

CANADA
Province of Ontario
Division No.: 09- Toronto
Court No: 31-459641
Estate No: 31-459641

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF INTEGRO BUILDING SYSTEMS INC. IN THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

Licensed Insolvency Trustee: MNP Ltd.

The information contained in this Preliminary Report has been prepared from the available books and records of the Company (as such term is later defined) and discussions with the Management. These books and records have not been reviewed or otherwise audited by the Trustee and, consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information taken from those records contained herein.

SECTION A – BACKGROUND AND CAUSES OF FINANCIAL DIFFICULTIES

Integro Building Systems Inc. (“**Integro**” or the “**Company**”) was one of the largest curtain wall manufacturers and installers in North America and carried on their business from their leased premises at 8811 Huntington Road, Vaughan, Ontario (the “**Premises**”). Incorporated in February 2015, Integro is a wholly owned subsidiary of Integro IBS Holdings Inc. (“**Holdings**”). In addition to the Premises, the Company (as of the Date of Bankruptcy, as such term is later defined) also maintained an outside storage yard (Opta Waterdown) in Waterdown, Ontario which was primarily used to store project goods/materials.

Integro was experiencing financial challenges as a result of issues on a US project and the impact of the post-COVID-19 economic environment including logistical challenges, increasing wage and raw material costs, material shortages, the impact of recent strikes on construction schedules and labour shortages. On top of this, the Company’s financial situation was significantly impacted by fixed price contracts it was locked into on projects and decreasing demand for its curtain wall product as commercial office requirements have declined in the face of the increasing business practice of working from home. In July 2023, the Company closed down its operation in British Columbia (“**BC**”) and subleased its facilities in Surrey, BC to a third party.

As a consequence of these factors and their impact on cash flows, the Company began to accumulate significant liabilities to its suppliers, subcontractors and Canada Revenue Agency (the “**CRA**”). In order to address its financial issues, in 2022 certain of Integro’s directors made an equity injection in Holdings of approximately \$6.1 million, which was then loan to Integro. Additionally, Integro reached out to the general contractors and the owners of the current projects to seek financial assistance by way of earlier draws, advances on future draws and direct payments to suppliers. Although these measures helped

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Integro continue in the interim it did not resolve its underlying working capital problems. In August 2023, the Company's management, with assistance of MNP Ltd. ("**MNP**") undertook an analysis of the working capital and cash flow needs to complete its three (3) primary projects (the "**WC Analysis**"). The WC Analysis determined that approximately \$20 million was required to complete the primary projects.

The WC Analysis was provided to the Company's board of directors and on or about August 29, 2023, the Company's directors determined that they could no longer continue to financially support the business and that Integro needed to file an assignment in bankruptcy. Accordingly, on August 31, 2023, the Company filed an assignment in bankruptcy, which was accepted by the Office of the Superintendent of Bankruptcy Canada ("**OSB**") on the same date. MNP was appointed as the licensed insolvency trustee (the "**Trustee**") of the Company's bankrupt estate, subject to affirmation by creditors at the first meeting of creditors (the "**FMOC**").

James Wilson, the President of the Company, was authorized by the Company's Board of Directors to execute the documents and perform such acts in relation to the bankruptcy proceedings of Integro as deemed necessary.

On September 7, 2023, the Notice to Creditors advising of the bankruptcy and the FMOC, a list of creditors and a proof of claim form, along with a proxy, were sent to all known creditors of the Company. Pursuant to subsection 102(4) of the *Bankruptcy and Insolvency Act* (the "**BIA**"), the Notice of Bankruptcy was published in the *Toronto Sun* newspaper on September 7, 2022.

The Trustee has retained Cassels Brock & Blackwell LLP ("**Cassels**") as its independent legal counsel, subject to affirmation by the estate's inspector(s), once appointed.

The various public documents related to the Company and its bankruptcy proceedings are posted at the Trustee's case website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/integroblding>.

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTERESTS/PRIORITY CLAIMS

Please Note: All of the assets of the Company are subject to security interests and/or priorities in law, including trust and deemed trust claims. Accordingly, unless the Trustee enters into an administrative agreement with CRA and or another engagement to act on behalf of the secured or other priority creditors, the assets, properties and undertakings of Integro (the "**Property**") shall not form part of the estate administered by the Trustee.

Security Interests

An Ontario *Personal Property Security Act* registry search conducted on August 28, 2023 (the "**PPSA**") shows a registration in favour of Royal Bank of Canada ("**RBC**") over the Property. In addition to RBC, Holdings and Export Development Canada ("**EDC**") are also shown to have PPSA registrations over the Property. Further, there are several other parties who have registered their interest against specific assets such as cranes, vehicles, and other equipment under the PPSA.

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The Trustee understands from the Company’s management, that the registration in favour of EDC should have been discharged following Integro’s repayment in full in February 2023 of the indebtedness owing to EDC.

The Trustee has obtained an independent legal opinion from Cassels that has confirmed the validity and enforceability of RBC’s security, subject to the normal qualifications and assumptions, as against the Trustee. A review of the review of the security of the other secured creditors will be completed as appropriate.

Priority Claims

We note that CRA has a deemed trust claim for the unpaid source deductions. The total unremitted employee source deduction remittances amount to approximately \$3.6 million out of which approximately \$2.1 million is subject to a deemed trust (“**Deemed Trust Claims**”). These amounts are subject to a trust examination to be conducted by CRA.

The Company’s primary nature of business relates to designing and constructing curtain walls. Given that the material inputs such as glass, aluminum and other supplies, as well as subcontractor services can be traced to particular projects under construction law legislation, such providers of goods and services would be the beneficiary of certain lien and trust rights (“**Construction Trust Claims**”).

Assets - Summary

Integro’s assets and their estimated realizable values, according to its sworn Statement of Affairs (“**SOA**”) are summarized as follows:

Asset Description	Estimated Realizable Value (\$)
Inventory and Scrap Metal	\$ 11,000
Machinery, Equipment and Plant	724,000
Vehicles	60,000
Accounts receivable	9,983,018
Computer network and equipment	10,000
Total	\$ 10,788,018

Assets – Inventory and Scrap Metal

- Represent various consumable inventory items, including screws, gaskets, rags, silicon, etc., which are not project specific and have a cost value of approximately \$50,000. The consumable inventory was estimated to have a realizable value of approximately \$5,000.
- The scarp metal was estimated to have realizable value of \$6,000 and related to 15,640 lbs of scrap aluminum extrusions that was picked up on August 30, 2023 – payment remains outstanding. Not reflected on the SOA was 12,180 lbs of scrap aluminum extrusions that was picked up on or August 3, 2023 that resulted in realization of \$9,909.65 (inclusive of HST), which

was directly deposited into the Company's bank account on September 5, 2023, now frozen by RBC.

- It is noted that the raw materials, primarily consists of aluminum extrusion, glass, fasteners and a variety of parts and materials, tagged to specific projects, as well as the work in progress inventory ("**WIP**") consisting of partially completed curtain wall frames and completed curtain wall frames ("**FG**") for a specific project are being treated as property of the general contractors and/or the owners (collectively, the "**Owners**"), subject to them filing a properly completed Form 74 – Reclamation of Property ("**Property PoC**") to evidence ownership.

Assets - Machinery, Equipment and Plant

- Represent various office equipment and furniture, manufacturing equipment (CNC machines, saws cranes/lifts, etc.) and other related capital assets (the "**Equipment**") at the Premises. This Equipment has a net book value of approximately \$2.3 million and has been valued on the SOA at \$724,000. The Trustee has obtained a preliminary appraisal of the Equipment located at the Premises on a forced liquidation value basis.
- Additionally, and not reflected on the SOA, is some Equipment located at and forming part of the subleased agreement for former facility in Surrey, BC. Should the Trustee enter into an administrative agreement with CRA and or another engagement to act on behalf of the secured or other priority creditors, the Trustee will arrange for an appraisal of such Equipment. The Trustee has been in contact with the subtenant to notify of them of the bankruptcy.

Assets – Vehicles

- Comprises one (1) owned 2006 Dodge RAM 1500 pick-up truck and one (1) financed 2022 Dodge RAM 2500 pick-up truck which have been valued on the SOA at \$5,000 and \$55,000, respectively.
- The 2022 Dodge RAM 2500 pick-up truck was financed through RBC.
- Both vehicles are located and are being stored at the Premises, secured by the Trustee.

Assets – Accounts Receivables

- Represents both project draws and holdbacks receivable.
- Represents a total of \$9,983,018 of "Good" receivables and \$11,452,375 of "Doubtful" receivables, which are estimated to produce \$9,983,018.
- As typical in construction matters, the receivables are subject to offsets for damages, Construction Trust Claims and in this situation, possible unrecorded direct payments to suppliers made prior to the Date of Bankruptcy.
- A payment on the Sick Kids project from PCL Contractors of \$22,932.52 was directly deposited into the Company's bank account on September 6, 2023, now frozen by RBC.

SECTION C – BOOKS AND RECORDS

The Trustee is in possession and control of available books and records of the Company which are necessary for the administration of these proceedings.

SECTION D – CONSERVATORY AND PROTECTIVE MEASURES

The Trustee has taken possession of the Premises and the Property located thereat.

SECTION E – PROVABLE CLAIMS AND CREDITOR GROUPS

The claims of creditors as per the SOA and the proof of claims filed and admitted for voting purposes only, if appropriate, as of 8:00 a.m. (EDT) on September 19, 2023, are summarized below

Creditor Group	SOA	Claims as Filed
Secured	\$ 48,209,520.19	\$ 3,664,083.57
Contingent	\$11.00	6,501,265.00
Unsecured	\$8,171,354.55	\$13,717,471.52
Total	\$ 56,380,885.74	\$ 23,882,820.39

The Trustee was appointed/holds one (1) proxy in the amount of \$5,153.80.

With respect to the \$23,882,820.39 noted above as being the “Claims as Filed”, such creditors’ claims were reflected on the SOA at \$14,965,943.79. Additionally, under the Creditor Group – Contingent, First Gulf Development has filed a claim in the amount of \$8,501,265.00, which has been valued for voting purposes at \$6,501,265.00 unsecured. Please note that the Trustee has not determined the admissibility or value of the above-noted claims for dividend purposes.

Secured Creditors – The creditors reflected on the SOA comprises the following:

- i) CRA (Deemed Trust) - \$2,100,000.00 relates to unremitted employee source deduction remittances from 2022.
- ii) RBC (Secured) – \$9,861,511.00 relates to the credit facilities providing to Integro as its operating lender, as well as financing for the 2022 Dodge RAM 2500.
- iii) Holdings (Secured) – \$21,966,246.71 relates to advances to Integro by its parent company.
- iv) Vault Credit Corporation (Secured) - \$100,000.00 relates to the computer equipment and network purchased and financed.
- v) Former employees (Priority Secured under S. 81.3 of the BIA) – relates to unpaid wages due to employees of \$521,000. This amount was paid by the Company’s directors prior to the Date of Bankruptcy, who may now have a subrogated claim for such amounts paid.
- vi) Various Suppliers/Subcontractors (Construction Trust Claim) - \$13,660,762.48 relates to Construction Trust Claims held by various suppliers/subcontractors on a project by project basis.

The Trustee has yet to establish the priority of ranking of security among the above-noted secured creditors and is currently discussing the matter with its legal counsel.

Unsecured Creditors – The unsecured creditors include, among other things, the amounts payable to i) CRA of \$1,500,001 for the employer's share of source deduction (CPP, EI) plus interest and penalties and HST, ii) suppliers/subcontractors amount to the extent not covered by a Construction Trust Claim, iii) the unsecured portion of RBC's claim, and iv) the termination pay owed to the former employees of the Company, which claims may be eligible for recovery by the former employee from the Wage Earner Protection Program ("**WEPP**").

Contingent claims – The Trustee has included all the project owners in this list as they may have a contingent claim against the Company for non-completion of the ongoing projects.

SECTION F- LEGAL PROCEEDINGS, TRANSFERS AT UNDER-VALUE AND PREFERENCE PAYMENTS

Legal Proceedings

The Trustee is aware of the following legal proceedings:

- i) proceedings initiated by the Company against a supplier for \$1.8 million who supplied sub-standard glass;
- ii) litigation by a former employee who demanded a higher severance package upon termination; and
- iii) certain other proceedings related to the bankruptcy of a US company which was a related company and with the landlord of the premises where the Company was carrying on the business prior to moving to the current Premises.

As of the date of this Report, the Trustee has not commenced, continued or taken steps to defend any legal proceedings. Any actions to be taken in the future will be subject to creditor, inspector and/or court approval.

Transfers at Under-Value and Preference Payments

The Trustee has completed its review of potential transfers at undervalue or preference payments. The scope of the review was limited to a review of certain disbursements made in the twelve (12) months preceding the Date of Bankruptcy through the bank account or the corporate credit cards and inquiries with management. Based on this review, nothing has come to the attention of the Trustee that warrants reporting to the creditors.

SECTION G - ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

As discussed earlier in the report, all the assets in the estate are subject to Deemed Trust Claims, Construction Trust Claims and/or the claims of the Company's secured creditors, which includes RBC.

Any realization activities commenced by the Trustee are subject to the Trustee first entering into an administrative agreement with CRA, and/or the Company's other priority and secured creditors. Given the above and the extent of trust, priority and secured claims versus the Company's assets, the Trustee does not anticipate that there will be any funds to be available for distribution to the Company's unsecured creditors.

SECTION H – OTHER MATTERS

Purchased Goods belonging to the Owners.

At the Date of Bankruptcy, the Company had 3 major ongoing curtain wall projects, namely i) Portland Commons ("**Portland**"), a commercial building; ii) 489-539 King Street West ("**489 King**"), a residential condominium with commercial space, and iii) 25 Ontario Street ("**25 Ontario**" and together with Portland and 489 King, hereinafter collectively referred to as, the "**Projects**"), a commercial building.

As noted above the RM, WIP and FG for the respective Projects (the "**Purchased Goods**") are being treated as property of the Owners, subject to them filing a properly completed Property PoC to evidence ownership. The ownership interest in the Purchased Goods arose as a result of the Owners payment of project draws, advances to purchase materials and/or payments directly to suppliers/subcontracts for goods and services.

An inventory of the potential Purchased Goods has been completed and the Trustee has communicated with them regarding the filing of a Property PoC in order to obtain the Trustee's release of interest. As of the date of this Report, no releases of interest have been issued by the Trustee.

In addition to certain of the Purchased Goods being located at the Premises, some are located at the Company's storage yard in Waterdown, Ontario, a subcontractor's facilities, freight companies and the Projects' site. The Trustee has not attempted to take possession of the Purchased Goods or any Property located at these third party locations.

*State Window Corporation ("**State**")*

State has guaranteed the completion of the Portland project, as well as the lease for the Premises. The Trustee, subject to obtaining the approval of the inspectors once appointed at the FMOC, intends to enter into a short term occupancy agreement with State in order to allow it to complete the Portland project while the Trustee engages with CRA with respect to an administrative agreement. In addition to the benefits of this arrangement for State, such arrangement has the benefit of helping ensure supplier/subcontractors are paid for past work, create an opportunity for future work, and also aids in the realizable value of the receivable.

3rd Party Deposit Agreement and Guarantees

Prior to the filing of the bankruptcy, MNP received a retainer of \$287,000 from the three major shareholders of the Company, namely Hi-Rise Visa Holdings Inc., 61/67 Claireville Holdings Ltd. and Chafhold Corporation (collectively, the "**Depositors**") and entered into a 3rd Party Deposit Agreement with them to cover its professional fees and disbursements associated with the administration of the bankruptcy, including the professional fees and disbursements of Cassels, the Trustee's independent legal counsel. In addition to the 3rd Party Deposit Agreement, the Depositors also agreed to guarantee the estate's administration costs should they exceed the amount of the retainer provided.

As noted earlier, the Trustee is seeking to enter into an administration with CRA with respect to its fees and disbursements incurred in connection with the realization on the assets of the Company that are subject to its claim.

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Wage Earner Protection Program

The Trustee is currently in the process of assembling the necessary information to administer the WEPP on this estate for approximately one hundred and twenty (120) employees. Notice of the WEPP and instructions on how to file a claim is expected to be mailed out to the eligible former employees of the Company in the coming weeks. Based on the Company's records, the WEPP claims appear to be principally in respect of statutory termination pay and severance pay claims.

Appointment of Inspectors

At the FMOC and pursuant to Section 116 of the BIA, up to five (5) inspectors may be appointed to act as representative of all creditors and provide direction to the Trustee, as required and as appropriate.

Barry Mutis of RBC has submitted a request to be appointed and serve as an inspector of the estate. The Chairperson of the FMOC will seek nomination from the persons in attendance at the FMOC to act as an inspector. The appointment of inspectors is decided by ordinary resolution, carried by the majority of votes and calculated by counting one vote for each dollar of every claim of the creditors present in person or by proxy.

Dated in Toronto, Ontario, this 19th day of September 2023.

MNP LTD.

Trustee of the Estate of Integro Building Systems Inc., a Bankrupt
and not in its personal or corporate capacity

Per:



Matthew Lem, CIRP, LIT
Senior Vice-President