

Province: British Columbia
Division No. 03 - Vancouver
Court No. VLC-S-B-240334
Estate No. 11-3103569



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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
GO FLOORING LTD.
OF THE CITY OF DELTA, PROVINCE OF BRITISH COLUMBIA**

**CROWE MACKAY & COMPANY LTD., PROPOSAL TRUSTEE
FOURTH REPORT TO COURT**

October 9, 2024

I. INTRODUCTION

1. On July 11, 2024 (the **"Filing Date"**), Go Flooring Ltd. (the **"Company"**) filed a Notice of Intention to Make a Proposal (the **"NOI"**) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c. B-3 (the **"BIA"**) and Crowe MacKay & Company Ltd. (**"CMCO"**) consented to act as Trustee under the Proposal (the **"Proposal Trustee"**).
2. Pursuant to section 50.4(8) of the BIA, the initial stay period in the proposal proceedings was from July 11, 2024 to August 10, 2024 (the **"Initial Stay Period"**).
3. On August 2, 2024, the Company filed an application to, among other things, approve the granting of an extension of the Initial Stay Period and the deadline for the filing of a proposal to September 24, 2024. The extension was granted by the Court on August 8, 2024 (the **"First Extension"**).
4. On August 20, 2024, the Proposal Trustee filed a material adverse change report (the **"MAC Report"**) with the Official Receiver, and the Court. Further, all creditors were provided with notice that the MAC Report was filed and a copy was made available on the Proposal Trustee's website (<https://crowemackayco.ca/corporate-engagements/>). The issues set out in the MAC Report, along with the Company's progress in remedying those same issues are discussed in detail below.
5. On September 20, 2024, the Company made an application to Court to approve the granting of an extension of the stay of proceedings and the deadline for the filing of a proposal to November 7, 2024, among other relief. The Court granted an extension until October 7, 2024 to allow the Company to bring its application for a debtor-in-possession charge and an Administration Charge.
6. On October 4, 2024, the Company made an application to Court to, among other things, seek an administration charge up to a maximum of \$200,000 and extend the time to file a Proposal to November 24, 2024. The Court dismissed the application. This is discussed in greater detail below.
7. On October 7, 2024, the Company filed a Proposal with the Proposal Trustee (the **"Proposal"**). The Proposal was electronically filed with the Official Receiver on the same day. Attached as **Appendix "A"** is a copy of the Proposal.
8. This fourth report (the **"Fourth Report"**) should be read in conjunction with the Proposal Trustee's First Report dated August 6, 2024, the MAC Report, the Proposal Trustee's Second Report dated September 22, 2024 (the **"Second Report"**) and the Proposal Trustee's Third Report dated October 3, 2024 (the **"Third Report"**). Particular emphasis will be made to the Third Report. For your ease of reference, attached as **Appendix "B"** is a copy of the Third Report.

II. PURPOSE

9. The purpose of this Fourth Report is to provide this Honourable Court and stakeholders with information on the Proposal Trustee's concerns with respect to the Proposal and the Company's conduct in these proceedings as well as information on the Proposal Trustee's recommendation that the Court declare the Proposal deemed to have been refused by the creditors.

III. TERMS OF REFERENCE

10. In preparing this Fourth Report, the Proposal Trustee has necessarily relied upon unaudited financial and other information provided by the Company, such of the Company's books and records that were provided to the Proposal Trustee, and discussions with management of the Company (collectively, the "**Information**"), namely Mr. Irfan Walji and Ms. Jennifer Grant (together, "**Management**").
11. CMCO has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards pursuant to the Chartered Professional Accountants Handbook. Accordingly, CMCO expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information used to prepare this Fourth Report.
12. All monetary amounts contained in this Fourth Report are expressed in Canadian dollars unless otherwise noted.

IV. PROPOSAL TRUSTEE'S CONCERNS

13. As stated in Paragraph 11 of the Third Report, the Company's financial circumstances have materially worsened since the Second Report. The Proposal Trustee has not received any evidence that would otherwise suggest that the issues noted in that paragraph have been cured, with the exception of the payment of payroll in the amount of about \$50K.
14. In fact, the Proposal Trustee is of the view that circumstances have continued to deteriorate. Below is an updated summary of some concerns identified during the Proposal Trustee's monitoring of the Company's affairs since the Third Report:
 - a) the Company's cash position as at October 4, 2024 was around \$6,600. This is \$345,000 less than projected;
 - b) accounts receivable ("**AR**") collections for the week ending October 4, 2024 was \$282,000 less than projected. Total AR collections over the 13 week period are \$1.61M (50%) less than projected;

- c) As at the date of this Fourth Report, the Company provided a list of post-filing obligations which have not been paid in the ordinary course and are past due. These post-filing obligations total upwards of \$343,000, and includes amounts owing to the Proposal Trustee and its legal counsel, trade vendors, landlords, and Canada Revenue Agency (the “**CRA**”). The Proposal Trustee notes that this list of post-filing obligations does not include any post-filing amounts owing to employees that were laid off during these proceedings which may be due. Accordingly, the total quantum of post-filing obligations may in fact be in excess of \$343,000;
- d) Of the \$343,000 noted above, \$54,304.34 relates to unpaid employee source deductions for the month of September that are owing to CRA. Additionally, the CRA advised on October 8, 2024 that the Company was also in arrears for employee source deductions for the month of August. Accordingly, the amount of unpaid post-filing employee source deductions are in excess of the \$54K figure noted above. This is discussed further below;
- e) The cash flow projections for the 13-week period included disbursements of \$823,000 and \$603,000 for materials and installers, respectively. The actual amounts incurred over the 13-week period for materials and installers were \$531,000 (64%) and \$270,000 (45%) less than projected;
- f) The Proposal Trustee continues to receive phone calls and emails from parties who claim to be owed monies post-filing. This includes, among others, certain landlords and employees. The Proposal Trustee understands that the Company is disputing some of the amounts owing; however, despite involvement of the Company’s legal counsel and the Proposal Trustee’s follow-ups, there has been no progress made to address these matters; and,
- g) The Proposal Trustee still has yet to receive all of the information needed in order to adequately assess the Company’s affairs. This includes, among other things, the following:
 - i. a comprehensive listing of the Company’s assets, including the book cost and estimated realizable values of same;
 - ii. details on the RP Assets (defined below), as well as particulars on the numerous encumbrances; and;
 - iii. backup copy of the accounting data file;

The Company has been providing the Proposal Trustee with some information and the Proposal Trustee has noticed an improvement with the timeliness of same; however, much of the information received is either incomplete or inaccurate.

15. Further, the Proposal Trustee has concerns with the accuracy of the financial information provided by the Company and whether it accurately reflects all of the parties who may be owed monies post-filing.

16. The Proposal Trustee understands that on October 4, 2024, the Company failed to satisfy the Court that the Company was acting in good faith and with due diligence, that it was likely to make a viable proposal, and that there would be no material prejudice should the stay of proceedings be extended further. Despite the Court's ruling, the Company proceeded with the filing of a Proposal the following business day.
17. The Proposal Trustee understands that the Proposal is more or less on the same terms as the Draft Proposal referenced in the Third Report. The Proposal Trustee also understands that the Company intends to downsize and operate on a streamlined basis in order to be in a position to meet its obligations in the ordinary course moving forward. Specifically, the Company intends to disclaim a majority of its leases with the exception of the key location(s) and terminate a majority of the employees with the exception of the key individual(s).
18. The Proposal Trustee raised concerns with respect to certain post-filing obligations that will arise following the disclaimer of leases and termination of employees and asked how the Company will satisfy those obligations. The Proposal Trustee did not receive a clear response. Furthermore, assuming a downsized and more streamlined operation is possible, the Proposal Trustee questions the overall viability of the Proposal as downsizing operations will undoubtedly have a negative impact on the Company's ability to generate revenue which may add further challenges to meet the terms of the Proposal.
19. The Proposal sets out that related parties to the Company intend on liquidating around \$17.5M in assets (the "**RP Assets**") which the Company estimates there to be \$2M in equity. The RP Assets are real estate holdings. The Proposal would be funded by the approximately \$2M in equity. To date, the Proposal Trustee has not had a chance to review appraisals attached to an affidavit of Mr. Walji and brought to the hearing on October 4, 2024 (no appraisals were provided to the Proposal Trustee beforehand). Notably, the appraisals attached to Mr. Walji's affidavit are not current. Further, it is unclear whether the RP Assets are part of the foreclosure proceedings already ongoing, as commenced by the Royal Bank of Canada (the "**RBC**") as the Proposal Trustee has not been provided with any information on the outstanding encumbrances registered against same. The Company is also required to satisfy CRA's claim for source deductions in full within 6-months of Court approval of the Proposal. It is unclear whether the RP Assets can be sold within that period of time and, even if the estimated equity of \$2M is correct, it will not be sufficient to satisfy CRA's claim in full. Accordingly, the Proposal Trustee questions whether there would be any funds made available to the ordinary unsecured creditors in these proceedings.
20. The Proposal also sets out that the Company will use excess cash flow from operations, in addition to the liquidation of the RP Assets, to fund the payments to proven creditors. Further, as mentioned in the Third Report, the success of this restructuring is heavily reliant on the Company's ability to obtain debtor-in-possession financing ("**DIP Financing**") which CRA and RBC have already confirmed that they would be opposed to. The Proposal Trustee understands that CRA and RBC are not supportive of the Proposal. Without the support of the Company's secured creditors and without DIP Financing, the Proposal Trustee is of the view the Proposal is not viable.

21. As stated in the Third Report, the Proposal Trustee raised concerns with respect to the proposed DIP Financing. The term sheet provided was unsigned and open for acceptance until September 10, 2024. In addition, the term sheet contained numerous subjects including, but not limited to, due diligence and an assessment of inventory and accounts receivable. The Proposal Trustee again raises concerns with respect to the likelihood of the DIP Financing particularly in view of the positions taken by CRA and RBC along with the further deteriorated state of the Company and its plans to downsize even further.
22. Further, on October 8, 2024, the Proposal Trustee requested that the Company provide an update on the status of the DIP Financing, and whether any efforts to advance the matter have been made. The Company did not provide a clear answer on the matter, and advised that it intends on “speaking with our counsel about [it] and then present it with our proposal”. No further details were provided by the Company with respect to the status of the DIP Financing.
23. On October 8, 2024, the Proposal Trustee received correspondence from counsel for the CRA advising that CRA is not prevented from issuing enhanced requirements to pay under section 244(1.2) of the *Income Tax Act* by the filing of the Proposal on October 7, 2024. Counsel for CRA also confirmed that the Company has not filed its post-filing payroll reporting for August and September 2024. Accordingly, the Proposal Trustee understands that CRA will be proceeding with the issuance of enhanced requirements to pay in due course. This will obviously create additional challenges for the Company and will further question the overall viability of the restructuring.
24. As a result of the filing of the Proposal, the Proposal Trustee now has statutory obligations under the BIA which will cause it to incur further costs. As previously reported, the Proposal Trustee has not been paid (with the exception of a one-time \$5,000 payment) during these proceedings. These statutory obligations include, among other things:
- a) reviewing the Proposal in detail and preparing the Proposal Trustee’s Report to Creditors on the Proposal;
 - b) preparing an analysis of the recoveries to creditors resulting from the Proposal versus a bankruptcy;
 - c) conducting a mailout of the Proposal, the Proposal Trustee’s report on the Proposal at least ten (10) days prior to the First Meeting of Creditors (the “**FMOC**”);
 - d) responding to creditor inquiries with respect to the Proposal;
 - e) running a claims process and adjudicating claims;
 - f) collecting and overseeing the votes on the Proposal; and,
 - g) chairing the FMOC within twenty-one (21) days of the filing of the Proposal to allow creditors to vote on the acceptance of the Proposal.
25. The Proposal Trustee and its legal counsel have continued to fulfill its statutory obligations in accordance with the BIA in good faith despite not receiving payment; however, the Proposal Trustee obviously expresses concern with its continued administration of this proceeding as its loss will be substantial if circumstances do not change. The steps required and costs involved to advance the Proposal further are substantial and the Proposal Trustee does not believe it is warranted given the circumstances.

V. PROPOSAL TRUSTEE'S CONCLUSION AND RECOMMENDATION

26. Based on the above, the Proposal Trustee respectfully hereby recommends that this Honourable Court deem the Proposal to have been refused by the creditors.
27. If the Court is not prepared to deem the Proposal to have been refused by the creditors, the Proposal Trustee requires an administration charge to secure its fees and costs and the fees and costs of its legal counsel, particularly in light of the substantial work to be performed imminently.

DATED AT the City of Vancouver, in the Province of British Columbia, the 9th day of October, 2024.

CROWE MACKAY & COMPANY LTD.

in its capacity as Proposal Trustee of Go Flooring Ltd.
and not its personal capacity

Per:

A handwritten signature in blue ink, appearing to be 'D. Lai', with a horizontal line extending to the right.

Derek Lai, CPA, CMA, CIRP, LIT, CFE
Senior Vice President

Appendix A

Estate No. 11 - 3103569
Court Number B240334
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY

IN THE MATTER OF THE PROPOSAL OF
Go Flooring Ltd.

of the City of Abbotsford
in the Province of British Columbia

PROPOSAL TO CREDITORS

**FILED PURSUANT TO THE
BANKRUPTCY AND INSOLVENCY ACT,
R.S.C. 1985 c. B-3, AS AMENDED**

Proposal of Go Flooring Ltd. (the "Debtor"), to its creditors (the "Proposal"), filed on **October 7, 2024** pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended (the "Act").

The defined terms and expressions as used in this [Amended] Proposal appear in Article II below.

**ARTICLE I
PURPOSE AND EFFECT OF PROPOSAL**

1.1 General Intent of Proposal

The Proposal is made pursuant to the Act.

1.2 Under the Proposal, the claims of the Creditors will be restructured and paid in accordance with the Act as provided in Articles IV and V herein. Each Creditor (excepting as provided by section 54(3) of the Act) is entitled to consider and vote upon the Proposal in the manner described herein and to attend the Creditors' Meeting to be held on the Creditors' Meeting Date for that purpose.

1.3 The Proposal is designed to allow the Debtor to maintain its working relationship with its customers, to enable the Creditors to recover more than would be recovered following an immediate and complete liquidation of Go Flooring Ltd. to continue its business and its assets and to avoid the wasting of the Debtor's assets.

- 1.4 The Debtor has determined that the amounts presently owing to Canada Revenue Agency under section 60(1.1) of the Act may exceed the value of its assets on a liquidation basis, with the result that claims against the Debtor have little or no value. In order to permit the Debtor to continue in business and to enhance the outcomes facing the Creditors, it is necessary for the Debtor to reconcile its current financial obligations and allow completion of current orders and work in progress. The Debtor has inadequate available cash to make a substantial payment to the Creditors but can make regular payments and other intangible accommodations which make this proposal preferable to bankruptcy.
- 1.5 01177350 B.C. Ltd. and Walji Financial Ltd. (together the “Related Parties”) are affiliated and/or related to the Debtor and have agreed to postpone their intercorporate loans to assist the Debtor by sale of the Related Party Assets to facilitate the Proposal herein (the “Postponement”). The Related Parties have further agreed to advance a sum to be determined in tranches (the “Advances”).
- 1.6 The overall scheme of the Proposal is to continue the business and make regular installments on the Indebtedness of the Debtor to give effect to these intentions. The combined effect of this Proposal and the sale of the Related Party Assets will allow for payment within six months of the Proposal Implementation Date (or such later date as Canada Revenue Agency may approve) of the amount owing to Canada Revenue Agency as liabilities for source deductions (at present approximately \$3,040,004.45).
- 1.7 The Debtor has employed a dual-track process. Under this dual-track process: (i) the Related Party Assets will be offered for sale; and (ii) will continue to operate the business and maximize the return on the work in progress. To maximize the realization value for the Creditors by operating the Debtor as a going concern and by selling Related Party Assets.

2.1 Definitions

“CRA Consent” means the consent of Canada Revenue Agency to payment of amounts hereunder over a period which exceeds six months made pursuant to section 60(1.1) of the Act.

“DIP Financing” means financing as set out in Schedule “B” hereto.

“Interim Period” means the period from and including the Proposal Date to and including the Proposal Implementation Date.

“Net Operating Revenue” means any revenue generated by the licensing of the Patent Assets less any expenses associated with such licensing.

“Order” means any Order of the Court in these proceedings.

“Proposal” means the Proposal to the Creditors herein made in accordance with the Act.

“Proposal Confirmation Date” means the date on which the Proposal is sanctioned and approved by an Order.

“Proposal Date” means October 7th, 2024, being the date on which this Proposal was lodged by the Debtor with the Trustees and filed with the Office of the Superintendent of Bankruptcy.

“Proposal Implementation Date” means the fifth Business Day following the date on which all rights to appeal the final Order of the Court from the Proposal Implementation Date have expired, or such other date as **[bankrupt]** and the Inspectors may, subject to the approval of the Court, agree.

“Proposal Period” means the period of time commencing on the filing of the Proposal and ending on the date of the Trustee’s Discharge Order.

“RBC Fosters Mortgage” means mortgage granted by Walji Financial to RBC over Foster Property

“RBC Island Mortgage” means mortgage granted by Walji Financial to RBC over Island Property

“RBC Ware Mortgage” means mortgage granted by 1177385 BC Ltd to RBC

“Related Party Assets” means the assets listed on Schedule “A” hereto.

“Related Party Mortgages” means the RBC Fosters Mortgage, the RBC Island Mortgage and the RBC Ware Mortgage

“Releasor” when used in relation to the release of a Claim under this Proposal means the person releasing or who is deemed to release the Claim under this Proposal.

“Releasee” when used in relation to the release of a Claim under this Proposal means the person in favor of whom a Claim is released.

“Secured Creditor(s)” means the Debtor’s secured creditors, as defined in section 2(1) of the Act.

“Trustee” means Crowe MacKay & Company Ltd., the Trustee under the Proposal so designated in the Initial Filing.

“Trustee’s Discharge Order” means the order discharging the Trustee upon performances of the Proposal by the Debtor.

“Unsecured Creditors” means all creditors of the Debtor with unsecured claims for any indebtedness as of the Filing Date.

2.2 Article References

In the Proposal, a reference to an article, section, clause or paragraph shall, unless otherwise stated, refer to an article, section, clause or paragraph of the Proposal.

2.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, clauses and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the Proposal.

2.4 Date For Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

ARTICLE III OPERATIONS

- 3.1** The Debtor shall, during the currency of this Proposal, continue its operations in the normal course of business and shall pay all post-filing claims without limitation including taxes, landlords, employees, suppliers and levies, fees and disbursements of the Trustee.

ARTICLE IV CERTAIN STATUTORY AMOUNTS OWING TO GOVERNMENTAL AUTHORITIES, TRUSTEE AND EMPLOYEES

4.1 Source Deductions

- 4.2** The Debtor shall pay in full on the last day of the sixth month after the Proposal Confirmation Date, or later if approved by Canada Revenue Agency, all amounts required to be paid by sub-section 60(1.1) of the Act.

- 4.3** The Debtor shall pay in priority to all amounts to be distributed to the Creditors under the Proposal, all amounts required to be paid by sub-section 60(1) of the

Act. Without limiting the generality of the foregoing, the Trustee's fees and expenses incurred in connection with the performance of its functions under this Proposal and under the Act shall be paid out of the performance of its functions under this Proposal and under the Act shall be paid out of the available funds in priority to any amounts owing or to be distributed to the Creditors under this Proposal. It is contemplated that the Trustee's fees and costs are to be paid by the Debtor separate and apart from the funds to be made available to the Creditors, however, in the event of a default in the Proposal, the Trustee's fees and costs will rank first in priority to relation to all Creditors.

- 4.4 All amounts payable to CRA will be applied first to tax until the tax amount of any claim is paid in full and then only to penalties and interest and costs
- 4.4 In addition the Trustee shall be entitled to collect its fees and expenses incurred in connection with the performance of its responsibilities in priority to any distribution thereof to any Creditor.

ARTICLE V PROPOSAL TO CREDITORS

- 5.1 The Debtor shall pay Secured Creditors interest only pursuant to their security at the contractual rates in effect at the time of filing the notice of intention or such lower rate as may apply thereafter. Additional interest will accrue and will be paid.

5.2 Levy

The levy will be paid on und secured claims in accordance with the Act

5.3 Payment of Claims

- 5.3.1 The Debtor will cause the Related Parties to sell the Related Party Assets and will pay the proceeds of sale to be paid (i) first to costs of sale and conveyance; then (ii) to Secured Creditors having charges of the Related Party Assets; (iii) then to the Trustee for distribution to Canada Revenue Agency; and (iv) then to RBC in accordance with Schedule "C" hereto.
- 5.3.2 The Secured Creditor will realize first on its security against the Related Party Assets, with the balance, if any, owing to the Secured Creditor by the Debtor after such realization to be paid from the Related Party Assets.
- 5.3.3 After payment to the Secured Creditor(s), one hundred percent (100%) of the remaining Related Party Assets will be distributed by the Trustee to the Unsecured Creditors on a pro rata basis provided that
 - (i) the first \$2500 of all unsecured claims will be paid in full.

(ii) the remainder of unsecured claims will be paid in full without interest and the pro-rated amount of the remaining Related Party Assets which are available for distribution.

5.3.4 The Debtor will be entitled to receive the remaining allocation after distribution to the Unsecured Creditors in accordance with clause above.

5.4 If the Debtor does not enter into an agreement for the purchase and sale of one or none of the Related Party Assets as a going concern within 6 months from the Proposal Implementation Date, or at such earlier date as the Debtor may deem fit, subject to the consent of the Trustee.

5.5 Release by Unsecured Creditors

Upon approval of the Proposal, the Debtor shall be and is hereby released by each Creditor (as Releasor) in respect of its proven claim, and in respect of any other Claims whatsoever, without prejudice to the entitlement of such Unsecured Creditor to receive payment(s) under the Proposal.

5.6 Right of Set-Off

The Debtor shall be entitled to set-off any amount owing by each Creditor to the Debtor in calculating the amount of each Creditors' claim provided that pre-filing proposal claims will not be set off against post filing proposal claims.

5.7 Further Assurances

All of the Creditors shall be deemed to consent to and permit all of the provisions of this Article V, and the Creditors and the Debtor shall do all such other acts and execute all such other documents as may be necessary to give effect thereto, and to that end each Creditor does hereby constitute the Debtor as its lawful attorney with full authority to do all such acts and execute all such documentation on its behalf.

ARTICLE VI COVENANTS OF THE [BANKRUPT]

6.1 Related Party Transactions

So long as amounts are owing to a Creditor under the Proposal, the Debtor shall, during the Proposal Period, ensure that all business transactions entered by him with any related party (as such term is defined in the Act as in Force at the Filing Date) shall, at the time they are entered into, be on commercially reasonable terms. The Debtor will give notice of such business transactions to the Trustee and provide such particulars as the Trustee may reasonably require.

ARTICLE VII DEFAULT PROVISIONS

7.1 Events of Default

An event of default shall occur under the Proposal where the Debtor commits a material default in the performance of the covenants contained in this Proposal.

7.2 Cure of Event of Default

If an event of default should occur under clause 7.1, the Debtor shall have thirty (30) days in which to cure such default, failing which the Debtor may be declared in default under the Proposal. If the Debtor is declared to be in default under the Proposal, the Proposal shall remain in full force and effect and any aggrieved Creditor whose claim remains unpaid in accordance with the terms of the Proposal may bring an action in the Court for enforcement of its rights as against the Debtor under the terms of this Proposal.

7.3 Stay by Secured Creditor

While the Debtor Is not in default, each Secured Creditor will (i) stay enforcement of the Related Party Mortgage which the Secured Creditor maintains in respect of the Related Party Assets on or before the filing date; and (ii) will not enforce its right to any prepayment penalty.

7.4 Default

In the event that there is a default under this Proposal, and the Proposal is annulled under sections 62.1 and 63 of the Act then to the extent that one or more of the Related Party Mortgages is not sold the Debtor will consent to a one-month redemption period in a foreclosure on any of the extant Related Party Mortgages.

ARTICLE VIII CREDITOR APPROVAL

8.1 Classification of Creditors

The Creditors shall be the following classes of Creditors for the purpose of considering and voting upon the Proposal:

Class 1 - The Secured Creditors

Class 2 - The Unsecured Creditors

8.2 Meeting of Creditors

No sooner than ten (10) days and no later than twenty-one (21) days after the Proposal Date, the Debtor shall hold a Creditors' Meeting to consider and vote upon the Proposal pursuant to the Act. At the Creditors' Meeting, the Creditors may appoint one or more, but not exceeding five, Inspectors under this Proposal whose powers shall be restricted to:

- (a) advising the Trustee on such matters as may be appropriate from time to time; and
- (b) authorizing one or more extensions of the time limits specified in the Proposal.

8.3 Voting

Each Creditor will be entitled to vote in its class to the extent of the amount which is equal to the Creditor's proven claims against the Debtor.

8.4 Report of the Trustee

The filing of the Proposal will be accompanied by the report of the Trustee pursuant to the Act.

8.5 Procedure

In order that the Proposal be binding on the Creditors of the Debtor in accordance with the Act, it must first be accepted by each class of Creditors, as prescribed by this Proposal, by a majority in number of the Creditors in each class who actually vote upon the Proposal (in person, by voting letter or by proxy) at the Creditors' Meeting, representing two-thirds in value of the claims of the Creditors in such class whom actually vote upon the Proposal (whether in person, by voting letter or by proxy) at the Creditors' Meeting. Any Creditor wishing to vote on the Proposal must submit a Proof of Claim to the Trustee prior to the Creditors' Meeting Date.

8.6 Valuation of Claims

Prior to the Creditors' Meeting Date, the Debtor reserves the right to seek an Order establishing a procedure for valuing the claims of Creditors and for resolving any dispute between the Debtor and any Creditor as to the value of the claim of any Creditor. The Debtor also reserves the right to seek the assistance of the Court in valuing the claim of any Creditor, is required, to ascertain the result of any vote on the Proposal or the amount payable to such Creditor under the Proposal.

8.7 Confirmation of Proposal

In the event that the Proposal is approved by the required majority of Creditors in each class, the Debtor will then seek an Order for the sanction and approval of the Proposal. Subject to such Order being granted, the Proposal will be implemented by the Debtor and will be binding upon all the Creditors of the Debtor affected by the Proposal.

8.8 Modification of Proposal

The Debtor reserves the right to file any modification of or amendment to the Proposal by way of a supplementary Proposal or Proposals lodged with the Trustee at any time prior to the conducting of votes upon the Proposal by affected classes of Creditors at the Creditors' Meeting convened by the Debtor for that purpose, in which case any such supplementary Proposal or Proposals shall, for all purposes, be and be deemed to be a part of and incorporated into this Proposal.

8.9 Conditions on Proposal Implementation

The implementation of the Proposal by the Debtor shall be conditional upon:

- (a) delivery of the Canada Revenue Agency consent;
- (b) the Debtor shall have obtained the DIP Financing;
- (c) the sanction and approval of the Proposal by the Court in accordance with the provisions of the Act; and
- (d) all applicable judicial consents, orders and approvals required or desirable for the completion of the transactions contemplated by this Proposal or any aspect thereof having first been obtained or received.

ARTICLE IX MISCELLANEOUS

9.1 Compromise Effective for all Purposes

The compromise or other satisfaction of any indebtedness, liability or obligation of the Debtor under the Proposal, if sanctioned and approved by the Court, shall, in the case of any Creditor whose claim is in a class voting in favor of the Proposal, be binding upon such Creditor for all purposes.

9.2 Paramountcy

From and after the Proposal Implementation Date, any conflict between the covenants, warranties, representations, terms, conditions or obligations, expressed or implied, of any

contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, whether written or oral, and any and all amendments or supplements thereto existing between any third party and the Debtor as at the Proposal Implementation Date will be deemed to be governed by the terms, conditions and provisions of the Proposal, which shall take precedence and priority.

9.3 Completion of Trustee's Duties

The responsibilities of the Trustee under this Proposal shall terminate no later than the last day of the Proposal Period whereupon the Debtor will apply for the Trustee's Discharge Order.

Go Flooring Ltd. hereby makes this Proposal to his Creditors as evidenced by its execution hereof below.

Dated at West Kelowna, British Columbia, this 7th day of October, 2024.

GO FLOORING LTD.



Authorized Signatory

Appendix B

Province: British Columbia
Division No. 03 - Vancouver
Court No. VLC-S-B-240334
Estate No. 11-3103569

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
GO FLOORING LTD.
OF THE CITY OF DELTA, PROVINCE OF BRITISH COLUMBIA**

**CROWE MACKAY & COMPANY LTD., PROPOSAL TRUSTEE
THIRD REPORT TO COURT**

October 3, 2024

I. INTRODUCTION

1. On July 11, 2024 (the “**Filing Date**”), Go Flooring Ltd. (the “**Company**”) filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c. B-3 (the “**BIA**”) and Crowe MacKay & Company Ltd. (“**CMCO**”) consented to act as Trustee under the Proposal (the “**Proposal Trustee**”).
2. Pursuant to section 50.4(8) of the BIA, the initial stay period in the proposal proceedings was from July 11, 2024 to August 10, 2024 (the “**Initial Stay Period**”).
3. On August 2, 2024, the Company filed an application to, among other things, approve the granting of an extension of the Initial Stay Period and the deadline for the filing of a proposal to September 24, 2024. The extension was granted by the Court on August 8, 2024 (the “**First Extension**”).
4. On August 20, 2024, the Proposal Trustee filed a material adverse change report (the “**MAC Report**”) with the Official Receiver, and the Court. Further, all creditors were provided with notice that the MAC Report was filed and a copy was made available on the Proposal Trustee’s website (<https://crowemackayco.ca/corporate-engagements/>). The issues set out in the MAC Report, along with the Company’s progress in remedying those same issues are discussed in detail below.
5. On September 23, 2024, the Company made an application to Court to approve the granting of an extension of the stay of proceedings and the deadline for the filing of a proposal to November 7, 2024, among other relief. The Court granted an extension until October 7, 2024 to allow the Company to bring its application for a debtor-in-possession charge and an Administration Charge.
6. This third report (the “**Third Report**”) should be read in conjunction with the Proposal Trustee’s First Report, dated August 6, 2024, the MAC Report, and the Proposal Trustee’s Second Report, dated September 22, 2024 (the “**Second Report**”).

II. PURPOSE

7. The purpose of this Third Report is to provide this Honourable Court and stakeholders with:
 - a) an update on the financial affairs of the Company since the Second Report and the MAC Report;
 - b) commentary on the draft proposal (the “**Draft Proposal**”) as included as Exhibit “B” in Affidavit #1 of Leah Jonak; and,
 - c) information and the Proposal Trustee’s concerns with respect to the Company’s application to this Honourable Court for an Order authorizing and approving, among other things, the extension of the stay of proceedings and deadline to file a proposal.

III. TERMS OF REFERENCE

8. In preparing this Third Report, the Proposal Trustee has necessarily relied upon unaudited financial and other information provided by the Company, such of the Company's books and records that were provided to the Proposal Trustee, and discussions with management of the Company (collectively, the "**Information**"), namely Mr. Irfan Walji and Ms. Jennifer Grant (together, "**Management**").
9. CMCO has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards pursuant to the Chartered Professional Accountants Handbook. Accordingly, CMCO expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information used to prepare this Third Report.
10. All monetary amounts contained in this Third Report are expressed in Canadian dollars unless otherwise noted.

IV. UPDATE SINCE THE SECOND REPORT OF THE PROPOSAL TRUSTEE

11. The Proposal Trustee has concerns regarding the Company's financial circumstances, which appear to have materially worsened since the Second Report as follows:
 - a) the Company's cash position as at September 30, 2024 was around \$5,600 in overdraft;
 - b) certain trade vendors of the Company have not been paid post-NOI filing amounts, which total upwards of \$70,000;
 - c) all landlords have gone unpaid for October rent. The Company's projections in rent payment to landlords totaled approximately \$32,276 on October 1, 2024;
 - d) the Proposal Trustee and its legal counsel have not been paid post-NOI filing amounts, which total about \$88,389.37 and \$15,632.20 respectively. This is discussed in greater detail below;
 - e) the Company did not remit employee source deductions to the Canada Revenue Agency (the "**CRA**") as projected in the week ending September 29, 2024. The Company's unpaid post-filing obligation for employee source deductions total in or around \$54,000; and,
 - f) the Proposal Trustee expected that employees would have been paid on or around September 27, 2024 for the second bi-monthly payroll run for the month of September. During its monitoring, the Proposal Trustee did not identify such payments. The Company advised that payroll was to be made sometime during the week of October 1 through October 4, 2024. It is unclear why the second bi-weekly payroll run for the month of September is being made in the first week of October. As noted above, the

Company was in overdraft as at the start of the week, and accordingly the Proposal Trustee has concerns whether the Company will have the ability to meet its payroll obligation which was projected to be \$123,346.

12. The Company advised that as a result of the non-collection of the accounts receivable (the “AR”), the Company has not been able to fund the costs of new projects, and as a result has run into issues meeting its post-filing obligations in the ordinary course.
13. As noted above, the Company has not paid the Proposal Trustee and its legal counsel in the amount totaling \$104,021.57. A breakdown of the amounts owing to the Proposal Trustee and its legal counsel is below:

Firm	Fees	Disbursements	Taxes	Payment	Total
Crowe MacKay & Company Ltd.	88,768.25	174.00	4,447.12	(5,000.00)	88,389.37
Gehlen Dabbs Cash LLP	13,950.00	7.00	1,675.20	-	15,632.20
	102,718.25	181.00	6,122.32	(5,000.00)	104,021.57

14. The Proposal Trustee notes that the Company’s cash flow projections as filed on July 19, 2024 included cash disbursements totaling \$120,000 and \$15,000 for the period covering July 11, 2024 to September 29, 2024 for the Proposal Trustee and its legal counsel, respectively. Accordingly, the Proposal Trustee and its legal counsel’s fees and costs to date are approximately \$26,000 less than projected. To date, the Company has paid only \$5,000 to the Proposal Trustee, while it has paid nil to the Proposal Trustee’s legal counsel.
15. The Proposal Trustee and its legal counsel have continued to fulfill its statutory obligations in accordance with the *Bankruptcy and Insolvency Act* (the “BIA”) in good faith despite not receiving payment; however, the Proposal Trustee expresses concern with its continued administration of this proceeding as its loss will be substantial if circumstances do not change.

V. DRAFT PROPOSAL PREPARED BY COMPANY

16. As noted above, the Draft Proposal was included in Affidavit #1 of Leah Jonak. The Proposal Trustee has not conducted a thorough assessment of the terms of the Draft Proposal at this time as it is simply a draft. However, in light of the concerns noted above with respect to its unpaid fees and costs to date, the Proposal Trustee understands that the Draft Proposal and overall success of the restructuring relies heavily on the Company successfully obtaining debtor-in-possession financing (“DIP Financing”).
17. The Company provided an unsigned draft term sheet for DIP Financing in the amount of \$1.4MM to the Proposal Trustee which was open for acceptance until September 10, 2024; however, the Company advised that discussions with this lender did not advance further as the Company was not prepared to invest the time and expense of undergoing due diligence until they discussed the matter with the CRA and Royal Bank of Canada (the “RBC”).

18. The Proposal Trustee has been advised that CRA and RBC do not support the Draft Proposal nor will they consent to any form of DIP Financing. Without DIP Financing, the Proposal Trustee has serious concerns as to whether the Company will be able to file a viable Proposal and successfully restructure.
19. The Draft Proposal contemplates payment of CRA and RBC's claim in full in the amounts of about \$3.025M and \$2.95M respectively. Further, the Draft Proposal sets out that the Company would offer to the ordinary unsecured creditors a percentage of their proven claims, however does not specify to what extent.
20. Based on the issues described above, the Proposal Trustee has concerns that the Company does not have sufficient cash, nor the ability to generate sufficient cash, to pay CRA, RBC, and the ordinary unsecured creditors. Without DIP Financing, the Company will not be in a position to secure additional work which is a fundamental component contemplated in the Draft Proposal. Further, to date, the Proposal Trustee has not been provided with sufficient evidence during its monitoring of the Company's affairs which would substantiate the fact that the Company would be able to meet the terms of the Draft Proposal.

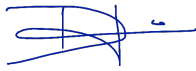
VI. PROPOSAL TRUSTEE'S CONCLUSION

21. Based on the forgoing, the Proposal Trustee has concerns with the continuation of these proceedings. Further, in view that the Company has not been paying the Proposal Trustee or its legal counsel and potentially other parties, the Proposal Trustee is of the view that any further extension would be prejudicial to those parties involved.
22. While the Company has advised that they intend to pay the Proposal Trustee and its legal counsel's outstanding accounts, the Company advised that it has not been able to pay due to the above mentioned issues with respect to its AR. The Company has provided this reasoning for several weeks; however, no payments have been made. As mentioned above, the Proposal Trustee (and its legal counsel) have continued to perform its statutory obligations in accordance with the BIA in good faith despite the non-payment by the Company.
23. The Proposal Trustee is of the view an extension would likely prejudice the creditors and is concerned that the Company will not be in a position to file a viable Proposal, particularly in view of the positions taken by CRA and RBC.

DATED AT the City of Vancouver, in the Province of British Columbia, the 3rd day of October, 2024.

CROWE MACKAY & COMPANY LTD.

in its capacity as Proposal Trustee of Go Flooring Ltd.
and not its personal capacity

Per:  _____

Derek Lai, CPA, CMA, CIRP, LIT, CFE
Senior Vice President