

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.

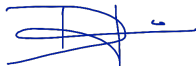
VI. PROPOSAL TRUSTEE'S CONCLUSION

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