

TAB 2

**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.

**SEVENTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

OCTOBER 24, 2023

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1.0 INTRODUCTION

- 1.1 On January 12, 2023 (the “**Filing Date**”), each of 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**”) obtained an initial order (the “**Initial Order**”) from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (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. (“**A&M**”) as monitor of the Applicants in the CCAA Proceedings (in such capacity, the “**Monitor**”).
- 1.2 On January 20, 2023, the Applicants obtained an amended and restated Initial Order (“**ARIO**”) that, among other things, extended the Stay Period (as defined in the ARIO).
- 1.3 On March 1, 2023, the United States Bankruptcy Court for the Southern District of New York entered an order (the “**Chapter 15 Recognition Order**”), among other things: (i) enforcing the ARIO, including any extensions, amendments or modifications thereto, in the United States; and (ii) recognizing the CCAA Proceedings as foreign main proceedings.
- 1.4 In connection with the CCAA Proceedings, the Monitor has previously served and filed with this Court six reports (collectively, the “**Prior Reports**”), including the Sixth Report of the Monitor dated July 11, 2023 (the “**Sixth Report**”). A&M also filed the Pre-Filing Report of the Proposed Monitor dated January 11, 2023 (the “**Pre-Filing Report**”). The Prior Reports, 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**").

- 1.5 Inscape Corp was incorporated under the laws of the Province of Ontario and was previously publicly listed on the Toronto Stock Exchange (TSX:INQ).¹ 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.
- 1.6 The Inscape Group's business was the manufacturing and distribution of 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.
- 1.7 As discussed in the Prior Reports, the CCAA Proceedings were commenced to provide a platform for the Applicants to conduct an orderly wind-down and liquidation of their assets and business, and to maximize realizations for the benefit of all stakeholders (the "**Orderly Wind-Down**").

2.0 PURPOSE OF THIS REPORT

- 2.1 In the days leading up to the date of this Seventh Report of the Monitor (the "**Seventh Report**"), the Applicants and the Monitor discussed and attempted to finalize the Applicants' motion for an Order contemplating, among other things, the eventual termination of these CCAA Proceedings. For reasons discussed below, the Applicants'

¹ Following a delisting review by the Toronto Stock Exchange, Inscape Corp's 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.

motion was not finalized in time and, accordingly, the Monitor has brought this motion to extend the current Stay of Proceedings.

2.2 The purpose of this Seventh Report is to provide the Court with information and, where applicable, the Monitor's views on:

- (i) the status of the Orderly Wind-Down;
- (ii) the proposed Management Payment (as defined below);
- (iii) the settlement agreement (the "**Settlement Agreement**") dated October 13, 2023 between Empire Office Inc. ("**Empire**") and Inscape Corp., which contemplates, among other things, a full and final settlement between the parties;
- (iv) the Applicants' cash flow results for the 16-week period ended October 20, 2023;
- (v) the Applicants' updated cash flow forecast for the eight-week period ending December 15, 2023 (the "**Updated Cash Flow Forecast**");
- (vi) the activities of the Monitor since the date of the Sixth Report;
- (vii) the activities remaining in the CCAA Proceedings (the "**Remaining Activities**") and the anticipated next steps that will bring these proceedings to an end;
- (viii) the Monitor's motion for an order (the "**Stay Extension Order**"), among other things, extending the Stay Period up to and including the earliest date on which the Court is available to hear the Applicants' upcoming motion, which, as described in further detail below, will address the termination of these CCAA Proceedings; and

- (ix) the Monitor's conclusions and recommendations in connection with the foregoing, as applicable.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Seventh 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 Seventh 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 Seventh 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 Seventh 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 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars (“**CAD**”).

4.0 ORDERLY WIND-DOWN

- 4.1 In the Prior Reports, the Monitor provided an overview of the activities undertaken by the Applicants in connection with the Orderly Wind-Down. The following is intended to provide an update on these activities since the date of the Sixth Report, being July 11, 2023.

Holland Landing Exit

- 4.2 As described in the Prior Reports, the Applicants entered into a structured exit agreement² (the “**Exit Agreement**”) with the landlord of the Applicants’ facilities located in Holland Landing, Ontario (the “**Holland Landing Facility**”).
- 4.3 The Applicants completed their exit of the Holland Landing Facility on or around July 28, 2023, and all proceeds and costs related to the Exit Agreement, and the exit generally, have now been collected and settled.

Employees

- 4.4 As of the date of this Seventh Report, there are two remaining employees who continue assisting the Applicants with certain wind-down activities on a part-time, hourly basis. Payroll costs, based on hourly rates, associated with the continued employment of these

² See paragraph 3.18 of the Second Report of the Monitor dated March 2, 2023 for additional information regarding the structured agreement in respect of the Holland Landing lease.

two employees are expected to be relatively modest and have been included in the Updated Cash Flow Forecast.

- 4.5 Each of Mr. Eric Ehgoetz (CEO) and Mr. Jon Szczur (CFO) (together, “**Management**”) has remained with the Inscape Group in their existing capacities as directors and/or officers to assist with Orderly Wind-Down and to assist in the completion of the Remaining Activities.
- 4.6 As discussed in the Sixth Report, Management agreed to stop drawing a regular salary after July 28, 2023. At that time, the Applicants’ senior secured lender (the “**Lender**”) had not yet been fully repaid and the Applicants’ cash flow forecast did not provide sufficient liquidity to continue to pay Management’s regular salary in the ordinary course. It was contemplated, however, that the Monitor and Management would consider the appropriateness of additional compensation after the Lender had been paid in full and provided there was sufficient liquidity available to the Applicants, which is now the case.
- 4.7 On August 23, 2023, the remaining secured indebtedness owing to the Lender was paid by the Applicant in full. Accordingly, Management has proposed that, subject to the Applicants having sufficient liquidity, regular wages owing after July 28, 2023 be reinstated and paid. Based on the current liquidity profile of the Applicants, the portion of regular wages included in the Updated Cash Flow Forecast to be paid is equivalent to three months of Management wages, or approximately \$165,000 (the “**Management Payment**”).

4.8 The Monitor understands that Management will remain with the Inscope Group in their existing capacities to assist in completing the Remaining Activities until the conclusion of the CCAA Proceedings anticipated to be no later than December 15, 2023. Accordingly, there is a period of approximately 20 weeks (July 28 to December 15) for which Management will be compensated by way of the Management Payment.

4.9 In the circumstances, the Monitor supports reinstating the wages and the payment of the Management Payment for the following reasons:

- (i) the quantum of the Management Payment appears reasonable. Management has provided, and will continue to provide, their services for a total period of approximately 20 weeks. Management's regular salary during this period would have otherwise been approximately \$250,000, which is greater than the Management Payment; and
- (ii) Management possesses significant information to complete the Orderly Wind-Down, and their continued retention and participation is a cost-effective method to bring finality to the CCAA Proceedings and avoids costs otherwise incurred if the Monitor were to take on the Remaining Activities.

Accounts Receivable

4.10 Since the commencement of the CCAA Proceedings, the Applicants have collected approximately \$4.4 million of accounts receivable, including approximately \$303,000 since the date of the Sixth Report.

- 4.11 The following table provides a roll-forward of the Applicants’ accounts receivable since the weeks leading up to these CCAA Proceedings:

Accounts Receivable Summary	\$CAD 000’s
Balance as at January 3, 2023	7,417
Add: Final deliveries and sales booked after January 3, 2023	1,631
Less: Collections prior to the Filing Date (January 12, 2023)	(1,350)
Less: Prevolv receivable balance subject to the Minutes of Settlement ³	(2,469)
Less: Collections since the Filing Date	(4,391)
Accounts Receivable Balance, as at October 20, 2023	838

- 4.12 During the pendency of the CCAA Proceedings, the Applicants and the Monitor have expended significant effort to collect outstanding accounts receivable. As described in the Prior Reports, the Applicants faced certain challenges in the collection of certain accounts receivable, including, but not limited to, disputes, asserted set-off claims, and other general and CCAA-related issues in collecting certain balances.

- 4.13 At this time, the Applicants and the Monitor do not believe that the remaining accounts receivable are collectible, with the exception of approximately \$126,000 (including approximately \$60,000 related to the Prevolv settlement), which has been included in the Updated Cash Flow Forecast.

HST Refunds

- 4.14 As described in the Pre-Filing Report, the Canada Revenue Agency (“**CRA**”) issued a notice of reassessment to Inscap Corp claiming approximately \$2.6 million in income tax

³ As described in the Fifth Report, there was an accounts receivable dispute between the Applicants and Prevolv Inc. (“**Prevolv**”). This dispute was settled amongst the parties by way of a settlement agreement, approved by the Court on June 9, 2023. As of the date of this Seventh Report and pursuant to the settlement agreement, the Applicants have received from Prevolv approximately US\$392,000, and such amount is included in the collections noted above.

liability (the “**Tax Claim**”). In October 2022, the Inscope Group filed a notice of objection (the “**Objection**”) disputing the CRA’s position. Approximately \$800,000 in respect of pre-filing HST refunds was withheld by the CRA, pending determination of the Objection.

4.15 The Applicants, together with the Monitor and Deloitte, Inscope Group’s tax advisor, engaged in numerous discussions with the CRA to advance and resolve the Objection, and to seek the collection of all available HST refunds to maximize the value of the Applicants’ estate.

4.16 Following those discussions and examinations by the CRA, on August 3, 2023, the CRA issued a notice of reassessment that reversed its Tax Claim, and during the month of August the Applicants collected all of the outstanding pre-filing HST refunds, totalling approximately \$830,000.

Empire Trust Claim

4.17 As described in the Sixth Report, on June 16, 2023, the Monitor received a letter from Empire, an Inscope Group vendor, asserting a trust claim (the “**Trust Claim**”) over certain proceeds received on account of accounts receivable collected by the Inscope Group in connection with a New York-based project that was completed prior to the commencement of the CCAA Proceedings (the “**New York Project**”).

4.18 In connection with the New York Project, the Applicants collected approximately US\$1.23 million (of which approximately US\$650,000 was collected prior to the CCAA Proceedings and US\$580,000 was collected during the CCAA Proceedings). Empire claimed that, from the amounts collected by the Inscope Group, Empire is owed

US\$464,277 for the furniture and services they provided, and such amounts are impressed with a trust under applicable New York law.

4.19 In an effort to advance the dispute, the Applicants, the Monitor and Empire engaged in numerous discussions and exchanged financial and other information to reconcile certain disputed balances between Empire and the Applicants. With assistance from the Monitor, the Applicants and Empire reached a settlement agreement, which was executed by the parties on October 13, 2023 (the “**Settlement Agreement**”). The Settlement Agreement is attached hereto as **Appendix “A”**.

4.20 As outlined in the Settlement Agreement, the Applicants agreed to pay Empire US\$185,014 in full and final satisfaction of the Trust Claim and for certain other releases.

4.21 The Monitor is supportive of the Settlement Agreement for the following reasons:

- (i) the terms of the Settlement Agreement are the result of extensive negotiations between the Applicants and Empire, and it is the Monitor’s view that the terms of the Settlement Agreement are reasonable. The proposed settlement balances the claims and interests of both parties equitably; and
- (ii) the Settlement Agreement avoids the Applicants from having to incur further legal and professional costs in the course of attempting to resolve the Trust Claim and related matters. These costs would have likely involved litigating this matter in a U.S.-based proceeding, and such costs were estimated to be significantly more material than the agreed amount in the Settlement Agreement. There was also real risk to both parties to advance their respective positions, and, had this matter

progressed to litigation, the recovery to stakeholders could have been materially reduced.

Jamestown Facility

- 4.22 The Applicants previously operated a manufacturing and warehouse facility located in Jamestown, New York (the “**Jamestown Facility**”). The Jamestown Facility consists of approximately 5,000 square feet of office space (the “**Office Unit**”) and approximately 25,000 square feet of manufacturing and warehousing space (the “**Plant Unit**”).
- 4.23 The Jamestown Facility is leased pursuant to an agreement dated December 29, 2020 (the “**Jamestown Lease**”) between Inscape New York and Lynn Development, Inc. (the “**Jamestown Landlord**”). A copy of the Jamestown Lease is appended as Exhibit “I” to the Affidavit of Eric Ehgoetz sworn January 11, 2023.
- 4.24 The Jamestown Lease provided for, among other things:
- (i) a lease term of five years from February 1, 2021 to January 31, 2026;
 - (ii) monthly basic rent of US\$8,174.67 and US\$3,499.17 for the Plant Unit and Office Unit, respectively, increasing at 2% per year for each subsequent year (plus utilities and other costs); and
 - (iii) a security deposit of US\$11,673 paid to the Jamestown Landlord.
- 4.25 The Applicants are no longer occupying the Jamestown Facility and have been working with the Jamestown Landlord to find a suitable tenant to assume the Applicants’ obligation

under the Jamestown Lease. In June 2023, the Plant Unit was leased to a third party and, as such, the Applicants' last rent payment was made in May 2023.

- 4.26 As of the date of this Seventh Report, no tenant has been found for the Office Unit and the Applicants remain obligated to pay the monthly rent obligations of US\$3,499.17 plus utilities. The net present value of the remaining monthly lease obligations on the Office Unit is approximately US\$100,000 (the “**Remaining Lease Obligations**”).
- 4.27 Pursuant to a promissory note dated January 19, 2021 (the “**Jamestown Note**”), the Applicants advanced US\$250,000 to the Jamestown Landlord on account of leasehold improvements, which loan was to be repaid by monthly installments of US\$3,773.17 over seven years, reflecting an annual interest rate of 7%. The Jamestown Note is personally guaranteed by the Jamestown Landlord.
- 4.28 Since May 2023, the Jamestown Landlord has been applying the monthly installments under the Jamestown Note against the amounts owed by the Applicants for unpaid rents on the Office Unit. The remaining principal balance on the Jamestown Note owing to the Applicants is currently approximately US\$170,000.
- 4.29 The Applicants continue to have discussions with the Jamestown Landlord to offset the Remaining Lease Obligation (approximately US\$100,000) against the balance owing under the Jamestown Note (approximately US\$170,000) and to pursue repayment of the net balance of approximately US\$70,000 (the “**Net Jamestown Balance**”).

- 4.30 As part of the Remaining Activities, the Applicants, with assistance from the Monitor, will continue their collection efforts of the Net Jamestown Balance. At this time, no recoveries are expected, and no amounts have been included in the Updated Cash Flow Forecast.

5.0 CASH FLOW RESULTS

- 5.1 Actual receipts and disbursements for the 16-week period from July 1, 2023 to and including October 20, 2023 (the “**Reporting Period**”), as compared to the cash flow forecast attached as Appendix “A” to the Sixth Report, are summarized in the following table:

Cash Flow Variance Report			
CAD \$000's			
	Budget	Actual	Variance
Receipts			
Collection of accounts receivable	177	303	126
Proceeds from sale of assets	700	700	-
Sales tax and other receipts	836	866	30
	1,713	1,869	156
Disbursements			
General & Administrative	(550)	(647)	(97)
Empire Settlement	-	(248)	(248)
Salaries & Benefits	(191)	(134)	57
KERP	(223)	(223)	-
Rent, Utilities, Insurance	-	-	-
Professional fees	(864)	(380)	484
Total disbursements	(1,828)	(1,632)	196
Net Cash Flow	(115)	237	352
Opening cash balance	1,842	1,842	-
Net Cash Flow	(115)	237	352
Less: Secured debt repayment	(1,620)	(1,630)	(10)
Ending cash balance	107	449	342

- 5.2 During the Reporting Period:

- (i) the positive variance in receipts is considered permanent and was primarily related to higher than anticipated accounts receivable collections;

- (ii) the negative variance in general and administrative expenses and the positive variance in salaries and benefits are considered permanent;
- (iii) the settlement payment to Empire of \$248,000 (US\$185,014) was not contemplated in the previous cash flow forecast; and
- (iv) the majority of the positive variance in professional fees of approximately \$484,000 relates to accrued but unpaid fees which are forecast to be paid in the near term, as forecast in the Updated Cash Flow Forecast below.

5.3 As at October 20, 2023, the Applicants' consolidated cash balance was approximately \$449,000.

6.0 UPDATED CASH FLOW FORECAST

6.1 The Applicants, with assistance from the Monitor, have prepared an updated cash flow forecast (the "**Updated Cash Flow Forecast**") for the eight-week period from October 21, 2023 to December 15, 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 "B"** and **"C"**, respectively.

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

Updated Cash Flow Forecast CAD \$000's	
	Eight-Week Period <i>December 15, 2023</i>
Receipts	
Collection of remaining accounts receivable	126
Post-filing sales tax recovery	80
	206
Disbursements	
General and Admin	(75)
Salaries & Benefits	(2)
Management Payment	(165)
Rent, Utilities, Insurance	-
Professional Fees, net of retainers	(356)
Pre-Funded Bankruptcy Retainer	(50)
Total disbursements	(648)
Net Cash Flow	(441)
Opening cash balance	449
Net Cash Flow	(441)
Ending cash balance	8

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

- (i) the collection of accounts receivable includes: (a) the November and December installments from the Prevolv Minutes of Settlement; and (b) certain other limited accounts receivable amounts expected to be collected;
- (ii) salaries and benefits include the payment of wages to the two remaining part-time hourly employees;
- (iii) the Management Payment is described above in paragraphs 4.5 to 4.9;
- (iv) an estimated retainer of \$50,000 to the proposed bankruptcy trustee (the “**Bankruptcy Retainer**”), which is expected to be sufficient to satisfy the

anticipated fees and disbursements of the proposed trustee and its independent legal counsel; and

- (v) any remaining cash balance, forecast above to be approximately \$8,000, and any other realizable assets (nominal, if any) will be assigned to the bankruptcy trustee.

6.4 Based on the Monitor's review,⁴ 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 Seventh 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.

6.5 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.

⁴ The Monitor has reviewed the Updated 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.

7.0 REMAINING ACTIVITIES

7.1 The expected Remaining Activities of the Applicants and the Monitor, to be completed as part of the Orderly Wind-Down and to complete the CCAA Proceedings, include the following:

- (i) continue to collect any remaining collectible accounts receivable, including amounts related to the Prevolv settlement (through December 2023) and any amounts collectible in connection with the Net Jamestown Balance;
- (ii) continue the work required to restore and transition certain intellectual property and software assets sold to a third-party purchaser during the Orderly Wind Down, including with the assistance of an engineering team comprised of former Inscape employees assembled by the Applicants to complete such work under direct contract with the third-party purchaser, with such work anticipated to be complete by mid-December 2023;
- (iii) the Inscape Group filing any final tax returns and HST refunds in respect of the post-filing period;
- (iv) make remaining cash disbursements in accordance with the Updated Cash Flow Forecast, including the Management Payment;
- (v) taking steps necessary to assign Inscape Corp. into bankruptcy and assigning any remaining assets (including remaining cash, accounts receivable and the Net Jamestown Balance) to the proposed bankruptcy trustee, and, if appropriate, using

the bankruptcy to distribute any excess funds to creditors by way of a claims process;

- (vi) completing statutory and administrative duties and filing; and
- (vii) discharging the Monitor and terminating the CCAA Proceedings.

8.0 STAY EXTENSION ORDER

8.1 The Stay Period currently expires October 31, 2023. The Monitor is seeking an extension of the Stay Period up to and including the earliest date on which the Court is available to hear the Applicants' next motion.

8.2 The Monitor understands that the Applicants intend to bring a motion for an Order, among other things:

- (i) approving the activities and conduct of the Monitor during the pendency of the CCAA Proceedings;
- (ii) approving the fees and disbursements of the Monitor, its Canadian counsel, Aird & Berlis LLP, and its US counsel, Faegre Drinker Biddle & Reath LLP;
- (iii) providing for the termination of the CCAA Proceedings, including the release of the Administration Charge and the D&O Charge (each as defined in the ARIO); and
- (iv) discharging A&M as Monitor in the CCAA Proceedings.

8.3 In addition to the above, the Monitor understands that the Applicants are contemplating an approach whereby they may seek to obtain certain releases (the “**Releases**”) in favour of the directors and officers of the Applicants and the Applicants’ advisors at the time of the termination of the CCAA Proceedings. However, the Monitor understands that this approach remains preliminary, and the Monitor has not yet been provided with sufficient information to permit it to assess the appropriateness of any such Releases in the circumstances.

8.4 The Monitor believes that its motion to extend the Stay Period is appropriate for the following reasons:

- (i) it will provide the Applicants with the additional time required to return to Court to bring the motion described;
- (ii) the Applicants are projected to have sufficient liquidity to fund their operations in the near term, as reflected in the Updated Cash Flow Forecast;
- (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.

9.0 ACTIVITIES OF THE MONITOR SINCE THE SIXTH REPORT

9.1 Since the date of the Sixth Report, the activities of the Monitor have included the following:

- (i) engaging in discussions with the Inscap Group and their legal counsel regarding the CCAA Proceedings and the Chapter 15 recognition proceedings;

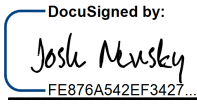
- (ii) corresponding and communicating with the Lender;
- (iii) assisting the Inscope Group with communications to employees, suppliers and other parties;
- (iv) monitoring receipts, disbursements and purchase commitments, including review of payments made;
- (v) responding to inquiries from stakeholders, 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, including the correspondence with Empire discussed above;
- (vi) engaging in discussions with the Applicants and Empire in connection with the Trust Claim and facilitating the Settlement Agreement;
- (vii) corresponding with the Applicants and the Canada Revenue Agency regarding the status of the Objection and collection of the HST refunds;
- (viii) assisting former employees in submitting their claims under the *Wage Earners Protection Program Act*;
- (ix) posting non-confidential materials filed with the Court to the Case Website; and
- (x) with the assistance of its legal counsel, preparing this Seventh Report.

10.0 CONCLUSIONS AND RECOMMENDATIONS

10.1 For the reasons as set out in this Seventh Report, the Monitor is of the view that the relief requested is reasonable in the circumstances and respectfully recommends that the Court grant the Stay Extension Order.

All of which is respectfully submitted to the Court this 24th day of October, 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: 
FE876A542EF3427...
Josh Nevsky
Senior Vice-President

APPENDIX “A”

EMPIRE SETTLEMENT AGREEMENT

This Agreement is dated as of the 13th day of October, 2023

Settlement Agreement

Between

INSCAPE CORPORATION (the “**Company**”)

- and -

EMPIRE OFFICE INC. (the “**Claimant**”)

(together, the “**Parties**” and individually, a “**Party**”)

RECITALS:

- A. All undefined capitalized terms used herein shall have the meaning ascribed to them in the Amended and Restated Initial Order of the Ontario Superior Court of Justice (Commercial List) (“**Court**”) dated January 20, 2023 (“**ARIO**”).
- B. On January 12, 2023, the Company commenced proceedings under the *Companies’ Creditors Arrangement Act* (Canada) (“**CCAA Proceedings**”) and the Initial Order of the Court was granted on the same date. The Initial Order was amended and restated by the ARIO. Pursuant to the Initial Order (as amended and restated by the ARIO), among other things, Alvarez & Marsal Canada Inc. was appointed by the Court as monitor of the Company (in such capacity, the “**Monitor**”).
- C. Further to its earlier communications with the Monitor, and by letter dated June 16, 2023 (“**June Letter**”), the Claimant asserted a claim against the Company in the amount of US\$464,277.07 for certain materials supplied and work performed by the Claimant on behalf the Company at The United Nations headquarters in New York, New York, before the Company commenced the CCAA Proceedings (“**Empire Claim**”). The Claimant alleges that the Empire Claim is imposed with a trust pursuant to New York Lien Law.
- D. As of the date of this Settlement Agreement, the Company and the Monitor calculate that US\$208,571 of the amounts the Company collected in respect of the United Nations New York headquarters project since the commencement of the CCAA Proceedings relate to the Claimant’s invoices to the Company for that project. The Claimant disputes that allocation.
- E. The Company and the Monitor dispute the amount of the Empire Claim and that the Empire Claim is imposed with a trust pursuant to New York Lien Law.
- F. The Company alleges that it is owed the amount of US\$47,115 by the Claimant on account of certain products and goods delivered by the Company to the Claimant (the “**Company Claim**” and together with the Empire Claim, the “**Claims**”).
- G. Since the date of the June Letter, the Claimant, the Company and the Monitor have been in discussions with respect to the Claims. Further to such discussions, the

Parties have agreed to resolve the respective Claims in their entirety pursuant to this Settlement Agreement.

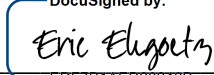
NOW THEREFORE in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties acknowledge and agree to the following terms:

1. **Recitals:** The above recitals are true and accurate in all respects.
2. **Settlement of Claims:** The Company agrees to pay the Claimant US\$185,014 and to forgive the Company Claim in consideration for a full and final satisfaction of the Empire Claim and for the releases contained herein.
3. **Mutual Release:** The Parties, on behalf of themselves and their respective current and former affiliates, and the respective officers, directors, employees, partners (including limited or general), consultants, legal counsel, representatives, advisors, agents, successors and assigns (collectively, the “**Representatives**”) of such Party (collectively, the “**Releasors**”), hereby remise, release and forever discharge each of the other Parties hereto, their Representatives, and the Monitor (collectively, the “**Releasees**”), in each case as applicable, of and from all actions, causes of action, demands, rights or claims for damages, indemnity, interest, costs, and loss of every nature and kind howsoever arising, including but not limited to by statute or common law, by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written) or by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty or breach of a standard of care) and, whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, surety, insurance deductible or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any person to advance a claim for contribution or indemnity or otherwise, with respect to any matter, action, cause or chose in action, which each of the Releasors now has or hereafter can, shall or may have, in any way arising out of any cause, matter or thing whatsoever existing that relates to the Claims, including, without limitation, any such actions, causes of action, demands, rights or claims made or alleged or that could be made or alleged by any of the Releasors.
4. **No Liability to Monitor:** The Claimant acknowledges and agrees that the Monitor, acting in its capacity as the Monitor of the Applicants in the CCAA Proceedings, will have no liability in connection with this Settlement Agreement whatsoever, whether in its capacity as Monitor, in its personal capacity, or otherwise.
5. **Denial of Liability:** The Claimant acknowledges that by entering into this Settlement Agreement, the Company does not admit any liability to the Claimant with respect to the Empire Claim, and that liability is, in fact, denied. The Company acknowledges that by entering into this Settlement Agreement, the Claimant does

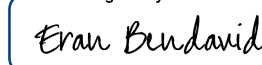
not admit any liability to the Company with respect to the Company Claim, and that liability is, in fact, denied.

6. **Independent Legal Advice:** The Parties each acknowledge that they have received independent legal advice in connection with the negotiation and execution of this Settlement Agreement.
7. **Entire Agreement:** This Settlement Agreement constitutes the entire agreement between the Parties regarding the Claims. The Parties undertake and agree to execute and deliver any other documents and to provide their cooperation, as may be reasonably required, to give effect to this Settlement Agreement.
8. **Power, capacity, and binding effect:** Each Party signing this Settlement Agreement represents, warrants, and confirms to the other that it has full power and capacity to do so, and has obtained all such consents and authorizations as are necessary for it to enter into this Settlement Agreement and to bind itself to it.
9. **No Assignment:** No Party has assigned or transferred or may assign or transfer any of its rights or obligations under this Settlement Agreement or in respect of their respective Claims without the consent of the other Parties.
10. **Counterparts:** This Settlement Agreement may be signed in any number of counterparts, which shall have the same effect as if each party had signed one and the same instrument.
11. **Governing Law and Jurisdiction:** This Settlement Agreement shall be governed by the laws of the Province of Ontario and Canada. The Parties attorn to the jurisdiction of the Court. The Parties shall be at liberty to seek advice and direction from that Court with respect to any dispute arising from this Settlement Agreement on not less than seven (7) days' notice to the other Parties.

INSCAPE CORPORATION

DocuSigned by:
Per: 
Name: Eric Engoetz
Title: CEO
I have the authority to bind the corporation

EMPIRE OFFICE INC.

DocuSigned by:
Per: 
Name: Eran Bendavid
Title: SVP, Finance
I have the authority to bind the corporation

APPENDIX “B”

UPDATED EIGHT-WEEK CASH FLOW FORECAST

Inscape Group
8-Week Cash Flow Forecast ending December 15, 2023
Unaudited \$CAD '000's
Cash Flow Week:
Week Ending:
Receipts

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	8-Week
	27-Oct-23	3-Nov-23	10-Nov-23	17-Nov-23	24-Nov-23	1-Dec-23	8-Dec-23	15-Dec-23	Total
Collection of remaining receivables	9	31	-	-	55	31	-	-	126
Sales tax recovery and other	-	-	-	80	-	-	-	-	80
Total Receipts	9	31	-	80	55	31	-	-	206

Disbursements

General Admin	(5)	(5)	(5)	(5)	(5)	(50)	-	-	(75)
Salaries & benefits	-	(1)	-	(1)	-	(1)	-	-	(2)
Management Payment	-	(55)	-	(55)	-	(55)	-	-	(165)
Professional fees, net of retainers	(306)	-	-	-	-	(50)	-	-	(356)
Pre-funded Bankruptcy Retainer	-	-	-	-	-	(50)	-	-	(50)
Total Disbursements	(311)	(61)	(5)	(61)	(5)	(206)	-	-	(648)
Net Cash Flow	(302)	(30)	(5)	20	50	(175)	-	-	(441)

Opening Cash

Net cash flow	(302)	(30)	(5)	20	50	(175)	-	-	(441)
Closing Cash (Bank)	147	118	113	132	182	8	8	8	8

Inscape Group
8-Week Cash Flow Forecast ending December 15, 2023
Notes and Summary of Assumptions

Disclaimer

*In preparing this cash flow forecast (the “**Forecast**”), Inscape 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) Collection of remaining receivables

Collections include the final accounts receivable balances expected to be collected during the Forecast Period.

(2) Sales tax recovery and other

Includes post-filing HST refunds only.

(3) Salaries & benefits

Forecast based on anticipated costs for part-time hourly employees.

(4) Management Payment

See additional information in section 4.5 to 4.9 of the Seventh Report.

(5) Professional fees, net of retainers

Disbursements include payments for accrued professional fees, net of retainers to: the Applicants' Canadian counsel, U.S. counsel, employment counsel and special counsel; the Monitor and its Canadian and U.S. counsel; the directors' counsel; and tax administration and advisory fees.

(6) Pre-funded Bankruptcy Retainer

Payment to the proposed bankruptcy trustee, as explained in the Seventh Report.

APPENDIX “C”

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



work for tomorrow

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

• Attention: Mr. Joshua Nevsky

October 24, 2023

• **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 proceedings under the Companies’ Creditors Arrangement Act, the management of Inscape have prepared the attached 8-week projected cash flow statement for the period October 21, 2023 to December 15, 2023 (the “Cash Flow Forecast”) and the list of assumptions on which the Cash Flow Forecast is based.

• 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,

A handwritten signature in black ink, appearing to read "Eric Ehgoetz", written over a horizontal line.

Name: Eric Ehgoetz

Title: Chief Executive Officer

**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

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

AIRD & BERLIS LLP

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

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Fax: (416) 863-1515
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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.