

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE ) TUESDAY THE 15<sup>TH</sup>  
MR JUSTICE PENNY ) DAY OF OCTOBER, 2024

**IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF QUALITY RUGS OF CANADA  
LIMITED AND THE OTHER COMPANIES LISTED IN  
SCHEDULE "A" HERETO**

(collectively, the "**Applicants**")

**- AND -**

Court File No. CV-23-00703874-00CL

**WAYGAR CAPITAL INC., as agent for NINEPOINT CANADIAN SENIOR  
DEBT MASTER FUND L.P.**

Applicant

**- and -**

**QUALITY RUGS OF CANADA LIMITED, MALVERN CONTRACT  
INTERIORS LIMITED, WESTON HARDWOOD DESIGN CENTRE INC.,  
ONTARIO FLOORING LTD., TIMELINE FLOORS INC., AND QUALITY  
COMMERCIAL CARPET CORPORATION**

Respondents

**APPLICATION UNDER SUBSECTION 243(1) OF THE BANKRUPTCY AND  
INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE  
COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED**

**ORDER  
(Monitor Discharge and Appointment)**

**THIS MOTION**, made by TDB Restructuring Limited (“**TDB**”) in its capacity as Court-appointed Monitor of the Applicants (in such capacity, the “**Original Monitor**”), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), was heard this day at 330 University Avenue, Toronto, Ontario by videoconference.

**ON READING** the Notice of Motion of the Original Monitor dated October 1, 2024, the Original Monitor’s Motion Record, including the Sixth Report of the Original Monitor dated October 1, 2024, (the “**Sixth Report**”), the Ninth Report of The Fuller Landau Group Inc. (“**Fuller Landau**”), dated October 2, 2024 (the “**Ninth Report**”), in its capacity as the Court-appointed receiver and manager (the “**Receiver**”) of Quality Rugs of Canada Limited, et al., appointed in the proceedings bearing Court File No. CV-23-00703874-00CL (the “**Receivership Proceedings**”), and the affidavits sworn in support of the approval of the fees and disbursements of the Original Monitor and its counsel, and on hearing the submissions of counsel for the Original Monitor, the Receiver and such other counsel as were present and wished to be heard, and on reading the lawyer’s certificate of service filed by counsel for the Original Monitor and the affidavit of service of Ying (Teddy) Ouyang sworn October 3, 2024, filed,

## **SERVICE AND DEFINITIONS**

1. **THIS COURT ORDERS** that the time for and manner of service of the Original Monitor’s Motion Record and the Receiver’s Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS AND DECLARES** that all capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Amended and Restated Initial Order dated September 5, 2023 (the “**ARIO**”), as amended, or the Sixth Report, as applicable.

#### **APPROVAL OF ORIGINAL MONITOR’S ACTIVITIES**

3. **THIS COURT ORDERS** that the Fifth Report of the Original Monitor dated December 15, 2023, the Sixth Report of the Monitor, and the activities and conduct of the Original Monitor set out in such reports, are hereby ratified and approved.

#### **APPROVAL OF FEES AND DISBURSEMENTS OF THE ORIGINAL MONITOR**

4. **THIS COURT ORDERS** that the fees and disbursements of the Original Monitor for the period from November 13, 2023 to September 30, 2024, together with the Original Monitor’s estimate to complete the Remaining Tasks and Duties, in the total amount of \$47,920.48 (inclusive of taxes), all as set out in the Affidavit of Arif Dhanani sworn October 1, 2024, are hereby approved.

5. **THIS COURT ORDERS** that the fees and disbursements of Goodmans LLP, in its capacity as counsel to the Original Monitor, for the period from November 16, 2023 to September 30, 2024, together with Goodmans’ estimate to complete the Remaining Tasks and Duties, in the total amount of \$143,198.36 (inclusive of taxes), all as set out in affidavit of Robert J. Chadwick sworn October 1, 2024, are hereby approved.

6. **THIS COURT ORDERS AND DIRECTS** the Receiver to pay any outstanding accounts of the Original Monitor and Goodmans LLP as approved by this Honourable Court, including in paragraphs 4 and 5 hereof and in prior orders of this Honourable Court in the CCAA Proceedings, net of any retainers currently held by either the Original Monitor or Goodmans LLP.

#### **DISCHARGE OF ORIGINAL MONITOR**

7. **THIS COURT ORDERS** that, upon service by the Original Monitor of an executed certificate in substantially the form attached hereto as Schedule “B” (the “**Original Monitor’s Certificate**”) on the Service List in these CCAA Proceedings, confirming that the Original Monitor and its legal counsel have been paid in full their approved fees in these CCAA Proceedings, the Original Monitor shall be and is hereby discharged from its duties as the Monitor in these CCAA Proceedings and shall have no further duties, obligations or responsibilities as Monitor from and after the service of such Monitor’s Certificate.

8. **THIS COURT ORDERS** that the Original Monitor is hereby directed to file a copy of the Original Monitor’s Certificate with the Court as soon as reasonably practicable following service thereof on the Service List.

9. **THIS COURT ORDERS** that, notwithstanding any provision of this Order or the Original Monitor’s discharge, nothing herein shall affect, vary, derogate from, limit or amend, and the Original Monitor shall continue to have the benefit of, any of the rights, approvals, releases and protections in favour of the Monitor at law or pursuant to the CCAA, the ARIO, the Order of the Honourable Justice Penny issued in these proceedings dated November 24, 2023 (the “**Ancillary**

**Relief Order**”), and any other order of this Court in these CCAA Proceedings or otherwise, all of which are expressly continued and confirmed following the discharge of the Original Monitor.

## **RELEASES**

10. **THIS COURT ORDERS** that, upon the service of the Original Monitor’s Certificate on the Service List in the CCAA Proceedings, the Original Monitor and its affiliates, officers, directors, employees, legal counsel and agents (collectively, the “**Released Parties**” and each a “**Released Party**”) shall be and are hereby forever released and discharged from any and all claims that any Person may have or be entitled to assert against the Released Parties, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence in any way relating to, arising out of, or in respect of, these CCAA Proceedings or with respect to their respective conduct in these CCAA Proceedings (collectively, the “**Released Claims**”), and any such Released Claims are hereby irrevocably and forever released, stayed, extinguished and forever barred, and the Released Parties shall have no liability in respect thereof, provided that the Released Claims shall not include any claim or liability arising out of any gross negligence or wilful misconduct on the part of the applicable Released Party.

11. **THIS COURT ORDERS** that no action or other proceeding shall be commenced against any of the Released Parties in any way arising from or related to these CCAA Proceedings except with prior leave of this Court on not less than fifteen (15) days prior written notice to the applicable Released Party and upon further order securing, as security for costs, the full indemnity costs of the applicable Released Party in connection with any proposed action or proceeding as the Court hearing the motion for leave to proceed may deem just and appropriate.

## **APPOINTMENT OF MONITOR**

12. **THIS COURT ORDERS** that, effective upon the discharge of the Original Monitor as Monitor, Fuller Landau is hereby appointed pursuant to the CCAA as the Monitor (in such capacity, the “**Replacement Monitor**”), an officer of this Court, with the powers and obligations set out in the CCAA or set forth herein and in previous Orders of this Court issued in these proceedings.

13. **THIS COURT ORDERS** that Fuller Landau, in its capacity as Replacement Monitor, in addition to its prescribed rights and obligations under the CCAA or as an officer of this Court, shall have all of the rights and protections granted to the Monitor pursuant to the ARIO, the Ancillary Relief Order, and all other Orders issued in these proceedings.

14. **THIS COURT ORDERS** that the Replacement Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of any Order issued in these proceedings or the Receivership Proceedings, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Replacement Monitor by the CCAA or any applicable legislation.

15. **THIS COURT ORDERS** that the Replacement Monitor shall not be required to monitor the Applicants’ business and affairs, and is hereby relieved of those duties set forth in section 23 of the CCAA, provided, however, that the Replacement Monitor may undertake any duties as set forth in section 23 of the CCAA as it deems necessary or desirable.

16. **THIS COURT ORDERS** that the Replacement Monitor and its legal counsel shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges. The Receiver is hereby authorized and directed to pay the accounts of the Replacement Monitor and its legal counsel.

17. **THIS COURT ORDERS** that the Replacement Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Replacement Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice. The Replacement Monitor and its legal counsel may pass their accounts in the Receivership Proceedings.

18. **THIS COURT ORDERS** that the Replacement Monitor and its legal counsel are entitled to the benefit of the Administration Charge as security for their professional fees and disbursements incurred at the standard rates and charges of the Replacement Monitor and such legal counsel, both before and after the making of this Order in respect of these proceedings.

19. **THIS COURT ORDERS** that the Stay Period shall continue to remain in place until further Order of this Court, solely with respect to the Replacement Monitor and the former, current and future directors and officers of the Applicants.

20. **THIS COURT ORDERS** that a separate website does not need to be maintained by the Replacement Monitor in respect of the CCAA Proceedings, and the Replacement Monitor may post all court materials and orders issued in the within CCAA Proceedings on the Receiver's website at: [https://fullerllp.com/active\\_engagements/quality-sterling-group/](https://fullerllp.com/active_engagements/quality-sterling-group/).

**GENERAL**

21. **THIS COURT ORDERS** that either of the Original Monitor or the Replacement Monitor may apply to the Court as necessary to seek further orders and directions to give effect to this Order, or to seek any related relief.

22. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

23. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, or in any other foreign jurisdiction, to give effect to this Order and the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor and their respective agents as may be necessary or desirable to give effect to this Order, or to the Monitor and their respective agents in carrying out the terms of this Order.

24. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. (Toronto time) on the date hereof and is enforceable without any need for entry and filing.

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**SCHEDULE "A"**  
**OTHER APPLICANTS**

A.1 QSG Opcos (in addition to QRCL)

1. Timeline Floors Inc.
2. Ontario Flooring Ltd
3. Weston Hardwood Design Centre Inc
4. Malvern Contract Interiors Limited

A.2 Holding Companies

5. Quality Commercial Carpet Corporation;
6. Joseph Douglas Pacione Holdings Ltd.;
7. John Anthony Pacione Holdings Ltd.;
8. Jopac Enterprises Limited;
9. Patjo Holdings Inc.

**SCHEDULE “B”  
FORM OF MONITOR’S CERTIFICATE**

Court File No. CV-23-00703933-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES’ CREDITORS ARRANGEMENT  
ACT, R.S.C. 1985, c. C-36, AS AMENDED***

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
QUALITY RUGS OF CANADA LIMITED AND THE OTHER COMPANIES LISTED IN  
SCHEDULE “A” HERETO**

**ORIGINAL MONITOR’S CERTIFICATE**

**RECITALS**

- A. TDB Restructuring Limited (“**TDB**”), as successor to RSM Canada Limited, was appointed as the Monitor of the Applicants in the within proceedings commenced under the *Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended* (the “**CCAA**”), pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated August 25, 2023 (as amended and restated, the “**Initial Order**”).
- B. Pursuant to an Order of this Court dated October 15, 2024 (the “**Monitor Discharge Order**”), among other things, TDB will be discharged as the Monitor upon the service of this Monitor’s Certificate on the Service List in the CCAA Proceedings, all in accordance with the terms of the Monitor Discharge Order.

C. Unless otherwise indicated herein, capitalized terms used in this Monitor's Certificate shall have the meaning given to them in the Initial Order or the Monitor Discharge Order, as applicable.

**THE MONITOR CONFIRMS** that the Monitor and its legal counsel have been paid in full their approved fees and disbursements, including any amounts in respect of the Remaining Tasks and Duties, such that the discharge of the Monitor and the release of the Released Parties should now be effective.

**DATED** at Toronto, Ontario this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

**TDB RESTRUCTURING LIMITED.,** in its capacity as Court-appointed Monitor of the Applicants, and not in its personal or corporate capacity

Per: \_\_\_\_\_

Name:

Title:

**SCHEDULE “A”  
OTHER APPLICANTS**

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1. Timeline Floors Inc.
2. Ontario Flooring Ltd
3. Weston Hardwood Design Centre Inc
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A.2 Holding Companies

5. Quality Commercial Carpet Corporation;
6. Joseph Douglas Pacione Holdings Ltd.;
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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF QUALITY RUGS OF CANADA LIMITED AND  
THE OTHER COMPANIES LISTED IN SCHEDULE "A" HERETO**

collectively, the Applicants

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**  
Proceeding commenced at Toronto

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**MONITOR DISCHARGE ORDER**

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