

District of: Ontario
Division No.: 11-Kingston
Court No.: 33-2823071
Estate No.: 33-2823071

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
TAZARMC INC.
OF THE CITY OF TRENTON
IN THE PROVINCE OF ONTARIO

REPORT OF THE PROPOSAL TRUSTEE ON
THE FINANCIAL SITUATION OF THE DEBTOR AND THE PROPOSAL
(Sections 50(10)(b) and 50(5) of the *Bankruptcy and Insolvency Act* (Canada))

INTRODUCTION

1. On April 20, 2022 (the "**Filing Date**"), Tazarmc Inc. ("**Tazarmc**" or the "**Company**") filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**"). KPMG Inc. ("**KPMG**") was named as the trustee under the Company's NOI (the "**Proposal Trustee**").
2. As a result of the NOI filing, the Company had obtained the benefit of a stay of proceedings under section 69.1(1) of the BIA, and had until May 20, 2022 to file a proposal with the Proposal Trustee, subject to any extension(s) that may be granted by the Court.
3. On May 20, 2022, Tazarmc filed a proposal (the "**Proposal**") with the Proposal Trustee, which was filed and accepted by the Official Receiver on the same date.
4. A copy of referenced materials and other information pertaining to these proceedings are posted on the Proposal Trustee's website at home.kpmg/ca/tazarmc.

PURPOSE OF REPORT

9. The purpose of this report (the "**Report**") is to:
 - a) Provide stakeholders with information regarding the Company's background, financial position and the causes of its financial difficulties;
 - b) Provide a summary of the Proposal;
 - c) Assist those creditors entitled to vote on the Proposal (the "**Voting Creditors**") in evaluating the Proposal, including providing an estimate of the comparative recoveries under the Proposal or in the event of a bankruptcy of the Company;
 - d) Provide the Trustee's recommendation in respect of the Proposal to the Voting Creditors; and
 - e) Notify Creditors of the meeting of creditors to be held on June 9, 2022 at 1:00PM via Microsoft Teams (the "**Creditors' Meeting**").

TERMS OF REFERENCE

10. In preparing this Report, the Proposal Trustee has been provided with, and has relied upon, unaudited and other financial information and certain records prepared by the Company and/or their representatives, and discussions with Company's management and/or representatives (together, the "**Information**"). In accordance with industry practice, except as otherwise described in this Report, the Proposal Trustee has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
11. Some information referred to in this Report may consist of forecasts and projections, which were prepared based on Management's estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable and consequently no assurance can be provided regarding the forecasted or projected results. The reader is cautioned that the actual results will likely vary from the forecasts or projections, even if the assumptions materialize, and the variations could be significant.
12. The description of the Proposal in this Report is a summary only and is provided to assist the Company's creditors in considering their position with respect to the Proposal. In the event there is any inconsistency between the Report and the Proposal, the terms of the Proposal shall govern. Creditors are advised that this Report should be read in conjunction with the Proposal as certain information has not been included herein to avoid unnecessary duplication.
13. Any capitalized terms that are not otherwise defined herein shall have the meaning ascribed thereto in the Proposal.
14. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

SECTION A - BACKGROUND

15. Tazarmc is a privately held company, which fabricates and installs structural steel and miscellaneous metals for commercial and industrial construction projects.
16. The Company was incorporated in 2016 and moved its operations from Alberta to Ontario in 2018. The Company currently operates from a leased 20,000 square foot facility located in Trenton, Ontario (the "**Leased Premises**"). The Company had approximately 30 active employees, including both salaried and hourly workers, as of Filing Date. None of the Company's employees are unionized.
17. Over the past year, the Company advised the Proposal Trustee that it experienced liquidity challenges due a number of factors including but not limited to:
 - a) Customers extending payment terms on receivables owed to the Company;
 - b) Impacts of Covid-19 and resulting supply chain disruptions which resulted in significant increases in the cost of steel and other materials, which the Company had to absorb as customers refused to renegotiate contract pricing to account for the escalations;
 - c) Back charges from certain customers for project delays caused by Covid-19 and supply chain disruptions; and

- d) Bad debt expense of \$1.7 million incurred over the past two years due to disputes with certain customers on the collection of receivables owed to Tazarmc for completed work.
18. To address its cash flow challenges, the Company informed the Proposal Trustee that it undertook steps to reduce its cash burn including reducing its workforce by approximately 30%, discontinuing unprofitable projects, reducing overhead costs, and requesting customers procure materials directly as part of new contract awards.
19. Notwithstanding these efforts, the Company's current debt load had proven too much of a burden for the Company. As a result, on April 20, 2022, the Company filed the NOI.

SECTION B - SUMMARY OF PROPOSAL

20. A summary of the Proposal is provided below. The terms of the Proposal would be effective if:
- a) the creditors in each of the following four classes (the "**Voting Classes**"), including: (i) National Bank of Canada ("**National Bank**"), the first-ranking secured creditor of the Company; (ii) Business Development Bank of Canada ("**BDC**"), the second-ranking secured creditor of the Company; (iii) equipment lessors, being a party with a secured claim, secured by a valid security interest over specific leased equipment pursuant to a lease agreement with the Company (collectively, the "**Equipment Lessors**"); and (iv) ordinary unsecured creditors (the "**Unsecured Creditors**"), vote for acceptance of the Proposal by a majority in number and two thirds in value of the Voting Creditors comprising such classes that are present, personally or by proxy, at the Creditors' Meeting and voting on the resolution; and
 - b) the Proposal is approved by order of the Court (the "**Approval Order**"), in accordance with the provisions of the BIA.
21. If approved by the Voting Classes and the Court, the proposal would be effective on the date (the "**Effective Date**") upon which the Approval Order becomes final and non-appealable.
22. The treatment of the Voting Classes is described in greater detail below:
- a) National Bank - The indebtedness owed to the National Bank will be converted to a fixed term loan secured by the same security provided under the existing credit agreements, and will be repaid over a period of sixty (60) months, with interest at the same rate of interest as applicable under the existing credit agreement between the Company and National Bank, subject to prepayment;
 - b) BDC - The indebtedness owed to BDC will be reduced to fifty percent (50%), and will be converted to a fixed term loan secured by the same security provided for under the existing credit agreements, repayable over a period of sixty (60) months, with interest at the same rate of interest as applicable under the existing credit agreement between the Company and BDC, subject to prepayment;
 - c) Equipment Lessors - The Company will continue to make scheduled monthly payments in the amount provided for under existing agreements between each Equipment Lessor and the Company, with any arrears owing as at the Filing Date to be paid within four (4) months after the Effective Date; and
 - d) Unsecured Creditors - the Company will provide the Proposal Trustee an amount equal to the lesser of \$290,000, and 10% of the Proven Claims of Unsecured Creditors, to be distributed no later than thirty-six (36) months after the Effective Date.
23. Certain other key terms of the Proposal include:

- a) Priority claims for amounts due to Her Majesty in Right of Canada or a Province for all Source Deductions shall be paid in full within six (6) months of the Effective Date, unless Her Majesty consents;
 - b) The Proven Claims of creditors entitled to a priority under section 136(1) of the BIA ("**Preferred Creditors**") are to be paid in full in priority to all claims of Unsecured Creditors in accordance with the scheme of distribution set forth in the BIA;
 - c) The fees and expenses of the Proposal Trustee are to be paid in full prior to distribution to the Unsecured Creditors;
 - d) Payments to Preferred Creditors and Unsecured Creditors will be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the BIA (the "**Levy**"); and
 - e) Any Claims against the Company by any Creditor that are also Claims against the directors and officers of the Company that relate to obligations of the Company where directors are under any law liable in their capacity as directors for the payment of such obligations shall be, on Court approval of the Proposal, compromised and released and forever discharged as against the directors of the Company, to the extent permitted by the BIA.
24. All goods supplied and services rendered to the Company after the Filing Date (the "**Post-Filing Goods and Services**") are to be paid in full in the normal course by the Company on terms agreed to between the Company and the relevant suppliers. As noted in Section K below, the Company has been unable to meet several post-filing obligations in respect of insurance, equipment rentals, lease payments, and rent payments due to certain cash flow challenges experienced by the Company since the Filing Date. The Proposal Trustee understands that the aggregate amount of the arrears in respect of the Post-Filing Goods and Services amounts to approximately \$85,000 (excluding applicable sales taxes) as the date of this Report. As noted in the Proposal, the Proposal Trustee shall not in any case be responsible for ensuring that payment is duly made to any person supplying Post Filing Goods and Services.
25. The Proposal Trustee notes that payments and distributions to Voting Creditors under the Proposal is to be funded by the Company through cash flows generated from its continued operations from the Effective Date through to the end of the relevant repayment period.

SECTION C – FINANCIAL POSITION AND CAUSES OF DIFFICULTIES

26. The Company's unaudited and internal operating results for fiscal 2021 and 2022 as well as year-to-date fiscal 2023 for the three-month period ending March 31, 2022 ("**YTD**") are summarized in the table below:

TAZARMC Inc.			
Historical Operating Results Summary			
<i>In Thousands (\$000s)</i>			
	<i>Year ended January 2, 2021</i>	<i>Year ended January 2, 2022</i>	<i>3 month period ended March 31, 2022</i>
Total Revenue	\$ 3,829	\$ 6,792	\$ 1,852
Cost of Sales	3,148	6,328	2,421
Gross Margin	\$ 681	\$ 464	\$ (569)
Total Costs and Expenses	480	814	183
Net Income (Loss) From Operations	\$ 201	\$ (349)	\$ (752)

27. The Company's summary balance sheet as at March 31, 2022 is presented below:

TAZARMC Inc.			
Balance Sheet			
<i>As at March 31, 2022</i>			
<i>In Thousands (\$000s)</i>			
ASSETS		LIABILITIES AND SHAREHOLDER'S EQUITY	
Current Assets		Current Liabilities	
Cash	\$ 192	Bank Indebtedness	\$ 250
Accounts and Holdback Receivable	1,414	Accounts Payable and Accrued Liabilit	2,644
Inventory		Advances from Customers	198
Steel and Consumables	\$ 250	Government Remittance Payable	358
		Current Portion of Long Term Debt and Leases	326
Work-In-Progress	\$ 851	Total Current Liabilities	\$ 3,776
Total Inventory	\$ 1,101	Long Term Liabilities	1,245
Prepaid Expenses	341	Deferred Income Tax Liability	59
Total Current Assets	\$ 3,047	Total Liabilities	\$ 5,080
Non-Current Assets		Equity	
Fixed Assets, net	\$ 1,517	Common Stock	0
Deferred Financing Fees	20	Retained Earnings (Deficit)	(496)
		Total Equity	\$ (496)
Total Assets	\$ 4,584	Total Liabilities & Stockholders' Equity	\$ 4,584

28. The Company has advised the Proposal Trustee that March 31, 2022 is the date of the most recent financial information, and it has not had an opportunity to update its financial statements beyond this date. The Company further advised the Proposal Trustee that its financial position has likely eroded since March 31, 2022.

29. The Company has informed the Proposal Trustee that its financial difficulties have resulted from several factors as outlined in Section A of this Report, including the adverse impact of Covid-19 and supply chain disruptions on its business, certain customers extending payment terms of amounts owed to the Company, and significant bad debt expenses incurred over the last two fiscal years.

SECTION D – INTERIM RECEIVER

30. Not applicable.

SECTION E – IDENTIFICATION AND EVALUATION OF ASSETS

31. According to the Company's statement of affairs as at May 20, 2022 (the "Statement of Affairs"), the Company's realizable assets consisted of the following:

TAZARMC Inc.	
Assets (in thousands)	
Cash	\$ 101
Accounts receivable	\$ 321
Inventory	\$ 150
Machinery, plant and equipment	\$ 20
Total Assets	\$ 592

32. The Company's realizable assets are discussed in greater detail below:

- a) Cash – represents the Company's cash position as at May 20, 2022;
- b) Accounts Receivable – the accounts receivable balance reflected in the Statement of Affairs represents the Company's estimate of collectable AR and includes receivables owing for progress billings and holdback AR owed on projects that have previously achieved sustainable completion. In a liquidation scenario, the Proposal Trustee is of the view that in addition to normal credit risk, customers may claim offsets for warranty claims, lack of completion of scope of work, back charges for delays, etc. against amounts owed to the Company. As such, the Proposal Trustee estimates that in a liquidation scenario, the gross realizable value of the accounts receivable could range between approximately \$80,000 and \$240,000.
- c) Inventory – the inventory value reflected in the Statement of Affairs represents the Company's estimated liquidation value of the Company's inventory. As at March 31, 2022, the book value of the Company's inventory was approximately \$1.1 million, comprised of \$850,000 of work-in-process ("WIP"), and \$250,000 of steel and consumables. The Proposal Trustee understands that the value of WIP inventory includes capitalized labour and engineering costs. While the Company was unable to provide an assessment of the current value of WIP inventory, management of the Company advised the Proposal Trustee it was materially lower than the book balance on March 31, 2022 due to the overall reduction in active projects. In the Proposal Trustee's view, there would be a limited market for the Company's WIP inventory in any event as substantially all of it would have been engineered for specific projects that would likely not be continued in a liquidation scenario. As a result, most of the inventory would need to be sold at significant discounts and/or as scrap in a liquidation scenario and as such, the Proposal Trustee estimates that the realizable value of the Company's inventory ranges between approximately \$118,000 and \$178,000.
- d) Machinery, Plant & Equipment – according to the Company's books and records, the book value of the Company's capital assets was approximately \$1.5 million as at March 31, 2022. However, the Company has advised the Proposal Trustee that most of the book value is related to equipment which was leased in fiscal 2022 of which the Company estimates there to be little to no equity value. As such, the capital asset value reflected in the Statement of Affairs represents the Company's estimated realizable value of its remaining equipment which primarily consists of welding machines, small equipment and tools. The Proposal Trustee has not obtained an independent appraisal of the Company's capital assets but

estimates that in a liquidation scenario, the realizable value of the Company’s capital assets could range between \$20,000 and \$40,000, net of any commissions and expenses that would be charged by an auctioneer.

SECTION F – CONDUCT OF THE DEBTOR

33. The Proposal Trustee monitored the cash flows of the Company during the NOI period and other than the payment of pre-filing wages and expenses owing to employees/contractors, the Proposal Trustee is not aware of any material payments made by the Company relating to amounts owed to creditors prior to the Filing Date.
34. Since the Filing Date, the Company has experienced difficulties in collecting on receivables and accessing cash in its bank accounts to fund operating expenses. As detailed in Sections K and L in this Report, certain of the Company’s customers have withheld/delayed payment as a result of the NOI filing due to concerns related to, among other things, trust claims and warranties provided by Tazarmc. Further, the Company’s bank has put a ten (10) day hold on all cheques deposited into the Company’s account and most recently, the Proposal Trustee understands the Company’s corporate credit cards have been frozen, which has put a strain on the Company’s cash flows.
35. On May 30, 2022, the Proposal Trustee was made aware that in order to facilitate the release of its receivables, the Company directed one of its customers to make payment of approximately \$67,800 to an affiliate of Tazarmc (the “**Affiliate**”). The directors of Tazarmc advised the Proposal Trustee that the funds deposited into the Affiliate’s account has or will be used to pay post-filing obligations of Tazarmc. Further, the directors of the Company have begun using their personal credit cards (the “**Personal Credit Cards**”) to fund certain of the Company’s ongoing expenses until the aforementioned issue with the corporate cards can be resolved. The directors of Tazarmc have agreed to provide the Proposal Trustee with an accounting of all transactions reimbursed through the Personal Credit Cards and copies of bank statements and transactions for the Affiliate during the period in question. The Proposal Trustee is currently reviewing the information received and will provide an update on this matter at the Creditors’ Meeting.
36. The Proposal Trustee has not performed a review of the Company’s books and records, with respect to potential fraudulent preferences, settlements or transfers at undervalue, as defined in the BIA. It is the intention of the Proposal Trustee to discuss the scope of any review with the Inspectors appointed pursuant to the Proposal.

SECTION G – CREDITOR CLAIMS

37. According to the Company’s Statement of Affairs, Tazarmc’s creditors are summarized in the table below:

TAZARMC Inc.		
Category of Creditors	Number of Creditors	Value (in thousands)
Priority Claims (Deemed Trust)	1	\$ 160
Secured	2	\$ 810
Preferred Creditors	1	\$ 35
Unsecured Creditors	55	\$ 3,093
Total Creditor Claims	59	\$ 4,098

Priority Claims

38. According to the Statement of Affairs, the Proposal Trustee understands that the Company had approximately \$160,000 outstanding in Source Deductions owing to the Crown as at the Filing Date. Pursuant to the Proposal, all amounts due to Her Majesty in Right of Canada or a Province for all Source Deductions shall be paid in full within six (6) months of the Effective Date, unless Her Majesty consents.

Secured Creditors

39. The Company's senior secured creditors and the outstanding amounts of their respective claims (excluding any accrued interest and expenses) are as follows:

TAZARMC Inc. Breakdown of Secured Creditors	Number of Creditors	Value (in thousands)
National Bank	1	\$ 300
BDC	1	\$ 510
Total Secured Claims	2	\$ 810

40. As noted in Section B above, National Bank and BDC are each in a separate class and are entitled to vote under the Proposal.

41. As at the date of this Report, the Proposal Trustee has not been provided with copies of the respective security documents executed by the Company in favour of National Bank and BDC.

42. The Proposal Trustee notes that based on its review of a *Personal Property Security Act* (Ontario) enquiry report dated May 27, 2022 (the "**PPSA Enquiry Report**"), each of the National Bank and BDC have registered a general security interest as against the assets of Tazarmc. In addition to National Bank and BDC, the Proposal Trustee notes that BDC Capital Inc. and The EBF Group Ltd. ("**EBF**") each registered general security interests as against the assets of the Company. The Company has advised the Proposal Trustee that these registrations relate to potential financing transactions that were never completed by the Company and should be removed in due course.

43. The Proposal Trustee will provide notice of the Creditors' Meeting to both BDC Capital Inc. and EBF.

Preferred Creditors

44. According to the Statement of Affairs, the Company identified one (1) creditor that could be entitled to claim a priority under section 136(1) of the BIA, being the landlord to the Leased Premises, 2650931 Ontario Limited (the "**Landlord**"). As at the Filing Date, the Company's books and records indicate the Landlord was owed approximately \$34,817 in respect of rent arrears.

45. The Company has advised the Proposal Trustee that all amounts owed to Tazarmc's employees, in respect of outstanding wages and vacation pay, which may have existed as of the Filing Date, have been paid by the Company in ordinary course. The Proposal Trustee notes this does not include any amounts that may be owed to the Company's former employees for termination and/or severance pay, as applicable.

46. As noted in Section B above, the Proven Claims of Preferred Creditors are to be paid in full in priority to all claims of Unsecured Creditors in accordance with the scheme of distribution set forth in the BIA. As such, Preferred Creditors are not part of the Voting Classes in respect of their Preferred Claims.

Unsecured Creditors

47. According to the Company's Statement of Affairs, Tazarmc had 55 Unsecured Creditors that are owed approximately \$3.1 million in total, excluding any potential amounts owed to the Company's former employees for termination and/or severance pay, as applicable.
48. The Proposal Trustee notes included in this balance is approximately \$61,000 owed to three (3) Equipment Lessors: (i) Axiom Leasing Inc, (ii) Cansel Survey Equipment Inc., and (ii) Concentra Bank, in respect of lease arrears owing as at the Filing Date based on the Statement of Affairs. As noted in Section B above, the Equipment Lessors are in a separate class and are entitled to vote under the Proposal in respect of their pre-filing claims.
49. Based on its review of the PPSA Enquiry Report, the Proposal Trustee notes that CLE Capital Inc. ("**CLE**") had also registered security interests as against the Company on specific equipment as collateral. The Company advised that these were historical registrations and all amounts owed to CLE in respect of these equipment leases were paid in full prior to the Filing Date. The Proposal Trustee will provide notice of the Creditors' Meeting to CLE.
50. The Company's remaining 52 Unsecured Creditors are in a single class and entitled to vote under the Proposal.

SECTION H – PREVIOUS BUSINESS DEALINGS WITH THE DEBTOR

51. The undersigned Proposal Trustee confirms that neither he nor the firm with which he is related has provided previous services to the Company in any capacity other than consulting with the Company in respect of its consideration of various restructuring options and preparation for the filing of the NOI.
52. The Proposal Trustee further confirms that he does not have any knowledge of any conflict-of-interest situation arising from the acceptance of this appointment as Proposal Trustee.

SECTION I – INFORMAL MEETINGS WITH MAJOR CREDITORS

53. The Proposal Trustee has had multiple discussions with the BDC since the Filing Date and the filing of the Proposal. BDC was provided with a copy of the Proposal on May 25, 2022. BDC advised the Proposal Trustee that it will, among other things, review this Report and other materials prior to formulating any position/decision in respect of the Proposal.
54. The Proposal Trustee has had numerous discussions and correspondence with counsel for Vulcraft Canada, Inc ("**Vulcraft**"), the Company's largest Unsecured Creditor since the Filing Date. The Proposal Trustee understands that Vulcraft intends to, among other things, review this Report and other materials prior to formulating any position/decision in respect of the Proposal.

SECTION J – REMUNERATION OF THE TRUSTEE

55. Payment of the fees and disbursements of the Proposal Trustee, including legal fees, are to be paid in priority to any distribution to the Unsecured Creditors. Such fees shall be based on the time expended and charged by the Proposal Trustee and its legal counsel at its standard hourly rates.

SECTION K – OTHER

56. In accordance with the NOI filing, on April 22, 2022 management of Tazarmc prepared and filed with the Proposal Trustee a statement of projected cash flow for the period from April 17, 2022 to May 28, 2022 (the “**Original Cash Flow**”) which was filed with the Official Receiver on the same day.
57. The Original Cash Flow was based on several hypothetical and probable assumptions used by the Company in its preparation including, but not limited to, that the Company’s customers would not delay payment and/or apply setoffs as a result of the NOI filing. However since the Filing Date, the Company has advised the Proposal Trustee that certain customers either cancelled existing projects and/or delayed release of payment on progress billings, which significantly impaired the Company’s cash position.
58. On May 13, 2022, the Proposal Trustee filed a report with the Official Receiver pursuant to 50.4(7)(b) of the BIA (the “**Material Adverse Change Report**”) as a result of the Proposal Trustee ascertaining that a material adverse change in the Original Cash Flow and Company’s financial circumstances had occurred as a result of:
 - a) Material differences between projected cash collections versus actual cash collections related to ongoing projects of approximately \$486,000; and
 - b) Significant impairment in the Company’s ability to meet obligations in respect of Post-Filing Goods and Services.
59. A significant portion of the projected cash receipts under the Original Cash Flow was to be used by the Company to fund payments for the Post-Filing Goods and Services as well as a proposal to its creditors. As at the date of the Material Adverse Change Report, the Proposal Trustee was of the view that without these cash receipts and the support of its key customers, there was significant impairment to the Company’s ability to file a viable proposal.
60. Since the filing of the Material Adverse Change Report, the Company advised the Proposal Trustee that it has had positive discussions with various customers on verbal commitments to release payment on progress billings for ongoing projects as well as potential new contract awards. These anticipated cash receipts are reflected in the Company’s revised cash flow forecast as discussed in the next section.

SECTION L – CASH FLOW STATEMENT

61. Subject to the report on the cash flow filed by the Proposal Trustee and in accordance with the BIA, the Proposal Trustee reviewed the revised cash flow statement and assumptions prepared by management of the Company for the period from May 15th, 2022 to July 30th, 2022 (“**Revised Cash Flow Forecast**”), which was filed with the Official Receiver on May 20, 2022. In reviewing the Revised Cash Flow Forecast, nothing has come to the Proposal Trustee’s attention which would lead the Proposal Trustee to believe the hypothetical and probable assumptions used by the Company in the preparation of the Revised Cash Flow Statement are inconsistent with the purpose of the Revised Cash Flow Forecast.
62. The Revised Cash Flow was based on a number of the hypothetical and probable assumptions used by the Company in its preparation including, but not limited to, that Company’s customers do not continue to delay payment and/or apply setoffs as a result of the NOI filing and that the Company’s anticipated new contract awards materialize as projected by management of the Company. Further, the Revised Cash Flow Forecast assumes payment by the Company of the accrued amounts for Post-Filing Goods and Services as detailed in Section B of the Report. A copy of the Revised Cash Flow Forecast is attached hereto as **Appendix “A”**.

63. The Proposal Trustee has reviewed the actual cash flows of the Company as against the Revised Cash Flow Forecast and notes actual cash receipts are below forecast for the first two weeks ended May 28, 2022. As a result, the actual cash balance is approximately \$100,000 below forecast as at May 28, 2022 due in large part to a cash receipt that has been withheld to date by one of the Company's customers. The Company and its counsel continue to look into this matter and will keep the Proposal Trustee apprised on status. The Company advised the Proposal Trustee that it remains comfortable that the Revised Cash Flow Forecast is achievable over the forecast period.

SECTION M – STATEMENT OF ESTIMATED REALIZATION

64. As noted in Section B above, if the Proposal is accepted by the requisite majority of the Creditors in the Voting Classes, below is a summary of the recovery to each of the Voting Classes:

- a) National Bank – entire indebtedness would be converted to a fixed term loan and repaid within 60 months after the Effective Date;
- b) BDC – 50% recovery on its indebtedness, which would be converted to a fixed term loan and repaid over a period of 60 months after the Effective Date;
- c) Equipment Lessors – continue existing financing arrangements with the Company with any arrears repaid within 4 months after the Effective Date; and
- d) Unsecured Creditors – pro rata share of the lesser of \$290,000 and 10% of the Proven Claims of Unsecured Creditors, which based on the amounts set forth in Section G above would result in a gross dividend yield of approximately 9.5% (excluding any deductions for the fees of the Proposal Trustee and the Levy). Distributions to Unsecured Creditors would be made by no later than 36 months after the Effective Date.

65. If the Proposal is not accepted by the requisite majority of the Creditors in the Voting Classes, Tazarmc would become bankrupt on the date of the Creditors' Meeting and the assets of the Company would vest with the trustee in bankruptcy, subject to the rights of Her Majesty in Right of Canada and the Company's secured creditors. Additionally, National Bank and/or BDC could appoint a receiver to realize on the Company's assets.

66. The Proposal Trustee is of the view that in the event of a bankruptcy of Company, it is unlikely the recoveries from the Company's assets would be sufficient to repay the outstanding advances of National Bank and BDC, after payment of the Priority Claims and therefore the realizations available for Equipment Lessors and Unsecured Creditors would be \$Nil. Set out below is the Proposal Trustee's statement of estimated realizations of the Company's assets in a bankruptcy scenario:

TAZARMC Inc.
Statement of Estimated Realizations Summary
(in \$000s)

	Book Value (Mar 31 ,2022)	Statement of Affairs (May 20, 2022)	Estimated Realization		Notes
			Low	High	
Assets currently available for realization					
Cash	192	101	81	101	1
Accounts receivable	1,414	320	80	240	3
Inventory	1,101	150	118	178	4
Machinery, plant and equipment	1,517	20	20	40	5
Prepays & Deposits	341	-	-	-	6
Total	\$ 4,564	\$ 591	\$ 298	\$ 559	
Less: Priority Claims					
Source Deductions			(160)	(160)	7
Unpaid Wages			(60)	(60)	8
Total Priority Claims			\$ (220)	\$ (220)	
Total Estimated Realization			\$ 78	\$ 339	9
Secured Claims					
National Bank			300	300	
BDC			510	510	
Total Secured Claims			\$ 810	\$ 810	9
Surplus/ (Shortfall) to Secured Creditors			\$ (732)	\$ (471)	
Estimated Funds Available for Distribution			\$Nil	\$Nil	

Notes

- 1 In preparing this analysis, the Proposal Trustee assumes that the financial position of the Company as detailed in the Statement of Affairs is not materially different than the financial position as at the date of bankruptcy.
- 2 Assumes there is no material change in the cash balance from May 20, 2022. Estimated recoveries take into account the potential that the Company's bank may attempt to recover amounts owing under the corporate credit card by offsetting against available cash balances.
- 3 In a bankruptcy, estimated recoveries from accounts receivable may be negatively impacted by customer claims for offsets for warranty claims, lack of completion, back charges, damages, etc.
- 4 Actual value of WIP inventory is unknown but analysis assumes WIP inventory is materially lower than what was available at March 31. As a result, there may be limited recoveries from the WIP inventory and the remaining steel and consumables inventory could require significant discounts to sell.
- 5 The majority of the Company's Machinery and Equipment consists of leased equipment, which was leased by the Company in the past 12 months and could have little to no equity value. The remaining capital assets consists of welding machines and smaller miscellaneous tool and equipment.
- 6 Consists of deposits with suppliers and/or retainer paid to professionals, all of which have either been depleted or are assumed to be applied by creditors against the debts owed by the Company.
- 7 Pre-filing outstanding Source Deductions.
- 8 The Company pays its employees on a bi-weekly basis, in arrears. At the date of bankruptcy, there could be accrued post-filing wages and vacation pay owing to employees that would be subject to a priority of up to \$2,000 per employee pursuant to section 81.3 of the BIA.
- 9 Excludes any professional fees and disbursements for a receiver/trustee in bankruptcy to administer the estate and realize on the assets.
- 10 Excludes an accrued interest and costs.

SECTION N – RECOMMENDATIONS

67. If Tazarmc becomes bankrupt, the estimated realization of the Company's assets under the bankruptcy scenario would not be sufficient to cover the balance of priority claims and secured claims as outlined in this Report, resulting in a \$Nil recovery to the Equipment Lessors and the Unsecured Creditors on their outstanding claims.
68. Based on the estimated realizations of the Company's assets as set out in the Statement of Affairs and Information set out herein, the acceptance of the Proposal provides the opportunity for all the Voting Creditors to potentially receive a higher recovery of their indebtedness owed than would otherwise be received in a liquidation scenario.
69. In the circumstances, the Proposal Trustee recommends that the Voting Creditors accept the Proposal in order to provide the Voting Creditors with the opportunity to maximize their recovery from Tazarmc's indebtedness to them.

SECTION O – MEETING OF CREDITORS

70. The meeting to consider the Proposal will be held on June 9th, 2022 at 1:00PM via the Microsoft Teams platform. Creditors may attend the meeting to consider the Proposal either in person or by proxy.
71. In completing the Proof of Claim form enclosed with the Notice to Creditor, Voting Creditors should only include all amounts outstanding as of April 20th, 2022.
72. It is expressly noted and should be clearly understood that KPMG, acting solely in its capacity as Proposal Trustee, assumes no responsibility for any claims against Tazarmc before, on, or after the Filing Date.
73. Please note that for your vote to count in connection with the Proposal, it is necessary that you complete and submit the required documents prior to the Creditors' Meeting.
74. Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters to the Proposal Trustee be received prior to the start of the Creditors' Meeting. Should you have any questions in connection with the Proposal or this Report, please contact via email at Tazarmc@kpmg.ca or cameronrodrigues@kpmg.ca.

Dated at Toronto, Ontario, this 31st day of May, 2022

KPMG Inc.

In its capacity as Proposal Trustee
of **TAZARMC Inc.** and not in
its personal or corporate capacity

Per:



Pritesh Patel, CIRP, LIT
Senior Vice President

Appendix "A"

Tazarmc Inc. (the "Company")
Projected Statement of Cash Flow
For the period ending July 30, 2022

Week Ending (in \$CAD)	Notes	21-May	28-May	4-Jun	11-Jun	18-Jun	25-Jun	2-Jul	9-Jul	16-Jul	23-Jul	30-Jul	Total
	1												
Receipts													
Collections from ongoing projects	2	-	60,000	240,000	107,400	70,316	150,000	191,877	-	53,669	-	81,200	954,462
Collections from new projects	3	87,611	145,133	-	-	7,158	-	106,227	211,000	91,000	21,000	106,227	775,355
Collections from pre-filing accounts receivables	4	-	-	-	-	-	-	-	11,600	-	-	-	11,600
Total Receipts		87,611	205,133	240,000	107,400	77,474	150,000	298,104	222,600	144,669	21,000	187,427	1,741,417
Disbursements													
Project related expenses	5	(4,848)	(69,848)	(23,015)	(9,041)	(10,291)	(12,641)	(67,362)	(62,946)	(66,596)	(62,946)	(85,262)	(474,796)
Payroll & Benefits	6	(54,736)	(20,212)	(119,019)	-	(124,315)	-	(119,011)	-	(124,307)	-	(119,003)	(680,603)
Utilities	7	-	(500)	-	-	-	-	(500)	-	-	-	(500)	(1,500)
Equipment lease	8	-	-	(50,273)	(5,700)	(330)	-	(20,000)	(5,700)	(330)	-	(20,000)	(102,333)
Rent	9	-	(18,100)	-	(18,100)	-	-	-	(18,100)	-	-	-	(54,300)
Insurance	10	-	(900)	-	(3,100)	-	-	(900)	(3,100)	-	-	(900)	(8,900)
SG&A	11	(791)	(1,691)	(7,500)	(2,291)	-	-	(9,191)	(2,291)	-	-	(9,191)	(32,946)
Interest and bank charges	12	-	(300)	-	-	-	-	(300)	-	-	-	(300)	(900)
Professional Fees	13	-	-	(50,000)	-	-	-	(70,000)	-	-	-	(2,000)	(122,000)
Contingency	14	-	-	(5,000)	-	-	-	(5,000)	-	-	-	(5,000)	(15,000)
Total Disbursements		(60,376)	(111,551)	(254,807)	(38,232)	(134,936)	(12,641)	(292,264)	(92,137)	(191,233)	(62,946)	(242,156)	(1,493,278)
Net Cash Flow		27,235	93,582	(14,807)	69,168	(57,462)	137,359	5,840	130,463	(46,564)	(41,946)	(54,729)	248,139
Bank Balance													
Opening	15	46,663	73,897	167,479	152,672	221,840	164,378	301,737	307,577	438,040	391,477	349,531	294,802
Net Cash Flow		27,235	93,582	(14,807)	69,168	(57,462)	137,359	5,840	130,463	(46,564)	(41,946)	(54,729)	-
Ending Bank Balance	15	73,897	167,479	152,672	221,840	164,378	301,737	307,577	438,040	391,477	349,531	294,802	294,802

Notes:

- Receipts and disbursements exclude sales taxes, as applicable.
- Collection of ongoing projects based on management's estimates and discussions with customers. The cash flow assumes customers do not delay payment and/or apply setoffs as a result of the proposal proceedings. Collections are subject to timing differences within the projection period, which may result in forecast variances.
- Collections from anticipated new contract awards are based on management's estimates and discussions with potential customers. Further, the cash flow assumes projects commence based on management's anticipated schedule and customers do not delay payment and/or apply setoffs as a result of the proposal proceedings. Collections are subject to timing differences within the projection period, which may result in forecast variances.
- Collection of pre-filing accounts receivable and holdback receivables on completed projects. Forecast assumes customers do not delay payment and/or apply setoffs as a result of the proposal proceedings. Collections are subject to timing differences within the projection period, which may result in forecast variances.
- Site costs incurred by the Company for work performed on ongoing and new projects including materials, freight, travel, on-site equipment, etc.
- Wages and benefits for the Company's employees that are retained during the these proposal proceedings to assist with the completion of existing projects. In general, forecast assumes source deductions and other payroll taxes are remitted during the same week as wages are paid.
- Utilities costs for the Company's facility in Trenton, ON.
- Existing leased equipment that will be retained and utilized for ongoing Company projects. Forecast assumes any post-filing arrears are paid during the week ending June 4, 2022.
- Monthly payments to the landlord for use of Company's existing leased premises in Trenton, ON.
- Monthly premiums under the Company's general liability and property insurance policies.
- Represents selling, general office, and administrative costs.
- Bank charges and interest expenses.
- Professional fees for the company's legal counsel and the proposal trustee.
- Contingency for unforecast, critical and other payments.
- Represents the combined balances of the Company's existing bank accounts, excluding any amounts outstanding on the Company's line of credit. Forecast assumes the Company has continued access to funds as deposited and the banks do not place holds on receipts due to the Company's financial circumstances and/or these proposal proceedings.

This cash flow statement is prepared pursuant to the requirements of paragraphs 50(6)(b) and 50.4(2)(b) of the *Bankruptcy and Insolvency Act* and solely for that purpose.

Dated at Trenton, Ontario, this 20th day of May, 2022.



 Tazarmc Inc.

Roya Azam
 Name of Signing Officer

This cash flow statement of Tazarmc Inc. is prepared in accordance with paragraph 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the attached Notes to the Statement of Projected Cash-Flow and the Trustee's Report of the Cash-Flow Statement dated the 20th day of May, 2022.

KPMC Inc., Trustee

Per: 

 Pritesh Patel, Senior Vice President

District of: Ontario
Division No.: 11-Kingston
Court No.: 33-2823071
Estate No.: 33-2823071

FORM 29
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
TAZARMC Inc.
of the City of Trenton, in the Province of Ontario

The attached statement of projected cash flow of TAZARMC Inc., as of the 20th day of May 2022, consisting of the period from May 15, 2022 to July 30, 2022, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 20th day of May 2022.

KPMG Inc. – Licensed Insolvency Trustee
Per:



Pritesh Patel – Licensed Insolvency Trustee
333 Bay Street – Suite 4600
Toronto ON M5H 2S5
Phone: (416) 777-8500 Fax: (416) 777-3364

District of: Ontario
Division No.: 11-Kingston
Court No.: 33-2823071
Estate No.: 33-2823071

FORM 29 – ATTACHMENT
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
TAZARMC Inc.
of the City of Trenton, in the Province of Ontario

Purpose:

TAZARMC Inc. filed a Proposal on May 20, 2022 ("the **Proposal**"). The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of TAZARMC Inc. (the "Company"), for the period May 15, 2022 to July 30, 2022, relating to the filing of the Proposal.

This Statement of Projected Cash Flow has been prepared by management on May 20, 2022, based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period May 15, 2022 to July 30, 2022 considering the economic conditions that are considered the most probable by management. Please refer to the Company's Statement of Projected Cash Flow for details on the underlying forecast assumptions.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Dated at the City of Toronto in the Province of Ontario, this 20th day of May 2022.

KPMG Inc. – Licensed Insolvency Trustee
Per:



Pritesh Patel – Licensed Insolvency Trustee
333 Bay Street – Suite 4600
Toronto ON M5H 2S5
Phone: (416) 777-8500 Fax: (416) 777-3364

District of: Ontario
Division No.: 11-Kingston
Court No.: 33-2823071
Estate No.: 33-2823071

- FORM 30 -
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
TAZARMC Inc.
of the City of Trenton, in the Province of Ontario

The management of TAZARMC Inc. has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 20th day of May 2022 consisting of the period May 15, 2022 to July 30, 2022.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

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

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Trenton in the Province of Ontario, this 20th day of May 2022.



TAZARMC Inc.
Debtor

Roya Azarm
Print name of signing officer

District of: Ontario
Division No.: 11-Kingston
Court No.: 33-2823071
Estate No.: 33-2823071

- FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
TAZARMC Inc.
of the City of Trenton, in the Province of Ontario

Purpose:

TAZARMC Inc. filed a Proposal on May 20, 2022 ("the **Proposal**"). The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of TAZARMC Inc. (the "Company"), for the period May 15, 2022 to July 30, 2022, relating to the filing of the Proposal.

This Statement of Projected Cash Flow has been prepared by management on May 20, 2022, based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period May 15, 2022 to July 30, 2022, considering the economic conditions that are considered the most probable by management. Please refer to the Company's Statement of Projected Cash Flow for details on the underlying forecast assumptions.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Dated at the City of Trenton in the Province of Ontario, this 20th day of May, 2022.



TAZARMC Inc.
Debtor

Roya Azarm

Print name of signing officer