

# THE SUPREME COURT OF BRITISH COLUMBIA IN BANKRUPTCY AND INSOLVENCY

## IN THE MATTER OF THE PROPOSAL OF GO FLOORING LTD.

#### NOTICE OF MOTION

NAME OF APPLICANT: Go Flooring Ltd. (the "Applicant" or "Debtor" herein)

TO: The Service List attached hereto as Schedule "A"

**TAKE NOTICE** that the Applicant will apply to the Justice at the Courthouse at 800 Smithe Street, in the City of Vancouver, in the Province of British Columbia, on Monday, the 23<sup>rd</sup> day of September, 2024 at 9:45 a.m. for the orders set out in Part 1 below.

The applicant estimates that the application will take 30 minutes.

This matter is <u>not</u> within the jurisdiction of an Associate Judge (sitting as a Registrar in Bankruptcy) or a Registrar in Bankruptcy.

## PART 1: ORDER(S) SOUGHT

- Order in the form attached hereto as Schedule "B".
- 2. Leave to have the Motion heard on short notice returnable September 23, 2024 being two days (excluding statutory holidays)notice.
- 3. Such further and other relief as counsel may advise and this Honourable Court may deem just.

#### PART 2: FACTUAL BASIS

#### A. The Applicant

4. On July 11, 2024 (the "Filing Date"), the Applicant filed a Notice of Intention to make a Proposal (the "NOI") with the Office of the Superintendent of Bankruptcy Canada, and the Crowe MacKay & Company Ltd. was appointed trustee (the "Proposal Trustee")

of the Applicant in relation to these proposal proceedings under the *Bankruptcy and Insolvency Act* (the "**BIA**") (the "**Proposal Proceedings**").

- 5. The Applicant is a British Columbia corporation that was incorporated under B.C.'s *Business Corporations Act* on December 3, 2014.
- 6. The Applicant carries on business under the trade name "Go Flooring &Trades".
- 7. The Applicant is a subcontractor to restoration companies; thus the restoration companies are the Applicant's primary customers. The restoration companies are retained by insurance companies to assess and restore residential and commercial properties that have suffered damage due to events such as fire, floods, hurricanes, etc. The restoration companies retain the Applicant to complete some or all of the repairs that are needed (the "Core Business").
- 8. Homeowners and business owners typically expect their insurance company to quickly repair any damages suffered as a result of fire, floods, etc. However, in some regions in Canada, the restoration companies do not have sufficient local knowledge of or relationships with the trades that are needed to repair the damage. Therefore, as part of its services, the Applicant's Core Business includes retaining various trades such as interior finishers, drywallers, painters, finishing carpenters, roofers, and exterior finishers that are needed to complete the required repairs.
- 9. In or about 2023, the Applicant expanded its business operations to include new construction projects ("**Non-Core Business**").
- 10. Irfan Walji is the sole director of the Applicant who controls two related parties.

## B. Events leading to the filing of the NOI

- 11. The Applicant expanded its operations from one business office in B.C. to sixteen offices spread over five provinces to meet demand.
- 12. With the expansion of fifteen new offices, more employees were hired, and more expenses were incurred. In addition, the Applicant's expansion to include Non-Core Business resulted in it taking on new construction projects that were more time consuming, less profitable, and overall more problematic.

- 13. The Applicant's growth led to inefficiencies between the various offices and a failure to ensure that experienced accountants were in place to manage the financial side of the rapidly growing business. This failure led to source deductions and GST not being remitted.
- 14. The Applicant's gross revenue was approximately \$21 million for the fiscal year ending December 31, 2023.
- 15. The Applicant's gross revenue was approximately \$6.4 million for the first five months of the 2024 fiscal year. It projects approximately \$20 million for the next twelve months.
- 16. Prior to the filing of the NOI, the Applicant took steps aimed at resolving its financial situation. In particular, it:
  - (a) closed 5 locations;
  - (b) reduced its operations to British Columbia, Ontario and Nova Scotia;
  - (c) laid off or terminated approximately 19 employees; and
  - (d) sought new financing with the intention that part of the new financing would be used to pay the amount owing for source deductions and GST. The Applicant applied for and understood that Bank of Montreal ("BMO") would provide it with a line of credit that would be sufficient to repay those obligations. However, at the 11<sup>th</sup> hour, BMO declined to proceed with the proposed refinancing transaction.
- 17. Beginning on or about February 15, 2024, CRA started issuing requirements to pay ("RTPs") to various customers of the Applicant. The RTPs exacerbated the cash flow problems such that the Applicant was no longer able to carry on business in the ordinary course. Therefore, it filed the NOI with the intention of restructuring its business operations.

#### C. Restructuring steps taken after the filing of the NOI

- 18. Following the filing of the NOI, the Applicant took the following additional steps reduce its expenses as part of its overall restructuring plan:
  - (a) reduced its operations to 3 provinces namely, British Columbia,
    Ontario and Nova Scotia, and to following 7 locations:
    - (i) Victoria, Delta, Abbotsford, and Kelowna in British Columbia;
    - (ii) Belville and Ottawa in Ontario; and
    - (iii) Halifax in Nova Scotia;
  - (b) disclaimed 3 leases;
  - (c) laid off or terminated a further 9 employees; and
  - (d) is in the process of disclaiming a number of leases of vehicles and equipment.
- 19. Although the Applicant operates throughout Canada, approximately 40% of the Applicant's revenues are generated in British Columbia and 30% in each of Ontario and Nova Scotia.
- 20. Following the filing of the NOI, the Applicant has taken the following steps to restructure its business operations:
  - (a) restricted its business operations to the Core Business in the 3 provinces in which it continues to operate (as noted above);
  - (b) no longer accepts new constructions contracts (i.e., Non-Core Business);
  - (c) retained an experienced accountant and bookkeeper;
  - (d) expects to further lay off or terminate up to 15 additional employees; and

- (e) negotiated DIP financing in accordance with a letter of offer dated August 20, 2024.
- 21. The Applicant requires additional time to: (i) continue to restructure its business operations so that it will be able to make a viable proposal to its creditors; (ii) complete work in process; and (iii) negotiate DIP financing.

#### D. Assets

22. The Applicant's assets consist primarily of accounts receivable, inventory and work in progress ("**WIP**").

#### E. Liabilities

- 23. As at the date of the NOI, the Applicant had secured, statutory and unsecured liabilities totalling between \$10 million and \$12 million (excluding approximately \$2.5 million owed to the principal of the Applicant). The principal will postpone the claims of related parties.
- 24. The Applicant had statutory liabilities relating to source deductions and GST in the approximate amount of \$3 million which exceeds the value of receivables and inventory. The Applicant intends to pay down the GST and source deduction debt in full from future business.
- 25. Prior to the Filing Date, CRA issued RTPs with respect to outstanding accounts receivable owed to the Applicant.
- 26. As at the Filing Date, the following creditors had a security interest in all of the Applicant's property (excluding leases) as reflected by registrations made in the British Columbia Personal Property Registry (the "PPR"), and having the relative priorities listed below, in the following approximate amounts:

Secured Creditor	Security Interest	Approximate Indebtedness
Royal Bank of Canada (RBC)	All present and after acquired personal property	\$2,850,000

Secured Creditor	Security Interest	Approximate Indebtedness
Accord Small Business Corporation	All present and after acquired personal property	\$270,000
Liquid Capital Pacific Corp.	All present and after acquired personal property	\$320,000
Merchant Opportunities Fund Limited Partnership	All present and after acquired personal property	\$5,000
Biz Fund Canada Ltd.	Factoring Agreement with respect to accounts receivable	\$70,000

- 27. The Applicant has a plan to repay CRA and RBC in full. It needs time to present its proposal to other creditors.
- 28. In addition, as at the Filing Date, the Applicant was a party to various leases of vehicles that are more fully described in the PPR that is attached to the affidavit of Irfan Walji.

## F. Pre-Filing Amount

- 29. The restoration industry requires that subcontractors like the Applicant have a licence from a third party provider. The Applicant's licence is with the Insurance Claim Collaborative Inc. ("ICC") The Applicant requires a license in order to provide the restoration services that are its Core Business.
- 30. ICC was owed \$25,730.15 as at the Filing Date and the Applicant obtained an order allowing it to pay licence fees to ICC.
- 31. There are only a finite number of licences given to a particular area or city. Preservation of the licence preserves value. It means the Applicant can continue its Core Business at a profit.

## G. The Proposal Proceedings

#### Cash Flow

- 32. The Applicant, with the assistance of the Proposal Trustee, has produced a 15-week cash flow statement (the "Cash Flow Statement") for the period July 11, 2024 to October 20, 2024.
- 33. The previous Cash Flow Statement reflects the costs for the Applicant to operate its current locations and pay its professions advisors in relation to its restructuring process.
- 34. The Cash Flow Statement is premised on the Applicant funding its own operations. The Cash Flow has been reviewed by the Trustee. Accordingly, they may be subject to change. It will be further reviewed before there is an application for financing.

### Administration Charge

- 35. The Applicant is seeking a charge up to a maximum of \$200,000 to secure payment of the fees and disbursements of the Proposal Trustee, counsel for the Proposal Trustee, and counsel for the Applicant (the "Administration Charge").
- 36. The Administration Charge sought is to rank in priority to all other security interests, trusts, liens, charges, encumbrances and other claims of secured creditors, statutory or otherwise, including all other court-ordered charges.
- 37. The Applicant has worked with the Proposal Trustee and the other professionals to determine the appropriate amount of the Administration Charge. It is reflective of the limited funds currently available to the Applicant and the fact that if the Proposal Proceedings are unsuccessful, the Proposal Trustee will have a significant amount of work to do, including to transition the Proposal Proceedings to a corporate bankruptcy.
- 38. Presently, the Proposal Trustee holds a \$75,000 retainer.
- 39. The Applicant believes that the involvement of these professionals is necessary in order to complete a successful proposal under these Proposal Proceedings.

## Extension of time to file a Proposal

40. The Applicant has an extension to September 24, 2024. Therefore, pursuant to s.50.4(8) of the BIA, the Applicant will be deemed to have been assigned into bankruptcy if an extension of time is not granted by that date.

- 41. As described above, the Applicant will require the extension of time to allow it to, among other things, continue the orderly restructuring of its business operations, and to negotiate with various creditors (including secured creditors, CRA, and unsecured creditors).
- 42. The Applicant has acted in good faith and with due diligence prior to filing the NOI, and continues to do so in order to present a viable proposal to its creditors. The Applicant is not aware of any creditor that would be materially prejudiced if the extension is granted.

#### PART 3: LEGAL BASIS

### Extension of time to file a Proposal

- 43. Subsection 50.4(9) of the BIA provides that this Court may grant an insolvent person an extension of time to file a proposal for a period not exceeding 45 days if satisfied that:
  - (a) the insolvent person has acted, and is acting, in good faith and with due diligence;
  - (b) the insolvent person would likely be able to make a viable proposal if the extension applied for were granted; and
  - (c) no creditor would be materially prejudiced if the extension applied for were granted.
- 44. Extending the stay of proceedings by an additional 44 days to November 24, 2024 will allow the Applicant to continue its efforts to reorganize its business operations and to pursue a viable proposal for its creditors.
- 45. The Applicant has been acting in good faith and with due diligence so that it is able to continue to complete additional contracts, and make a proposal to its creditors.

#### Good Faith and Due Diligence

- 46. Since filing the NOI, the Applicant has: (i) downsized its operations to reduce cost;
- (ii) adjusted its business to eliminate non-profitable Non-Core Business; (iii) sought

financing to convert orders to receivables; (iv) improved its bookkeeping and accounting; and (v) ensured its continuing licence to permit repayment of its creditors.

## A Viable Proposal

47. The Applicant will add \$2.85 million in collateral. The added security will increase the viability of the proposal from one with marginal recovery to one with full recovery for CRA and RBC. The debtor will further provide additional security with an estimated value of \$2.85 million to secure the creditors for the performance of the debt under the proposal.

See Flasha Holdings Ltd (Re), 2021 ABQB 435

48. The major stakeholders (CRA and RBC) will improve their position from limited recovery to full recovery. The proposal need not be final or approved by each creditor.

## Material Prejudice

- 49. The creditors will not be materially prejudiced by an extension of the stay of proceedings to November 7, 2024. The Cash Flow Statement for the period July 11, 2024 to October 20, 2024 indicated that the Applicant had sufficient liquidity to cover restructuring costs throughout the proposed extension of the stay of proceedings. The debtor, due to unforeseen circumstances, has not attained the required collections but has a plan to increase profits going forward.
- 50. The Applicant has acquired additional inventory and has work on hand to generate new receivables to replace existing receivables.
- 51. The proposed cash flow would see CRA and RBC paid in full. The Applicant needs time to generate a plan for the remainder of its creditors.
- 52. The focus should be on rehabilitation as contrasted with liquidation.

See Andover Mining Corp. (Re), 2013 BCSC 1833

## Harmonization of insolvency principles in the BIA and CCAA

53. The Supreme Court in *Century Services Inc. v. Canada (Attorney General)*, 2010 SCC 60 at para 24, confirms the "contemporary thrust of legislative reform has been

towards harmonizing aspects of insolvency law common to the two statutory schemes [BIA and CCAA] to the extent possible and encouraging reorganisation over liquidation".

54. Proposals to creditors under the BIA serve the same remedial purpose as the CCAA, namely, to permit the debtor to continue to carry on business and, where possible, avoid the social and economic costs of liquidating the assets.

Century Services Inc. v. Canada (Attorney General), supra at para 15

55. The courts have acknowledged an expansive interpretation of the BIA is appropriate so as to allow insolvency judges to react to circumstances that arise to do what practicality demands and justice dictates in BIA proceedings.

Aquilini Development Limited Partnership v Garibaldi at Squamish Limited Partnership, 2024 BCSC 764 at para 58

56. The objects of the proposal provisions in the BIA was described by Mr. J. Morawetz, in *Kitchener Frame Limited (Re)*, 2012 ONSC 234 at para 70:

The object of proposals under the BIA is to permit the debtor to restructure its business and, where possible, avoid the social and economic costs of liquidating its assets, which is precisely the same purpose as the CCAA. Although there are some differences between the two regimes and the BIA can generally be characterized as more "rules-based", the thrust of the case law and the legislative reform has been towards harmonizing aspects of insolvency Law, and to the two statutory schemes to the extent possible, encouraging reorganization over liquidation.

## Administration Charge

- 57. Section 64.2 of the BIA confers on the court the statutory jurisdiction to grant an administration charge.
- 58. The jurisprudence confirms the courts willingness to grant administration charges in BIA proposal proceedings where, as in the present case, the participation of insolvency professionals is necessary to ensure a successful proceeding under the BIA.

Mustang GP Ltd., 2015 ONSC 6562 at paras 32–33 Bear Creek Contracting Ltd. (Re), supra at para 53

- 59. There are a number of financial and operational issues for which the Applicant will require the expertise of legal counsel during the Proposal proceedings. Legal counsel and the Proposal Trustee are integral to the success of any Proposal proceeding.
- 60. The Applicant is seeking a first ranking charge in the maximum amount of \$200,000 to secure the fees and disbursements of legal account and the Proposal Trustee and, if necessary, those fees that would be incurred in connection with those services provided to Go Flooring both before and after the filing of the NOI.
- 61. The Administration Charge is necessary in order to retain the professional assistance required to plan a proposal for Go Flooring's creditors, including the necessary negotiations and document preparation.
- 62. The Applicant has worked with the Proposal Trustee and legal counsel to estimate the proposed quantum of the Administration Charge and believes it to be reasonable and appropriate in view of the services to be provided by the beneficiaries of the Administration Charge.
- 63. The Applicant will seek short leave.

#### PART 4: MATERIAL TO BE RELIED ON

- 64. Affidavit #1 of Irfan Walji sworn August 2, 2024;
- 65. Affidavit #2 of Irfan Walji, sworn September 18, 2024
- 66. Such other materials as counsel may advise.

TO THE PERSONS RECEIVING THIS NOTICE OF MOTION: If you wish to respond to this Notice of Motion, you must, within 5 business days after service of this notice of application or, if this application is brought under Rule 9-7, within 8 business days after service of this notice of application,

- (a) file an Application Response in Form 33,
- (b) file the original of every affidavit, and every other document, that
  - (i) you intend to refer to at the hearing of this application, and
  - (ii) has not already been filed in the proceeding, and

- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following:
  - (i) a copy of the filed application response;
  - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person.

Dated: September 19, 2024

Dennis K. Fitzpatrick / Lawyer for the Applicant

This Notice of Motion is filed by Dennis K. Fitzpatrick, of the law firm of Lindsay Kenney LLP, whose place of business and address for delivery is 1500 – 401 West Georgia Street, Vancouver, British Columbia V6B 5A1

#### SCHEDULE A - Service List

#### Gehlen Dabbs Cash LLP Crowe MacKay & Company Ltd. **Proposal Trustee Counsel for Proposal Trustee** 1100 – 1177 West Hastings Street 1201 – 1030 West Georgia Street Vancouver, BC V6E 4T5 Vancouver, BC V6E 2Y3 Attention: Derek Lai and Nelson Attention: Carol M. Cash and Lee Marriner Allan cc@gdlaw.ca lm@gdlaw.ca derek,lai@crowemackay.ca nelson.allan@crowemackay.ca Royal Bank of Canada His Majesty the King in Right of Canada c/o McMillan Dubo LLP c/o Department of Justice Canada 401 – 121 – 5<sup>th</sup> Avenue 900 - 840 Howe Street Kamloops, BC V2C 0M1 Vancouver, BC V8Z 2S9 Attention: Sherryl A. Dubo Attention: Aminollah Sabzevari and Nikhil Pandey service@mcmillandubo.com sherryl@mcmillandubo.com aminollah.sabzevari@justice.gc.ca nikhil.pandey@justice.gc.ca khanh.gonzalez@justice.gc.ca **Merchant Opportunities Fund** Accord Small Business Finance Corp.. **Limited Partnership** Accord Small Business Leasing Corp. Accord Financial Canada Corp. 200 – 171 Water Street Vancouver, BC V6B 1A7 300 - 889 Harbourside Drive North Vancouver, BC V7P 3S1 Attention: David Gens csbf.collections@accordfinancial.com support@merchantgrowth.com csbf.customerservice@accordfinancial.com Fax: 1-888-835-9757 BizFund Canada Ltd. Liquid Capital Pacific Corp. 1018 Finch Avenue West, Unit 405 c/o Ellis Business Lawyers North York, ON M3J 3L5 400 – 1681 Chestnut Street Vancouver, BC V6J 4M6 Attention: Isaac Levy Attention: Meldon Ellis isaac@bizfund.com raymondm@bizfund.com meldon@ellislawyers.com Fax: (604) 737-1140

#### **SCHEDULE B**

COURT NO. VLC-S-B240334 ESTATE NO. 11-3103569 VANCOUVER REGISTRY

## IN THE SUPREME COURT OF BRITISH COLUMBIA IN BANKRUPTCY AND INSOLVENCY

## IN THE MATTER OF THE PROPOSAL OF GO FLOORING LTD.

### ORDER MADE AFTER APPLICATION

BEFORE ASSOCIATE JUDGE (Sitting as a Registrar in Bankruptcy)	) ) )	THURSDAY, THE 23 <sup>rd</sup> DAY OF SEPTEMBER, 2024

ON THE APPLICATION of Go Flooring Ltd. coming on for hearing at Vancouver, British Columbia on Thursday, September 23, 2024; and UPON READING the materials filed therein; and UPON HEARING Dennis K. Fitzpatrick, counsel for the Applicant, and upon appearing from the Service Lis:

#### THIS COURT ORDERS that:

- 1. The time limits be abridged so that this application and its supporting materials may be heard today.
- 2. The time for the filing of a Proposal by Go Flooring Ltd. be extended to November 7, 2024; and
- 3. The stay of proceedings be extended to November 7, 2024.

- 4. Crowe MacKay & Company Ltd. (the "Proposal Trustee"), in its capacity as proposal trustee of the Applicant, Gehlan Dabbs LLP counsel to the Proposal Trustee, and Lindsay Kenney LLP ("LK Law"), counsel to the Applicant, shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the assets, property and undertakings of the Applicant (the "Property") for \$200,000 as security for their respective fees and disbursements incurred at the standard rates and charges of the Proposal Trustee, its counsel, and LK Law, both before and after the making of this order, that are related to these proceedings, the Applicant's proposal, the fulfillment of the Proposal Trustee's duties in these proceedings and under the Bankruptcy & Insolvency Act, R.S.C. 1985, c. B-3 as amended (the "BIA") that shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and other claims of secured creditors, statutory or otherwise (collectively, the "Encumbrances") in favour of any person, other than any secured claims which may arise under subsection 14.06(7) of the BIA.
- 5. The filing, registration or perfection of the Administration Charge shall not be required, and the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title and interest filed, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.
- 6. Except as otherwise expressly provided for herein, or as may be approved by this court, the Applicant shall not grant any Encumbrances over any of the Property that rank in priority to, or *pari passu* with, the Administration Charge, unless the Applicant also obtains the prior written consent of the Proposal Trustee and the other beneficiaries of the Administration Charge.
- 7. The Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the beneficiaries thereof shall not otherwise be limited or impaired in any way by:

- (a) any application(s) for bankruptcy order(s) issued pursuant to the BIA,or any bankruptcy order(s) made pursuant to such applications;
- (b) the filing of any assignments for the general benefit of creditors made pursuant to the BIA;
- (c) the filing by the Applicant for relief pursuant to the *Companies'*Creditors Arrangement Act, R.S.C. 1985, C. C-36 ("CCAA");
- (d) the provisions of any federal or provincial statutes;
- (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt and the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, the "Agreement") to which the Applicant is a party, and notwithstanding any provision to the contrary in any Agreement;
  - (i) neither the creation of the Administration Charge nor the execution, delivery, perfection, registration or performance of any documents in respect thereof, shall create or be deemed to be constitute a new breach by the Applicant of any Agreement to which it is a party; and the beneficiaries of the Administration Charge shall not have any liability to any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "persons" and each being a "person") whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Administration Charge; and
  - (ii) the payments made by the Applicant pursuant to this order and the granting of the Administration Charge do not and will not constitute preferences, fraudulent conveyances, transfers at

undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.

- 8. The Applicant shall have leave to apply to the court for Debtor In Possession financing on notice to affect parties in accordance with Rule 6.
- 9. Any interested party may apply to this court on notice to any other party likely to be affected, for an order to allocate the Administration Charge amongst the various assets comprising the Property.
- 10. Endorsement of this order by counsel appearing, other than counsel for the Applicant, is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Dennis K. Fitzpatrick	
Counsel for the Applicant	
Go Flooring Ltd.	

BY THE COURT

REGISTRAR IN BANKRUPTCY

To be	completed by the court only:
Order	made
	in the terms requested in paragraphs of Part 1 of this Notice of Application / Notice of Motion
	with the following variations and additional terms:
Date:	
	Signature of Judge Associate Judge

#### **APPENDIX**

The following information is provided for data collection purposes only and is of no legal effect.

THIS NOTICE OF APPLICATION / NOTICE OF MOTION INVOLVES THE FOLLOWING: discovery: comply with demand for documents discovery: production of additional documents other matters concerning document discovery extend oral discovery other matter concerning oral discovery amend pleadings ] add/change parties summary judgment summary trial service mediation ] adjournments proceedings at trial case plan orders: amend case plan orders: other experts

⋈ none of the above