

**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 (THE "APPLICANTS")**

MOTION RECORD

(CCAA Applicants Motion for a CCAA Stay Extension Order Returnable Oct 31, 2023)

October 30th, 2023

GARDINER ROBERTS LLP
Bay Adelaide Centre, East Tower
22 Adelaide St. W., Suite 3600
Toronto, ON M5H 4E3

Chris Besant
cbesant@grllp.com

Tel: 416-865-4022

Lawyers for the Applicants

TO: THE SERVICE LIST

| | |
|--|---|
| <p>AIRD & BERLIS LLP Brookfield Place 181 Bay Street, Suite 1800 Toronto, ON M5J 2T9</p> <p>Steven L. Graff (LSO #31871V) sgraff@airdberlis.com 416-865-7726</p> <p>Matilda Lici (LSO #79621D) mlici@airdberlis.com 416-865-3428</p> <p>Lawyers for Waygar Capital Inc., as agent for Ninepoint Canadian Senior Debt Master Fund L.P.</p> | <p>GARDINER ROBERTS Bay Adelaide Centre – East Tower 3600 – 22 Adelaide Street West Toronto ON M5H 4E3</p> <p>Christopher Besant (LSO #24882O) cbesant@grllp.com 416-865-4022</p> <p>Lawyers for Quality Rugs of Canada Limited</p> |
| <p>GOODMANS LLP</p> <p>Joe Latham (LSO #32326A) 416-597-4211 jlatham@goodmans.ca</p> <p>R. Chadwick rchadwick@goodmans.ca</p> <p>Erik Axell 416-840-2579 eaxell@goodmans.ca</p> <p>Andrew Harmes aharmes@goodmans.ca</p> <p>Lawyers for RSM, the Proposed CCAA Monitor</p> | <p>RSM CANADA LIMITED 11 King Street West, Suite 700, Box 27 Toronto, ON M5H 4C7</p> <p>Bryan Tannenbaum bryan.tannenbaum@rsmcanada.com 416-238-5055</p> <p>Arif Dhanani arif.dhanani@rsmcanada.com 647-725-0183</p> <p>CCAA Monitor</p> |
| <p>LAX O’SULLIVAN LISUS GOTTLIEB LLP Matt Gottlieb mgottlieb@lolg.ca</p> | <p>BUCKWOLD WESTERN LTD. 70, 3239 Faithfull Avenue Saskatoon, SK S7K 8H4 ar@buckwold.com</p> |

| | |
|---|--|
| <p>Andrew Winton awinton@lolg.ca Melissa Calce mcalce@lolg.ca</p> <p>Lawyers for Alvarez & Marsal Canada Securities ULC</p> | |
| <p>DRUDI ALEXIOU KUCHAR LLP</p> <p>Tushar Sabharwal tsabharwal@dakllp.com 416-569-8069</p> <p>Marco Drudi mdrudi@dakllp.com</p> <p>Lawyers for Olympia Tile International Inc.</p> | <p>DAVIES WARD PHILLIPS & VINEBERG LLP</p> <p>Nathasha MacParland nmacparland@dwpv.com</p> <p>Natalie Renner nrenner@dwpv.com</p> <p>Joshua Kuretzky jkuretzky@dwpv.com</p> <p>Lawyers for Ironbridge Equity Partners Management Limited</p> |
| <p>LAWSON LUNDELL LLP</p> <p>Andrea Lutsch alutsch@lawsonlundell.com 403-218-7574</p> <p>Kelly Hannan khannan@lawsonlundell.com 403-218-7541</p> <p>Lawyers for Taiga Building Products Ltd.</p> | <p>OSLER, HOSKIN & HARCOURT LLP</p> <p>Kathryn Esaw kesaw@osler.com</p> <p>Marc Wasserman mwasserman@osler.com</p> <p>Lawyers for Mohawk Carpet Distribution, Inc.</p> |
| <p>DEVRY SMITH FRANK LLP 100 – 95 Barber Greene Road Toronto ON M3C 3E9</p> <p>Michael Farace LSO# 29852S Michael.farace@devrylaw.ca 416-446-5818</p> <p>Lawyers for GG Eight Cumberland</p> | <p>KOSKIE MINSKY LLP 900 – 20 Queen Street West Toronto ON M5H 3R3</p> <p>Demetrios Yiokaris dyiokaris@kmlaw.ca</p> <p>Lawyers for LIUNA Local 183</p> |

| | |
|--|---|
| <p>METROPOLITAN FLOORS</p> <p>Jim Combatti jimc@metrofloors.com</p> | <p>SOTOS</p> <p>Peter Viitre pviitre@sotos.ca</p> <p>Lawyers for Juliet Neely</p> |
| <p>LEE BOWDEN NIGHTINGALE LLP 300 – 3700 Steeles Avenue West Vaughan ON L4L 8K8</p> <p>Gregory W. Bowden gwb@lbnfirm.com 905-264-6678</p> | <p>DLA PIPER (CANADA) LLP 1 First Canadian Place 100 King St W, Suite 6000 Toronto, ON M5X 1E2</p> <p>Danny Nunes Danny.nunes@dlapiper.com 416-365-3421</p> <p>Bruce Darlington Bruce.darlington@dlapiper.com 416-365-3529</p> <p>Howard Krupat Howard.krupat@dlapiper.com 416-365-3510</p> <p>Lawyers for Macro-Universe Enterprises Ltd. dba Fuzio</p> |
| <p>OGILVIE LLP 1400 Canadian Western Bank Place 10303 Jasper Avenue Edmonton AB T5J 3N6</p> <p>Matt Feehan mfeehan@ogilvielaw.com 780-429-6224</p> <p>Akhil Vohra avohra@ogilvielaw.com 780-429-6285</p> <p>Lawyers for Ames Tile and Stone Ltd.</p> | <p>WAYGAR CAPITAL INC., AS AGENT FOR NINEPOINT CANADIAN SENIOR DEBT MASTER FUND 372 Bay Street, Suite 901 Toronto, ON M5H 2W9</p> <p>Don Rogers drogers@waygarcapital.com 416-565-2738</p> |

| | |
|--|---|
| <p>MOHAWK CARPET DISTRIBUTION, INC. 160 South Industrial Road Calhoun, Georgia 30701</p> <p>David Patton General Counsel Dave_patton@mohawkind.com 706-629-7721</p> | <p>ATTORNEY GENERAL OF CANADA DEPARTMENT OF JUSTICE Ontario Regional Office, Tax Law Section 120 Adelaide Street West, Suite 400 Toronto, ON M5H 1T1</p> <p>Diane Winters General Counsel diane.winters@justice.gc.ca 647-256-7459</p> |
|--|---|

EMAIL SERVICE LIST:

nmacparland@dwpv.com; nrenner@dwpv.com; jkuretzky@dwpv.com; sgraff@airdberlis.com; mlici@airdberlis.com; drogers@waygarcapital.com; bryan.tannenbaum@rsmcanada.com; arif.dhanani@rsmcanada.com; jlatham@goodmans.ca; rhadwick@goodmans.ca; eaxell@goodmans.ca; Dave_patton@mohawkind.com; kesaw@osler.com; alutsch@lawsonlundell.com; khannan@lawsonlundell.com; danny.nunes@dlapiper.com; bruce.darlington@dlapiper.com; howard.krupat@dlapiper.com; diane.winters@justice.gc.ca; mgottlieb@lolg.ca; awinton@lolg.ca; dyiokaris@kmlaw.ca; insolvency.unit@ontario.ca; Michael.Farace@devrylaw.ca; mfeehan@ogilvielaw.com; avohra@ogilvielaw.com; mleci@blg.com; mfish@blg.com; ar@buckwold.com; tsabharwal@dakllp.com; mdrudi@dakllp.com; jimc@metrofloors.com; pviitre@sotos.ca; gwb@lbnfirm.com; mwasserman@osler.com; tvanklink@millerthomson.com; msinghla@millerthomson.com; michael@rousseauazzuca.com; dwright@rousseauazzuca.com; dbb@burnsidelaw.net; ian.dunbar@mcinnescooper.com; edwyer@brazeauseller.com; rcalderwood@dzlaw.com; Pierre.champagne@gowlingwlg.com; Haddon.murray@gowlingwlg.com; gborean@parenteborean.com; dgoyo@parenteborean.com; aharmes@goodmans.ca; mcalce@lolg.ca; cgaristo@lolg.ca; sophia.said@devrylaw.ca; ella@rousseauazzuca.com; rmascarenhas@kmlaw.ca; cbesant@grllp.com; dristeska@grllp.com; smahil@grllp.com; nbonischaran@grllp.com; msarkis@grllp.com; jly@grllp.com; iknight@grllp.com; smayaki@grllp.com;

Schedule “A” – Other Applicants

A.1 Other Applicants - 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 and Other Entities to be Protected by the CCAA Stay

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

TABLE OF CONTENTS

| TAB | DESCRIPTION | PAGE NO. |
|------------|---|-----------------|
| 1. | Notice of Motion | 08 |
| 2. | Affidavit of John Pacione, sworn October 30 ^h , 2023 | 14 |
| 3. | Draft CCAA Stay Extension Order | 22 |

TAB 1

**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 (THE "APPLICANTS")**

**NOTICE OF MOTION
(Returnable at October 31, 2023 Case Conference)**

Quality Rugs of Canada Limited (Variously the "**Company**" and "**QRCL**") and the applicants listed in Schedule "A" (collectively with the Company, the "**QSG Group**") (collectively, the "**Applicants**") will make a motion before the Honourable Justice Penny of the Ontario Superior Court of Justice (Commercial List) on Tuesday, October 31, 2023 at 10:00 a.m., or as soon after that time as the Motion can be heard, via Zoom videoconference.

PROPOSED METHOD OF HEARING: The Motion is to be heard by video conference at the following location:

31 October 2023 10:00 AM (Eastern Standard Time) Meeting ID: 654 0032 7305 Passcode: 082269

VIDEO CONFERENCE LINK:

[HTTPS://CA01WEB.ZOOM.US/J/65400327305?PWD=WC91RJNENJNNZ1Q2NHPVBDLZAUNLDZ09](https://ca01web.zoom.us/j/65400327305?pwd=WC91RJNENJNNZ1Q2NHPVBDLZAUNLDZ09)

THE MOTION IS FOR:

1. An Order extending the stay of proceedings until and including November 6, 2023 and confirming that the Amended and Restated Initial Order dated September 5, 2023 (the "ARIO") made in these proceedings continues to be in full force and effect until further order of this Court;
2. An order setting a date for a further case conference and/or hearing in this matter on or before November 6, 2023.
3. Such further and other relief as may be required to advance the QSG Group's restructuring and that this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

Extension of the Stay of Proceedings

1. On August 25, 2023, the Honourable Justice Penny granted an initial CCAA Order in this matter (variously herein, the "Initial Order" and the "Initial CCAA Order") with a stay of proceedings until September 5, 2023. The Stay was extended to October 31, 2023 by an ARIO made September 5, 2023.
2. The Applicants seek an extension of the Stay of Proceedings until November 6, 2023. The purpose of the extension is to:
 - a) allow the QSG Group to finalize the definitive documentation with the purchaser, Ironbridge Equity Partners Management Limited ("Ironbridge"), for the purchase of its assets and business as contemplated in the Letter of Intent signed between QSG and Ironbridge on August 25, 2023 "Sale LOI"; and
 - b) set a time for a further case conference and/or hearing in these proceedings on or before November 6, 2023 which would be used to either:

- i. (i) schedule the LRO motion and the motion for the sale approval in respect of that transaction (including motions for a Sale and Vesting Order, a Contracts Assignment Order and a Distribution Order) or
 - ii. (ii) establish the future course of the proceedings should the transaction not be finalized during the further stay period.
3. The QSG Group has acted, and continues to act, in good faith and with due diligence during the course of these CCAA Proceedings; and
4. The Monitor supports the proposed extension to the Stay of Proceedings.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the Motion:

1. The Affidavit of John Pacione to be affirmed in support of this motion;
2. The Affidavits of John Pacione previously filed in these proceedings;
3. The Pre-Filing Report and the Reports of the Monitor filed in these proceedings;
4. Such further and other documentary evidence as counsel may advise and this Court may permit.

October 29, 2023

GARDINER ROBERTS LLP
Bay Adelaide Centre, East Tower
22 Adelaide St. W., Suite 3600
Toronto, ON M5H 4E3

Chris Besant (248820)
cbesant@grllp.com

416-865-4022

Lawyers for the Applicant

TO: THE SERVICE 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"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

NOTICE OF MOTION

GARDINER ROBERTS LLP

Lawyers
Bay Adelaide Centre, East Tower
22 Adelaide Street West, Suite 3600
Toronto ON M5H 4E3

Chris Besant (248820)

Tel: (416) 865-6600
Fax: (416) 865-6636

Lawyers for the Applicant

TAB 2

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY
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 APPLICANTS LISTED IN SCHEDULE "A" (the
"**Applicants**")

AFFIDAVIT OF JOHN A. PACIONE
(Affirmed October 30, 2023)

I, John Pacione, of the City of Vaughan, in the Province of Ontario, AFFIRM AND SAY AS FOLLOWS:

1. I am a Co-Chief Executive Officer of the Quality Sterling Group of Companies (which group for purposes of these proceedings consists of the 10 Applicants, and is variously referred to in these proceedings as "QSG", the "QSG Group", the "Group" or the "Companies"). As such, I have knowledge of the matters to which I depose in this affidavit, save and except for such facts or matters which are stated to be based on information and belief, and where so stated, I believe same to be true. Defined terms herein have the same meaning as in my previous affidavits except where specified herein.
2. This affidavit is sworn in support of the Companies' motion for an extension of its CCAA protection until at least Monday November 6, 2023.
3. CCAA protection was originally granted on August 25, 2023 for 10 days and then extended on September 5, 2023 until October 31, 2023 to allow the Applicants to pursue the completion of the Ironbridge transaction.

4. Owing to unresolved business issues between the Purchaser and Waygar and an informal group of QSG materials suppliers, the asset purchase agreement between Ironbridge and QSG (the “APA”), although largely finalized, has not been signed, pending the resolution of those business issues. If they are resolved, the transaction will proceed. If they are not, the transaction will not proceed.
5. The proposed Lien Regularization Order (“LRO”) has proved difficult as the past situations where this was tried do not provide easy solutions for the present context and left much to be worked out. Those unresolved issues are entangled in the underlying commercial questions, so attempting to resolve them commercially as far as possible was viewed as the most practical way forward.
6. Similarly, whether or not Waygar’s positions are correct, the company agreed not to oppose it moving for receivership after October 24, 2023, so the most practical solution to its position was to seek a commercial resolution of as many of its issues as possible as well. Accordingly the company has attempted to do so.
7. QSG supports completing the APA, but cannot proceed without the residual commercial issues being resolved at least to a level the proposed purchaser will support. The DIP Term Sheet does not permit QSG to bring motions unilaterally.

Relief to be Sought on October 31 if the Business Issues Are Resolved by that Date

8. If the business issues are resolved by the time this motion is heard, the Company would seek:
 - (a) an Extension of the CCAA Stay until November 6, 2023; and

- (b) a date for a Case Conference on or before November 6, 2023 to schedule times for LRO motion and the Sale Approval motion;;

Relief to be Sought on October 31 if the Business Issues Are Not Resolved by that Date

- 9. If the business issues noted above are not resolved by the return of this motion on October 31, 2023, competing proposals by Waygar and Ironbridge for the next steps in the process will need to be addressed. Waygar appears to want to proceed with its receivership originally filed in August 2023 (and which the Applicants have agreed not to oppose), whereas the terms of the DIP permit Ironbridge to recoup its DIP loan through the CCAA. Accordingly, if the Applicants do not have a settled business deal by October 31, they will request that a hearing date be set on or before November 6, 2023 to determine how the proceeding will go forward.

Interim Funding through to November 6, 2023

- 10. QSG has drawn \$5 million under the \$7 million DIP Facility. QSG proposes to fund operations on a critical payments basis from cash flow through to November 6 while the future course for the proceeding is determined.

QSG has acted in Good Faith and with Due Diligence

- 11. Since the ARIO was granted on September 5, 2023 the Applicants have been fully engaged in stabilizing and protection operations while seeking the completion of the transaction, including doing the following:

Funding and Payment of Post-Filing Obligations

- (a) Completed the implementation of the DIP borrowing process and made regular draws on the DIP as needed to the extent permitted;
- (b) Ensured regular payment of post-filing amounts due to employees, installers, suppliers and governments;

Builder Relationships – Fulfillment and Collections

- (c) Arranged the continuing collection of Builder accounts receivable;
- (d) Arranged for accelerated fulfillment of flooring installations which were most critical to builders in order to protect customer relationships and AR and to minimize cure issues on the assignment of builder contracts in connection with the sale;
- (e) Dealt with two lift stay motions by builders and arranged for accelerated installations to defuse those requests;
- (f) Successfully negotiated certain other requests by builders to terminate despite the stay and resolved all of those issues without the need for motions;
- (g) Dealt with various builder collection issues where objections to payment were raised and sought payment in accordance with the ARIO;
- (h) Removed liens from title to builder properties registered before August 25, 2023 ensuring that there are no liens impairing receivables collection;
- (i) Successfully brought a motion to successfully address potential issues in collecting receivables from over 60 builders affecting up to \$ 7 million in collections, arising from default letters sent by one of the unions to builders before the Initial Order was made;
- (j) Arranged communications with the affected builders following the motion to arrange the collection of their receivables;
- (k) Reviewed statutory declaration issues raised by builders and developed proposed solutions to same;

Supplier Relationships

- (l) Arranged for stability of supply by funding suppliers on a COD basis;
- (m) Successfully negotiated with various resistant suppliers to supply on COD basis;
- (n) Arranged for critical payment of a small amount (\$60,000) to one supplier in the US outside the reach of the stay, in order to ensure supply of a critical product needed for critical installations;
- (o) Processed and recorded 90 Notices of Liens from suppliers delivered to QSG and the Monitor under the ARIO;

Unions

- (p) in addition to the Union default letters motion noted above, successfully dealt with two motions by unions concerning installer holdbacks and related issues;
- (q) Assisted the purchaser with planning for union relationships post-closing;

Other Creditor Issues

- (r) Dealt with various other creditor issues including a proposed CRA reassessment of QSG's HST liability; Dartmouth landlord issues, the PMSI rights of Mohawk in inventory, and A&M's claims under its Engagement Letter;

LRO

- (s) prepared a draft motion for an LRO, and circulated drafts to the Service List of the draft LRO, and obtained input from and negotiated over the terms of same with the informal suppliers group, obtained briefings from Ironbridge over their discussions with suppliers, and obtained input from builders;

Sale

- (t) Completed the negotiation of the draft APA and related documentation and schedules, subject to the two business issues to be resolved between the purchaser, Waygar and the Suppliers;
- (u) Worked with the purchaser on preparing for closing and post transaction integration;
- (v) Prepared a draft motion for a Sale Approval and Vesting Order, a Contracts Assignments Order and a Distribution Order;
- (w) Engaged in communications with Waygar over the Distribution Order and related transaction issues;
- (x) Engaged in communications with the informal Suppliers group over their claims as they impacted sale completion;
- (y) Conducted consultations with the Monitor and Purchaser over the remaining business issues to be resolved with Waygar and the Suppliers so that the transaction could proceed;

Court Appearances

- (z) Appeared in court in connections with motions and case conferences on September 12, 22, and 28, and October 5, 13 and 27;

Process Coordination

- (aa) Held regular consultations with the Monitor and Ironbridge to address all pressing issues regarding operations and the transaction, to ensure the restructuring was moving forward.

Reasonableness of the Stay Request

12. It is reasonable in the circumstances to extend the stay to November 6, 2023 to allow for (i) an orderly process to implement the business deal if the outstanding commercial issues are resolved during the next week;, and (ii) a case conference to either schedule deal implementation or decide what process should be followed if a deal is not reached..
13. The Applicants continue to work in good faith and with due diligence to try to complete the transaction they set out to accomplish when they filed for CCAA protection. While there have been delays in meeting the originally projected schedule, the delays reflect underlying commercial and legal issues which have emerged with more clarity since the LOI was signed. The Applicants have worked diligently to resolve them. The deal is not structured as simply a sale of assets in return for a pot of money, the allocation of which can be determined after the sale closes. The difficulties in solving that commercial reality has led to delays in bringing forward the LRO and Sale Approval Motions, but they are ready to go as soon as those issues are solved.
14. Suppliers, unions and employees have been paid in the ordinary course since the commencement of the CCAA proceedings. QSG continues to perform its contracts on a critical basis to protect builder relationships and receivables.. Without access to the additional DIP financing available on signing the APA, it will be more difficult to order materials at the rate required to service flooring installations during the next week so spending will be kept to critical payments during the next week while the course is established for the proceeding..

15. In my respectful view the short extension of the CCAA proposed is in the interests of all Stakeholders in the circumstances.

AFFIRMED by John Pacione at the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on October 30, 2023 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely

DocuSigned by:
Noah Bonis Charancle 10/30/2023
8E521C28CFF34C6...
Commissioner for Taking Affidavits
(or as may be)

DocuSigned by:
John Pacione 10/30/2023
D59AF63ECDD04EA...
JOHN PACIONE

Noah Bonis Charancle, LSO #88470Q

TAB 3

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) TUESDAY, THE 31ST
MR JUSTICE PENNY) DAY OF OCTOBER, 2023

**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**")

CCAA STAY EXTENSION ORDER

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), was heard this day by videoconference.

ON READING the Notice of Motion dated October 29, 2023, and the Affidavits of John Pacione filed in these proceedings and the Reports of the Monitor filed in these proceedings, and on hearing the submissions of counsel for the Applicants, counsel for Waygar, counsel for Ironbridge Equity Partners ("Ironbridge"), and counsel for RSM Canada Limited, and other stakeholders appearing on the motion,,

SERVICE

1. THIS COURT ORDERS that the time for and manner of service of the Applicants' Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF STAY OF PROCEEDINGS

2. THIS COURT ORDERS that the stay of proceedings pursuant to the Amended and Restated Initial Order made September 5, 2023 in these proceedings (there "ARIO") is hereby extended until and including November 6, 2023, or such later date as this Court may order, and that the ARIO shall continue in full force and effect until further Order of this Court.

3. THIS COURT ORDERS that a case conference is set for November , 2023 in this proceeding to schedule the motions to implement the purchase transaction between QSG and the proposed purchaser, Ironbridge Equity Partners Management Limited ("Ironbridge") as contemplated in the Letter of Intent signed between QSG and Ironbridge on August 25, 2023 "Sale LOI", which case conference shall convert into a hearing on the future course of the proceeding if an asset purchase agreement between QSG and Ironbridge Equity Partners has not been entered into by that date.

4. THIS COURT ORDERS that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

5. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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.

**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**

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

collectively, The Applicants

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

CCAA STAY EXTENSION ORDER

Gardiner Roberts LLP
Bay Adelaide Centre
22 Adelaide Street West, Suite 3600
Toronto, ON M5H 4E3

Christopher Besant (LSO#248820)
Email: cbesant@grllp.com
Tel: (416) 865 4022

Lawyer for the Applicants

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"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD

GARDINER ROBERTS LLP

Lawyers

Bay Adelaide Centre, East Tower
22 Adelaide Street West, Suite 3600
Toronto ON M5H 4E3

Chris Besant (248820)

Tel: (416) 865-6600

Fax: (416) 865-6636

Lawyers for the Applicants

RCP-E 4C (May 1, 2016)