proposed Monitor is familiar with the business and operations of the Applicants, its personnel and the key issues and stakeholders in the proposed CCAA Proceedings. A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**") and is not subject to any of the restrictions on who may be appointed as monitor set out in subsection 11.7(2) of the CCAA.
- 4.2 A&M is related to Alvarez & Marsal Holdings, LLC, which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. The senior A&M personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional

Accountants, Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees, and whom have previously acted in CCAA matters of a similar nature.

- 4.3 The Proposed Monitor has retained Aird & Berlis LLP to act as its independent legal counsel.

5.0 BACKGROUND INFORMATION

Overview

- 5.1 A more extensive background of the Applicants is set out in the Ehgoetz Affidavit. Certain key details are summarized below.
- 5.2 The Inscope Group maintains its head office in Holland Landing, East Gwillimbury, Ontario (the “**Head Office**”) and operates from: (i) two leased manufacturing facilities comprised of: (a) a 313,000 square foot facility adjacent to the Head Office (the “**Holland Landing Facility**”); and (b) a 30,000 square foot facility in Jamestown, New York (the “**Jamestown Facility**”); and (ii) three leased retail showrooms located in Chicago, Washington, and New York.
- 5.3 The Applicants’ customers include a variety of large and small corporations and government agencies. Over 90% of the Applicants’ sales are to customers located in the United States.
- 5.4 The Inscope Group holds a number of design and utility patents relating to its products in the principal markets in which it competes.

Financial Results

- 5.5 As detailed in the Ehgoetz Affidavit, the Inscape Group has faced a number of challenges as a result of the continued impact of the Covid-19 pandemic, including a dramatic decline in order volumes and average order size. These challenges are attributed to a slower than expected return-to-office by corporate and government employees, many offices instituting work from home policies or transitioning to an entirely virtual office environment, and a general reduction in the investment in new office furniture.
- 5.6 The Inscape Group has also suffered from a number of supply chain and tightening liquidity issues, resulting in a shortage of production materials, which in turn has perpetuated delays to the completion of existing customer projects and orders.
- 5.7 The following table provides a summary of the Applicants' consolidated revenue, EBITDA and net loss,¹ highlighting the negative trend in the business and the material impact resulting from the Covid-19 pandemic:

\$000's	FY 2019 ²	FY 2020 ²	FY 2021	FY 2022	YTD Nov 22
Revenue	\$90,583	\$75,818	\$38,203	\$38,741	\$17,160
EBITDA	\$(4,708)	\$(1,609)	\$521	\$3,908	\$(11,943)
Net Loss	\$(8,746)	\$(5,406)	\$(891)	\$(839)	\$(15,262)

¹ Financial results for the last four fiscal periods ended April 30 and for the year to date period November 30, 2022. Financial results per Inscape's publicly filed financial statements.

² The "pre-Covid" period.

Senior Secured Credit Facility

- 5.8 Inscape Corp, as borrower, entered into a credit agreement on October 28, 2022 (the “**Senior Credit Agreement**”), with HUK 116 Limited, as lender (the “**Lender**”), an affiliate of Hilco Capital Limited,³ for a revolving demand facility (the “**Credit Facility**”).
- 5.9 As of the date of this Report, the total indebtedness outstanding under the Credit Facility is approximately \$2.6 million, inclusive of interest, management fees and expenses, and as described in the Cash Flow Forecast section below, no additional borrowings under the Credit Facility are currently forecast during the CCAA Proceedings.
- 5.10 The Credit Facility is described in the Ehgoetz Affidavit and is attached thereto as Exhibit “N”. Key terms and components of the Senior Credit Agreement include the following:
- (i) Inscape Corp’s borrowings under the Credit Facility are guaranteed by Inscape New York and Inscape Delaware;
 - (ii) the Credit Facility provides for a maximum credit amount of \$5 million, subject to applicable borrowing bases;
 - (iii) interest under the Credit Facility:
 - (a) during the first 12 months, interest is “paid-in-kind” (i.e., capitalized) at either Prime or US Prime plus 15%, as applicable;
 - (b) Default Interest Rate is Prime or US Prime plus 20%;

³ As described in the Ehgoetz Affidavit, Hilco Capital Limited, through its affiliate HUK 121 Limited, also owns approximately 88% of the outstanding shared of Inscape Corp.

- (c) a Non-Utilisation Fee is calculated using the prevailing Prime or US Prime rate based on the unused facility amount; and
 - (iv) the Credit Facility provides for an Early Termination Fee of \$250,000 to be immediately paid upon the termination of the Credit Facility by the Borrower prior to the Termination Date of October 28, 2024.
- 5.11 As described in the Ehgoetz Affidavit, Inscape Corp is in default under the terms of the Senior Credit Agreement, which defaults continues, and on December 28, 2022, the Lender advised the Applicants that it was no longer prepared to extend or advance any further loans or advances under the Credit Facility or otherwise under the circumstances as they existed at that time.
- 5.12 To address these defaults and allow for ongoing fundings to the Inscape Group, in the days leading up to these proposed CCAA Proceedings, the Applicants and the Lender negotiated and formalized a forbearance agreement dated January 10, 2023 (the “**Forbearance Agreement**”). A copy of the executed Forbearance Agreement is attached as Exhibit “S” to the Ehgoetz Affidavit.
- 5.13 Among other things, the Forbearance Agreement provided the Applicants with additional funding of approximately \$1.2 million (funded by the Lender on January 11, 2023), which was immediately used to fund normal course employee payroll costs, critical vendor payments and certain of the restructuring costs associated with these CCAA Proceedings.
- 5.14 The Proposed Monitor notes the following with respect to the Forbearance Agreement:

- (i) the stated purpose of the Forbearance Agreement is to provide committed funding for the Inscope Group's liquidity and cash flow requirements during the proposed CCAA Proceedings and to complete the Orderly Wind-Down;
- (ii) it is structured in a manner that amends and supplements the terms of the Senior Credit Agreement in that the applicable interest rate, both on current and future advances, shall accrue at the Default Interest Rate (as described above), which is currently approximately 26.5%;
- (iii) it includes a forbearance fee of \$100,000; and
- (iv) it provides the Inscope Group with the option of engaging a third party collections agent, approved by the Lender, who shall be responsible for managing collection of the Applicants' outstanding accounts receivable during the proposed CCAA Proceedings. The terms and fee associated with such engagement have not been finalized and are subject to approval of the Monitor and/or the Court.

Employees

- 5.15 The Applicants currently employ approximately 218 people, comprised of 184 in Canada and 34 in the U.S. Approximately 92 of the Applicants' employees are unionized, comprised of 83 in Canada and nine in the U.S.
- 5.16 The Applicants' payroll is processed by Ceridian HCM, a third-party payroll processor, and paid through the Inscope Group's Cash Management System (as defined below).

- 5.17 The Applicants maintain four pension plans, comprised of: (i) two defined contribution pension plans for Canadian employees;⁴ (ii) one defined benefit pension plan for U.S. employees; and (iii) one defined contribution 401K plan for U.S. employees.
- 5.18 The Proposed Monitor understands that based on the most recent actuarial report received by Inscap New York, the defined benefit pension plan for U.S. employees had a deficit of approximately \$500,000 as of July 31, 2022.
- 5.19 The Inscap Group also sponsors an employee benefits plan, which provides medical, dental, vision and other benefits for eligible employees.
- 5.20 The Proposed Monitor understands that the Applicants remain current in all of their funding obligations in respect of payroll and related costs and that during the CCAA Proceedings, the Applicants intend to continue funding the benefits plan, pension plans, and all other employee related costs and benefits in the normal course.
- 5.21 As part of the Orderly Wind-Down, following the commencement of the proposed CCAA Proceedings, the Proposed Monitor understands that the Applicants intend to immediately terminate a significant number of their employees.

PPSA Registrations

- 5.22 Two parties have registered interests against Inscap Corp under the Personal Property Security Act: (i) the Lender with respect to all present and after-acquired personal property of Inscap Corp for all collateral classifications except consumer goods; and (ii) Dell

⁴ Inscap Corp previously maintained a defined benefit plan for its hourly employees in Canada, however this plan was converted into a defined contribution plan effective April 2, 2022.

Financial Services Canada Limited has a number of registrations with respect to computer equipment and peripherals pursuant to an equipment lease agreement. A copy of the certified Personal Property Registry search results for Inscape Corp in Ontario is attached as Exhibit “**R**” to the Ehgoetz Affidavit.

Unsecured Creditor Profile

- 5.23 Based on the Applicants’ consolidated books and records, as at January 9, 2023, amounts payable to unsecured trade creditors were approximately \$6.3 million, owing primarily to third-party suppliers of raw materials used in the furniture manufacturing process, packaging, logistics and other general goods and services.
- 5.24 The Inscape Group provides a warranty on all of its products and a provision for warranty claims of approximately \$300,000 is currently recorded in the Applicants’ consolidated books and records. During the CCAA proceedings, the Inscape Group will no longer be honouring any warranties.
- 5.25 As noted above, the Applicants are party to one Canadian and four U.S. lease agreements.
- 5.26 As described in the Ehgoetz Affidavit, in 2017, the Canada Revenue Agency (“**CRA**”) issued a notice of reassessment to Inscape Corp claiming approximately \$2.6 million in income tax liability. The Inscape Group engaged a financial advisor to assist with an independent review of the notice of reassessment and on or about October 13, 2022, the Inscape Group filed a notice of objection (“**Objection**”). As of the date of this Report, approximately \$1.3 million in respect of HST refunds has been withheld by CRA, pending determination of the Objection.

6.0 CASH FLOW FORECAST

- 6.1 The Applicants have prepared the Cash Flow Forecast for the 13-week period from January 12, 2023 to April 7, 2023 (the “**Cash Flow Period**”). A copy of the Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) and management’s report on the cash-flow statement required by subsection 10(2)(b) of the CCAA, are attached hereto as **Appendices “A” and “B”**, respectively.
- 6.2 The following table provides a summary of the Cash Flow Forecast, including the period prior to the Comeback Hearing, being January 12, 2023 to January 20, 2023 (the “**Initial Period**”):⁵

Cash Flow Forecast		CAD \$'000s		
	2-Week Period <i>20-Jan-23</i>	11-Week Period <i>7-Apr-23</i>	13-Week Total <i>7-Apr-23</i>	
Receipts				
AR collections	573	4,269	4,842	
Proceeds from sale of inventory	-	287	287	
Proceeds from sale of fixed assets	-	3,056	3,056	
Total Receipts	573	7,613	8,185	
Disbursements				
General & admin	(89)	(210)	(299)	
Salaries & benefits	(981)	(862)	(1,843)	
Proposed KERP	-	(214)	(214)	
Insurance	-	(91)	(91)	
Utilities	(50)	(162)	(212)	
Rent	(216)	(727)	(943)	
Taxes	-	(82)	(82)	
Professional fees	-	(1,774)	(1,774)	
Total Disbursements	(1,336)	(4,121)	(5,457)	
Net Cash Flow	(763)	3,492	2,729	
Opening Cash	1,186	423	1,186	
Net cash flow	(763)	3,492	2,729	
Closing Cash (Bank)	423	3,915	3,915	

⁵ The Comeback Hearing is currently scheduled to be heard on January 20, 2023.

6.3 The Proposed Monitor notes the following with respect to the Cash Flow Forecast:

- (i) during the Initial Period, total disbursements of approximately \$1.3 million are projected to be sufficiently funded by the Applicants' current cash on hand and the collection of accounts receivable;
- (ii) during the entire Cash Flow Period, net cash flows are projected to be approximately positive \$2.7 million and will be sufficiently funded by cash on hand and the collection of accounts receivable. The Applicants are not forecast to require any funding from the Lender during the Cash Flow Period;
- (iii) forecast disbursements include payments pursuant to the Orderly Wind-Down, which do not include the payment of principal or interest owing to the Lender, which are forecast to continue to accrue until the anticipated full repayment of the obligations owing to the Lender; and
- (iv) there are potential collections and realizations that may materialize during the Orderly Wind-Down that would be incremental to the Cash Flow Forecast herein, including, but not limited to, the liquidation of equipment and sale of other assets and the collection of the HST refunds described above.

6.4 Based on the Proposed Monitor's review,⁶ nothing has come to its attention that causes it to believe, in all material respects that:

⁶ The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor by subsection 23(1)(b) of the CCAA. Subsection 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries,

- (i) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;
- (ii) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or
- (iii) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

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

7.0 CASH MANAGEMENT SYSTEM

7.1 As described in the Ehgoetz Affidavit, the Applicants' cash management system is operated through various accounts with the Royal Bank of Canada ("**RBC**") and KeyBank (the "**Cash Management System**"). The Cash Management System is administered by the Applicants' finance department at the Head Office.

7.2 Inscape utilizes eight bank accounts, of which three are held at RBC, four are held at KeyBank and one is held at Platinum Bank (collectively, the "**Bank Accounts**"). The Bank Accounts are in denominated in CAD and USD.

analytical procedures and discussions related to information supplied to it by certain key members of management. The Proposed Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

7.3 The Applicants intend to continue using its existing Cash Management System in substantially the same manner as before the commencement of the CCAA Proceedings and are seeking approval of the Court to do so. Given the scale and nature of the Applicants' operations and the volume of transactions that are processed daily within the Cash Management System, the Proposed Monitor is of the view that the continued use of the existing Cash Management System is required and appropriate during these CCAA Proceedings.

7.4 As part of its monitoring procedures, the Proposed Monitor will:

- (i) review receipts and disbursements processed through the Bank Accounts;
- (ii) review weekly receipts and disbursements summaries, compare the summaries to the corresponding cash flow forecasts and review variances with management;
- (iii) review disbursements, as reasonably appropriate, for compliance with provisions of the proposed Initial Order; and
- (iv) review and track the ordinary intercompany cash transfers that occur among the Bank Accounts.

8.0 INTENDED NEXT STEPS IN THE CCAA PROCEEDINGS

8.1 The Proposed Monitor understands that, subject to obtaining the proposed Initial Order, the Applicants intend to: (i) continue to prepare for the Orderly Wind-down; and (ii) return to Court at the Comeback Hearing to seek an amended and restated Initial Order, which, among other things: (a) extends of the stay of proceedings; and (b) approves the terms of a

key employee retention plan for certain key employee who will remain employed to assist with the Orderly Wind-down.

9.0 CHAPTER 15 RECOGNITION PROCEEDINGS

9.1 As discussed in the Ehgoetz Affidavit, the Applicants intend to seek recognition of these CCAA Proceedings under Chapter 15 of the United States Bankruptcy Code and for the recognition of these proposed CCAA Proceedings as “Foreign Main Proceedings”. The Proposed Monitor is also advised that the Applicants intend to seek the appointment of a foreign representative under such recognition proceedings.

10.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

10.1 The proposed Initial Order seeks the granting of the Charges and provides that the Charges are to rank ahead of all other existing security interests, trusts liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, against the Property.

Administration Charge

10.2 The proposed Initial Order provides for an initial Administration Charge in an amount not to exceed \$250,000 in favour of the Monitor, counsel to the Monitor, counsel to the Applicants, special counsel to the Applicants and counsel to the director and officers of the Applicants.

10.3 The Proposed Monitor assisted the Applicants with the calculation of the Administration Charge and is of the view that the amount of the charge for the initial 10-day stay period is reasonable and appropriate in the circumstances, having regard to the nature of the

proceedings, the anticipated professional costs incurred during the initial 10-day stay period, and the size of charges approved in similar CCAA proceedings.

D&O Charge

- 10.4 Mr. Ehgoetz is currently the sole officer and director of the Applicants.
- 10.5 The proposed Initial Order provides that the Applicants will indemnify their director and officers against obligations and liabilities that they may incur in capacity as director and officers of the Applicants from the commencement of the CCAA Proceedings, except to the extent that any obligation or liability was incurred as a result of gross negligence or wilful misconduct, and provides for an initial D&O Charge on the Property in the amount of \$750,000 in favour of the Applicants' director and officers as security for any such obligations or liabilities arising after the commencement of these CCAA Proceedings.
- 10.6 The Proposed Monitor understands that the Inscape Group holds a directors' and officers' insurance policy that provides coverage for certain obligations. However, this policy contains certain exceptions, exclusions and carve-outs, and as a result, the policy may not provide adequate coverage to Inscape's director and officers during the CCAA Proceedings.
- 10.7 The Applicants' director and officers will only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under the Inscape Group's directors' and officers' insurance policy or to the extent that such coverage is insufficient to pay an indemnified amount.

10.8 The amount of the D&O Charge was estimated by the Applicants, in consultation with the Proposed Monitor, taking into consideration the Applicants' payroll, vacation pay, statutory employee obligations and sales tax liabilities, during the ten-day period prior to the Comeback Hearing.

Priority of Charges

10.9 The priorities of the Charges are proposed to be as follows:

- (i) First – Administration Charge (to the maximum amount of \$250,000); and
- (ii) Second – Directors' Charge (to the maximum amount of \$750,000).

10.10 As set out above, the Proposed Monitor believes that the Charges are reasonable in the circumstances.

11.0 STAY OF PROCEEDINGS

11.1 The proposed Initial Order contemplates the granting of an initial 10-day stay of proceedings in respect of the Applicants, its business and the Property.

11.2 The proposed stay of proceedings will provide the breathing space required for the Applicants to stabilize their business and to commence the Orderly Wind-Down which is intended to maximize value for stakeholders.

12.0 CONCLUSIONS AND RECOMMENDATIONS


12.1 For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested by the Applicants in the proposed Initial Order is reasonable, appropriate and necessary, having regard to the current circumstances of the Applicants. As such, the

Proposed Monitor supports the Applicants' application for CCAA protection and respectfully recommends that the Court grant the Initial Order containing the relief requested by the Applicants.

All of which is respectfully submitted to the Court this 11th day of January, 2023.

**Alvarez & Marsal Canada Inc., in its capacity as
Proposed Monitor of Inscope Corporation, Inscope Inc. and Inscope (New York) Inc.,
and not in its personal or corporate capacity**

Per:



Josh Nevsky
Senior Vice-President

APPENDIX “B”

**FIRST REPORT OF THE MONITOR DATED JANUARY 18, 2023
(without appendices)**

**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 INSCAPE CORPORATION, INSCAPE INC.
AND INSCAPE (NEW YORK) INC.

**FIRST REPORT OF THE MONITOR,
ALVAREZ & MARSAL CANADA INC.**

JANUARY 18, 2023

TABLE OF CONTENTS

1.0	INTRODUCTION.....	1
2.0	PURPOSE OF THIS REPORT	3
3.0	TERMS OF REFERENCE AND DISCLAIMER	4
4.0	UPDATES SINCE THE INITIAL ORDER.....	5
5.0	ORDERLY WIND-DOWN	7
6.0	KEY EMPLOYEE RETENTION PLAN	10
7.0	COURT-ORDERED CHARGES	12
8.0	WEPPA DECLARATION	13
9.0	EXTENSION OF THE STAY PERIOD.....	14
10.0	ACTIVITIES OF THE MONITOR SINCE THE FILING DATE	15
11.0	CONCLUSIONS AND RECOMMENDATIONS.....	16

APPENDICES

Appendix “A” – Pre-Filing Report (without appendices)

Appendix “B” – Key Employee Retention Plan

Appendix “C” – Summary of Recently Approved KERPs

1.0 INTRODUCTION

- 1.1 On January 12, 2023 (the “**Filing Date**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made an initial order (the “**Initial Order**”) granting Inscape Corporation (“**Inscape Corp**”), Inscape (New York) Inc. (“**Inscape New York**”) and Inscape Inc. (“**Inscape Delaware**”, and collectively with Inscape Corp and Inscape New York, the “**Inscape Group**” or the “**Applicants**”) certain relief pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). The proceedings commenced thereby are referred to herein as the “**CCAA Proceedings**”.
- 1.2 Inscape Corp is publicly listed on the Toronto Stock Exchange (TSX:INQ)¹ and incorporated under the laws of the Province of Ontario. Inscape New York (a New York registered corporation) is a wholly-owned direct subsidiary of Inscape Delaware (a Delaware registered corporation), and an indirect subsidiary of Inscape Corp.
- 1.3 The Inscape Group’s business is the manufacturing and distribution of office furniture to customers predominantly located in the United States and Canada, with product lines that include cubicles, movable walls, filing cabinets, bookcases and other ergonomic furniture.
- 1.4 The Initial Order, among other things:
- (i) granted a stay of proceedings in respect of the Applicants until and including January 20, 2023 (the “**Stay Period**”);

¹ The Toronto Stock Exchange has advised the Applicants that a meeting of the Continued Listing Committee has been scheduled for January 20, 2023 to consider the delisting of the securities of Inscape Corp.

- (ii) appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicants (in such capacity, the “**Monitor**”) in the CCAA Proceedings;
- (iii) authorized the continued use by the Applicants of their centralized Cash Management System (as defined in the Initial Order); and
- (iv) granted a charge:
 - (a) in the amount of \$250,000 on all of the Applicants’ current and future assets, property and undertaking (collectively, the “**Property**”) to secure the fees and disbursements of the Applicants’ legal counsel, as well as the fees and disbursements of the Monitor and its legal counsel (the “**Administration Charge**”); and
 - (b) in the amount of \$750,000 on the Property in favour of the director and officers of the Applicants (the “**D&O Charge**”); and
- (v) relieved Inscap Corp, a reporting issuer listed on the Toronto Stock Exchange, of its reporting obligations under applicable securities law.

1.5 The CCAA Proceedings were commenced to provide a platform for the Applicants to conduct a wind-down and liquidation of their assets and business in an orderly fashion, and to maximize realizations for the benefit of all stakeholders (the “**Orderly Wind-Down**”).

1.6 A&M filed and served a Pre-Filing Report dated January 11, 2023 (the “**Pre-Filing Report**”) prior to the commencement of the CCAA Proceedings. The Pre-Filing Report and other Court-filed documents in the CCAA Proceedings are available on the Monitor’s

case website at: www.alvarezandmarsal.com/InscapeCorporation (the “**Case Website**”). A copy of the Pre-Filing Report (without appendices) is attached hereto as **Appendix “A”**.

2.0 PURPOSE OF THIS REPORT

2.1 The purpose of this first report (the “**First Report**”) is to provide the Court with information and, where applicable, the Monitor’s views on:

- (i) general updates since the granting of the Initial Order, including with respect to the proposed Chapter 15 recognition proceedings to be commenced by the Applicants;
- (ii) the proposed next steps in respect of the Orderly Wind-Down;
- (iii) the key employee retention plan (“**KERP**”) proposed by the Applicants and the related charge over the Property for \$350,000 (the “**KERP Charge**” and collectively with the Administration Charge and the D&O Charge, the “**Charges**”);
- (iv) the relief sought by the Applicants pursuant to the proposed amended and restated Initial Order (the “**Amended and Restated Initial Order**”), including with respect to:
 - (a) extending the Stay Period to and including March 9, 2023;
 - (b) increasing the quantum of the Administrative Charge from \$250,000 to \$800,000; and
 - (c) declaring that, pursuant to section 5(5) of the *Wage Earner Protection Program Act* (“**WEPPA**”), Inscape Corp is a “former employer” in

accordance with the criteria established by section 3.2 of the Wage Earner Protection Program Regulations (the “**WEPP Regulations**”);

- (v) the activities of the Monitor since its appointment; and
- (vi) the Monitor’s conclusions and recommendations as it relates to the relief sought by the Applicants.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this First Report, the Monitor has been provided with, and has relied upon, unaudited financial information and the books and records prepared by the Applicants, and has had discussions with management of the Applicants and its legal counsel (collectively, the “**Information**”). Except as otherwise described in this First Report:

- (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 the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CAS**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Monitor expresses no opinion or any other form of assurance contemplated under the CAS 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 forecasts and projections, as outlined in the CPA Handbook, has not been performed.

- 3.2 Future-oriented financial information referred to in this First Report was prepared based on the Applicants' management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results may vary from the projections, even if the assumptions materialize, and the variations could be significant.
- 3.3 This First Report should be read in conjunction with the affidavit of Eric Ehgoetz sworn January 17, 2023 (the "**Second Ehgoetz Affidavit**"). Capitalized terms used but not defined in this First Report have the meanings given to them in the Second Ehgoetz Affidavit.
- 3.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars ("**CAD**").

4.0 UPDATES SINCE THE INITIAL ORDER

Employees

- 4.1 Following the commencement of the CCAA Proceedings, the Applicants initiated the layoff and termination of approximately 138 employees in Canada and approximately 28 employees in the United States. The Monitor understands that all normal-course salaries and wages owing to these terminated employees through their employment date will be paid by the Applicants in the ordinary course.
- 4.2 Following these terminations, the Applicants continue to employ approximately 29 employees (26 in Canada and 3 in the U.S.) to assist with the Orderly Wind-Down (as described further below).

Lease Payments

4.3 The Monitor understands that:

- (i) the Inscape Group is current on their lease payments in respect of the Holland Landing Facility and the Jamestown Facility.² The majority of the Applicants' inventory, furniture, fixtures and equipment, and other assets, which will be sold or liquidated pursuant to the Orderly Wind-Down, are located at these two locations;
- (ii) the Applicants have not yet paid rent for their retail showrooms located in Washington D.C. and New York for the month of January 2023 (in aggregate, approximately \$120,000); and
- (iii) the Monitor understands that the Applicants are currently working with their Canadian and U.S. restructuring counsel to determine what alternatives they may have to exit all locations while preserving cash and, on-balance, maximizing the value of the estate for all creditors, including the potential monetization of certain of these real property leases.

Chapter 15 Proceedings

4.4 As discussed in the Pre-Filing Report and the Second Ehgoetz Affidavit, the Applicants intend to seek recognition of these CCAA Proceedings under Chapter 15 of the United States Bankruptcy Code as a "Foreign Main Proceeding".

² As described in the Pre-Filing Report: (i) the Holland Landing Facility is located in Holland Landing, Ontario, and houses the Inscape Group's Head Office and primary manufacturing facility; and (ii) the Jamestown Facility is located in Jamestown, New York, and houses the Inscape Group's U.S. manufacturing facility.

- 4.5 The Monitor is advised that the Applicants intend to seek the appointment of Inscape Corp or, in the alternative, Mr. Eric Ehgoetz (the Applicants' CEO), as a foreign representative under such recognition proceedings. Inscape Corp has retained Willkie Farr & Gallagher LLP as its U.S. legal counsel.
- 4.6 Provided that the Amended and Restated Initial Order is granted, the Monitor understands that the Applicants intend to commence the Chapter 15 proceedings to seek recognition of these CCAA Proceedings as soon as possible.

5.0 ORDERLY WIND-DOWN

- 5.1 The purpose of the Orderly Wind-Down is to conduct a wind-down and liquidation of the Applicants' assets and business in an orderly fashion, and maximize realizations for the benefit of all creditors.
- 5.2 The primary assets of the Applicants, based on their approximate book values,³ can be summarized as follows:

Book Value (C\$'000)	Inscape Corp (Canada)	Inscape New York & Inscape Delaware (U.S.)	Combined Totals
Accounts receivable	\$208	\$6,659	\$6,867
Inventories	4,336	1,110	5,446
Furniture, fixtures & equipment	4,287	448	4,735
Deposits, pre-pays and other	2,714	736	3,450
HST refund	1,257	--	1,257
Intellectual property and intangibles	655	--	655
TOTAL	13,457	8,953	22,410

³ Book value of accounts receivable is as at the Filing Date. Book value of all other assets are as at November 30, 2022. Book values are provided for informational purposes only, the Monitor notes that book value is not representative of actual realizable value.

- 5.3 Pursuant to paragraph 12 of the Amended and Restated Initial Order, the Applicants are seeking the ability to pursue all avenues of recovery, including, but not limited to, selling their assets and business, in whole or in part, provided that, if the Monitor determines that approval of this Court is appropriate in the circumstances, the Applicants shall seek and obtain such approval prior to any material sale or reorganization.
- 5.4 The Monitor understands that the Applicants, in consultation with the Monitor, intend to perform the following:
- (i) pursue the collection of all accounts receivable from third-party customers;
 - (ii) pursue all avenues to maximize the value of the Applicants' inventory, furniture, fixtures and equipment and other assets, including seeking multiple bids for substantially all of the assets, groups of assets, or individual assets, from a variety of professional liquidators, other office furniture manufacturers and distributors, and other parties who, in the opinion of the Applicants or the Monitor, may be interested in acquiring certain of the assets; and
 - (iii) pursue the collection and/or refund of the HST refund,⁴ prepaid assets, deposits and all other assets.

⁴ As described in the Pre-Filing Report, the Inscope Group has an HST refund of approximately \$1.3 million which is currently being withheld by the CRA pending determination of a notice of reassessment regarding approximately \$2.6 million in income tax liability.

5.5 The Monitor is of the view that the Orderly Wind-Down (including the proposed revisions to paragraph 12 of the Amended and Restated Initial Order) are appropriate in the circumstances for the following reasons:

- (i) the Orderly Wind-Down will provide the Applicants, in consultation with the Monitor, with a platform to canvass the market for the sale of the Inscope Group's assets, including providing liquidators and other purchasers an opportunity to put forth a bid for the Applicants' assets with a view of maximizing value for all stakeholders;
- (ii) the Applicants' senior secured Lender (as defined in the Pre-Filing Report) is supportive of the Orderly Wind-Down;
- (iii) no stakeholder appears likely to be prejudiced by the proposed process;
- (iv) the Monitor's consent will be required before the Applicants may complete any material sale or reorganization, and allowing the Applicants to complete a sale without returning to Court for approval would be consistent with the goal to effect the Orderly Wind-Down in a cost-efficient manner under the flexibility of the CCAA; and
- (v) the Monitor is of the view that time is of the essence in carrying out the Orderly Wind-Down, with a view to minimizing carrying costs of the Applicants' Property and maximizing recoveries for all creditors.

6.0 KEY EMPLOYEE RETENTION PLAN

6.1 In order to facilitate and encourage the continued participation of senior management and other key employees during the CCAA Proceedings, the Inscope Group seeks approval of:

- (i) the KERP for certain of the retained employees who are considered by the Applicants to be critical to the success of the Orderly Wind-Down (the “**KERP Participants**”); and
- (ii) the creation of a related KERP Charge to secure the payments anticipated to become due under the KERP.

6.2 The KERP can be summarized as follows:

- (i) the Applicants’ senior management team would receive: (a) retention bonuses totaling \$100,000, in the aggregate, payable upon approval of the KERP by this Court; (b) their ordinary course salary and benefits during the CCAA Proceedings; and (c) performance-based bonuses totaling \$200,000, in the aggregate, payable if overall creditor recoveries exceed the amount required to fully satisfy all priority claims as outlined in section 81 of the *Bankruptcy and Insolvency Act* and all amounts due and owing to the Lender; and
- (ii) the remaining KERP Participants would receive: (a) retention bonuses totalling approximately \$150,000, in the aggregate, payable upon the end of the service period required from the KERP Participants; and (b) their ordinary course salary, and benefits during the CCAA Proceedings.

6.3 On a combined basis, if each of the targets described above are met, the total KERP payout would be approximately \$450,000 paid to 21 employees.

- 6.4 Additional information regarding the KERP is included in **Appendix “B”**, which sets out the title and amounts to be received by each KERP Participant.
- 6.5 The Monitor supports the approval of the KERP as: (i) it will provide stability to the business and facilitate the successful completion of the Orderly Wind-Down by encouraging key employees to remain with the Applicants; (ii) the KERP Participants are considered to be key to maximizing realizations for the benefit of stakeholders; (iii) the KERP is supported by the Lender; and (iv) the terms of the KERP and the quantum of the payouts are reasonable both in the circumstances and when compared to other key employee retention and incentive plans approved by this Court in the past.
- 6.6 As part of its review and consideration of the KERP, the Monitor examined a number of key employee retention plans that have recently been approved by this Court in similar proceedings. A summary of these comparable plans is attached hereto as **Appendix “C”**.

KERP Charge

- 6.7 The Amended and Restated Initial Order provides for a KERP Charge over the Property in an amount not to exceed \$350,000 in favour of the KERP Participants. The KERP Charge represents total amounts payable to the KERP Participants, excluding the \$100,000 portion payable upon approval of the KERP by this Court.
- 6.8 In the Monitor’s view, the quantum of the KERP Charge is reasonable both in the circumstances and when compared to other key employee retention and incentive plans approved by this Court in the past.
- 6.9 The Monitor supports the granting of the KERP Charge.

7.0 COURT-ORDERED CHARGES

- 7.1 The Initial Order granted the Administration Charge and the D&O Charge over the Property. As described in the Pre-Filing Report, these charges were sized to the extent reasonably necessary for the initial 10-day Stay Period.

Administration Charge

- 7.2 The Initial Order provides for an Administration Charge over the Property in an amount not to exceed \$250,000 in favour of the Monitor, its Canadian and U.S. counsel, Canadian and U.S. counsel to the Applicants (including special counsel to the Applicants, and counsel to the director and officers of the Applicants). The Applicants now seek to increase the Administration Charge to \$800,000.
- 7.3 The Monitor assisted the Applicants in the calculation of the Administration Charge and is of the view that the increased amount of the charge is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, the proposed Chapter 15 proceedings, the cross-border work to be completed, potential work involved at peak times, and the size of charges approved in similar CCAA proceedings.

D&O Charge

- 7.4 The Initial Order provides that the Inscope Group will indemnify its director and officers against obligations and liabilities that they may incur in their capacity as director and officers of the Applicant from the commencement of the CCAA Proceedings, except to the extent that any obligation or liability was incurred as a result of gross negligence or wilful misconduct. The Initial Order provides for a D&O Charge over the Property in the amount of \$750,000, in favour of the Applicants' director and officers for that indemnity.

- 7.5 No change to the quantum of the D&O Charge is being sought at this time. The Monitor notes that the primary components of the D&O Charge are approximately: (i) \$200,000 for employee salary and wages and related statutory employee obligations, taking into consideration the Applicants' Canadian and U.S. payroll cycles; (ii) \$450,000 for accrued vacation pay; and (iii) \$100,000 for ongoing sales tax obligations.
- 7.6 The Monitor is of the view that the quantum of the D&O Charge continues to be appropriate and reasonable in the circumstances.

Priority of Charges

- 7.7 The priorities of the Charges are proposed to be as follows:
- (i) First – Administration Charge (to the maximum amount of \$800,000);
 - (ii) Second – D&O Charge (to the maximum amount of \$750,000); and
 - (iii) Third – KERP Charge (to the maximum amount of \$350,000).
- 7.8 As set out above, the Monitor believes that the Charges are reasonable in the circumstances.

8.0 WEPPA DECLARATION

- 8.1 Section 5(1) of the WEPPA provides that an individual is eligible to receive payment under WEPPA if, among other things: (i) the individual is owed eligible wages by a former employer; (ii) the former employer is subject to proceedings under the CCAA; and (iii) a court determines under subsection 5(5) that criteria prescribed by regulation are met.

- 8.2 Section 3.2 of the WEPP Regulations provides that the Court “may determine whether the former employer is the former employer of all of whose employees in Canada have been terminated other than any retained to wind down its business operations.”
- 8.3 As described in Section 4.1 of this First Report, Inscope Corp has terminated the majority of its employees (other than those who are assisting with the Orderly Wind-Down). The Monitor supports the Applicants’ request for a declaration that Inscope Corp is a former employer for the purposes of section 5(5) of the WEPPA.
- 8.4 The Monitor will work with the Inscope Group to identify all employees that may be eligible for payments under WEPPA and will assist those eligible employees in their claim submissions to Service Canada at the appropriate time.

9.0 EXTENSION OF THE STAY PERIOD

- 9.1 Pursuant to the Initial Order, the Stay Period is set to expire on January 20, 2023. The Applicants are seeking an extension of the Stay Period until and including March 9, 2023.
- 9.2 The Monitor supports the Applicants’ motion to extend the Stay Period for the following reasons:
- (i) it will provide the Inscope Group with the stability necessary to execute the Orderly Wind-Down;
 - (ii) the Applicants are projected to have sufficient liquidity to fund their operations, as reflected in the Cash Flow Forecast (as defined in the Pre-Filing Report), through to the end of the proposed extended Stay Period;

- (iii) the Monitor does not believe that any creditor will be prejudiced if the extension is granted;
- (iv) as of the date of this First Report, neither the Applicants nor the Monitor are aware of any party opposed to the requested extension; and
- (v) the Applicants continue to act in good faith and with due diligence.

10.0 ACTIVITIES OF THE MONITOR SINCE THE FILING DATE

10.1 Since the Filing Date, the primary activities of the Monitor have included the following:

- (i) engaging in discussions with the Inscape Group and their legal counsel regarding the CCAA Proceedings;
- (ii) assisting the Inscape Group with communications to employees, suppliers and other parties;
- (iii) corresponding and communicating with the Lender;
- (iv) assisting the Inscape Group in implementing an appropriate accounting cut-off to ensure proper determination of pre- and post-filing obligations and liabilities;
- (v) reviewing receipts and disbursements by the Inscape Group since the Filing Date;
- (vi) activating the Case Website and coordinating the uploading of Court-filed documents;
- (vii) completing and coordinating the notice requirements pursuant to paragraph 39 of the Initial Order, including:

- (a) arranging for publication of notice of the CCAA Proceedings, in the prescribed form, in *The Globe and Mail (National Edition)* on January 18, 2023 and February 25, 2023;
- (b) posting the Initial Order to the Case Website on January 12, 2023;
- (c) arranging for notices of the CCAA Proceedings to all known creditors having a claim against the Applicants of more than CAD\$1,000; and
- (d) preparing and posting to the Case Website on January 17, 2023, a listing of the names and addresses of all known creditors having a claim against the Applicants for more than \$1,000;
- (viii) activating the Monitor's hotline and email account for the CCAA Proceedings, and responding to creditor inquiries received through those contact points;
- (ix) completing the statutory filings pursuant to section 23 of the CCAA, including filing the requisite forms (Form 1 and Form 2) with the Office of the Superintendent of Bankruptcy (Canada); and
- (x) with the assistance of its legal counsel, preparing this First Report.

11.0 CONCLUSIONS AND RECOMMENDATIONS

- 11.1 For the reasons set out in this First Report, the Monitor respectfully recommends that the Court grant the Amended and Restated Initial Order containing the relief requested by the Applicants.

All of which is respectfully submitted to the Court this 18th day of January, 2023.

**Alvarez & Marsal Canada Inc., in its capacity as
Monitor of Inscope Corporation, Inscope Inc. and Inscope (New York) Inc.,
and not in its personal or corporate capacity**

Per: _____


Josh Nevsky
Senior Vice-President

APPENDIX “C”

SALE AND LIQUIDATION BID PROCESS LETTER



January 24, 2023

STRICTLY PRIVATE AND CONFIDENTIAL

TO: Parties interested in the assets and business of the Inscope Group

RE: Submission of offers

We appreciate your interest in the assets and business of the Inscope Group¹ (the “**Company**”). The Company, together with Alvarez & Marsal Canada Inc., in its capacity as the Court-appointed monitor (the “**Monitor**”) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), are requesting the submission of letters of intent summarizing your proposal(s) for the acquisition of any or all of the businesses and/or property of the Inscope Group (“**Letter of Intent**”) on the timeline indicated below.

Your Letter of Intent must be submitted in writing, via email, by no later than **5:00 p.m. Eastern Time on Wednesday, February 8, 2023** (“**Bid Deadline**”) and addressed to the Company and the Monitor as follows:

Eric Ehgoetz
Chief Executive Officer
eehgoetz@myinscope.com

Jon Szczur
Chief Financial Officer
jszczur@myinscope.com

Josh Nevsky
Managing Director
jnevsky@alvarezandmarsal.com

Stephen Moore
Senior Director
smoore@alvarezandmarsal.com

Your Letter of Intent must be signed by a senior officer with the authority to submit such a binding offer. Your Letter of Intent should reflect your best and final offer and you should assume that you will not be given an opportunity to rebid, renegotiate, or improve any terms of your Letter of Intent.

Your Letter of Intent must include the following:

1. **Transaction Summary:** A description of the material terms and assumptions of your proposed transaction contemplated in your Letter of Intent, including a description of the assets and/or business operations to be purchased and any liabilities to be assumed.

¹ Inscope Corporation, Inscope Inc. and Inscope (New York) Inc. (collectively, the “**Inscope Group**”)

2. **Consideration:** The purchase price, expressed in Canadian dollars, that you would be prepared to offer, in cash, to purchase all or that portion of the Inscope Group that is contemplated in your Letter of Intent (the “**Purchase Price**”). Your Letter of Intent should provide for a fixed amount of consideration that is a single number and not a range of values.
3. **Identity and Contact Information:** The identity of all parties that will be sponsoring or participating in the Letter of Intent (collectively, the “**Purchaser**”) including the names, titles and contact information of key individuals from your organization with respect to the transaction.
4. **Financing:** Your Letter of Intent should not be conditional upon obtaining financing and should be made on the basis that you have secured adequate and irrevocable financing to complete the transaction. If you will be relying on internally generated funds, provide evidence of the sufficiency of such funds to complete the transaction. If you will be relying on external financing, provide details of the financier and the contemplated financing transaction for assessment.
5. **Due Diligence:** Provide a detailed outline of any remaining due diligence requirements that you would require to submit a binding proposal and the timeframe you would require to complete any remaining due diligence.
6. **Conditionality:** Letters of Intent that, among other factors, maximize value to the Inscope Group, are submitted in accordance with this letter, provide for execution certainty and speed, have minimal conditionality and demonstrate an ability and willingness to complete the transaction in an expeditious manner will be favoured. The materiality of any additional conditions inserted into the draft Definitive Agreement will be a material consideration in evaluating the Letters of Intent received.
7. **Approvals:** All required internal, regulatory, corporate or other approvals and consents should be obtained prior to submitting your Letter of Intent. Please include a statement in your Letter of Intent confirming that all such consents and approvals necessary to permit you to close the transaction have been obtained prior to submitting the Letter of Intent.
8. **Expected Timing of Closing:** Your Letter of Intent must include a description of the expected time frame to complete the transaction, including key milestones as well as any other relevant information that may influence your ability to consummate the transaction.
9. **Expiration:** Your Letter of Intent must remain open for acceptance by the Monitor and be irrevocable until at least 10 days following the Bid Deadline. Upon acceptance of your Letter of Intent by the Company and the Monitor, you will be required to provide a 10% deposit.
10. **Other:** Any other factors you believe may be relevant to the Company and the Monitor in evaluating your Letter of Intent.

Following the Bid Deadline, the Company and the Monitor will evaluate the Letters of Intent received and determine the process by which they will move forward. The Company and the Monitor may terminate this process at any time or elect to accept any Letter of Intent submitted to them, or none, in their sole discretion.

The Company and the Monitor (in its personal or corporate capacity), and their respective affiliates and advisors, assume no liability or obligation whatsoever to any interested party in connection with this process, including, but not limited to, as a result of the rejection of any or all of the Letters of Intent or the acceptance of another interested party's Letter of Intent. No party will be entitled, for any reason, including, without limitation, any modification of the procedures contemplated herein, to reimbursement for any costs or expenses incurred in reliance upon the procedures set forth in this letter, as such procedures may be modified from time to time. No broker's fees, finder's fees, commissions, expenses or other compensation will be paid by the Company or the Monitor to agents, consultants, advisors or other intermediaries of any party. The Company and the Monitor reserve the right to amend any information which has been made available to interested parties whether by way of addition, deletion, amendment or otherwise.

In submitting a Letter of Intent, a prospective purchaser acknowledges that it is relying solely on its own investigation and evaluation of the Inscape Group and its businesses and property. The Company and the Monitor expressly disclaim any and all liability for representations, warranties or statements contained in this letter or in any other written material furnished or information orally transmitted to a potential purchaser, except only those particular representations and warranties of the Inscape Group made to the actual purchaser in the Definitive Agreement when, as and if such Definitive Agreement is ultimately executed by the Company and subject to such limitations and restrictions as may be contained therein. Until Definitive Agreements are executed by the Company, the Company will have no obligation whatsoever to any potential purchaser.

The terms and content of this letter are subject to the terms of the non-disclosure agreement (the "**Non-Disclosure Agreement**") previously executed by you, which, among other things, unless specifically authorized, prohibits disclosure to third parties of any confidential information related either to the Inscape Group or to your interest or lack thereof in a transaction. Pursuant to the Non-Disclosure Agreement, unless otherwise permitted thereunder, under no circumstances are you permitted to contact any of the Inscape Group's executives, employees, lenders, customers, or suppliers with respect to the process unless such contact has been prearranged with, and approved by, the Company and the Monitor. All communications or inquiries relating to this letter should be directed to the Monitor.

We appreciate your interest in the Inscape Group and we look forward to receiving your Letter of Intent.

A handwritten signature in black ink, appearing to read 'J. Nevsky', with a stylized flourish at the end.

Josh Nevsky | Managing Director

ALVAREZ & MARSAL CANADA INC., solely in its capacity as Monitor of the Inscape Group, and not in its personal capacity.

APPENDIX “D”

UPDATED 13-WEEK CASH FLOW FORECAST

Appendix D - Updated 13-Week Cash Flow Forecast

Inscape Group

13-Week Cash Flow Forecast ending May 19, 2023

Unaudited \$CAD '000's

Cash Flow Week:

Week Ending:

	Notes	Week 1 24-Feb-23	Week 2 3-Mar-23	Week 3 10-Mar-23	Week 4 17-Mar-23	Week 5 24-Mar-23	Week 6 31-Mar-23	Week 7 7-Apr-23	Week 8 14-Apr-23	Week 9 21-Apr-23	Week 10 28-Apr-23	Week 11 5-May-23	Week 12 12-May-23	Week 13 19-May-23	13-Week Total
Receipts															
AR collections	1	4	62	432	410	265	117	-	457	97	484	1,700	-	-	4,027
Proceeds from sale of assets	2	1,494	31	151	150	1,879	-	-	-	-	-	-	-	-	3,704
Total Receipts		1,498	92	583	560	2,144	117	-	457	97	484	1,700	-	-	7,732
Disbursements															
General & admin	3	(85)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(10)	(10)	(10)	(10)	(10)	(310)
Salaries & benefits	4	(174)	(21)	(125)	(21)	(87)	(21)	(79)	(15)	(75)	(15)	(56)	(10)	(56)	(757)
KERP	5	(42)	-	(45)	-	-	-	(27)	-	(20)	-	-	-	-	(134)
Insurance	6	-	(26)	(6)	-	-	(26)	-	-	-	-	(26)	-	-	(85)
Utilities	7	-	(17)	(38)	-	-	(17)	(38)	-	-	(17)	(38)	-	-	(162)
Rent	8	-	(125)	-	(125)	-	(125)	-	-	(125)	-	(125)	-	(125)	(753)
Taxes	9	(100)	-	-	(27)	-	-	-	-	-	-	-	-	-	(127)
Professional fees	10	-	(543)	-	-	(531)	(90)	-	(548)	-	-	(508)	(85)	(104)	(2,410)
Total Disbursements		(401)	(757)	(239)	(199)	(643)	(305)	(169)	(588)	(231)	(41)	(763)	(105)	(296)	(4,737)
Net Cash Flow		1,097	(665)	344	360	1,501	(188)	(169)	(131)	(134)	443	937	(105)	(296)	2,995
Opening Cash															
Net cash flow		518	1,615	950	1,294	1,655	3,156	2,968	2,799	2,668	2,534	2,977	3,914	3,809	518
Closing Cash (Bank)		1,097	(665)	344	360	1,501	(188)	(169)	(131)	(134)	443	937	(105)	(296)	2,995
Hilco Facility (HUK 116)															
Opening revolver		2,727	2,744	2,766	2,783	2,800	2,817	2,834	2,856	2,873	2,890	2,907	2,930	2,947	2,727
Accrued interest		14	14	14	14	14	14	14	15	15	15	15	15	15	188
Non-utilization interest		3	3	3	3	3	3	3	3	3	3	3	3	3	35
Net advances / (repayments)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued fees		-	5	-	-	-	-	5	-	-	-	5	-	-	15
Closing Revolver		2,744	2,766	2,783	2,800	2,817	2,834	2,856	2,873	2,890	2,907	2,930	2,947	2,965	2,965

Appendix D - 13-Week Cash Flow Forecast Assumptions

Inscope Group

13-Week Cash Flow for the period ending May 19, 2023

Notes and Summary of Assumptions

Disclaimer

*In preparing this cash flow forecast (the “**Forecast**”), Inscope Group has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing in Canada under the Companies’ Creditors Arrangement Act (“**CCAA**”), with recognition proceedings in the United States through the filing of the Chapter 15 cases. Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.*

The Forecast is presented in thousands of Canadian dollars. Receipts and disbursements denominated in Canadian currency have been converted into U.S. dollars at an exchange rate of US\$1.00:CAD\$1.34.

Notes

(1) AR collections

AR collections are forecast based on the Company's accounts receivable ledger as of February 17, 2023, adjusted for certain collection timing assumptions.

(2) Proceeds from sale of assets

Forecast realizations on machinery and equipment at Holland Landing and Jamestown facilities are based on executed or draft Asset Purchase Agreements.
Forecast realizations on inventory are based on ongoing negotiations with potential purchasers of finished goods and estimated scrap recovery values for WIP and raw materials.

(3) General & admin

General & admin disbursements are forecast based on current and projected weekly run-rates for certain office administrative and facilities operating expenses.

(4) Salaries & benefits

Salaries & benefits disbursements are forecast based on current salaries, wages, and related benefits for the management team administering the wind-down and asset monetization activities.

(5) KERP

Payments to key personnel retained by the Company, in accordance with the approved Key Employee Retention Program.

(6) Insurance

Insurance disbursements are forecast based on the Company's historical premiums related to its insurance policies.

(7) Utilities

Utilities are forecast based on the projected run-rates for the Holland Landing facility.

(8) Rent

Rent disbursements are based on twice monthly instalments for the Holland Landing and Jamestown facilities, for occupancy during the machinery and equipment monetization processes.

(9) Taxes

Taxes disbursements relate to the Company's US sales tax payments, and are forecast based on calculated liabilities and historical remittances.

(10) Professional fees

Disbursements include: the Applicant's Canadian counsel, U.S. counsel, employment counsel and special counsel; the Monitor and its Canadian and U.S. counsel; the directors' counsel; pension actuary related advisory fees in Canada and the U.S.; and tax administration and advisory fees.

APPENDIX “E”

**MANAGEMENT’S REPRESENTATION LETTER
REGARDING THE CASH FLOW FORECAST**

Alvarez & Marsal Canada Inc.
200 Bay Street, Suite 2900
Toronto ON M5J 2J1

Attention: Mr. Joshua Nevsky

March 1, 2023

Dear Sirs:

Re: Inscape Corporation, Inscape Inc. and Inscape (New York) Inc. (collectively the "Inscape Group" or the "Applicants") – CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast

In connection with the application by the Inscape Group for the commencement of proceedings under the Companies' Creditors Arrangement Act, the management of Inscape have prepared the attached 13-week projected cash flow statement for the period February 18, 2023 to May 19, 2023 (the "Cash Flow Forecast") and the list of assumptions on which the Cash Flow Forecast is based. The purpose of the Cash Flow Forecast is to determine the liquidity requirements of Inscape Group during the CCAA proceedings.

Inscape Group confirms that the hypothetical assumptions on which the Cash Flow Forecast is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of Inscape Group and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Cash Flow Forecast (the "Notes").

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

The projections have been prepared solely for the purpose described herein, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Yours truly,



Per: Eric Ehgoetz
Title: Chief Executive Officer

APPENDIX “F”

U.S. RECOGNITION ORDER DATED MARCH 1, 2023

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 15
)	
Inscape Corporation, <i>et al.</i> , ¹)	Case No. 23-10074 (MEW)
)	
Debtors in a Foreign Proceeding.)	(Jointly Administered)
)	

**ORDER RECOGNIZING FOREIGN MAIN
PROCEEDINGS AND GRANTING ADDITIONAL RELIEF**

The Court having held hearings on February 21, 2023, and March 1, 2023 (together, the “Hearing”) to consider the chapter 15 petitions for each of the above-captioned debtors (the “Debtors”) and the Verified Petition, filed on January 23, 2023 (the “Verified Petition,” and together with the chapter 15 petitions, the “Petitions”)² of Inscape Corporation, the duly authorized foreign representative (the “Foreign Representative”) of the above-captioned debtors (the “Debtors”) for entry of an order pursuant to sections 105(a), 362, 1517, and 1520 of the Bankruptcy Code: (i) recognizing the Canadian Proceedings as foreign main proceedings pursuant to section 1517 of the Bankruptcy Code, (ii) recognizing the Foreign Representative as the “foreign representative,” as defined in section 101(24) of the Bankruptcy Code, in respect of the Canadian Proceedings, (iii) recognizing and enforcing the Initial CCAA Orders, and (iv) granting a stay of execution against the Debtors’ assets and applying section 362 of the Bankruptcy Code in these Chapter 15 Cases pursuant to section 1520(a)(1) of the Bankruptcy Code; and the Foreign Representative having filed its Supplement to the Verified Petition (the “Supplement”), together

¹ The Debtors in these Chapter 15 cases, along with the last four digits of each Debtor’s U.S. Federal Employer Identification Number (“FEIN”) or Canada Revenue Agency Business Number (“BN”), are: (i) Inscape Corporation (“Inscape”) (BN 1738), (ii) Inscape Inc., a Delaware Corporation (“Inscape Delaware”) (FEIN 1804), and (iii) Inscape (New York) Inc., a New York Corporation (“Inscape New York”) (FEIN 7231).

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Verified Petition or the Initial CCAA Orders (as defined in the Verified Petition), as applicable.

with the Supplement Declaration of Eric Ehgoetz (the “Supplemental Ehgoetz Declaration”) on February 27, 2023; and upon this Court’s review and consideration of the Petitions, the Ehgoetz Declaration, the Supplemental Ehgoetz Declaration, and the evidence admitted at the Hearing; and due and proper notice of the Petitions having been provided; and no other or further notice being necessary or required; and no objections or other responses having been filed that have not been overruled, withdrawn, or otherwise resolved; and all interested parties having had an opportunity to be heard at the Hearing; and after due deliberation and sufficient cause appearing therefor, the Court makes the following findings of fact and conclusions of law:³

- a. This Court has subject-matter jurisdiction over this matter pursuant to 28 U.S.C. § 1334.
- b. This is a core proceeding under 28 U.S.C. § 157(b)(2)(P).
- c. Venue is proper in this district pursuant to 28 U.S.C. § 1410(1).
- d. The Foreign Representative is the duly appointed “foreign representative” of the Debtors, as such term is defined in 11 U.S.C. § 101(24).
- e. These Chapter 15 Cases were properly commenced pursuant to 11 U.S.C. §§ 1504, 1509 and 1515.
- f. The Foreign Representative has satisfied the requirements of 11 U.S.C. § 1515 and Fed. R. Bankr. P. 1007(a)(4) and 2002(q).
- g. The Debtors have satisfied the eligibility requirements of 11 U.S.C. §§ 109(a) and 1517(a).

³ The findings and conclusions set forth herein constitute the Court’s findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact constitute conclusions of law, or any of the following conclusions of law constitute findings of fact, they are adopted as such.

- h. The Canadian Proceedings currently pending before the Canadian Court and provisions made thereunder for the protection, administration and distribution of the Debtors' assets, are "foreign proceedings," as such term is defined in 11 U.S.C. § 101(23).
- i. The Canadian Proceedings are entitled to recognition by this Court pursuant to 11 U.S.C. § 1517.
- j. The Canadian Proceedings are pending in the country where the Debtors' center of main interests is located, are "foreign main proceedings," as such term is defined in 11 U.S.C. § 1502(4), and are entitled to recognition as "foreign main proceedings" pursuant to 11 U.S.C. § 1517(b)(1).
- k. The Foreign Representative is entitled to all the relief provided pursuant to 11 U.S.C. § 1520, without limitation.
- l. The relief granted hereby is necessary and appropriate, in the interests of the public and international comity, consistent with the public policy of the United States, and warranted under 11 U.S.C. §§ 1517 and 1520.

Now therefore, it is hereby ORDERED:

- 1. The Motion is GRANTED in its entirety.
- 2. The Canadian Proceedings are granted recognition as foreign main proceedings pursuant to 11 U.S.C. §§ 1517(a) and 1517(b)(1).
- 3. All relief afforded foreign main proceedings pursuant to 11 U.S.C. § 1520 is hereby granted.
- 4. The Initial CCAA Orders are hereby given full force and effect with respect to the Debtors and the Debtors' property that now or in the future is located within the territorial

jurisdiction of the United States, including, without limitation, staying the commencement or continuation of any actions against the Debtors or its assets (except as otherwise expressly provided herein or therein).

5. Pursuant to 11 U.S.C. § 1520(a)(1) and 11 U.S.C. § 362, including, without limitation, the automatic stay authorized by 11 U.S.C. § 362, shall apply with respect to the Debtors and the Debtors' property that now or in the future is located within the territorial jurisdiction of the United States.

6. The Foreign Representative is authorized to operate the business of the Debtors that is the subject of the Canadian Proceedings and exercise the powers of a trustee to the extent provided by 11 U.S.C. § 1520(a)(3).

7. The Foreign Representative, the Debtors and their respective agents are authorized to serve or provide any notices required under the Bankruptcy Rules or the local rules of this Court.

8. No action taken by the Foreign Representative, the Debtors, or their respective successors, agents, representatives, advisors, or counsel in preparing, disseminating, applying for, implementing, or otherwise acting in furtherance of or in connection with the Canadian Proceedings, this order, these Chapter 15 Cases, or any adversary proceeding herein, or any further proceeding commenced hereunder, shall be deemed to constitute a waiver of the rights or benefits afforded such persons under 11 U.S.C. §§ 306 and 1510.

9. Notwithstanding any provision in the Bankruptcy Rules to the contrary, including, but not limited to, Bankruptcy Rules 7062 and 1018, (i) this Order shall be effective immediately and enforceable upon its entry; (ii) the Foreign Representative is not subject to any stay in the implementation, enforcement or realization of the relief granted in this Order; and (iii) the Foreign Representative and the Debtors are authorized and empowered, and may in their discretion and

without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Order.

10. A copy of this Order shall be served (i) within three business days of entry of this order, by electronic mail to the extent email addresses are available and otherwise by United States mail, overnight or first-class postage prepaid, upon the Notice Parties (as defined in the *Motion for Order Scheduling Recognition Hearing and Specifying Form and Manner of Service of Notice*), the Office of the United States Trustee, and such other entities as the Court may direct and (ii) by posting on the Monitor's website at <https://www.alvarezandmarsal.com/InscapeCorporation>. Such service shall constitute good and sufficient service and adequate notice for all purposes.

11. The Court shall retain jurisdiction with respect to: (i) the enforcement, amendment or modification of this order; (ii) any requests for additional relief or any adversary proceeding brought in or through these Chapter 15 Cases; and (iii) any request by an entity for relief from the provisions of this order, for cause shown, as to any of the foregoing, and provided the same is properly commenced and within the jurisdiction of this Court.

Dated: New York, New York
March 1, 2023

s/Michael E. Wiles
UNITED STATES BANKRUPTCY JUDGE

CONFIDENTIAL APPENDIX “1”

SUMMARY OF SALE AND LIQUIDATION BIDS

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985,
c. C-36, AS AMENDED**

Court File No. CV-23-00692784-00CL

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
INSCAPE CORPORATION, INSCAPE INC. AND INSCAPE (NEW YORK) INC.**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**SECOND REPORT OF THE MONITOR,
ALVAREZ & MARSAL CANADA INC.**

AIRD & BERLIS LLP

Brookfield Place
181 Bay Street, Suite 1800
Toronto, ON M5J 2T9

Steven L. Graff (LSO # 31871V)

Tel: (416) 865-7726
Fax: (416) 863-1515
Email:

Kyle Plunkett (LSO #61044N)

Tel: (416) 865-3406
Fax: (416) 863-1515
Email: kplunkett@airdberlis.com

Matilda Lici (LSO #79621D)

Tel: (416) 865-3428
Fax: (416) 863-1515
Email: mlici@airdberlis.com

Counsel for Alvarez & Marsal Canada Inc., in its capacity as Monitor
of Inscape Corporation, Inscape Inc. and Inscape (New York) Inc.