

Court File No. 31-2763610

Estate No. 31-2763610

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, C B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF ARTEX SYSTEMS INC.,
OF THE TOWN OF CONCORD IN THE PROVINCE OF ONTARIO**

**THIRD REPORT OF MSI SPERGEL INC.,
IN ITS CAPACITY AS TRUSTEE UNDER THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF ARTEX SYSTEMS INC.**

December 17, 2021

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- A. The Second Extension Order
- B. The Second Report (without appendices)
- C. The Updated Cash Flow Projections

I. INTRODUCTION AND BACKGROUND

1. This report (this “**Third Report**”) is filed by msi Spergel inc. (“**Spergel**”) in its capacity as proposal trustee (in such capacity, the “**Proposal Trustee**”) in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Artex Systems Inc., (“**Artex**” or the “**Company**”) on September 1, 2021 (the “**Filing Date**”) pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3 (the “**BIA**”).
2. Artex is a private company incorporated under the *Ontario Business Corporations Act*, RSO 1990, c B.16. Artex operates from an office located at 523 Bowes Road, Concord, Ontario. Artex is in the business of manufacturing architectural precast wall panels for buildings primarily in the United States, including large-scale condominiums and public use buildings.
3. On November 8, 2021, the Company brought a motion to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) seeking an extension of time to file a proposal with the Official Receiver until December 30, 2021 (the “**Second Stay Extension**”). By order of the Honourable Mr. Justice McEwen dated November 8, 2021 (the “**Second Extension Order**”), the Court approved the relief sought by the Company. A copy of the Second Extension Order is attached to this Third Report as **Appendix “A”**.
4. The Proposal Trustee filed its Second Report dated November 5, 2021 (the “**Second Report**”) with the Court in support of the Second Extension Order. A copy of the Second Report without appendices is attached to this Third Report as **Appendix “B”**.

II. PURPOSE OF THIS THIRD REPORT AND DISCLAIMER

5. The purpose of this Third Report is to provide the Court with information in connection with the motion of the Company for a further extension of the time to file a Proposal including:
 - a) the activities of the Company and the Proposal Trustee since the Second Stay Extension was granted;

- b) an overview of the Company's cash flow projections for the period from December 1, 2021 to July 31, 2022 (the "**Updated Cash Flow Projections**"); and
- c) the Company's request for a further extension of time within which to file a Proposal to February 13, 2022 (the "**Third Stay Extension**").

Restrictions and Disclaimer

- 6. In preparing this Third Report, the Proposal Trustee has relied upon certain information provided to it by the Company's management. The Proposal Trustee has not performed an audit or verification of such information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises or International Financial Reporting Standards. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance with respect to such information.
- 7. The cash flow forecast and projections in this report relate to future events and are based on management's assumptions, which may not remain valid throughout the period of the projections. Consequently, they cannot be relied upon to the same extent as information derived from the reviewed accounts for completed accounting periods. For these reasons, the Proposal Trustee expresses no opinion as how closely the actual cash flows achieved will correspond to the projection.
- 8. This Third Report does not take into account the future impact of COVID-19 on any projection or other assumptions presented by the Company to the Proposal Trustee. The potential for unknown ramifications on consumers, supply chains, commercial counterparties (both direct and indirect to the Company's operations) and future decisions that may need to be made as a result of the evolving COVID-19 situation means that the projections and other assumptions may be significantly impacted by COVID-19. The full impact of COVID-19, both on the Company's business and in general, is not capable of being qualitatively or quantitatively assessed at this time, and the Proposal Trustee has not endeavoured to do so in this Third Report.
- 9. Parties using this Third Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes, and consequently should not be used for any other purpose.

10. This Third Report should be read in conjunction with the Affidavit of Domenico D’Ascanio sworn December 17, 2021 (the “**D’Ascanio Affidavit**”), as such affidavit contains additional information concerning the Company, and its structure, business activities and stakeholders.
11. Court materials in these proceedings can be found on Spergel’s Case Website at <https://www.spergelcorporate.ca/engagements/artex-systems-inc/>.
12. All references to dollars in this Third Report are in Canadian currency unless otherwise noted.

III. THE PROPOSAL PROCEEDINGS

Overview of the Company’s Activities

13. Since the Second Stay Extension was granted, the Company has, among other things:
 - a) communicated with the Proposal Trustee and the Company’s legal counsel on various matters in connection with the NOI proceedings;
 - b) worked with the Proposal Trustee to prepare various cash flow projections; and
 - c) communicated with the Toronto-Dominion Bank (“**TD**”) and its counsel concerning the financial affairs of the Company and the Company’s ongoing efforts to complete the outstanding project.

Overview of the Proposal Trustee’s Activities

14. In addition to assisting the Company and its legal counsel in connection with the above, the Proposal Trustee has been engaged in, among other things:
 - a) maintaining the Case Website where material documents pertaining to these proceedings are available in electronic form;
 - b) monitoring the Company’s sales and cash flows;
 - c) assisting the Company in preparing the Updated Cash Flow Projections;
 - d) meeting and corresponding with the Company and its legal counsel regarding the

- Updated Cash Flow Projections, cash management, supplier issues and various other matters in connection with the Company's operations and NOI proceedings;
- e) responding to calls and enquiries from creditors and other stakeholders in connection with the NOI proceedings;
 - f) communicating with TD and its legal counsel concerning the financial affairs of the Company; and
 - g) preparation of a variance analysis of cash flow projections vs actual cash flows as requested by TD.

IV. EXTENSION OF THE STAY PERIOD TO February 13, 2022

- 15. The current stay of proceedings will expire on December 30, 2021. Artex is seeking a 45-day extension pursuant to Section 50.4(9) of the BIA up to and including February 13, 2022 to file a proposal.
- 16. The Company with the assistance of the Proposal Trustee has prepared the Updated Cash Flow Projections. A copy of the Updated Cash Flow Projections is attached to this Third Report as **Appendix "C"**.
- 17. The Proposal Trustee has reviewed the Updated Cash Flow Projection and notes that it indicates the Company will have sufficient liquidity to fund both operating costs and the costs of these proposal proceedings for the period of the Third Stay Extension, if granted.
- 18. The Proposal Trustee supports the Company's request for the Third Stay Extension for the following reasons:
 - a) more time is required to complete the East Side Project (as defined in the D'Ascanio Affidavit);
 - b) the Company is acting in good faith and with due diligence;
 - c) it is the Proposal Trustee's view that the Third Stay Extension will not materially prejudice any group of creditors; and
 - d) the Company will likely be able to make a viable proposal if the request for extension being requested is granted.

V. CONCLUSIONS AND RECOMMENDATIONS

19. Based on the foregoing, the Proposal Trustee supports the relief sought by the Company for an Order extending the stay period to February 13, 2022.

Dated at Toronto this 17th day of December, 2021.

msi Spergel inc.,
solely in its capacity as the Trustee acting under a
Notice of Intention to Make a Proposal of Artex
Systems Inc. and not in its personal or corporate capacity

Per:



Mukul Manchanda, CPA, CIRP, LIT
Principal

APPENDIX “A”

Court File No. 31-2763610
Estate No. 31-2763610

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.) MONDAY, THE 8TH
)
JUSTICE MCEWEN) DAY OF NOVEMBER, 2021
)



IN THE MATTER OF THE *BANKRUPTCY AND*
INSOLVENCY ACT, RSC 1985, c B-3, AS AMENDED

IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF ARTEX SYSTEMS INC. OF THE
TOWN OF CONCORD IN THE PROVINCE OF ONTARIO

ORDER
(Extension of Time to File Proposal)

THIS MOTION, made by Artex Systems Inc. (the “**Company**”), for an Order extending the period of time for filing a proposal pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”), was heard this day by video conference due to the COVID-19 crisis.

ON READING the Affidavit of Domenico D’Ascanio affirmed November 4, 2021, and on reading the Second Report of msi Spirgel Inc. dated November 5, 2021 in its capacity as proposal trustee of the Company, and on hearing the submissions of counsel for the Company, as well as all persons present as stated in the counsel slip, no one appearing for any other person on the service

list, although properly served as appears from the affidavit of service of Jo-Anne Matich sworn November 4, 2021, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Company to file a proposal with the Official Receiver be and is hereby extended to December 30, 2021.

ORDER EFFECTIVE IMMEDIATELY

3. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order without any need for entry and filing.



**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

Court File No. 31-2763610
Estate No. 31-2763610

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF ARTEX SYSTEMS INC. OF THE TOWN OF CONCORD IN
THE PROVINCE OF ONTARIO**

8 Nov 21

Order to go, on an unopposed basis, as per the draft filed and signed.
The relief sought is fair and reasonable.

McE T.

***ONTARIO*
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

ORDER

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Lawyers for Artex Systems Inc.

APPENDIX “B”

Court File No. 31-2763610

Estate No. 31-2763610

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,

R.S.C. 1985, C B-3, AS AMENDED

**IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF ARTEX SYSTEMS INC.,
OF THE TOWN OF CONCORD IN THE PROVINCE OF ONTARIO**

**SECOND REPORT OF MSI SPERGEL INC.,
IN ITS CAPACITY AS TRUSTEE UNDER THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF ARTEX SYSTEMS INC.**

November 5, 2021

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APPENDICES

- A. The First Extension Order
- B. The First Report (without appendices)
- C. The Updated Cash Flow Projections

I. INTRODUCTION AND BACKGROUND

1. This report (this “**Second Report**”) is filed by msi Spergel inc. (“**Spergel**”) in its capacity as proposal trustee (in such capacity, the “**Proposal Trustee**”) in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Artex Systems Inc., (“**Artex**” or the “**Company**”) on September 1, 2021 (the “**Filing Date**”) pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3 (the “**BIA**”).
2. Artex is a private company incorporated under the *Ontario Business Corporations Act*, RSO 1990, c B.16. Artex operates from an office located at 523 Bowes Road, Concord, Ontario. Artex is in the business of manufacturing architectural precast wall panels for buildings primarily in the United States, including large-scale condominiums and public use buildings.
3. On October 1, 2021, the Company brought a motion to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) seeking, among other things:
 - a) approval of an administrative charge to secure payment of the fees and expenses of the Proposal Trustee and counsel to the Company; and
 - b) extension of time to file a proposal with the Official Receiver by November 15, 2021 (the “**First Stay Extension**”).

By order of the Honourable Madam Justice Gilmore dated October 1, 2021 (the “**First Extension Order**”), the Court approved the relief sought by the Company. A copy of the First Extension Order is attached to this Second Report as **Appendix “A”**.

4. The Proposal Trustee filed its First Report dated September 29, 2021 (the “**First Report**”) with the Court in support of the First Extension Order. A copy of the First Report without appendices is attached to this Second Report as **Appendix “B”**.

II. PURPOSE OF THIS SECOND REPORT AND DISCLAIMER

5. The purpose of this Second Report is to provide the Court with information in connection with the motion of the Company for a further extension of the time to file a Proposal including:

- a) the activities of the Company and the Proposal Trustee since the First Stay Extension was granted;
- b) an overview of the Company's cash flow projections for the period from November 1, 2021 to March 31, 2022 (the "**Updated Cash Flow Projections**"); and
- c) the Company's request for a further extension of time within which to file a Proposal to December 30, 2021 (the "**Second Stay Extension**").

Restrictions and Disclaimer

- 6. In preparing this Second Report, the Proposal Trustee has relied upon certain information provided to it by the Company's management. The Proposal Trustee has not performed an audit or verification of such information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises or International Financial Reporting Standards. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance with respect to such information.
- 7. The cash flow forecast and projections in this report relate to future events and are based on management's assumptions, which may not remain valid throughout the period of the projections. Consequently, they cannot be relied upon to the same extent as information derived from the reviewed accounts for completed accounting periods. For these reasons, the Proposal Trustee expresses no opinion as how closely the actual cash flows achieved will correspond to the projection.
- 8. This Second Report does not take into account the future impact of COVID-19 on any projection or other assumptions presented by the Company to the Proposal Trustee. The potential for unknown ramifications on consumers, supply chains, commercial counterparties (both direct and indirect to the Company's operations) and future decisions that may need to be made as a result of the evolving COVID-19 situation means that the projections and other assumptions may be significantly impacted by COVID-19. The full impact of COVID-19, both on the Company's business and in general, is not capable of being qualitatively or quantitatively assessed at this time, and the Proposal Trustee has not endeavoured to do so in this Second Report.

9. Parties using this Second Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes, and consequently should not be used for any other purpose.
10. This Second Report should be read in conjunction with the Affidavit of Domenico D'Ascanio sworn November 4, 2021 (the “**D’Ascanio Affidavit**”), as such affidavit contains additional information concerning the Company, and its structure, business activities and stakeholders.
11. Court materials in these proceedings can be found on Spergel’s Case Website at <https://www.spergelcorporate.ca/engagements/artex-systems-inc/>.
12. All references to dollars in this Second Report are in Canadian currency unless otherwise noted.

III. THE PROPOSAL PROCEEDINGS

Overview of the Company’s Activities

13. Since the First Stay Extension was granted, the Company has, among other things:
 - a) communicated with the Proposal Trustee and the Company’s legal counsel on various matters in connection with the NOI proceedings;
 - b) worked with the Proposal Trustee to prepare various cash flow projections; and
 - c) communicated with the Toronto-Dominion Bank (“**TD**”) and its counsel concerning the financial affairs of the Company and the Company’s ongoing efforts to complete the outstanding project.

Overview of the Proposal Trustee’s Activities

14. In addition to assisting the Company and its legal counsel in connection with the above, the Proposal Trustee has been engaged in, among other things:
 - a) establishing and maintaining the Case Website where material documents pertaining to these proceedings are available in electronic form;

- b) implementing procedures for the monitoring of the Company's sales and cash flows and for ongoing reporting of variances to the cash flow projection;
- c) assisting the Company in preparing the Updated Cash Flow Projections;
- d) meeting and corresponding with the Company and its legal counsel regarding the Updated Cash Flow Projections, cash management, supplier issues and various other matters in connection with the Company's operations and NOI proceedings;
- e) responding to calls and enquiries from creditors and other stakeholders in connection with the NOI proceedings;
- f) communicating with TD, its legal counsel concerning the financial affairs of the Company; and
- g) preparation of a variance analysis of cash flow projections vs actual cash flows as requested by TD.

IV. **EXTENSION OF THE STAY PERIOD TO DECEMBER 30, 2021**

- 15. The current stay of proceedings will expire on November 15, 2021. Artex is seeking a 45-day extension pursuant to Section 50.4(9) of the BIA up to and including December 30, 2021 to file a proposal.
- 16. The Company with the assistance of the Proposal Trustee has prepared the Updated Cash Flow Projections. A copy of the Updated Cash Flow Projections is attached to this Second Report as **Appendix "C"**.
- 17. The Proposal Trustee has reviewed the Updated Cash Flow Projection and notes that it indicates the Company will have sufficient liquidity to fund both operating costs and the costs of these proposal proceedings for the period of the Second Stay Extension, if granted.
- 18. The Proposal Trustee supports the Company's request for the Second Stay Extension for the following reasons:
 - a) More time is required to complete the East Side Project (as defined in the D'Ascanio Affidavit);
 - b) The Company is acting in good faith and with due diligence;

- c) It is the Proposal Trustee's view that the Second Stay Extension will not materially prejudice any group of creditors; and
- d) The Company will likely be able to make a viable proposal if the request for extension being requested is granted.

V. CONCLUSIONS AND RECOMMENDATIONS

19. Based on the foregoing, the Proposal Trustee supports the relief sought by the Company for an Order extending the stay period to December 30, 2021.

Dated at Toronto this 5th day of November, 2021.

msi Spergel inc.,
solely in its capacity as the Trustee acting under a
Notice of Intention to Make a Proposal of Artex
Systems Inc. and not in its personal or corporate capacity

Per:



Mukul Manchanda, CPA, CIRP, LIT
Principal

APPENDIX “C”

Artex Systems Inc.

Cash Flow Statement

December 1st, 2021 to period ending July 31th, 2022

(CAD)	Month Ending	Notes	Contract Balance	Opening Balance	Month 1 31-Dec	Month 2 31-Jan	Month 3 28-Feb	Month 4 31-Mar	Month 5 30-Apr	Month 6 31-May	Month 7 30-Jun	Month 8 31-Jul	Total
RECEIPTS													
GST			\$ -	\$ -	\$ 20,000.00	\$ 10,000.00			-				30,000.00
CEWS - period 19 & 20			-	-	-		-	-	-				-
Accounts receivable and holdbacks CDN (US @ 1.22)													
1081 - Riverside RB3 - Holdback			34,700.00	-	34,700.00		-	-	-				34,700.00
1081 - 40 East End Avenue			4,540.00	-		4,540.00	-	-	-				4,540.00
1081 - 40 East End Avenue - Holdback			23,400.00	-		23,400.00	-	-	-				23,400.00
1086 - Vandewater - Holdback			103,000.00	-	-	103,000.00	-	-	-				103,000.00
1087 - 200 E 83 rd Street			4,712,000.00	-	886,200.00	890,000.00	368,500.00	375,000.00	367,200.00	163,500.00	163,500.00	844,300.00	4,058,200.00
1087 - 200 E 83 rd Street - Advance from Nov./21 Req.				-	450,000.00								450,000.00
1087 - 200 E 83rd Street - Holdback (\$847,120.30US)			1,033,500.00	-		-	172,250.00	172,250.00	172,250.00			516,750.00	1,033,500.00
Total Receipts			5,911,140.00	33,626.00	1,390,900.00	1,030,940.00	540,750.00	547,250.00	539,450.00	163,500.00	163,500.00	1,361,050.00	5,737,340.00
DISBURSEMENTS													
Accounts payable (CDN)													
Outstanding source deductions			-	-	50,000	50,000	50,000	10,000	-				160,000
Plant payroll					90,000	80,000							170,000
Plant benefits (pension, health)			-	-	28,100	28,100			-				56,200
Plant vacation pay			-	-		55,000		-	-				55,000
Office payroll			-	-	40,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	250,000
Office health benefits			-	-	6,800								6,800
WSIB			-	-	5,345				-				5,345
Monthly rent			-	-	35,783		-	-	-				35,783
Office cleaning			-	-	3,400				-				3,400
Property taxes			-	-			72,000		-				72,000
Utilities (hydro, enbridge, water, etc)			-	-	12,000	15,000			-				27,000
Insurance premium - instalments			-	-	14,700		-	-	-				14,700
Shipping/logistics			-	-	92,000			-	-				92,000
Plant disposal			-	-	10,000		-		-				10,000
Cement			-	-	2,000				-				2,000
Aggregates			-	-	5,000				-				5,000
Admixtures			-	-	1,000				-				1,000
Wood			-	-	5,000				-				5,000
Steel			-	-	25,000				-				25,000
Galvanizing			-	-	12,000				-				12,000
Misc. - window installation & caulking			-	-	15,000		25,000	25,000					65,000
Professional fees (legal & KPMG)			-	-	10,000	10,000	50,000	50,000	50,000				170,000
TD - Line of credit			-	-	120,000	60,000		-	-				180,000
BUK/Triangle (Logistics) -pay off old invoices			-	-	50,000	82,000	80,000		-				212,000
Accounts payable USD (@ 1.22)													
ASI erection payroll			-	-	200,000	60,000	10,000	10,000	10,000	10,000		400,000	700,000
Job site consumables			-	-	5,000	2,000			-			30,000	37,000
197 Union Stamps			-	-	122,000	89,000	-	-	-				211,000
Insurance premium - instalments			-	-	47,580				-				47,580
Sublet stone			-	-	103,700	167,300	24,750	-	-				295,750
Engineer			-	-	12,200	12,200	12,200	12,200				12,200	61,000
Broker			-	-	320				-				320
Sublet (UNIVERSAL)			-	-	288,000	270,000		207,500	204,000	204,000		25,600	1,199,100
Sublet (EASI)			-	-		20,900		116,600	116,600	116,600	116,000	112,150	598,850
Total Disbursements			-	-	1,411,928	1,031,500	353,950	461,300	410,600	330,600	116,000	579,950	4,785,828
Net Change in Cash from Operations					(21,028)	(560)	186,800	85,950	128,850	(167,100)	47,500	781,100	
Net Change in Cash					(21,028)	(560)	186,800	85,950	128,850	(167,100)	47,500	781,100	
Opening Cash					33,626	12,598	12,038	198,838	284,788	413,638	246,538	294,038	
Ending Cash					12,598	12,038	198,838	284,788	413,638	246,538	294,038	1,075,138	-