

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

BETWEEN:

**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**

**MOTION RECORD
(returnable November 24, 2023)**

November 17, 2023

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TAB 1

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

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

BETWEEN:

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Applicant

- and -

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Respondents

**APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND
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COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED**

**NOTICE OF MOTION
(returnable November 24, 2023)**

The Fuller Landau Group Inc. (“**Fuller Landau**”), in its capacity as the court-appointed receiver and manager (the “**Receiver**”) of the assets, undertakings and properties (the “**Property**”) of 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, (collectively, the “**Debtors**”), appointed pursuant to the Order of this Honourable Court, dated October 31, 2023 (the “**Receivership Order**”), will make a motion to a judge presiding over the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on November 24, 2023, at 10:00 a.m., or as soon after that time as the motion can be heard.

THE PROPOSED METHOD OF HEARING: The motion is to be heard

- In writing under subrule 37.12.1 (1) because it is (*insert one of* on consent, unopposed *or* made without notice);

- In writing as an opposed motion under subrule 37.12.1 (4);
- In person;
- By telephone conference;
- By video conference.

at the following location

330 University Ave, Toronto, Ontario via Zoom (details to be provided by the Court at a later date).

THE MOTION IS FOR:

1. An Order in the CCAA Proceedings (defined below), substantially in the form attached as Tab 3 of the Receiver's Motion Record, for the following relief:
 - (a) if necessary, abridging the time for service of the Notice of Motion and Motion Record of the Receiver and validating service thereof;
 - (b) terminating the CCAA Stay Period (defined below);
 - (c) directing the RSM Canada Limited ("**RSM Canada**") as the Court-appointed monitor in the CCAA Proceedings (in such capacity, the "**Monitor**") to transfer to the Receiver all funds currently held by the Monitor pursuant to the Endorsement of the Honourable Justice Penny, dated October 5, 2023, to be held segregated and separate from all other funds held by the Receiver pending further Order of the Court; and
 - (d) such further and other relief that the Receiver may request and this Honourable Court may consider just.
2. An Order amending and restating the Receivership Order, substantially in the form attached as Tab 4 of the Receiver's Motion Record, as follows:
 - (a) Stay of Proceedings – to delete paragraph 8 and replace with the customary receivership stay of proceedings as set out in the Commercial List Model

Receivership Order (see paragraphs 8-12), with such minor amendments as may be required, and provide that, for certainty, the DIP Lender (defined below) shall only be permitted to enforce its rights and remedies against the Debtors or the Property upon further Order of the Court;

- (b) Receiver's Borrowings – to amend paragraph 17 to decrease the Receiver's borrowing limit to \$750,000 and permit the full amount of borrowings thereunder provided that any advances to the Receiver are subject to the consent of the DIP Lender and Waygar Capital Inc. (“**Waygar**”), as Applicant in the receivership proceedings;
- (c) Priority of Charges – to delete paragraph 21, import the CCAA Charges (as defined in the Receivership Order) into the receivership proceedings, declare that such charges have the priority as set out below (subject to the termination of any such charges by Court Order) and provide such other amendments as may be required to give effect thereto:
 - (i) First – the Administration Charge and the Receiver's Charge (to a combined maximum of \$750,000), which charges shall rank *pari passu* with each other;
 - (ii) Second – the Receiver's Borrowings Charge (to a maximum of \$750,000);
 - (iii) Third – the Director's Charge (to a maximum of \$600,000);
 - (iv) Fourth - the DIP Lender's Charge (to a maximum of \$7,000,000); and
 - (v) Fifth – the Financial Advisor's Charge (to a maximum of \$950,000);
- (d) First Report – to approve the First Report of the Receiver, dated November 17, 2023 (the “**First Report**”), and the activities and conduct of the Receiver described therein; and
- (e) R&D – to approve the Receiver's interim statement of receipts and disbursements to November 10, 2023.

3. A Claims Process Order for trust and lien claims, substantially in the form attached as Tab 7 of the Receiver's Motion Record:
 - (a) if necessary, abridging the time for service of the Notice of Motion and Motion Record of the Receiver and validating service thereof;
 - (b) directing the filing of trust and lien claims and authorizing the Receiver, or an adjudicator appointed by the Receiver, to administer the claims process and review, allow and disallow such claims;
 - (c) directing that all trust and lien claims shall be filed with the Receiver on or before 5pm local Toronto time on December 21, 2023 (the "**Claims Bar Date**"), and extinguishing any such claims that are not filed by the Claims Bar Date; and
 - (d) such further and other relief that the Receiver may request and this Honourable Court may consider just.

THE GROUNDS FOR THIS MOTION ARE:

Background

4. The Debtors carry on business supplying and installing flooring in residential and commercial construction projects in various provinces across Canada.
5. Prior to the Receiver's appointment, the Debtors and certain related entities (the "**CCAA Applicants**") commenced proceedings pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 bearing Court File No. CV-23-00703933-00CL (the "**CCAA Proceedings**"). An Initial Order was granted by the Court in the CCAA Proceedings on August 25, 2023, which was amended and restated pursuant to the Amended and Restated Initial Order, dated September 5, 2023 ("**ARIO**").
6. Pursuant to the Order of the Court, dated October 31, 2023 (the "**CCAA Stay Extension Order**") the Stay Period (as defined in the ARIO) was extended to November 24, 2023.

7. The success of the CCAA Proceedings was predicated upon a successful transaction with Ironbridge Equity Partners Management Limited, the prospective purchaser and CCAA Applicants' DIP financier (in such capacities, the "**DIP Lender**"). That transaction did not proceed and pursuant to the Endorsement of the Honourable Justice Penny, dated October 31, 2023, the Court appointed Fuller Landau as Receiver and ordered the transition of the CCAA Proceedings to a receivership.
8. The Receiver was appointed to manage the operations of the Debtors' business and realize on the Property with a view of maximizing value for all stakeholders. Since the date of its appointment, the Receiver has been involved in discussions with a number of stakeholders and has taken steps to stabilize the Debtors' business and preserve and protect the Property.

CCAA Administrative Matters

9. To address certain administrative matters in transitioning the CCAA Proceedings to receivership proceedings, the Receiver requests an Order terminating the CCAA Stay Period. The Receiver does not propose to terminate the CCAA Proceedings at this time.
10. Pursuant to the Endorsement of the Honourable Justice Penny, dated October 5, 2023, the Monitor was directed to hold certain holdback funds, totaling \$95,083.41 and \$95,028, segregated and separate from other funds held by the Monitor.
11. Accordingly the Receiver seeks an order directing the transfer of all such segregated funds held by the Monitor to the Receiver, to continue to be held segregated and separate, pending further Order of the Court.

Amended and Restated Receivership Order

12. With the termination of the CCAA Stay Period, the Receiver requests that the Receivership Order be amended to include the customary receivership stay of proceedings and related provisions, as set out in paragraphs 8-12 of the Commercial List Model Receivership Order.

13. The Receivership Order was settled without prejudice to the parties' positions with respect to various priorities issues scheduled to heard by the Court on November 24, 2023. Pursuant to the Clarifying Endorsement of the Honourable Justice Penny, dated November 2, 2023, the Court directed that the priority of the Receiver's charges for its fees and borrowings (the "**Receiver's Charges**") relative to the existing CCAA Charges be argued at the November 24, 2023 hearing.
14. The Receiver entered into discussions with stakeholders with respect to priority of the Receiver's Charges. It proposes that the CCAA Charges be imported into the Receivership Order and that the various Court-ordered charges be ranked as set out above, subject to the termination of certain of the charges (not including the Receiver's Charges, the DIP Lender's Charge and the Administration Charge) pursuant to Court Order.
15. The Receiver also requests that the Receiver's borrowing limit be reduced to \$750,000, the Receivership Order be amended to permit the full amount of borrowings thereunder provided that any advances to the Receiver will be subject to the consent of the DIP Lender and Waygar.
16. At this time the Receiver expects that any borrowings will be limited to immediate cash needs for the business, for example to fund payroll.

Trust and Liens Claims Process

17. The Receiver understands there are priority disputes amongst the various stakeholders, in particular in respect of construction lien and trust claims. The Receiver seeks to quickly institute a claims process (the "**Claims Process**") in respect of all lien and trust claims to provide some certainty with respect to the quantum of such claims.
18. Many of the potential claimants filed Lien Notices (as defined in the ARIO) with the Monitor. The proposed Claims Process will require the separate filing of a proof of claim with the Receiver before the Claims Bar Date for all such lien and trust claims.

19. The proposed Claims Process is a standard receivership claims process and authorizes the Receiver to appoint an adjudicator with expertise in construction lien and trust claims to review, allow and disallow such claims.
20. Any trust and lien claims not filed by the Claims Bar Date will be forever extinguished.

Other Grounds

21. Section 243 of the *Bankruptcy and Insolvency Act* (Canada);
22. Section 101 of the *Courts of Justice Act* (Ontario);
23. Rules 1.04, 1.05, 2.01, 2.03, 16.04 and 37 of the *Rules of Civil Procedure* (Ontario); and
24. Such further and other grounds as counsel may advise this Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE MOTION:

1. The First Report;
2. Such further and other materials as counsel may advise and this Honourable Court may permit.

November 17, 2023

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Lawyers for The Fuller Landau Group Inc. in its capacity court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.

TO: SERVICE LIST

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

- and -

**Court File No.: CV-23-00703874-00CL
QUALITY RUGS OF CANADA LIMITED, et al.**

Respondents

<p>ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST)</p> <p>PROCEEDING COMMENCED AT TORONTO NOTICE OF MOTION (returnable November 24, 2023)</p> <p>DENTONS CANADA LLP 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON M5K 0A1</p> <p>Kenneth Kraft (LSO # 31919P) Tel: 416-863-4374 Fax: 416 863-4592 kenneth.kraft@dentons.com</p> <p>Sara-Ann Wilson (LSO # 56016C) Tel: (416) 863-4402 sara.wilson@dentons.com</p> <p><i>Lawyers for The Fuller Landau Group Inc. in its capacity court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.</i></p>	
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TAB 2

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

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

B E T W E E N:

**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**

**FIRST REPORT OF THE FULLER LANDAU GROUP INC.
IN ITS CAPACITY AS RECEIVER**

Dated November 17, 2023

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- A** Receivership Order dated October 31, 2023
- B** Endorsement of Justice Penny dated October 31, 2023
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- D** Amended and Restated Initial Order dated September 5, 2023 (CCAA)
- E** CCAA Stay Extension Order dated October 31, 2023
- F** Notice and Statement of Receiver
- G** Letter from Receiver’s counsel to LiUNA’s counsel dated November 17, 2023
- H** Letter from counsel to Carpenters and Allied Workers Local 27, United Brotherhood of Carpenters and Joiners of America dated November 15, 2023
- I** Endorsement of Justice Penny dated October 5, 2023 (CCAA)

INTRODUCTION AND BACKGROUND

1. Pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), dated October 31, 2023 (the “**Receivership Order**”), The Fuller Landau Group Inc. was appointed as receiver and manager (the “**Receiver**”) of all of the assets, undertakings and properties (the “**Property**”) of 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 (collectively, “**QSG**” or the “**Debtors**”). A copy of the Receivership Order and the Court’s Endorsements, dated October 31, 2023 and November 2, 2023, are attached hereto as **Appendices “A” to “C”**, respectively.
2. The Debtors are in the business of supplying and installing flooring for both residential and commercial construction projects across multiple provinces in Canada.
3. The Debtors and certain related entities initiated proceedings under the *Companies’ Creditors Arrangement Act* (“**CCAA**”) with Court File No. CV-23-00703933-00CL (the “**CCAA Proceedings**”). An Initial Order was granted by the Court in the CCAA Proceedings on August 25, 2023, which was amended and restated pursuant to the Amended and Restated Initial Order, dated September 5, 2023 (“**ARIO**”). RSM Canada Limited (“**RSM Canada**”) was appointed as monitor in the CCAA Proceedings (“**Monitor**”). A copy of the ARIO is attached hereto as **Appendix “D”**.
4. The purpose of the CCAA Proceedings was to allow the Debtors to complete a sale transaction with a prospective purchaser within 60 days of the Initial Order.
5. On October 31, 2023, the prospective purchaser advised the Court that it would not be proceeding with the proposed sale transaction. On application of Waygar Capital Inc. (“**Waygar**”), the Court granted the Receivership Order.
6. Pursuant to the Order of the Court, dated October 31, 2023 (the “**CCAA Stay Extension Order**”) the Stay Period (as defined in the ARIO) was extended to November 24, 2023. A copy of the CCAA Stay Extension Order is attached hereto as **Appendix “E”**.
7. The purpose of this First Report to the Court of the Receiver (the “**First Report**”) is to:
 - (a) provide this Honourable Court with information on:

- (i) the Receiver's activities from the date of the Receivership Order (the "**Receivership Date**") to the date of this First Report;
 - (ii) the efforts taken by the Receiver to stabilize the Debtors' business, preserve and protect the Property and seek to maximize recovery of the Property for the benefit of all of the Debtors' stakeholders;
 - (iii) the Receiver's funding requirements to operate the Debtors' business; and
 - (iv) the Receiver's interim statement of receipts and disbursements to November 10, 2023 (the "**Receiver's R&D**").
- (b) seek an Order of this Honourable Court in the CCAA Proceedings:
- (i) if necessary, abridging the time for service of the Notice of Motion and Motion Record of the Receiver and validating service thereof;
 - (ii) terminating the CCAA Stay Period; and
 - (iii) directing the Monitor to transfer to the Receiver all funds currently held by the Monitor segregated and separate from other funds held by the Monitor, to continue to be held segregated and separate from all other funds held by the Receiver pending further Order of the Court;
- (c) seek an Order amending and restating the Receivership Order as follows:
- (i) granting the customary receivership stay of proceedings as set out in the Commercial List Model Receivership Order (see paragraphs 8-12), with such minor amendments as may be required, and providing that, for certainty, the DIP Lender (defined below) shall only be permitted to enforce its rights and remedies against the Debtors or the Property upon further Order of the Court;
 - (ii) amending paragraph 17 to decrease the Receiver's borrowing limit to \$750,000 and permit the full amount of borrowings thereunder provided that any advances to the Receiver are subject to the consent of the DIP Lender and Waygar;

- (iii) deleting paragraph 21, importing the CCAA Charges (as defined in the Receivership Order) into the receivership proceedings, declaring that such charges have the priority as set out below (subject to the termination of any such charges by Court Order) and providing such other amendments as may be required to give effect thereto:
 - a. First – the Administration Charge and the Receiver’s Charge (to a combined maximum of \$750,000), which charges shall rank pari passu with each other;
 - b. Second – the Receiver’s Borrowings Charge (to a maximum of \$750,000);
 - c. Third – the Director’s Charge (to a maximum of \$600,000);
 - d. Fourth - the DIP Lender’s Charge (to a maximum of \$7,000,000); and
 - e. Fifth – the Financial Advisor’s Charge (to a maximum of \$950,000);¹
- (iv) approving the First Report and the activities and conduct of the Receiver described therein; and
- (v) approving the Receiver’s R&D.
- (d) seek a Claims Process Order for trust and lien claims:
 - (i) if necessary, abridging the time for service of the Notice of Motion and Motion Record of the Receiver and validating service thereof;
 - (ii) directing the filing of trust and lien claims and authorizing the Receiver, or an adjudicator appointed by the Receiver, to administer the claims process (the “**Claims Process**”) and review, allow and disallow such claims; and

¹ Waygar is bringing a motion seeking to terminate both the Director’s Charge and the Financial Advisor’s Charge.

- (iii) directing that all trust and lien claims shall be filed with the Receiver on or before 5pm local Toronto time on December 21, 2023 (the “**Claims Bar Date**”), and extinguishing any such claims that are not filed by the Claims Bar Date.

TERMS OF REFERENCE

8. In preparing this Report, the Receiver has relied upon unaudited financial information including accounting records, and other financial information and projections provided by the Debtors, as well as information received from discussions with the Debtors’ shareholders, management and employees. While the Receiver has reviewed various documents provided by the Debtors and believes that the information therein provides a fair summary of the transactions as reflected in the documents, such work does not constitute an audit or verification of such information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises (“**ASPE**”) or International Financial Reporting Standards (“**IFRS**”). Accordingly, the Receiver expresses no opinion or other form of assurance pursuant to ASPE or IFRS with respect to such information.
9. This First Report has been prepared for the use of this Court and the Debtors’ stakeholders as general information relating to the Debtors. The reader is cautioned that this First Report may not be appropriate for any other purpose. The Receiver will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this First Report contrary to provisions of this paragraph.
10. All references to dollars are in Canadian currency unless otherwise stated.

RECEIVER’S ACTIVITIES

11. The initial activities of the Receiver since the date of the Receivership Date include:
 - (a) attending at the Debtors’ leased premises in Vaughan to meet with QSG’s shareholders and key staff members to discuss:
 - i. the Receivership Order, the duties of the Receiver and the receivership process;
 - ii. QSG’s current operating status and plans to continue operations with appropriate controls in place; and

- iii. status and results of QSG's efforts to complete existing backlog of jobs and collection of accounts receivable;
- (b) preparing and issuing of the prescribed notice and statement of the Receiver pursuant to sections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**Notice and Statement of Receiver**"), which was sent to creditors of record of QSG on November 9, 2023. A copy of the Notice and Statement of Receiver is attached hereto as **Appendix "F"**;
- (c) attending several meetings with QSG's key customers and their legal counsel (as requested) to advocate for pre-payment arrangements, offer assurances that any funds received in advance would be dedicated exclusively to the specific projects for which pre-payments were made and seek customer commitments to pay outstanding receivables;
- (d) participating in multiple meetings with shareholders and key employees to gain insights into their options for continuing operations to complete customer contracts which will enhance collection of accounts receivable, including their perspectives on optimizing the size and structure of QSG;
- (e) attending internal finance meetings on a daily basis to monitor the inflow of cash and assess the sufficiency of cash required to address the backlog of outstanding jobs, as well as to cover overhead expenses;
- (f) attending meetings with key suppliers and their counsel to discuss their potential trust claims and to address various queries pertaining to QSG's operating status and the way forward to maximize recoveries for stakeholders;
- (g) responding to creditor inquiries and setting up the Receiver's website for QSG (https://fullerllp.com/active_engagements/quality-sterling-group/);
- (h) reviewing and approving post receivership operating invoices for payment, and coordinating with banks to change the signing authority on bank accounts to the Receiver;
- (i) changing of locks to secure Debtors' premises;
- (j) confirming the status of QSG's insurance coverage;

- (k) discussing with the Receiver's counsel the various motions and relief to be sought at the hearing scheduled for November 24, 2023; and
- (l) preparing this First Report.

PROPERTY REALIZATION

- 12. The Receiver was appointed to manage the operations of the Debtors' business and realize on the Property with a view of maximizing value for all stakeholders. Since the date of its appointment, the Receiver has been involved in discussions with a number of stakeholders and has conducted an initial review of potential realization strategies and challenges.
- 13. Based on its review of current operations and the history of QSG, and numerous discussions with several of QSG's customers, the Receiver is of the view that maximizing value of the Debtors' business and Property will be driven by the following key factors:
 - (a) the continued operation of the Debtors' business with the goal of completing as much as possible of the existing backlog of contracts for customers that owe funds to the Debtors, funded primarily with the co-operation of customers who agree to more advantageous payment terms;
 - (b) the collection of accounts receivable arrears, which collections are expected to be severely impaired if the existing backlog of contracts are not completed in a timely fashion;
 - (c) the continuing ability of the Receiver to utilize collections from pre-receivership receivables and holdbacks: (i) to fund the purchase of materials and the supply of labour for any projects where customers will not agree to prepayment terms; and (ii) to pay overhead and administration costs of the Debtors' ongoing business operations; and
 - (d) the reduction of overhead expenses and right sizing current operations of QSG to enable the Debtors to operate the business more efficiently going forward.
- 14. Discussions with customers with respect to payment terms for the future supply of materials and labour, the release of holdbacks and the payment of outstanding accounts receivable remain ongoing.

15. Due to the insolvent state of the Debtors' business and the nature of the Debtors' assets, the Receiver does not have adequate resources, credit from suppliers, or a borrowing facility to fund the Debtors' ongoing operations and the administration of the receivership proceedings. If the Receiver is unable to utilize receipts from receivables and holdback funds to pay the expenses of the Debtors' ongoing business, including rent, payroll, and purchase required materials and labour to complete customer work needed to collect receivables, the result will be that recoveries will be significantly impaired to the detriment of all stakeholders.
16. The value of the Debtors' Property is predominantly based on their long history of working with their customers (goodwill), the ability to complete customer contracts and collecting accounts receivable. The Debtors do not own any real property and do not carry inventory other than flooring ordered from suppliers for specific jobs. The stabilization of the Debtors' business and their ability to provide assurances to customers that warranty obligations will be fulfilled in the normal course are crucial to the realization of accounts receivable.
17. In the event of a shutdown of the Debtors' business and a liquidation of the Property, collections of accounts receivable are expected to be significantly impaired. There is a material risk that customers will bring set-off claims against amounts owing for, among other things, warranty claims, deficiency claims, and damages for failure to complete the contracted work.
18. Accordingly the Receiver expects the realization value of the Property to be significantly less in a shutdown/liquidation scenario versus continuing operations.
19. The Receiver is of the view that, at this stage, the preferred approach to maximize realization will be continuing operations in the short-term and the identification of a replacement contractor(s) to takeover completion of the existing contracts, fulfill warranty obligations and thereby facilitate the collection of receivables arrears.
20. An operating receivership realization is for the benefit of all stakeholders, including secured creditors, lien and trust claimants, employees, customers and suppliers.

LIEN AND TRUST CLAIM PROCESS

21. The Receiver understands there are priority disputes amongst the various stakeholders, in particular in respect of construction lien and trust claims. The Receiver seeks to quickly

institute the Claims Process in respect of all lien and trust claims to provide some certainty with respect to the validity and quantification of such claims.

22. Many of the potential claimants filed Lien Notices (as defined in the ARIO) with the Monitor. The proposed Claims Process will require the separate filing of a proof of claim with the Receiver before the Claims Bar Date for all such lien and trust claims, unless otherwise directed by the Receiver.
23. The proposed Claims Process is a standard receivership claims process and authorizes the Receiver to appoint an adjudicator with expertise in construction lien and trust claims to review, allow and disallow such claims. Where appropriate an adjudicator may be able to deal with these claims in a more cost effective manner than the Receiver and its counsel.
24. The Claims Process will require cross-referencing the filed claims against the Debtors' records and may prove challenging.
25. Any trust and lien claims not filed by the Claims Bar Date will be forever extinguished.

UNION GRIEVANCES

26. Prior to the receivership, certain unions commenced or sought to commence grievance actions against the Debtors.
27. The Receiver understands that a grievance filed by Labourer's International Union of North America, Local 183 ("**LiUNA**") against the Debtors is scheduled to proceed on November 21, 2023 before the Ontario Labour Relations Board ("**OLRB**"). This is not connected to the matter where the Monitor has been holding funds in trust. After being advised by the Debtors' labour counsel that LiUNA would not consent to an adjournment, by letter dated November 17, 2023, the Receiver's counsel wrote to LiUNA's counsel advising of its position that the proceedings were stayed by the ARIO and the Receivership Order and its request for an adjournment. A copy of the letter from the Receiver's counsel is attached hereto as **Appendix "G"**. The Receiver understands that even if LiUNA is successful in this arbitration the result would be an unsecured damages claim so the Receiver does not see any reason estate funds should be expended at this stage on this matter.
28. By letter, dated November 15, 2023, counsel to Carpenters and Allied Workers Local 27, United Brotherhood of Carpenters and Joiners of America ("**Local 27**") advised of its grievance against the Debtors for failing to maintain pieceworker holdback monies in trust

and its instructions to refer the matter to the OLRB. A copy of the letter is attached hereto as **Appendix “H”**.

29. Pursuant to the Endorsement of the Honourable Justice Penny, dated October 5, 2023, on the consent of the parties the Court lifted the CCAA stay of proceedings to permit certain grievance arbitrations in respect of certain holdback funds to proceed. A copy of the October 5, 2023 Endorsement is attached hereto as **Appendix “I”**. The Receiver has confirmed with the Monitor that the holdback funds identified in the Endorsement, totaling \$95,083.41 and \$95,028.00, are being held segregated and separate from other funds held by the Monitor. The Monitor and the Receiver are seeking an order in the CCAA Proceedings for certain transitional relief, including the transfer of such funds to the Receiver, to be continue to be held segregated and separate pending further order of the Court.
30. There may be other outstanding grievance proceedings involving the Debtors that the Receiver is not aware of.
31. The Receiver is not in a position to deal with any union grievances and/or hearings before the OLRB in any substantive manner at the outset of these receivership proceedings and it is of the view that all such proceedings should be stayed by the Receivership Order (and would customarily be stayed by the standard stay of proceedings in a receivership), other than the matters referred to in the October 5, 2023 Endorsement.

CCAA TRANSITIONAL RELIEF

32. The Receiver requests an Order in the CCAA proceedings granting certain transitional relief, including the termination of the CCAA Stay. The Receiver does not propose to terminate the CCAA Proceedings at this time as it is still not clear what the best way forward will be.
33. As detailed further below, the Receiver believes that it is appropriate for the customary receivership stay of proceedings to be put in place and accordingly the CCAA stay is no longer required. Further, the CCAA stay provisions provide certain carve-outs for regulatory proceedings in respect of the Debtors that are not appropriate in a receivership.

AMENDED AND RESTATED RECEIVERSHIP ORDER

34. The Receiver requests certain amendments to the Receivership Order. These amendments include the inclusion of the customary receivership stay of proceedings and related provisions. The Receiver is of the view, especially in light of the various union grievances and the positions taken by certain unions that such proceedings are not caught by the CCAA stay of proceedings, that the receivership stay provisions are appropriate due to the transition of the proceedings to a receivership.
35. The Receivership Order was settled without prejudice to the parties' positions with respect to various priorities issues scheduled to heard by the Court on November 24, 2023. Pursuant to the Clarifying Endorsement of the Honourable Justice Penny, dated November 2, 2023, the Court directed that the priority of the Receiver's charges for its fees and borrowings (the "**Receiver's Charges**") relative to the existing CCAA Charges be argued at the November 24, 2023 hearing.
36. Counsel to the Receiver entered into discussions with counsel to stakeholders with respect to priority of the Receiver's Charges. It proposes that the CCAA Charges be continued in the receivership proceedings and that the various Court-ordered charges be ranked as set out above, subject to the potential termination of certain of the charges (not including the Receiver's Charges, the DIP Lender's Charge and the Administration Charge) pursuant to Court Order.
37. The Receiver understands that very little if anything is currently owing to the Debtors' counsel, the Monitor and the Monitor's counsel under the Administration Charge, other than a small amount owing to labour counsel to the Debtors.
38. The Receiver also requests that the Receiver's borrowing limit be reduced to \$750,000, the Receivership Order be amended to permit the full amount of borrowings thereunder provided that any advances to the Receiver will be subject to the consent of the DIP Lender and Waygar.
39. The Receiver is not aware of any party that takes issue with the proposed priority or quantum of the Receiver's Charges.
40. At this time the Receiver expects that any borrowings, if any, will be limited to immediate cash needs for the business, for example to fund payroll.

R&D

41. To date, the Receiver has only used amounts received by QSG to pay for materials, labour or other expenses relating to completion of customer projects, or to pay for the overhead expenses of QSG.
42. As at November 10, 2023, the Receiver has net funds on hand of \$2,109,925 (excluding receipts from customers for prepayments, which are separately held in trust for customers' work) , which is summarized as follows:

Quality Sterling Group Operating Receivership Receipts and Disbursements October 31 to November 10, 2023 All figures are in CAD \$	
Week Ending	Totals \$
Cash Receipts	
Cash Balance - opening	1,859,866
A/R Collections	3,736,995
Total Cash Receipts:	5,596,861
Cash Disbursements	
Material purchases	826,573
Subcontract Labour	1,440,948
Union Dues	174,258
Payroll	491,199
Leases, Utilities, Insurance etc.	216,715
HST	144,605
Delivery charges, Travel, misc, etc.	183,920
Legal Fees - related for pre-receivership period	8,717
Total Cash Disbursements:	3,486,936
Cash Balance - Closing	2,109,925

RECOMMENDATIONS

43. The Receiver respectfully requests that this Honourable Court grant the relief as set out in its Notice of Motion, dated November 17, 2023.

All of which is respectfully submitted this 17th day of November, 2023.

THE FULLER LANDAU GROUP INC., in its capacity as Court-Appointed Receiver of Quality Rugs of Canada Limited Malvern Contract Interiors Limited, Weston Hardwood Design Centre Inc., Ontario Flooring Ltd., Timeline Floors Inc., Quality Commercial Carpet Corporation and not in its personal or corporate capacity

Per: _____



Ken Pearl

Senior Vice President

Appendix “A”
to the First Report of the Receiver



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

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

THE HONOURABLE MR.)

TUESDAY, THE 31ST

JUSTICE PENNY)

DAY OF OCTOBER, 2023

**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
(appointing Receiver)**

THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing The Fuller Landau Group Inc. ("**Fuller**") as receiver and manager (in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of each of 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, (collectively, the "**Debtors**") acquired for, or used in relation to a business carried on by the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavits of Don Rogers sworn July 24, 2023 and October 31, 2023, and the respective exhibits thereto, and on hearing the submissions of counsel for Applicant, counsel for the Respondents, and such other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the affidavit of service of Matilda Lici sworn October 31, 2023, and on reading the consent of Fuller to act as the Receiver,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, Fuller is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of each of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

- (c) to manage, operate, and carry on the business of the Debtors, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtors;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (g) to settle, extend or compromise any indebtedness owing to the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of any of the Debtors, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

- (i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;
- and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.
- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
 - (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
 - (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
 - (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;
 - (p) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have; and
 - (q) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

(r) and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including each of the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that (i) the Debtors, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully

copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. **THIS COURT ORDERS** that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. **THIS COURT ORDERS** that the stay of proceedings in effect in accordance with paragraphs 14-17 of the Amended and Restated Initial Order dated September 5, 2023 (the "ARIO") granted in the proceedings commenced under the *Companies' Creditors Arrangement Act* (Canada) under court file no. CV-23-00703933-00CL (the "CCAA Proceedings") shall apply *mutatis mutandis* to any Proceedings (as defined in the ARIO) or any right or remedy against or in respect of the Debtors, the Receiver and the Property, and nothing herein shall derogate from the stay of proceedings in effect pursuant to the ARIO except to the extent necessary to give effect to the appointment of the Receiver. For greater certainty, notwithstanding paragraph 41 of the ARIO, the DIP Lender (as defined in the ARIO) shall

refrain from exercising any and all of its rights and remedies under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Lender's Charge without further Order of this Court.

RECEIVER TO HOLD FUNDS

9. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of further Order of this Court.

EMPLOYEES

10. **THIS COURT ORDERS** that all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

11. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all

such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

12. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

13. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

14. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, provided, however, that nothing in this paragraph shall derogate from or impair any of the existing priority charges (the "**CCAA Charges**") granted in the CCAA Proceedings, which CCAA Charges shall continue to exist until the comeback hearing on November 24, 2023 (the "**Comeback Date**") or further Order of the Court.

15. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

16. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

17. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$1,500,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and

is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, provided, however, that nothing in this paragraph shall derogate from or impair any of the CCAA Charges granted in the CCAA Proceedings, which CCAA Charges shall continue to exist until the Comeback Date or further Order of the Court. From the date of this Order until the Comeback Date, the Receiver shall only borrow or draw on those amounts that are necessary for the receivership on an interim basis, until the Comeback Date.

18. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

19. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

20. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

PRIORITY OF THE CHARGES

21. **THIS COURT ORDERS** that the relative priority of the Receiver's Charge, the Receiver's Borrowings Charge and each of the CCAA Charges will be determined at the Comeback Date.

SERVICE AND NOTICE

22. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of

documents made in accordance with the Protocol (which can be found on the Commercial List website at <https://www.ontariocourts.ca/scj/practice/regional-practice-directions/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (the “**Rules**”), this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol and shall be accessible by selecting the Debtors’ name from the engagement list at the following URL [‘https://fullerllp.com/services/corporate-restructuring-and-insolvency/selected-active-engagements/’](https://fullerllp.com/services/corporate-restructuring-and-insolvency/selected-active-engagements/).

23. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors’ creditors or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

24. **THIS COURT ORDERS** that the Receiver be and it is hereby directed to communicate and cooperate with RSM Canada Limited, in its capacity as the Monitor of the Debtors in the CCAA Proceedings, with a view to making the transition from the CCAA Proceedings to the receivership herein as efficient as possible.

25. **THIS COURT ORDERS** that the ARIO, as amended as of October 31, 2023, shall continue in full force and effect until the CCAA Proceedings are terminated by order of this Court, provided that, to the extent that there is any inconsistency between any provision(s) of the ARIO and the provisions of this Order, the provisions of this Order shall prevail.

26. **THIS COURT ORDERS** that the Receiver is authorized and directed to pay the sum of \$2,000.00 to Koskie Minsky LLP in trust for Radisa Zlatahnic o/a MRAD.

27. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors.

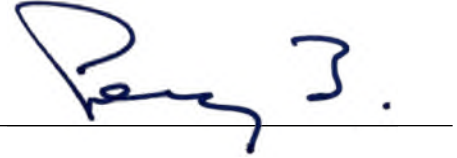
29. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals,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

30. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. **THIS COURT ORDERS** that the Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtors' estate with such priority and at such time as this Court may determine.

32. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

33. **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, and enforceable without any need for entry or filing.



A handwritten signature in blue ink, appearing to read "Ray J.", is written above a horizontal line.

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that The Fuller Landau Group Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties of each of 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 (collectively, the "**Debtors**") acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 18th day of August, 2023 (the "**Order**") made in an action having Court file number CV-23-00703874-00CL, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

The Fuller Landau Group Inc., solely in its capacity as Receiver of the Property, and not in its personal capacity

Per: _____

Name:

Title:

**WAYGAR CAPITAL INC., AS AGENT FOR
NINEPOINT CANADIAN SENIOR DEBT MASTER
FUND L.P.**
Applicant

- and -

QUALITY RUGS OF CANADA LIMITED ET AL.

Respondents

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

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

Proceedings commenced at Toronto

**ORDER
(Appointing Receiver)**

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*Lawyers for Waygar Capital Inc., as agent for
Ninepoint Canadian Senior Debt Master Fund L.P*

Appendix “B”
to the First Report of the Receiver



ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL SLIP/ENDORSEMENT

COURT FILE NO.: CV-23-00703933-00CL DATE: OCTOBER 31 2023

NO. ON LIST: 1

TITLE OF PROCEEDING: **QUALITY RUGS OF CANADA LTD v WAYGARD CAPITAL INC**
et al

BEFORE JUSTICE: **PENNY**

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party, Crown:

Name of Person Appearing	Name of Party	Contact Info
CHRISTOPHER BESANT	QUALITY RUGS OF CANADA LIMITED	cbesant@grllp.com

For Defendant, Respondent, Responding Party, Defence:

Name of Person Appearing	Name of Party	Contact Info
STEVEN LEONARD GRAFF MATILDA LICI JAMES BRUCE	WAYGAR CAPITAL INC., AS AGENT FOR NINEPOINT CANADIAN SENIOR DEBT MASTER FUND L.P.	sgraff@airdberlis.com mlici@airdberlis.com jbruce@waygarcapital.com
DANIEL WRIGHT	UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA	dwright@rousseaumazzuca.com
MICHAEL P. FARACE	GG EIGHT CUMBERLAND INC	Michael.farace@devrylaw.ca

For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info
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Natalie Renner Natasha MacParland	Counsel for Ironbridge, the DIP Lender	Nrenner@dwpv.com nmacparland@dwpv.com
Joseph Latham Erik Axell Arif Dhanani Bryan Tannenbaum	RSM Canada Limited - Monitor	jlatham@goodmans.ca eaxell@goodmans.ca arif.dhanani@rsmcanada.com bryan.tannenbaum@rsmcanada.com
Demetrios Yiokaris (Koskie Minsky LLP)	LIUNA Local 183	dyiokaris@kmlaw.ca
Derek Brett	4405967 NS Limited.	dbb@burnsidelaw.net
Tushar Sabharwal	Olympia Tile	tsabharwal@dakllp.com
Haddon Murray	Counsel to suppliers: Torlys Inc; Metropolitan Hardwood Floors (Eastern) Inc.; Lauzon – Planchers De Bois Exclusifs Inc.; Cerasec Inc.; and BoaFranc SENC/GP	haddon.murray@gowlingwlg.com
Danny Nunes (DLA Piper Canada LLP)	Fuzion Flooring	danny.nunes@dlapiper.com
Marin Leci	Housing One	mleci@blg.com

ENDORSEMENT OF JUSTICE PENNY :

The court-ordered stay in these CCAA proceedings was to have expired today. At a case conference on Friday, October 27, I scheduled a motion for a stay extension.

At 9:40 PM last night, the Monitor was advised definitively that the Ironbridge transaction would not be proceeding. This transaction was at the heart of the debtors' restructuring proposal. The debtors have no funds to continue to operate the company, and no available source of funds. It is generally recognized by the debtors and other stakeholders that, with the Ironbridge transaction gone, the only remaining option is some form of liquidation.

Waygar had a pending application for the appointment of a receiver which was adjourned as part of the negotiations which lead to the initial order under the debtor-lead CCAA filing. In light of the collapse of the debtors' restructuring effort, Waygar, earlier this morning, brought its application back on. It seeks the appointment of The Fuller Landau Group Inc. as receiver of the debtors.

There are many stakeholders whose interests have been affected, constrained or deferred to date, in the interests of a negotiated solution and/or the expectation of a future court hearing on various aspects of the CCAA process. In order to avoid chaos, there will need to be an orderly transition from the CCAA proceedings to the receivership proceedings, and an ongoing stay will be required. During the transition, it is important that parties' positions not be compromised or further prejudiced.

In all of the circumstances, I find it is just and convenient to grant Waygar's application for the appointment of a receiver. The form of order, however, shall reflect the principles which inform an initial order under the CCAA. In other words, the initial receivership order shall be a "bare bones" order (as distinct from the Commercial List Model Order, which may be sought on the "comeback" hearing) which appoints the Receiver and confers on the Receiver control over the debtors' assets and undertaking. There will need to be a priority charge to protect the Receiver and its counsel. And, the Receiver will need the power to borrow in an initial amount that will enable its work to be done until the "comeback" hearing, which has been scheduled to take place on Friday November 24, 2023 at 10:00 AM before me. The existing stay shall be extended until November 24, or further order of the court.

Of great importance to the stakeholders, many of whom have been patiently waiting for their day in court to assert their claims and priorities, is that the initial receivership order not prejudice any position a stakeholder may wish to take regarding the order and effectiveness of any priorities or related interests (such as the assertion of common law trusts). This includes, without limitation, Ironbridge, which advanced funds under the court-approved DIP facility, and the suppliers, whose trust and lien claims have been held in abeyance under the ARIO pending finalization of a lien regularization order, which has not happened. All such rights and arguments are preserved pending further argument on November 24, or other date as may be scheduled. The court specifically retains the authority and discretion to make retroactive orders to ensure that this principle has been adhered to.

The ARIO will remain in place during the transition. To the extent the initial receivership order and the ARIO are in conflict, the initial receivership order shall prevail. The Monitor has undertaken to work with the Receiver during the transitional period to ensure the most efficient and effective transition reasonably available.

The Monitor confirmed that certain funds that were to be held separate and apart by virtue of my September 26 endorsement have indeed been held separate and apart. They will continue to be so held, either by the Monitor or the Receiver, as appropriate. The beneficiary of the \$2,000 payment (MRAD) is apparently out of the country and has not cashed the cheque issued to him by the debtors. To avoid uncertainty and delay in resolving that payment, the cheque issued to MRAD may be destroyed or cancelled and the funds transferred to LIUNA's counsel to be held in trust for MRAD.

I am leaving it to the principal stakeholders to draft a bespoke initial receivership order in accordance with these directions. If there are serious disagreements about truly material and necessary points which must be resolved before November 24, I may be spoken to.

A handwritten signature in blue ink, appearing to read "Penny J.", followed by a period.

Penny J.

Appendix “C”
to the First Report of the Receiver



ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL SLIP/ENDORSEMENT

COURT FILE NO.: CV-23-00703292-00CL/CV-23-00703933-00CL **DATE:** November 2, 2023

NO. ON LIST: _____

TITLE OF PROCEEDING: WAYGAR CAPITAL INC. v. QUALITY RUGS OF CANADA LTD
v WAYGARD CAPITAL INC et al

BEFORE JUSTICE: PENNY

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party, Crown:

Name of Person Appearing	Name of Party	Contact Info
CHRISTOPHER BESANT	QUALITY RUGS OF CANADA LIMITED	cbesant@grllp.com

For Defendant, Respondent, Responding Party, Defence:

Name of Person Appearing	Name of Party	Contact Info
STEVEN LEONARD GRAFF MATILDA LICHI JAMES BRUCE	WAYGAR CAPITAL INC., AS AGENT FOR NINEPOINT CANADIAN SENIOR DEBT MASTER FUND L.P.	sgraff@airdberlis.com mlici@airdberlis.com jbruce@waygarcapital.com
DANIEL WRIGHT	UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA	dwright@rousseau-mazzuca.com
MICHAEL P. FARACE	GG EIGHT CUMBERLAND INC	Michael.farace@devrylaw.ca

For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info
Devon Goyo	Supplier to Respondent – Ciot Inc	dgoyo@parenteborean.com
Akhil Vohar	Ames Tile & Stone LTD	avohra@ogilvielaw.com

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CLARIFYING ENDORSEMENT OF JUSTICE PENNY of NOVEMBER 2, 2023:

In my endorsement of October 31, 2023, I appointed Fuller Landau as Receiver of the debtors. This occurred in the context of an existing CCAA proceeding. Given that the appointment was made on short notice and in peculiar circumstances, I ordered that the initial receivership order should be a “bare bones” order until a comeback hearing scheduled on November 24, 2023.

A dispute has arisen about the form of bare-bones receivership order that should issue. To expedite matters, I asked my two court appointees, the Monitor and the Receiver, to report on what paragraphs in the draft order are in dispute and what the nature of the dispute is.

I have been advised by my appointees that the principal dispute arises out of language in the draft order that provides for a first charge favour of the Receiver’s fees and borrowings.

I have been asked to clarify whether it was my intent, in the October 31 endorsement, to impose a priority charge for the benefit of the Receiver limited to priority over pre-filing or statutory claims, to be further reviewed on November 24, or a first charge in priority to all prior charges in these proceedings, which would also be reviewed on November 24.

Although I did not conceive of or articulate the matter quite this way, it was my intent that the Receiver have a priority charge for its fees and borrowings (and those of its counsel) but not a *first* charge which would necessarily “prime” all earlier charges granted in these proceedings. The relationship between the earlier

priority charges and the new priority charge relating to the appointment of the Receiver is a potentially complex one which will, if not resolved, likely require a full briefing, including practical and/or judicial precedents, to understand and appropriately resolve. The determination of where the Receiver's charge will rank vis-a-vis the existing, earlier charges under the CCAA ARIO must await the full hearing on November 24.

I trust this will be of assistance clarifying the intended scope of the bare-bones initial receivership order pending a full hearing of this matter on November 24, 2023.

A handwritten signature in blue ink, appearing to read "Penny J.", followed by a period.

Penny J.

Appendix “D”
to the First Report of the Receiver

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE	)	TUESDAY, THE 5TH
MR JUSTICE PENNY	)	DAY OF SEPTEMBER, 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**")

**AMENDED AND RESTATED INITIAL ORDER
(Amending Initial Order Dated August 25, 2023)**

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 at 330 University Avenue, Toronto, Ontario.

ON READING the Application Record of the Applicants and the Supplementary Application Record of the Applicants, including the affidavit of John Pacione sworn August 3, 2023 and the Exhibits thereto (the "Pacione Affidavit"), the supplemental affidavit of John Pacione sworn August 17, 2023, the second supplemental affidavit of John Pacione sworn August 22, 2023, the affidavit of John Pacione sworn September 2, 2023 and the Exhibits

thereto (the “Third Pacione Affidavit”), the Application Record and the Supplementary Application Record filed by Waygar Capital Inc. (“Waygar”), including the affidavit of Don Rogers sworn July 24, 2023, the supplementary affidavit of Don Rogers sworn August 3, 2023, the pre-filing report of Fuller Landau Group Inc., dated July 25, 2023, the supplement to the pre-filing report of Fuller Landau Group Inc., dated August 3, 2023, the second supplement to the pre-filing report of the Fuller Landau Group Inc., dated August 16, 2023, the pre-filing report of RSM Canada Limited, dated August 3, 2023, the supplemental pre-filing report of RSM Canada Limited dated August 17, 2023, the second supplemental pre-filing report of RSM Canada Limited dated August 25, 2023, the first report of RSM Canada Limited as the Court-appointed monitor of the Applicants (in such capacity, the “**Monitor**”), and the consent of RSM Canada Limited to act as the Monitor, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for Waygar, counsel for Ironbridge Equity Partners (“Ironbridge”), counsel for Mohawk Carpet Distribution, Inc. (“Mohawk”), and counsel for RSM Canada Limited, no other parties having been served or appearing,

SERVICE

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

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "Business") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by them, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicants shall be entitled to utilize the cash management system currently in place as described in the Pacione Affidavit or if agreed to between the Applicants, Waygar and Ironbridge, provided that Waygar's approval rights shall terminate upon the closing of the transaction contemplated by the Asset Purchase Agreement, to replace it with another substantially similar cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as the provider of the Cash Management System, an unaffected creditor under any Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. THIS COURT ORDERS that the Applicants shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date

of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with the CCAA and the DIP Term Sheet, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. THIS COURT ORDERS that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of its creditors as of August 4, 2023; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. THIS COURT ORDERS that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents and the DIP Term Sheet (each as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$250,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "Restructuring").

12. THIS COURT ORDERS that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord

shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

14. THIS COURT ORDERS that until and including October 31, 2023, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicants, the entities named in Schedule "A" hereto (the "Protected Parties"), the Monitor, the Financial Advisor (as hereinafter defined), or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicants, the Protected Parties, the Monitor, or the Financial Advisor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right,

contract, agreement, licence or permit in favour of or held by the Applicants or the Protected Parties, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

17. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, the Cash Management System or other banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

TREATMENT OF LIEN CLAIMS

18. THIS COURT ORDERS that, without limiting the generality of paragraphs 14 to 17 hereof, the rights of any person who has supplied services and/or materials to the Applicants to preserve and perfect a lien under the *Construction Act* (Ontario) or any applicable provincial equivalent (the "Provincial Lien Legislation") in respect of a project or improvement to which one of the Applicants is a contracting party (the "Lien Claims") be and are hereby stayed and any person seeking to preserve, perfect or otherwise enforce such a claim shall be required to comply with the process and seek the rights and remedies set out in paragraphs 18 to 21 hereof subject to further Order of the Court.

19. THIS COURT ORDERS that any person who wishes to assert a Lien Claim (a "Lien Claimant") shall serve a notice of such Lien Claim setting out the amount and particulars thereof

(including without limitation the improvement in question) to (a) the Monitor at arif.dhanani@rsmcanada.com, with a copy Goodmans LLP, counsel to the Monitor at: jlatham@goodmans.ca, and (b) the Applicants, care of cbesant@grllp.com, in each case within the timeframes prescribed by the applicable Provincial Lien Legislation (a "Lien Notice") or such other time frame as may be ordered by the Court. Upon delivering such Notices of Lien, the Lien Claims will be considered preserved and perfected and no further steps need be taken by the Lien Claimant.

20. THIS COURT ORDERS that, upon serving a Lien Notice, subject to paragraph 21, the Lien Claimant shall be entitled to a charge over any Property of the Applicants, other than the Borrower's Account, relating to the project or improvement which is the subject of such Lien Claim, equivalent to the value and in accordance with the priority that the Lien Claimant would otherwise be entitled to as claim a lien under the applicable Provincial Lien Legislation (the "Lien Charge"), and shall rank in priority in accordance with the priority afforded to such Charge at law.

20A. THIS COURT ORDERS that, subject to paragraph 21, any Lien Claim preserved by any person in respect of a project in which the Applicants are a contracting party, which has not been bonded off as of the date of this order, is hereby vacated on terms that any person having such a Lien Claim shall be deemed to have provided the Lien Notice referred to in paragraph 19 of this order on the date of preservation of such Lien Claim, and shall be entitled to the Lien Charge referred to in paragraph 20 of this order (as may be subsequently amended), provided that the vacating and preservation of such Lien Claims pursuant to this paragraph shall not be deemed to cure any default triggered by the filing of a lien under any contract with any owner or contracting party of the Applicants.

21. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA and elsewhere in this Order, is hereby authorized and empowered to review the Lien Notices and approve reduce or disallow the Lien Claims set out therein, or refer such matter for determination by the Court, on notice to the applicable Lien Claimant. Any such Lien Claimant shall have 10 days to give notice to the Monitor and the Applicants that it intends

seek a review by the Court of the decision of the Monitor on a motion before a judge of this Court.

22. THIS COURT ORDERS that nothing in paragraphs 18 to 21 hereof shall be construed as limiting or prejudicing the rights of the Monitor, the Applicants or any other interested party from challenging: (a) the validity or timeliness of a Lien Notice; (b) the validity or quantum of a Lien Claim under the applicable Provincial Lien Legislation, except for failure to preserve a lien by registration; (c) a Lien Claimant's entitlement to a Lien Charge under paragraph 20 of this Order; or (d) the priority of a Lien Charge under this Order.

23. THIS COURT ORDERS that, in connection with the matters in paragraphs 18 to 21 of this Order, the Monitor (i) shall have all of the protections given to it by the CCAA, this Order and any other orders of the Court in the CCAA Proceedings, (ii) shall incur no liability or obligation as a result of carrying out matters in connection with paragraphs 18 to 22 of this Order, (iii) shall be entitled to rely on the books and records of the Applicants and any information provided by the Applicants, all without independent investigation, (iv) shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information, and (v) may seek such assistance as may be required to carry out matters in connection with paragraphs 18 to 22 of this Order from the Applicants or any of their affiliates.

NON-DEROGATION OF RIGHTS

24. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

25. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants or the Protected Parties with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

26. THIS COURT ORDERS that the Applicants shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

27. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, other than the Borrower's Account, which charge shall not exceed an aggregate amount of \$600,000, as security for the indemnity provided in paragraph 26 of this Order. The Directors' Charge shall have the priority set out in paragraphs 45 and 47 herein.

28. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 26 of this Order.

APPOINTMENT OF FINANCIAL ADVISOR

29. THIS COURT ORDERS that the agreement dated as of February 1, 2023, engaging Alvarez & Marsal Canada Securities ULC (the "Financial Advisor") as financial advisor to the Applicants (the "A&M Engagement Letter"), and the retention of the Financial Advisor under the terms thereof are hereby approved, including, without limitation, the Success Fee (as the term is defined in the A&M Engagement Letter). The Financial Advisor shall be entitled to the benefit of and is hereby granted a charge (the "Financial Advisor's Charge") on the Property, other than the Borrower's Account, which charge shall not exceed an aggregate amount of \$950,000, as security for the Success Fee. The Financial Advisor's Charge shall have the priority set out in paragraphs 45 and 47 herein.

APPOINTMENT OF MONITOR

30. THIS COURT ORDERS that RSM Canada Limited (the "Monitor") is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

31. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

- (c) assist the Applicants, to the extent required by the Applicants, in its dissemination, of information to creditors of the Applicants, including Waygar and its financial advisor;
- (d) assist the Applicants, to the extent required by the Applicants, in its dissemination, to the DIP Lender (as herein defined) and its counsel of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (e) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;
- (f) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (g) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (h) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (j) perform such other duties as are required by this Order or by this Court from time to time.

32. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

33. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

34. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph or in paragraph 31 hereof. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

35. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

36. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Financial Advisor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and, in the case of the Financial Advisor, pursuant to the A&M Engagement Letter, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis, and the Financial Advisor on a monthly basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amount[s] of \$65,000, \$60,000 and \$50,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time. For clarity, in no circumstances shall Waygar be responsible for the Financial Advisor's monthly Work Fee (as that term is defined in the A&M Engagement Letter), including, without limiting the foregoing, by way of payment from the proceeds of sale of the Applicants' assets (including accounts receivable collections).

37. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

38. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Applicants' counsel and the Financial Advisor (in respect of their monthly fees and expenses as set out in the A&M Engagement Letter) shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, other than the Borrower's Account, which charge shall not exceed an aggregate amount of \$750,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, and, in the case of the Financial Advisor, pursuant to the A&M Engagement Letter, for the period from

and after August 18, 2023 in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 45 and 47 hereof.

DIP FINANCING

39. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility (the “DIP Facility”) from Ironbridge Equity Partners IV LP and Ironbridge Equity Partners (International) IV, LP (collectively, the "DIP Lender") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such DIP Facility shall not exceed \$7,000,000 unless permitted by further Order of this Court.

40. THIS COURT ORDERS THAT such DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet between the Applicants and the DIP Lender dated August 25, 2023 (the “DIP Term Sheet”), filed, and the definitive documentation to be entered into pursuant thereto.

41. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order

41A. THIS COURT ORDERS that the Applicants shall deposit all Advances (as defined in the DIP Term Sheet) into a bank account designed by the Borrower (the “Borrower’s Account”) and utilized by the Borrower in accordance with the terms of the DIP Term sheet and other Definitive Documents.

42. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, including the Borrower's Account, which DIP Lender's Charge shall not secure an obligation that existed before the first Order in these proceedings made on August 4, 2023. The DIP Lender's Charge shall have the priority set out in paragraphs 45 and 47 hereof.

43. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, may immediately exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

44. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

45. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge, the Financial Advisor's Charge, and the DIP Lender's Charge, as among them, shall be as follows:

First – the DIP Lender's Charge but only to the extent of the assets in the Borrower's Account at any time from time to time;

Second – the Administration Charge (to a maximum amount of \$750,000);

Third – the Directors' Charge (to a maximum amount of \$600,000);

Fourth – the DIP Lender's Charge (to a maximum of \$7,000,000); and

Fifth – the Financial Advisor's Charge (to a maximum of \$950,000).

46. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, the Administration Charge, the Financial Advisor's Charge, the DIP Lender's Charge or the Lien Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

47. THIS COURT ORDERS that each of the Charges shall constitute a charge on the Property and the Borrower's Account, as applicable, and such Charges (except for the Lien Charge, which is dealt with in paragraph 20) shall rank in priority to all other security interests, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person, notwithstanding the order of perfection or attachment, except for any claims of any person against the Applicants for amounts owing for services rendered and/or materials supplied that have priority over Encumbrances by statute.

48. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants

also obtain the prior written consent of the Monitor and the beneficiaries of the Charges, or further Order of this Court.

49. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicants pursuant to this Order and the granting of the Charges do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

50. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

SERVICE AND NOTICE

51. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

52. THIS COURT ORDERS that the E-Service Guide of the Commercial List (the “Guide”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL ‘<<http://www.rsmcanada.com/quality-sterling-group>>’ (the “Monitor’s Website”).

53. THIS COURT ORDERS that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in these proceedings (the “Service List”). The Monitor shall post the Service List, as may be updated from time to time, on the Monitor's Website, provided that the Monitor shall have no liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

54. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Guide is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other

correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

55. THIS COURT ORDERS that, notwithstanding anything in this Order or the August 4 Order (as herein defined), including any language granting priority charges over the Property of the Applicants, the issue as to priority as among the Charges (including the Interim Lender's Charge in the August 4 Order) and the security held by Mohawk, including any purchase money security interest, shall be deferred to the Comeback Hearing, or as may otherwise be agreed to by the parties. The Applicants are directed to identify and segregate into a separate bank account any proceeds received from and after August 4, 2023 in respect of goods in the possession of the Applicants as of or after August 4, 2023 and supplied by Mohawk.

56. THIS COURT ORDERS and the Interim Lender's Charge in favour of Waygar made pursuant to the August 4 Order is fully discharged and no longer enforceable as the Monitor has filed with this Court a certificate, confirming that the Interim Financing provided by Waygar pursuant to the August 4 Order was paid in full net of the amount of \$707,000.

57. THIS COURT ORDERS that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

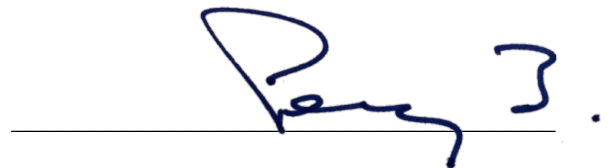
58. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

59. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, 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 Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

60. THIS COURT ORDERS that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

61. 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 not less than seven (7) days 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.

62. 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**

collectively, The Applicants

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

AMENDED AND RESTATED INITIAL 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

Appendix “E”
to the First Report of the Receiver



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 including the Affidavit of John Pacione sworn October 30, 2023, the Application Record of Waygar Capital Inc. ("**Waygar**"), including the affidavit of Don Rogers sworn October 31, 2023, and the third report of RSM Canada Limited as the Court-appointed monitor of the Applicants (in such capacity, the

“**Monitor**”) dated October 30, 2023, and on hearing the submissions of counsel for the Applicants, counsel for Waygar, counsel for Ironbridge Equity Partners Management Limited (“**Ironbridge**”), and counsel for the Monitor, 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 Period pursuant to the Amended and Restated Initial Order made September 5, 2023 in these proceedings (the “**ARIO**”) is hereby extended until and including November 24, 2023, or such later date as this Court may order.

AMENDMENTS TO ARIO

3. **THIS COURT ORDERS** that paragraphs 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 31(a), 31(b), 31(e), 31(f), and 31(g) of the ARIO are no longer of any further force or effect.

4. **THIS COURT ORDERS** that paragraph 31(c) of the ARIO shall be read to authorize the Monitor to assist The Fuller Landau Group Inc., in its capacity as the court-appointed receiver of the Applicants in proceedings advanced under court file number CV-23-00703874-00CL (the “**Receivership Proceedings**”), in responding to information requests of creditors of the Applicants.


5. **THIS COURT ORDERS** that paragraph 31(h) of the ARIO shall be read to permit the Monitor to continue to have access to the premises, books and records of the Applicants to the extent that same may be necessary for the Monitor to adequately complete such reports to the Court as may be necessary or appropriate in connection with the transitioning of these proceedings to the Receivership Proceedings.

6. **THIS COURT ORDERS** that paragraph 34 of the ARIO shall only be read to apply to information of the Applicants which may be in the possession or control of the Monitor.

GENERAL

7. **THIS COURT ORDERS** that the Monitor shall continue to have the benefit of the provisions of all Orders made in the CCAA Proceedings, including all rights, approvals, releases and protections in favour of the Monitor.

8. **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**

collectively, The Applicants

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

CCAA STAY EXTENSION ORDER

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Email: cbesant@grllp.com
Tel: (416) 865 4022

Lawyer for the Applicants

Appendix “F”
to the First Report of the Receiver

**IN THE MATTER OF THE RECEIVERSHIP OF
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**

**NOTICE AND STATEMENT OF THE RECEIVER
(SUBSECTION 245(1) AND 246(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*)**

The Receiver gives notice that:

1. Pursuant to an order of the Ontario Superior Court of Justice (the “**Court**”) made on August 25, 2023, Quality Sterling Group, comprising Quality Rugs of Canada Limited (“**Quality Rugs**”), Malvern Contract Interiors Limited (“**Malvern**”), Western Hardwood Design Centre Inc., Ontario Flooring Ltd., Timeline Floors Inc. (“**Timeline**”) and Quality Commercial Carpet Corporation (collectively referred to as the “**Companies**”) filed for and were granted protection under the *Companies’ Creditors Arrangement Act* (“**CCAA**”). RSM Canada Limited was appointed as the monitor in the CCAA proceedings.
2. Pursuant to an order of the Court dated October 31, 2023, the Companies were placed into receivership and The Fuller Landau Group Inc. was appointed as receiver and manager (“**Receiver**”) of the properties, assets and undertakings (“**Assets**”) of the Companies.
3. Since the commencement of the insolvency proceedings, the Companies’ operations have continued. The Receiver is reviewing options to maximize value for stakeholders.
4. The estimated net book value of the Assets as at September 30, 2023 based on the Companies’ records is as follows:

Asset	Quality Rugs	Malvern	Timeline	Total
	\$	\$	\$	\$
Accounts receivable and holdbacks	28,345,331	6,028,328	8,719,335	43,092,994
Inventory	4,868,747	1,493,304	2,606,140	8,968,191
Capital assets	<u>1,326,955</u>	<u>123,788</u>	<u>309,804</u>	<u>1,760,546</u>
Total Assets	<u>34,541,032</u>	<u>7,645,420</u>	<u>11,635,278</u>	<u>53,821,731</u>

5. The following information relates to the receivership:

- (a) Head Office: 505 Cityview Blvd., Woodbridge, ON, L4H 0L8
- (b) Business Locations: i) 505 Cityview Blvd., Woodbridge, ON, L4H 0L8
 ii) Unit #209, 19365 22nd Avenue, Surrey BC
 iii) 64 Burbridge Ave, Dartmouth, NS, B3B 0G7

(c) Principal line of business:

Supply and installation of contract flooring, servicing low-rise and high-rise residential and commercial projects.

6. According to the Ontario Personal Property Securities Act (“PPSA”), the following parties have registered interests against the Companies:

Quality Rugs of Canada Limited:

Name	Amount \$
Waygar Capital Inc.	Unknown
Royal Bank of Canada	Unknown
The Bank of Nova Scotia	Unknown
VW Credit Canada Inc.	Unknown
CWB National Leasing Inc.	Unknown
BMW Canada Inc.	Unknown
Toyota Industries Commercial Finance Canada, Inc.	Unknown
GM Financial Canada Leasing Ltd.	Unknown
Canada Dealer Lease Services Inc.	Unknown
Ford Credit Canada Leasing, div. of Canadian Road Leasing Company	Unknown
Sharp Electronics of Canada Ltd.	Unknown
Toyota Credit Canada Inc.	Unknown
J. Pacione Consultants Limited	Unknown
Jojohn Holdings Ltd.	Unknown
Quality Commercial Carpet Corporation	Unknown
Mohawk Carpet Distribution, Inc.	Unknown
Quality Rugs of Canada Limited	Unknown

Malvern Contract Interiors Limited:

Name	Amount \$
Waygar Capital Inc.	Unknown
Mohawk Carpet Distribution, Inc.	Unknown
Royal Bank of Canada	Unknown
The Bank of Nova Scotia	Unknown

Weston Hardwood Design Centre Inc.:

Name	Amount
	\$
Waygar Capital Inc.	Unknown
Quality Rugs of Canada Limited	Unknown

Ontario Flooring Ltd.:

Name	Amount
	\$
Waygar Capital Inc.	Unknown

Timeline Floors Inc.:

Name	Amount
	\$
Waygar Capital Inc.	Unknown
Mohawk Carpet Distribution Inc.	Unknown

Quality Commercial Carpet Corporation

Name	Amount
	\$
Waygar Capital Inc.	Unknown
Mohawk Carpet Distribution, Inc.	Unknown
Quality Rugs of Canada Limited	Unknown

7. Attached as **Schedule "A"** is a listing based on the Companies' records of other known creditors of the Companies, totalling \$20,651,174.39.
8. Estimated Realization:

The Receiver cannot presently estimate the amount, if any, of any distributions to unsecured creditors. There is no certainty that the recoveries in these proceedings will be sufficient to fully repay the Companies' secured creditors and to satisfy any valid trust and lien claims asserted by suppliers.

9. Contact person for the Receiver:

Name:	Atulya Sheth
Telephone No.:	(416) 645-6522
Fax No.:	(416) 645-6501

Dated at Toronto, Ontario, this 9th day of November 2023.

The Fuller Landau Group Inc.

Solely in its Capacity as Court-appointed Receiver of
Quality Rugs of Canada Ltd., Malvern Contract Interiors Limited,
Weston Hardwood Design Centre Inc., Ontario Flooring Ltd.,
Timeline Floors Inc. and Quality Commercial Carpet Corporation
And not in its Personal Capacity

Per:

A handwritten signature in blue ink, appearing to read "Ken Pearl". The signature is fluid and cursive, with a large loop at the end.

Ken Pearl

**In the Matter of the Receivership of 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**

Creditor Name	Account	Amount \$
2 STONE DESIGNER CONCRETE, INC.		117,003.43
407 ETR Concession Company Limited		1,408.34
407 ETR Concession Company Limited		743.33
407 ETR Concession Company Limited	Acct 500561255	6,820.69
407 ETR Concession Company Limited	Acct 531491281	1,950.74
407 ETR Concession Company Limited	Acct 893924938	774.83
Action Paper & Packaging Co.L		15,617.00
ACTUALISATION IDH, INC.		122,794.88
Air Liquide Canada Inc.		37.79
Airline Limousine		543.05
Alectra Utilities		6,066.39
ALTRO CANADA INC.		10,372.27
Altro Canada, Inc.		4,818.57
Ames Tile & Stone		273,769.25
ANATOLIA TILE & STONE INC.		814,763.04
Anatolia Tile & Stone, Inc		14,953.23
Aqua Valley Water		54.00
ASCA		8,862.22
ASTLEY GILBERT LTD.		271.61
ATLAS CORRUGATED BOX		10,197.12
AXIOM (timeline)		34,635.69
Axiom Surface Protection Inc.		34,635.69
BC Hydro	Acct 1 0273 864	2,029.37
Beaulieu Canada		473,910.47
Beaulieu Canada		45,886.92
Beaulieu Canada		15,700.11
Bell Aliant		264.44
Bell Mobility - Corporate Insolvencies	A/C 510315213	22,372.28
Bentley Mills Inc.		2,918.17
BHappy Enterprises inc.		43,160.60
BIMBROOK		84,305.26
BIOCHEM		1,226.72
Biyork Materials		43,353.93
Biyork Materials		4,857.53
BLAKE CASSELS and GRAYDON LLP		1,602.41
BOA-FRANC G.P. (MIRAGE)		1,366,967.63
Britec Computer		339.00
C & S Ceramic Tile Distributors		3,998.94
Canada Base		3,086.98
Canada Building Materials Company		4,762.03
Canada Carper Care		270.56

**In the Matter of the Receivership of 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**

Creditor Name	Account	Amount
		\$
CAPITAL STAFFING		13,022.22
CARBON NEUTRAL SHREDDING		549.18
CARPENTER CANADA CO.		93,702.41
CASSELS BROCK & BLACKWELL LLP		16,241.29
CDS DISTRIBUTION INC.		23,054.25
CDS DISTRIBUTION INC.		357,363.35
CDW CANADA CORP		7,630.99
Centura Toronto		79,403.50
Centura Toronto		77,855.74
Centura Western		44,405.74
Ceragres Tile Group Inc.		2,695.31
Ceragres Tile Group Inc.		3,359.73
Ceratec Inc.		14,478.77
Ceratec Inc.		886,588.01
CIOT, Inc.		201,600.40
CIOT, Inc.		22,338.94
City Tile		1,512.99
Collins Interiors Inc.		11,130.00
Combina Global Inc.		25,414.48
CONCORD HARDWARE		8,931.18
CONSTRUCT CONNECT		452.00
Construction Special		5,839.84
Cousins Flooring Accessories Ltd.		893.26
Crispo Canada		4,800.24
CROWNHILL PACKAGING LTD		23,083.31
Dal-Tile of Canada Inc.		33,290.63
Dal-Tile of Canada		20,904.55
Dal-Tile of Canada Inc.		46,774.53
Dan's Forklifts Ltd		1,250.04
Dantra		8,461.92
Daro Flooring Constructions Inc. Halifax		1,508.71
DC Flooring Supplies Ltd.		5,614.18
Deco -Tile, Inc.		7,037.30
Diamond Delivery Group		12,788.04
DJA Logistics		57,454.85
DJA LOGISTICS		27,735.85
Document Direction Limited		1,622.40
Dodds Garage Door Systems, Inc.		572.91

**In the Matter of the Receivership of 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**

Creditor Name	Account	Amount
		\$
Don Brenton's		109.26
DOOR DOCTOR		2,455.50
Durox (PROSOL INC.)		870,974.68
EIO SOLUTIONS		2,125.53
Engineered Floors		2,622.11
Escalnaso Industries, Inc		65,445.43
EVK EAST INC.		24,973.00
FIBERNETICS		1,001.78
First Class Flooring		63.28
FIS CAPITAL		2,560.58
FOAM SOLUTIONS		5,613.84
Fontile Kitchen & Bath		6,079.77
Forbo Flooring System		39,241.59
Gerflor		18,858.42
Gesco Limited Partnership		268,093.29
Gesco Limited Parnetship		48,546.68
GIANT DISPOSAL		21,220.08
GO Resilient Canada		31,313.05
GO SMOOTH Transportation LTD		6,406.42
Goodfellow Inc.		29,261.25
Goodfellow Inc.		21,812.79
GRANDEUR		11,282.91
Great Canadian Oil Change (Tony's Oil Inc.)		107.34
Greater Toronto Apartment Association		621.50
GRIP CLINCH CANADA		406.81
GYM-CON		1,864.50
Independent Security Services Atlantic		5,589.87
INTERFACE		75,054.28
Interface Flor Canada		24,992.92
JOBS TO GO		8,196.20
JOSEF GAS		35.68
Lanetco Computer Networks Inc.		75,280.59
LAUZON		756,921.81
LAUZON		3,524.52
Lemar Enterprises Inc		965.76
LEVEY INDUSTRIES, INC.		1,572.91
LIFTOW LIMITED		36,709.94
Macro Universe Enterprises Ltd. dba Fuzion		334,624.75

**In the Matter of the Receivership of 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**

Creditor Name	Account	Amount
		\$
Macro Universe Enterprises Ltd. dba Fuzion		1,546,942.26
Macro Universe Enterprises Ltd. dba Fuzion		45,513.55
Maple Group		11,966.70
MAPLE TERRAZZO		655.40
MARBLE PLUS INC.		5,601.34
MARBLE PLUS INC.		6,162.07
Mathews Dinsdale & Clark LLP		75,717.37
MAXI-RISE		2,017.05
McCran's Carpet Finishing Co. Ltd.		666.40
MCINNES COOPER LEGAL		2,556.04
Mercier Wood Flooring Inc.		2,400.42
Metropolitan		2,451,341.76
Metropolitan Hardwood Flooring		15,026.18
Metropolitan Hardwood Floors		142,751.15
Milliken & Company		293.20
MNP LLP		2,521.30
MNP LLP		3,559.50
MOHAWK CANADA CORPORATION		983,102.28
Mohawk Canada Corporation		27,693.49
Mohawk Canada Corportion		18,940.82
MONTREAL PAPER CUTTING INC		14,339.70
NATURE PRINTS FLOORS INC.		1,029.00
North Dalton Carpet Warehouse		7,354.41
North Dalton Carpet Warehouse		7,264.41
Nova Scotia Power Inc.	2100686-1	2,240.00
Novexco-Hamster		3,722.74
OAKHILL DISTRIBUTIONS INC		1,064.04
Office Move Pro		14,634.42
Olympia Tile and Stone		125,326.73
Olympia Tile International Inc.		212,394.46
OLYMPIA TILE INTERNATIONAL INC		1,250,674.69
Pacific Coast Warehousing		16.28
Pacific Stone Tile Limited		59,364.15
Park Avenue Contracting Ltd.		42,000.00
People 2.0		59,165.08
PERFORMANCE PLUS		14,946.09
Pliteq Inc.		38,389.83
POLYFLOR Canada Inc		93,773.40

**In the Matter of the Receivership of 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**

Creditor Name	Account	Amount
		\$
Polyflor Canada Inc.		37,680.15
PREMIER CERAMIC		116,249.13
Prosol Distribution		353,708.57
Prosol Inc (AB)		1.00
Prosol Inc (BC)		121,389.08
Prosol Inc (NS)		1.00
Purolator Inc.		1.00
REX BUILDING Material		23,804.10
Robert Mallinson		2,149.88
Roberts Company Canada Ltd		5,455.26
Rosedale Transport Ltd.		1.00
ROYAL BUILDING SUPPLIES LTD.		23,971.56
RSC Incorporated		1,524.32
RUGGIERI BROS		2,059.86
RUSSO FIRE PROTECTION		568.39
SHAW INDUSTRIES		21,994.69
Shaw Industries		32,691.19
SIKA		5,932.50
Stack Lifts Inc		1,272.05
STANTON CARPET		1,637.59
Steelhead Business Products Ltd.		596.97
Stewart Mckelvey		2,851.68
STINGRAY RADIO INC/RADIO		6,359.50
Stone Tile International Inc.		278,950.16
Stone Tile International Inc.		36,569.63
Stone Tile West, AB		774.14
Super Saver		1,332.35
TAKE O By Clarimar Estudio, SRL		2,908.00
Tapattec inc		51,351.27
TARKETT		20,624.22
Tarkett Inc		1,942.32
Tarkett, Inc.		10,866.88
That Hosting Company		198.83
The Answer Company Consulting Ltd.		6,548.10
The Answer Company Consulting Ltd.		6,548.10
The Lift Truck Doctor Ltd.		23,664.13
THE PRINTING HOUSE		390.55
Tierrasol		17,523.45

**In the Matter of the Receivership of 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**

Creditor Name	Account	Amount
		\$
TOOL ACADEMI		467.88
TORCAN		12.32
Torlys Inc.		1,361,984.78
Torlys Inc.		6,462.04
Torlys Inc.		6,534.29
TOTAL CLEANING & Supplies		2,859.58
Twelve Oaks Floors Inc.		38,667.53
Uline Canada Corporation		2,671.81
ULINE CANADA CORPORATION		473.80
Unifloor		391.43
Vancouver Fire		302.40
VIFLOOR CANADA LTD		469,129.77
VIGILANT CONSULTANCY		8,400.00
Vintage		1,444,323.74
Vintage / BOAFRANC/ MIRAGE		90,510.26
Waste Connections of Canada		529.21
WESTON WOOD SOLUTIONS		29,052.30
WEX Canada LTD (ESSO)		37,911.92
WhiteLaw Twining		9,729.55
Winners Waterjet Cutting LTD.		535.50
WOLFPACK PACKAGING INC.		28,968.98
Workers' Compensation Board - NS		499.99
XL FLOORING CO., LTD		5,415.53
Xpress Transport Solution Ltd.		9,833.25
Yellow Pages Group		124.11
YORK FLOORING PLUS LTD		18,092.65
Zap Courier Service		2,069.29
TOTAL		<u>20,651,174.39</u>

Appendix “G”
to the First Report of the Receiver

November 17, 2023

File No.: 563609-7

Sent Via E-mail
dyiokaris@kmlaw.ca & ablack@local183.ca

Demetrios Yiokaris
Koskie Minsky LLP
20 Queen Street West, Suite 900
Toronto, ON M5H 3R3

Andrew Black
LiUNA Local 183
1263 Wilson Ave., Suite 200
Toronto, ON M3M 3G3

Dear Sirs:

Re: WAYGAR CAPITAL INC., as agent v. QUALITY RUGS OF CANADA LIMITED, et al.
Court File No.: CV-23-00703874-00CL

We are counsel to The Fuller Landau Group Inc., in its capacity as Court-appointed receiver and manager (the “**Receiver**”) of Quality Rugs of Canada Limited, et al (the “**Debtors**”). The Receiver was appointed pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), dated October 31, 2023 (the “**Receivership Order**”). A copy of the Receivership Order is attached for your reference. We also attach for your reference a copy of the Amended and Restated Initial Order, dated September 5, 2023 (the “**ARIO**”), issued by the Court pursuant to the *Companies’ Creditors Arrangement Act* (Canada) on application by the Debtors and certain related entities.

We are writing in respect of the grievance, dated March 24, 2023 (the “**Grievance**”), filed by Labourer’s International Union of North America Local 183 (the “**Union**”) against the Quality Sterling Group.

Any proceedings in respect of the Grievance, including the November 21, 2023 hearing before the Ontario Labour Relations Board (“**OLRB**”), are stayed by the stay of proceedings instituted pursuant to the ARIO and continued in the receivership proceedings pursuant to the Receivership Order. Furthermore, the Receiver requires direction from the Court before taking steps (if any) in respect of this matter. Accordingly, an adjournment of the November 21, 2023 hearing date will be required. As we understand the matter, there is no potential prejudice resulting from the requested adjournment. Please confirm whether the Union consents to an adjournment.

In the event that the Union does not consent, we will instruct counsel to attend before the OLRB to advise of the Receivership Order and request an adjournment. The Receiver reserves the right to seek costs against the Union for any such unnecessary attendance. The Receiver may also raise this issue with Justice Penny as part of Monday’s case conference to seek directions.

Yours truly,

Dentons Canada LLP



Kenneth Kraft
Partner

KK/sw

Attachments

cc. Ken Pearl (*The Fuller Landau Group Inc.*)
Chris Besant (*Gardiner Roberts LLP*)
Christopher Fiore, Karen Traeger & Herbert H. Law (*Mathews, Dinsdale & Clark LLP*)



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

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

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

**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
(appointing Receiver)**

THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing The Fuller Landau Group Inc. ("**Fuller**") as receiver and manager (in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of each of 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, (collectively, the "**Debtors**") acquired for, or used in relation to a business carried on by the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavits of Don Rogers sworn July 24, 2023 and October 31, 2023, and the respective exhibits thereto, and on hearing the submissions of counsel for Applicant, counsel for the Respondents, and such other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the affidavit of service of Matilda Lici sworn October 31, 2023, and on reading the consent of Fuller to act as the Receiver,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, Fuller is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of each of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

- (c) to manage, operate, and carry on the business of the Debtors, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtors;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (g) to settle, extend or compromise any indebtedness owing to the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of any of the Debtors, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

- (i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;
- and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.
- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
 - (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
 - (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
 - (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;
 - (p) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have; and
 - (q) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

(r) and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including each of the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that (i) the Debtors, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully

copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. **THIS COURT ORDERS** that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. **THIS COURT ORDERS** that the stay of proceedings in effect in accordance with paragraphs 14-17 of the Amended and Restated Initial Order dated September 5, 2023 (the "ARIO") granted in the proceedings commenced under the *Companies' Creditors Arrangement Act* (Canada) under court file no. CV-23-00703933-00CL (the "CCAA Proceedings") shall apply *mutatis mutandis* to any Proceedings (as defined in the ARIO) or any right or remedy against or in respect of the Debtors, the Receiver and the Property, and nothing herein shall derogate from the stay of proceedings in effect pursuant to the ARIO except to the extent necessary to give effect to the appointment of the Receiver. For greater certainty, notwithstanding paragraph 41 of the ARIO, the DIP Lender (as defined in the ARIO) shall

refrain from exercising any and all of its rights and remedies under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Lender's Charge without further Order of this Court.

RECEIVER TO HOLD FUNDS

9. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of further Order of this Court.

EMPLOYEES

10. **THIS COURT ORDERS** that all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

11. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all

such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

12. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

13. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

14. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, provided, however, that nothing in this paragraph shall derogate from or impair any of the existing priority charges (the "**CCA Charges**") granted in the CCAA Proceedings, which CCAA Charges shall continue to exist until the comeback hearing on November 24, 2023 (the "**Comeback Date**") or further Order of the Court.

15. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

16. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

17. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$1,500,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and

is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, provided, however, that nothing in this paragraph shall derogate from or impair any of the CCAA Charges granted in the CCAA Proceedings, which CCAA Charges shall continue to exist until the Comeback Date or further Order of the Court. From the date of this Order until the Comeback Date, the Receiver shall only borrow or draw on those amounts that are necessary for the receivership on an interim basis, until the Comeback Date.

18. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

19. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

20. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

PRIORITY OF THE CHARGES

21. **THIS COURT ORDERS** that the relative priority of the Receiver's Charge, the Receiver's Borrowings Charge and each of the CCAA Charges will be determined at the Comeback Date.

SERVICE AND NOTICE

22. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of

documents made in accordance with the Protocol (which can be found on the Commercial List website at <https://www.ontariocourts.ca/scj/practice/regional-practice-directions/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (the “**Rules**”), this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol and shall be accessible by selecting the Debtors’ name from the engagement list at the following URL [‘https://fullerllp.com/services/corporate-restructuring-and-insolvency/selected-active-engagements/’](https://fullerllp.com/services/corporate-restructuring-and-insolvency/selected-active-engagements/).

23. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors’ creditors or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

24. **THIS COURT ORDERS** that the Receiver be and it is hereby directed to communicate and cooperate with RSM Canada Limited, in its capacity as the Monitor of the Debtors in the CCAA Proceedings, with a view to making the transition from the CCAA Proceedings to the receivership herein as efficient as possible.

25. **THIS COURT ORDERS** that the ARIO, as amended as of October 31, 2023, shall continue in full force and effect until the CCAA Proceedings are terminated by order of this Court, provided that, to the extent that there is any inconsistency between any provision(s) of the ARIO and the provisions of this Order, the provisions of this Order shall prevail.

26. **THIS COURT ORDERS** that the Receiver is authorized and directed to pay the sum of \$2,000.00 to Koskie Minsky LLP in trust for Radisa Zlatahnic o/a MRAD.

27. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors.

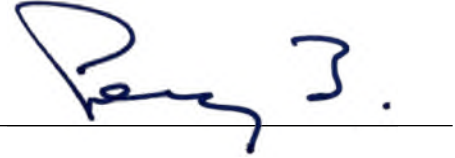
29. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals,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

30. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. **THIS COURT ORDERS** that the Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtors' estate with such priority and at such time as this Court may determine.

32. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

33. **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, and enforceable without any need for entry or filing.



A handwritten signature in blue ink, appearing to read "Ray J.", is written above a horizontal line.

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that The Fuller Landau Group Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties of each of 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 (collectively, the "**Debtors**") acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 18th day of August, 2023 (the "**Order**") made in an action having Court file number CV-23-00703874-00CL, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

The Fuller Landau Group Inc., solely in its capacity as Receiver of the Property, and not in its personal capacity

Per: _____

Name:

Title:

**WAYGAR CAPITAL INC., AS AGENT FOR
NINEPOINT CANADIAN SENIOR DEBT MASTER
FUND L.P.**
Applicant

- and -

QUALITY RUGS OF CANADA LIMITED ET AL.

Respondents

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

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

Proceedings commenced at Toronto

**ORDER
(Appointing Receiver)**

AIRD & BERLIS LLP
Brookfield Place
181 Bay Street, Suite 1800
Toronto, ON M5J 2T9

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Tel: 416-865-7726
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*Lawyers for Waygar Capital Inc., as agent for
Ninepoint Canadian Senior Debt Master Fund L.P*

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE	)	TUESDAY, THE 5TH
MR JUSTICE PENNY	)	DAY OF SEPTEMBER, 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**")

**AMENDED AND RESTATED INITIAL ORDER
(Amending Initial Order Dated August 25, 2023)**

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 at 330 University Avenue, Toronto, Ontario.

ON READING the Application Record of the Applicants and the Supplementary Application Record of the Applicants, including the affidavit of John Pacione sworn August 3, 2023 and the Exhibits thereto (the "Pacione Affidavit"), the supplemental affidavit of John Pacione sworn August 17, 2023, the second supplemental affidavit of John Pacione sworn August 22, 2023, the affidavit of John Pacione sworn September 2, 2023 and the Exhibits

thereto (the “Third Pacione Affidavit”), the Application Record and the Supplementary Application Record filed by Waygar Capital Inc. (“Waygar”), including the affidavit of Don Rogers sworn July 24, 2023, the supplementary affidavit of Don Rogers sworn August 3, 2023, the pre-filing report of Fuller Landau Group Inc., dated July 25, 2023, the supplement to the pre-filing report of Fuller Landau Group Inc., dated August 3, 2023, the second supplement to the pre-filing report of the Fuller Landau Group Inc., dated August 16, 2023, the pre-filing report of RSM Canada Limited, dated August 3, 2023, the supplemental pre-filing report of RSM Canada Limited dated August 17, 2023, the second supplemental pre-filing report of RSM Canada Limited dated August 25, 2023, the first report of RSM Canada Limited as the Court-appointed monitor of the Applicants (in such capacity, the “**Monitor**”), and the consent of RSM Canada Limited to act as the Monitor, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for Waygar, counsel for Ironbridge Equity Partners (“Ironbridge”), counsel for Mohawk Carpet Distribution, Inc. (“Mohawk”), and counsel for RSM Canada Limited, no other parties having been served or appearing,

SERVICE

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

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "Business") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by them, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicants shall be entitled to utilize the cash management system currently in place as described in the Pacione Affidavit or if agreed to between the Applicants, Waygar and Ironbridge, provided that Waygar's approval rights shall terminate upon the closing of the transaction contemplated by the Asset Purchase Agreement, to replace it with another substantially similar cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as the provider of the Cash Management System, an unaffected creditor under any Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. THIS COURT ORDERS that the Applicants shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date

of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with the CCAA and the DIP Term Sheet, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. THIS COURT ORDERS that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of its creditors as of August 4, 2023; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. THIS COURT ORDERS that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents and the DIP Term Sheet (each as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$250,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "Restructuring").

12. THIS COURT ORDERS that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord

shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

14. THIS COURT ORDERS that until and including October 31, 2023, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicants, the entities named in Schedule "A" hereto (the "Protected Parties"), the Monitor, the Financial Advisor (as hereinafter defined), or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicants, the Protected Parties, the Monitor, or the Financial Advisor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right,

contract, agreement, licence or permit in favour of or held by the Applicants or the Protected Parties, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

17. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, the Cash Management System or other banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

TREATMENT OF LIEN CLAIMS

18. THIS COURT ORDERS that, without limiting the generality of paragraphs 14 to 17 hereof, the rights of any person who has supplied services and/or materials to the Applicants to preserve and perfect a lien under the *Construction Act* (Ontario) or any applicable provincial equivalent (the "Provincial Lien Legislation") in respect of a project or improvement to which one of the Applicants is a contracting party (the "Lien Claims") be and are hereby stayed and any person seeking to preserve, perfect or otherwise enforce such a claim shall be required to comply with the process and seek the rights and remedies set out in paragraphs 18 to 21 hereof subject to further Order of the Court.

19. THIS COURT ORDERS that any person who wishes to assert a Lien Claim (a "Lien Claimant") shall serve a notice of such Lien Claim setting out the amount and particulars thereof

(including without limitation the improvement in question) to (a) the Monitor at arif.dhanani@rsmcanada.com, with a copy Goodmans LLP, counsel to the Monitor at: jlatham@goodmans.ca, and (b) the Applicants, care of cbesant@grllp.com, in each case within the timeframes prescribed by the applicable Provincial Lien Legislation (a "Lien Notice") or such other time frame as may be ordered by the Court. Upon delivering such Notices of Lien, the Lien Claims will be considered preserved and perfected and no further steps need be taken by the Lien Claimant.

20. THIS COURT ORDERS that, upon serving a Lien Notice, subject to paragraph 21, the Lien Claimant shall be entitled to a charge over any Property of the Applicants, other than the Borrower's Account, relating to the project or improvement which is the subject of such Lien Claim, equivalent to the value and in accordance with the priority that the Lien Claimant would otherwise be entitled to as claim a lien under the applicable Provincial Lien Legislation (the "Lien Charge"), and shall rank in priority in accordance with the priority afforded to such Charge at law.

20A. THIS COURT ORDERS that, subject to paragraph 21, any Lien Claim preserved by any person in respect of a project in which the Applicants are a contracting party, which has not been bonded off as of the date of this order, is hereby vacated on terms that any person having such a Lien Claim shall be deemed to have provided the Lien Notice referred to in paragraph 19 of this order on the date of preservation of such Lien Claim, and shall be entitled to the Lien Charge referred to in paragraph 20 of this order (as may be subsequently amended), provided that the vacating and preservation of such Lien Claims pursuant to this paragraph shall not be deemed to cure any default triggered by the filing of a lien under any contract with any owner or contracting party of the Applicants.

21. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA and elsewhere in this Order, is hereby authorized and empowered to review the Lien Notices and approve reduce or disallow the Lien Claims set out therein, or refer such matter for determination by the Court, on notice to the applicable Lien Claimant. Any such Lien Claimant shall have 10 days to give notice to the Monitor and the Applicants that it intends

seek a review by the Court of the decision of the Monitor on a motion before a judge of this Court.

22. THIS COURT ORDERS that nothing in paragraphs 18 to 21 hereof shall be construed as limiting or prejudicing the rights of the Monitor, the Applicants or any other interested party from challenging: (a) the validity or timeliness of a Lien Notice; (b) the validity or quantum of a Lien Claim under the applicable Provincial Lien Legislation, except for failure to preserve a lien by registration; (c) a Lien Claimant's entitlement to a Lien Charge under paragraph 20 of this Order; or (d) the priority of a Lien Charge under this Order.

23. THIS COURT ORDERS that, in connection with the matters in paragraphs 18 to 21 of this Order, the Monitor (i) shall have all of the protections given to it by the CCAA, this Order and any other orders of the Court in the CCAA Proceedings, (ii) shall incur no liability or obligation as a result of carrying out matters in connection with paragraphs 18 to 22 of this Order, (iii) shall be entitled to rely on the books and records of the Applicants and any information provided by the Applicants, all without independent investigation, (iv) shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information, and (v) may seek such assistance as may be required to carry out matters in connection with paragraphs 18 to 22 of this Order from the Applicants or any of their affiliates.

NON-DEROGATION OF RIGHTS

24. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

25. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants or the Protected Parties with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

26. THIS COURT ORDERS that the Applicants shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

27. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, other than the Borrower's Account, which charge shall not exceed an aggregate amount of \$600,000, as security for the indemnity provided in paragraph 26 of this Order. The Directors' Charge shall have the priority set out in paragraphs 45 and 47 herein.

28. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 26 of this Order.

APPOINTMENT OF FINANCIAL ADVISOR

29. THIS COURT ORDERS that the agreement dated as of February 1, 2023, engaging Alvarez & Marsal Canada Securities ULC (the "Financial Advisor") as financial advisor to the Applicants (the "A&M Engagement Letter"), and the retention of the Financial Advisor under the terms thereof are hereby approved, including, without limitation, the Success Fee (as the term is defined in the A&M Engagement Letter). The Financial Advisor shall be entitled to the benefit of and is hereby granted a charge (the "Financial Advisor's Charge") on the Property, other than the Borrower's Account, which charge shall not exceed an aggregate amount of \$950,000, as security for the Success Fee. The Financial Advisor's Charge shall have the priority set out in paragraphs 45 and 47 herein.

APPOINTMENT OF MONITOR

30. THIS COURT ORDERS that RSM Canada Limited (the "Monitor") is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

31. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

- (c) assist the Applicants, to the extent required by the Applicants, in its dissemination, of information to creditors of the Applicants, including Waygar and its financial advisor;
- (d) assist the Applicants, to the extent required by the Applicants, in its dissemination, to the DIP Lender (as herein defined) and its counsel of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (e) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;
- (f) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (g) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (h) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (j) perform such other duties as are required by this Order or by this Court from time to time.

32. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

33. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

34. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph or in paragraph 31 hereof. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

35. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

36. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Financial Advisor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and, in the case of the Financial Advisor, pursuant to the A&M Engagement Letter, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis, and the Financial Advisor on a monthly basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amount[s] of \$65,000, \$60,000 and \$50,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time. For clarity, in no circumstances shall Waygar be responsible for the Financial Advisor's monthly Work Fee (as that term is defined in the A&M Engagement Letter), including, without limiting the foregoing, by way of payment from the proceeds of sale of the Applicants' assets (including accounts receivable collections).

37. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

38. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Applicants' counsel and the Financial Advisor (in respect of their monthly fees and expenses as set out in the A&M Engagement Letter) shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, other than the Borrower's Account, which charge shall not exceed an aggregate amount of \$750,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, and, in the case of the Financial Advisor, pursuant to the A&M Engagement Letter, for the period from

and after August 18, 2023 in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 45 and 47 hereof.

DIP FINANCING

39. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility (the “DIP Facility”) from Ironbridge Equity Partners IV LP and Ironbridge Equity Partners (International) IV, LP (collectively, the "DIP Lender") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such DIP Facility shall not exceed \$7,000,000 unless permitted by further Order of this Court.

40. THIS COURT ORDERS THAT such DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet between the Applicants and the DIP Lender dated August 25, 2023 (the “DIP Term Sheet”), filed, and the definitive documentation to be entered into pursuant thereto.

41. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order

41A. THIS COURT ORDERS that the Applicants shall deposit all Advances (as defined in the DIP Term Sheet) into a bank account designed by the Borrower (the “Borrower’s Account”) and utilized by the Borrower in accordance with the terms of the DIP Term sheet and other Definitive Documents.

42. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, including the Borrower's Account, which DIP Lender's Charge shall not secure an obligation that existed before the first Order in these proceedings made on August 4, 2023. The DIP Lender's Charge shall have the priority set out in paragraphs 45 and 47 hereof.

43. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, may immediately exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

44. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

45. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge, the Financial Advisor's Charge, and the DIP Lender's Charge, as among them, shall be as follows:

First – the DIP Lender's Charge but only to the extent of the assets in the Borrower's Account at any time from time to time;

Second – the Administration Charge (to a maximum amount of \$750,000);

Third – the Directors' Charge (to a maximum amount of \$600,000);

Fourth – the DIP Lender's Charge (to a maximum of \$7,000,000); and

Fifth – the Financial Advisor's Charge (to a maximum of \$950,000).

46. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, the Administration Charge, the Financial Advisor's Charge, the DIP Lender's Charge or the Lien Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

47. THIS COURT ORDERS that each of the Charges shall constitute a charge on the Property and the Borrower's Account, as applicable, and such Charges (except for the Lien Charge, which is dealt with in paragraph 20) shall rank in priority to all other security interests, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person, notwithstanding the order of perfection or attachment, except for any claims of any person against the Applicants for amounts owing for services rendered and/or materials supplied that have priority over Encumbrances by statute.

48. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants

also obtain the prior written consent of the Monitor and the beneficiaries of the Charges, or further Order of this Court.

49. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicants pursuant to this Order and the granting of the Charges do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

50. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

SERVICE AND NOTICE

51. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

52. THIS COURT ORDERS that the E-Service Guide of the Commercial List (the “**Guide**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL ‘<<http://www.rsmcanada.com/quality-sterling-group>>’ (the “Monitor’s Website”).

53. THIS COURT ORDERS that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in these proceedings (the “Service List”). The Monitor shall post the Service List, as may be updated from time to time, on the Monitor’s Website, provided that the Monitor shall have no liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

54. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Guide is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other

correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

55. THIS COURT ORDERS that, notwithstanding anything in this Order or the August 4 Order (as herein defined), including any language granting priority charges over the Property of the Applicants, the issue as to priority as among the Charges (including the Interim Lender's Charge in the August 4 Order) and the security held by Mohawk, including any purchase money security interest, shall be deferred to the Comeback Hearing, or as may otherwise be agreed to by the parties. The Applicants are directed to identify and segregate into a separate bank account any proceeds received from and after August 4, 2023 in respect of goods in the possession of the Applicants as of or after August 4, 2023 and supplied by Mohawk.

56. THIS COURT ORDERS and the Interim Lender's Charge in favour of Waygar made pursuant to the August 4 Order is fully discharged and no longer enforceable as the Monitor has filed with this Court a certificate, confirming that the Interim Financing provided by Waygar pursuant to the August 4 Order was paid in full net of the amount of \$707,000.

57. THIS COURT ORDERS that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.


58. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

59. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, 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 Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

60. THIS COURT ORDERS that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

61. 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 not less than seven (7) days 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.

62. 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**

collectively, The Applicants

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

AMENDED AND RESTATED INITIAL 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

Appendix “H”
to the First Report of the Receiver



November 15, 2023

VIA E-MAIL TO Kenneth.kraft@dentons.com, sara.wilson@dentons.com,
sarah.lam@dentons.com; kpearl@fullerllp.com

DENTONS CANADA LLP

77 King Street West, Suite 400
Toronto, ON M5K 0A1

Attention: Kenneth Kraft
Sara-Ann Wilson
Sarah Lam

*Counsel for Fuller Landau Group Inc.
in its capacity as court-appointed receiver and manager of Quality Sterling Group*

THE FULLER LANDAU GROUP INC.

151 Bloor St. W., 12th Floor
Toronto, ON M5S 1S4

Attention: Ken Pearl
Receiver and manager of Quality Sterling Group

Dear Sirs/Mesdames:

**RE: Carpenters and Allied Workers Local 27, United Brotherhood of Carpenters
and Joiners of America (“Local 27”) and Quality Sterling Group (“QSG”)**

Our File No. 1081-461

As you know, we are counsel for Local 27 with respect to the above-noted matter.

Local 27 hereby grieves that QSG violated Article 23, the holdback provisions, of the Residential Floorlayers Collective Agreement, effective May 1, 2022 to April 30, 2025 (the “**Collective Agreement**”) by failing to maintain pieceworker holdback monies in trust.

The holdback monies in the amount of \$95,028.00 (the “**Holdback Funds**”) are currently held by The Fuller Landau Group Inc. (the “**Receiver**”) pursuant to the October 10th and October 31st Endorsements of Justice Penny in Court File Nos.: CV-23-00703933-00CL and CV-23-00703292-



00CL. The Receiver has been instructed to maintain the Holdback Funds separate and apart from QSG's assets until further order of the Court. The Court expressly provided that Local 27 is entitled to pursue a fresh grievance with respect to the interpretation and application of the holdback provisions in the Collective Agreement.

We have been instructed to refer this matter to the Ontario Labour Relations Board (the "OLRB") pursuant to s. 133 of the *Labour Relations Act, 1995*, S.O. 1995, c. 1, Sched. A.

Please be advised that Local 27 will be seeking the following relief against QSG, the Receiver, and/or RSM Canada Limited (in its capacity as the "Monitor") from the OLRB:

1. A declaration that QSG is bound to the Collective Agreement, and any renewals thereof;
2. A declaration that a trust exists under Article 23 of the Collective Agreement for the benefit of Local 27 pieceworkers;
3. An order that the Receiver maintain \$95,028.00 in trust for the benefit of Local 27 pieceworkers (the "**Holdback Funds**") until the earlier of: (1) the release date pursuant to the terms of the Collective Agreement; or (2) the date the Responding Parties wind down the business of Quality Sterling Group;
4. An order that the Receiver release the Holdback Funds to the Local 27 pieceworkers by or before the earlier of the two dates referred to in point 3;
5. An order that the Responding Parties pay costs in the event that default judgment is granted, and in the event this matter proceeds to a hearing, that the Responding Parties pay all reasonable costs of prosecuting the herein grievance;
6. An order that the Responding Parties reimburse the Applicant for all fees paid for the filing of this Grievance Referral with the Ontario Labour Relations Board pursuant to subsection 133(13) of the *Labour Relations Act, 1995*, S.O. 1995, c. 1, Sched. A.; and
7. Such further and other relief as may be appropriate in the circumstances.

Please advise whether you wish to discuss potential settlement, otherwise we will refer this matter to the OLRB. Should you have any questions or wish to discuss the matter, please contact the undersigned.





Rousseau Mazzuca LLP

Daniel Wright

Lawyer

dwright@rousseaumazzuca.com

☎ 416 304-9899 ext. 2010

Sincerely,

ROUSSEAU MAZZUCA LLP

Daniel Wright

cc: Client

Joe Latham and Erik Axell, via email jlatham@goodmans.ca and eaxell@goodmans.ca (Lawyers for RSM Canada Limited, in its capacity as court-appointed Monitor of Quality Sterling Group)

Bryan Tannenbaum and Arif Dhanani, via email bryan.tannenbaum@rsmcanada.com and arif.dhanani@rsmcanada.com (RSM Canada Limited, in its capacity as court-appointed Monitor of Quality Sterling Group)

Chris Besant, via email cbesant@grllp.com (Lawyers for Quality Sterling Group)



Appendix “I”
to the First Report of the Receiver



SUPERIOR COURT OF JUSTICE

COUNSEL SLIPCOURT FILE NO.: CV-23-00703933-00CLDATE: October 5, 2023REGISTRAR: Teodoro OlasoNO. ON LIST: 1TITLE OF PROCEEDING: **Quality Rugs of Canada Ltd. Vs. Waygar Capital Inc. et al**BEFORE JUSTICE: **Justice Penny****PARTICIPANT INFORMATION****For Plaintiff, Applicant, Moving Party, Crown:**

Name of Person Appearing	Name of Party	Contact Info
Christopher Besant	Quality Rugs of Canada Ltd.	CBesant@GRLLP.com

For Defendant, Respondent, Responding Party, Defence:

Name of Person Appearing	Name of Party	Contact Info
Matilda Lici	Waygar Capital Inc.	mleci@blg.com
Joe Latham	RSM Canada, Monitor	jlatham@goodmans.ca
James Harnum	LiUna Local 183	jharnum@kmlaw.ca
Demetrios Yiokaris	LiUna Local 183	dyiokaris@kmlaw.ca
Natasha MacParland	Ironbridge	nmacparland@dwpv.com
Natalie Renner	Ironbridge	nrenner@dwpv.com
Haddon Murray	Lauzon, Torlys, Ceratec, Boa-Franc, Metropolitan Hardwood	haddon.murray@gowlingwlg.com
Michael Mazzuca Daniel Wright	Carpenter's Union	michael@rousseau Mazzuca.com dwright@rousseau Mazzuca.com
Arif Dhanani	RSM Canada Ltd.	arif.dhanani@rsmcanada.com
Tiffany Sun	Mohawk Carpet Distribution Inc.	tsun@osler.com
Akhi Vohra	Ames Tile & Stone Ltd.	avohra@ogilvielaw.com
Michael Farace	GG Eight Cumberland	michael.farace@devrylaw.ca

For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info

ENDORSEMENT OF JUSTICE PENNY (Released on October 10, 2023):

On September 28 three matters were put over to be dealt with today: 1) the lien regularization order; 2) the motions of GG Eight and Housing One; and, 3) the Unions' holdback motions.

As matters have evolved, useful negotiations are still ongoing regarding the LRO issue and the work is proceeding on the GG Eight and Housing One sites. Accordingly, it is proposed, and I accept, that these matters be adjourned as follows. The LRO motion shall be heard by me on Friday October 13, 2023 at 10:00 AM by video conference. The builders' motions are adjourned to October 18, which is a date already reserved for the sale approval motion (also at 10:00 AM by videoconference).

The Unions' Holdback Issue

Both LIUNA Local 183 and the Carpenters' Union brought motions concerning the preservation of certain holdback funds. I encouraged the parties to make every effort to find a commercially practical solution to this issue in a prior hearing and endorsement. The motion was adjourned on September 28 because, I was advised, the parties were still exchanging proposals and were close to an agreement on many items. As it turned out, the parties agreed on most issues (the interim holdback resolution) but were still apart on several implementation and related issues. All parties filed *with prejudice* offers to resolve the holdback issue. All parties agreed that, in the circumstances, argument would be restricted to a general overview of the areas of agreement and the applicable law but that the focus would be on the disputed items and the arguments for against the competing proposals, such that the court could accept, reject or vary the disputed terms of the proposed resolution in order to conclude the interim holdback resolution.

Background

Under the terms of the respective collective agreements, an amount not to exceed \$2,000 may be withheld by QSG to cover any back charges or deficiencies arising out of work performed by each installer hired to perform flooring services on QSG projects. The withheld funds must be recorded and accounted for on a monthly basis. These funds may be withheld for a period not to exceed six months from the date of commencement of the work or three months from the time that the installer no longer works for QSG.

The Unions both maintain that on a proper interpretation of the language of the relevant collective agreement, the holdback funds are subject to a trust for the benefit of the installers and do not form part of the estate of QSG. The Unions have brought, or wish to bring, grievances against QSG, the purpose of which is to seek an interpretation of the language of the collective agreements and a determination of whether the holdback amounts are funds held in trust or not. In aid of these arbitration proceedings, the Unions moved for a court order in these CCAA proceedings for the interim preservation of the holdback funds pending arbitral resolution of this dispute and for an order lifting the stay for the purpose of bringing, or proceeding with, the necessary grievances before an arbitrator under the collective agreements. The pre-filing holdback amounts are not in material dispute: LIUNA, \$97,083.41; and Carpenters' Union, \$95,028.

There is a complicating factor involving LIUNA which becomes relevant to one of the disputed items discussed below. While QSG was bound to a collective agreement with LIUNA from May 1, 2022 to April 30, 2025, LIUNA abandon these bargaining rights in May 2023. In response, QSG brought an application to the OLRB, which was resolved in minutes of settlement. Under this Settlement Agreement, QSG is permitted to complete tile work on “existing projects” until April 30, 2024 without LIUNA seeking to enforce subcontracting out provisions. In exchange, QSG agreed to continue to apply the terms and conditions of the collective agreement, including the holdback provisions. The parties agreed in the Settlement Agreement that Vice-Chair Kugler of the OLRB “remains seized [of] any issues arising from the settlement.” LIUNA has raised an issue about whether a successor to QSG (e.g., the purchaser in these CCAA proceedings) is entitled to the benefit of the Settlement Agreement with LIUNA.

I will also add that important context for the holdback and other, collateral issues raised on these motions, concerns the current status of all employee compensation payments. The evidence is not disputed that, with the benefit of DIP financing provided by the purchaser and ongoing collection of accounts receivable owed to the applicants, there is no unpaid employee compensation which is due and owing. The applicants are current with all employee payments. In addition, funds sufficient to pay all holdback refunds are available. Further, as pointed out by counsel for the purchaser, it is a term of the purchaser’s offer that all employee compensation be kept current pending closing of the sale transaction. It is also the purchaser’s stated intention to continue payment of compensation for installers on all ongoing projects. As I have noted before in a prior endorsement, the applicants’ most significant asset is their ongoing projects and the accounts receivable from ongoing work done on those projects. To complete those projects, the applicants need to have installers working; the installers naturally will not be working if they are not being paid. It is also the stated intention of the applicants and the purchaser, and the objective of this proposed interim resolution of the holdback issue, that all holdback refunds will be paid in accordance with the terms of the relevant collective agreement as they become due and owing. It is entirely possible that there may never be any priority dispute concerning the status of the holdback amounts in these proceedings because, if the sale closes, the intention would be that the amounts will ultimately be paid in full.

The Core Agreed Provisions

The parties have agreed on the core features of preserving the holdback funds and the payment of these funds as they become due and owing. QSG, the purchaser and the Unions have agreed that:

- a. a \$2,000 holdback refund claimed by one pieceworker (designated MRAD) will be paid forthwith by the applicants.
- b. the Unions’ holdback motions will be adjourned without fixed day.
- c. The issue of whether the holdback provision in the Residential Tile Contractors Association and LIUNA collective agreement dated May 1, 2022 to April 30, 2025 creates an obligation to hold the holdback amounts in trust shall be dealt with in the pending grievance arbitrations relating to the holdback provision and/or by way of fresh or amended grievance as required.

Similarly, the issue of whether the Residential Carpet, Hardwood, Laminate and Floor Coverings Collective Agreement, dated May 1, 2019 to April 30, 2022 creates an obligation to hold the holdback amounts in trust and whether that trust obligation continues under the Residential Floorlayers Collective Agreement, dated May 1, 2022 to April 30, 2025 shall be dealt with by way of fresh grievance by the Carpenters.

In both cases, the stay shall be lifted and the grievance arbitrations shall be allowed to proceed. If jurisdiction over the holdback issue is declined and/or otherwise not allowed in the arbitration and/or by the OLRB, then the holdback issue may be dealt with by way of motion in the CCAA proceedings or any subsequent insolvency proceedings which may be established.

- d. The sum of \$95,083.41 regarding the LIUNA holdback amount shall be paid forthwith by the applicants to the Monitor and held segregated and separate from other funds held by the Monitor as the LIUNA reserve in accordance with the terms of the agreement.
The sum of \$95,028.00 regarding the Carpenters holdback amount shall be paid forthwith by the applicants to the Monitor and held segregated and separate from other funds held by the Monitor as the Carpenters reserve in accordance with the terms of the holdback resolution.
The LIUNA holdback amount and the Carpenters' holdback amount shall not form part of the assets of the applicants' estate while being held as a reserve, and the reserve shall be maintained pending either (i) a determination of whether any portion of the funds should be paid to any installers, (ii) the mutual agreement of the parties, or (iii) a court order.
- e. It also appears to be agreed in concept that the reserve shall be transferred to the purchaser if the sale transaction closes and that holdback refunds from the reserve shall be paid by the purchaser post-closing to installers as refunds become due and owing under the terms of the collective agreements. However, some of the terms and conditions dealing with implementation and certain contingencies are in dispute. I will address the three most significant disputed issues below.

I will say at the outset that I accept, and approve, these features of the parties' proposed resolution (which I will refer to as the holdback resolution). I find it is appropriate in the circumstances for the stay to be lifted to permit the prosecution of the holdback trust issue before the appropriate arbitral tribunal.

Resolution of the Disputed Issues

1. The Transition to the Purchaser

Much of the concern of the Unions, particularly LIUNA, is focused on the transition, if the sale transaction is approved and closes, from the applicants (and Monitor) to the purchaser and how that will affect the ongoing existence of the two reserves and their availability to pay holdback refunds to the installers.

As noted earlier, the purchaser's stated intention is to step into the shoes of the applicants and to honour all ongoing obligations to the installers. This specifically includes honouring the status of the reserve and using the reserve to pay holdback refunds as they come due.

Under the applicants' proposal, supported by the purchaser and the Monitor, on the closing of the sale transaction, the purchaser will give a unilateral undertaking to the applicants, LIUNA and the Court, that it will comply with the Settlement Agreement and continued to deal with the LIUNA reserved in accordance with the terms of the collective agreement. Upon giving this undertaking, the LIUNA reserve will be released to the purchaser.

The situation with the Carpenters holdback and reserve is not complicated by a prior abandonment or a settlement agreement. Regarding the Carpenters reserve, the purchaser's undertaking to the applicants, Carpenters and the Court will be that the purchaser will continue to deal with the Carpenters holdback and reserve post-closing in accordance with the Carpenters collective agreement, and to pay holdback refunds from the Carpenters reserve as they come due.

As I understand it, LIUNA objects to this formulation of the transfer if the sale closes on two grounds: 1) it questions the reliability and enforceability of the purchaser's undertaking; and, 2) it is not prepared to concede that the purchaser will, post-closing, enjoy any of the benefits of the Settlement Agreement since the purchaser is not a party to that agreement.

As to the first point, the sale requires court approval. If a term of the Court approval of the sale is that the purchaser will take over and maintain the reserve, and give an undertaking to the parties and the Court that it will continue to maintain the reserve and to deal with the reserve in accordance with the relevant collective agreements, that is, in my view, a powerful commitment, the breach of which would attract appropriate remedial action by the Court.

The second point, concerning a possible dispute over the status of the Settlement Agreement vis-à-vis the purchaser, involves a potentially complex application of the law of successor rights for which recourse to the Vice Chair of the OLRB, in accordance with the terms of the Settlement Agreement, seems likely to be the most appropriate path to resolution. The law is clear that CCAA proceedings do not abrogate collective agreements or collective bargaining rights – at most CCAA proceedings may temporarily suspend certain specific actions pending further court order. In a scenario in which there is a dispute about the ongoing status of the Settlement Agreement post-sale, paragraphs 14 to 17 of the ARIO would come into play. In order to ensure an orderly resolution of such a dispute, if in fact it actually arises, this issue will have to return to the CCAA court to clear the path to a resolution, in much the same way as the parties propose to deal with the question of whether the holdback provisions of the collective agreements create a trust.

As I understand it, LIUNA's real complaint arises from its view that the language of the applicants' proposal would somehow preclude LIUNA for making the argument that the purchaser is not a party to, and cannot derived benefit from, the Settlement Agreement such that LIUNA could somehow be "held hostage" by the purchaser threatening to withhold payment of otherwise due and owing holdback rebates. I find that the proposed language cannot reasonably be interpreted in that way. The contemplated undertaking is unilateral. It is for the benefit of the installers. LIUNA is not giving up anything. It is simply receiving the unilateral commitment of the purchaser to hold the LIUNA reserve and to pay it out as rebates come due, as contemplated by the terms of the collective agreement. LIUNA cannot reasonably complain about that.

LIUNA also proposes language in its version of the proposed holdback resolution that would preserve its right to argue that the Settlement Agreement does not survive the sale of the business by the applicants. While I agree that this concept can usefully be reflected in the holdback resolution, I find that LIUNA's specific drafting creates ambiguity and is weighted, in what is effectively an advocacy piece, overtly in favour of LIUNA's position. It is sufficient, in my view, that the holdback resolution simply state that its terms are without prejudice to parties' positions in any subsequent challenge to the applicability of the Settlement Agreement following the closing of the sale transaction.

On the basis of this analysis, if the sale closes and the purchaser gives the undertaking, the reserve will have been preserved; the reserve may be transferred to the purchaser. The Unions' argument that the holdback amounts constitute a trust will not be prejudiced by other priority claims because the holdback amounts will have effectively been isolated, pending final resolution, from the applicants' estate.

Also related to this question of the transition from the applicants to the purchaser if the sale transaction closes, is a proposal by both Unions to include a provision by which both the Unions and the purchaser must "advise the Court within 30 days of the closing that they are bound to a Collective Agreement which provides that the purchaser may maintain a holdback account". Following that "advice", the reserve "shall be paid to the Purchaser who shall then hold such monies and pay them out to the Pieceworkers in accordance with the terms of such Collective Agreement".

The purpose and need for this provision, or indeed even what it means, were not explained or justified to my satisfaction. The provision seems to once again enter the realm of successor rights which, subject to the temporary limit on certain collective bargaining rights arising out of the ARIO pending the applicants' attempt to restructure their business and/or further court order, is the exclusive preserve of the OLRB. On its face, s.

69(2) of the *Labour Relations Act* dealing with successor rights on the sale of a business appear to be declaratory and self-determining. The existence of successor rights, for example, does not appear to require any “advice” by the purchaser or by the Unions.

From the perspective of the applicants, the purchaser and the Monitor, this *proviso* merely sets up an unknown or ambiguous condition subsequent which introduces an unacceptable level of transaction risk into the proposed sale. The purchaser in particular was as clear as a bell on this: this provision is unnecessary and its meaning and purpose are highly ambiguous; the inclusion of this provision is a “dealbreaker”.

As noted earlier, it is the purchaser’s stated intention to step into the shoes of the applicants, including compensation obligations under the collective agreements. It is in the economic interests of the purchaser and the installers that the installers receive ongoing compensation, including holdback refunds as they come due.

The Unions have not satisfied me as to the purpose of, much less the need for, this *proviso*. I agree with the applicants, the purchaser and the Monitor that the Union *proviso* need not and should not be included in the interim holdback resolution. To the extent the Unions have successor rights concerns, subject to paragraphs 14 to 17 of the ARIO these can be taken up with the OLRB. This would appear to be, in principle at least, a situation where an order lifting the stay in order to seek direction from the OLRB could easily be sought if it became necessary to do so (again, along the same lines as has been done in the holdback resolution itself).

2. *If the Transaction Does Not Close*

Another issue around which the parties did not entirely agree is what happens to the reserve if the sale transaction does not close. In my view, this issue is best addressed if and when that happens.

The parties agree that the holdback funds will be held as a reserve by the Monitor pending closing. If the sale does not close, the Monitor will continue to hold the reserve until further order of the Court. Whatever ultimately happens, or whatever comes next, will be on notice to all stakeholders. The status of the reserve in the hands of the Monitor can be addressed at that time. Even in the event of a liquidation, the Unions will have the opportunity to address the question of priorities if the funds have not yet been paid out to the installers as holdback refunds. If they have, of course, the issue becomes moot.

3. *Potential Claims Against Directors*

The Unions object to a provision in the applicants' proposal for the interim holdback resolution which, they say, purports to limit the Unions' right to make common law trust or other statutory claims against the applicants' directors on account of potential unpaid wages. I do not read the provision as limiting the installers right to seek indemnity from the applicants' directors for unpaid compensation in appropriate circumstances.

What the proposed language is meant to do is to acknowledge that claims against directors for unpaid pre-filing holdback amounts are going to be limited to the amount of the reserve, provided the reserve remains in place. Counsel for the Unions accept that the reserve contains the pre-filing holdback amounts and that the number is known and materially accurate; there is no "other" pre-filing holdback amount. Counsel for the applicants clarified that the premise for the proposed language is that, as long as the holdback reserve is available, any claims against directors for holdback refunds could not, by definition, exceed the reserve. The applicants accept that if, for some unforeseen reason, the reserve ceased to be available, claims for unpaid holdback refunds could not, logically, be limited to the amount of the reserve since the reserve, in that scenario, would not exist. With that concession (that the reserve must continue to subsist and be available for the payment of holdback refunds), the language proposed by the applicants makes sense and is in accord with the underlying intent of the interim holdback resolution.

Any other issues related to potential claims against directors are, in my view, premature. All parties agree that there are no known employee claims against directors for unpaid compensation at this time. Installers are being paid. If and when the potential for such claims arises, the matter can be addressed by motion to the court on a proper record. There is no need, or justification, at this time to make pronouncements about when and in what circumstances the stay might be lifted to permit pursuit of claims against directors for statutory or other compensation claims.

Conclusion

In conclusion, I find that the motions shall be determined by the interim holdback resolution on the basis of the agreed provisions and the determinations made in these reasons on the disputed items. This shall be generally in accordance with the form of the applicants' proposed holdback resolution, subject to the qualifications and clarifications set out earlier in this endorsement. I am confident the parties can, with the benefit of these reasons, prepare the appropriate form of interim holdback resolution and order. I may be spoken to if there are any outstanding matters.¹



Penny J.

¹ The Monitor, at the end of oral submissions, pointed out that the holdback amount is a rolling number because work has continued on many of the applicants' projects post-filing. No one else commented on this issue explicitly. The principal focus of the motions and during oral submissions was on the pre-filing amounts, the calculation of which was not subject to any material controversy. The parties have proposed language in the holdback resolution which applies to post-filing holdbacks as well. If there are any unique issues about the post-filing holdbacks, I sure they will be addressed in future attendances.

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

**- and -
QUALITY RUGS OF CANADA LIMITED, et al.
Respondents**

ONTARIO

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

PROCEEDING COMMENCED AT TORONTO

FIRST REPORT OF THE RECEIVER

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*Lawyers for The Fuller Landau Group Inc. in its capacity
court-appointed receiver and manager of Quality Rugs of
Canada Limited, et al.*

TAB 3

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

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

THE HONOURABLE MR	)	FRIDAY, THE 24th
)	
JUSTICE PENNY	)	DAY OF NOVEMBER, 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 AN THE OTHER COMPANIES LISTED IN
SCHEDULE "A" HERETO**

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

ORDER

THIS MOTION, made by The Fuller Landau Group Inc. ("**Fuller Landau**"), in its capacity as the court-appointed receiver and manager (the "**Receiver**") of the assets, undertakings and properties of 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, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the Receiver and the First Report of the Receiver, dated November 17, 2023, and on hearing the submissions of counsel for the Receiver, counsel for RSM Canada Limited in its capacity as the Court-appointed monitor (the "**Monitor**"), counsel for Ironbridge Equity Partners IV LP and Ironbridge Equity Partners (International) IV, LP, counsel for Waygar Capital Inc. and such other counsel listed on the Counsel Slip,

SERVICE

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

TERMINATION OF CCAA STAY PERIOD

2. **THIS COURT ORDERS** that the Stay Period pursuant to the Amended and Restated Initial Order made September 5, 2023 in these proceedings, as extended pursuant to the CCAA Stay Extension Order, dated October 31, 2023, be and is hereby terminated.

FUNDS HELD BY THE MONITOR

3. **THIS COURT ORDERS** that the Monitor is hereby directed to transfer to the Receiver all funds currently held by the Monitor pursuant to the Endorsement of the Honourable Justice Penny, dated October 5, 2023, which funds shall be held by the Receiver segregated and separate from all other funds held by the Receiver pending further Order of the Court.

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.

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 AN THE
OTHER COMPANIES LISTED IN SCHEDULE "A" HERETO

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

ORDER

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court-appointed receiver and manager of Quality Rugs of
Canada Limited, et al.*

TAB 4

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

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

THE HONOURABLE MR.	)	FRIDAY, THE 24th
)	
JUSTICE PENNY	)	DAY OF NOVEMBER, 2023

**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**

**AMENDED AND RESTATED ORDER
(Amending Receivership Order, dated October 31, 2023)**

THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing The Fuller Landau Group Inc. ("**Fuller**") as receiver and manager (in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of each of 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, (collectively, the "**Debtors**") acquired for, or used in relation to a business carried on by the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavits of Don Rogers sworn July 24, 2023 and October 31, 2023, and the respective exhibits thereto, and the First Report of the Receiver, dated November 17, 2023 (the “**First Report**”), and on hearing the submissions of counsel for Applicant, counsel for the Respondents, counsel for Ironbridge Equity Partners IV LP and Ironbridge Equity Partners (International) IV, LP (together, the “**DIP Lender**”) and such other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the affidavit of service of Matilda Lici sworn October 31, 2023, and the affidavit of service of Amanda Campbell, sworn November ●, 2023, and on reading the consent of Fuller to act as the Receiver,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, Fuller is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of each of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the “**Property**”).

RECEIVER’S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical

inventories and the placement of such insurance coverage as may be necessary or desirable;

- (c) to manage, operate, and carry on the business of the Debtors, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtors;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (g) to settle, extend or compromise any indebtedness owing to the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of any of the Debtors, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

(k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

(i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

(l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;

(p) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have; and

(q) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including each of the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that (i) the Debtors, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give

unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. **THIS COURT ORDERS** that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

9. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. **THIS COURT ORDERS** that all rights and remedies against the Debtors, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors are not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtors, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

13. **THIS COURT ORDERS** that the DIP Lender shall only be permitted to enforce its rights and remedies against the Debtors or the Property with further Order of the Court and that seeking such Order will not require a lifting of the stay contemplated in paragraphs 9-12 of this Order.

RECEIVER TO HOLD FUNDS

14. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of further Order of this Court.

EMPLOYEES

15. **THIS COURT ORDERS** that all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

16. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such

information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

18. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in

this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

19. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA and the provisions of this Order.

20. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

21. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

22. **THIS COURT ORDERS** that, subject to the consent of the Applicant and the DIP Lender, the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$750,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order,

including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge, the Administration Charge (as defined in the ARIO), and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

23. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

24. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

25. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

PRIORITY OF CHARGES

26. **THIS COURT ORDERS** that the priority charges granted pursuant to the Amended and Restated Initial Order dated September 5, 2023 (the "**ARIO**") issued in the proceedings commenced by the Debtors and certain related entities under the *Companies' Creditors Arrangement Act* (Canada) under court file no. CV-23-00703933-00CL (the "**CCAA Proceedings**") shall be continued and apply *mutatis mutandis* in the within receivership proceedings and the priorities of the Administration Charge, the Director's Charge, the DIP Lender's Charge, and the Financial Advisor's Charge (each as defined in the ARIO), and the Receiver's Charge and the Receiver's Borrowings Charge, as among them, shall be as follows:

First - the Administration Charge and the Receiver's Charge (to a combined maximum of \$750,000), which charges shall rank *pari passu* with each other;

Second – the Receiver’s Borrowings Charge (to a maximum of \$750,000);

Third - the Director’s Charge (to a maximum of \$600,000);

Fourth - the DIP Lender’s Charge (to a maximum of \$7,000,000); and

Fifth – the Financial Advisor’s Charge (to a maximum of \$950,000).

27. **THIS COURT ORDERS** that paragraph 26 of this Order is without prejudice to the beneficiaries of the Lien Charge (as defined in the ARIO).

SERVICE AND NOTICE

28. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <https://www.ontariocourts.ca/scj/practice/regional-practice-directions/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (the “**Rules**”), this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol and shall be accessible by selecting the Debtors’ name from the engagement list at the following URL [‘https://fullerllp.com/services/corporate-restructuring-and-insolvency/selected-active-engagements/’](https://fullerllp.com/services/corporate-restructuring-and-insolvency/selected-active-engagements/).

29. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors’ creditors or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business

day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

30. **THIS COURT ORDERS** that the Receiver be and it is hereby directed to communicate and cooperate with RSM Canada Limited, in its capacity as the Monitor of the Debtors in the CCAA Proceedings, with a view to making the transition from the CCAA Proceedings to the receivership herein as efficient as possible.

31. **THIS COURT ORDERS** that the ARIO, as amended as of October 31, 2023, shall continue in full force and effect until the CCAA Proceedings are terminated by order of this Court, provided that, to the extent that there is any inconsistency between any provision(s) of the ARIO and the provisions of this Order, the provisions of this Order shall prevail.

32. **THIS COURT ORDERS** that the Receiver is authorized and directed to pay the sum of \$2,000.00 to Koskie Minsky LLP in trust for Radisa Zlatahnic o/a MRAD.

33. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

34. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors.

35. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its 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 Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

36. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and

that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

37. **THIS COURT ORDERS** that the Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtors' estate with such priority and at such time as this Court may determine.

38. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

39. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order, and enforceable without any need for entry or filing.

RECEIVER'S ACTIVITIES AND R&D

40. **THIS COURT ORDERS** that the First Report and the activities and conduct of the Receiver described therein be and are hereby approved, provided, however that the Receiver in its personal capacity and only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

41. **THIS COURT ORDERS** that the Receiver's statement of receipts and disbursements, to November 10, 2023, be and is hereby approved.

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that The Fuller Landau Group Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties of each of 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 (collectively, the "**Debtors**") acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 31st day of October, 2023, as amended and restated by Order of the Court dated November 24, 2023 (the "**Order**") made in an action having Court file number CV-23-00703874-00CL, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

The Fuller Landau Group Inc., solely in its
capacity as Receiver of the Property, and not in
its personal capacity

Per: _____

Name:

Title:

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

- and -
QUALITY RUGS OF CANADA LIMITED, et al.

Respondents

ONTARIO

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

PROCEEDING COMMENCED AT TORONTO

**AMENDED AND RESTATED ORDER
(Amending Receivership Order,
dated October 31, 2023)**

DENTONS CANADA LLP
77 King Street West, Suite 400
Toronto-Dominion Centre
Toronto, ON M5K 0A1

Kenneth Kraft (LSO # 31919P)
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*Lawyers for The Fuller Landau Group Inc. in its
capacity court-appointed receiver and manager of
Quality Rugs of Canada Limited, et al.*

TAB 5

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

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

THE HONOURABLE MR.	)	TUESDAY <u>FRIDAY</u> , THE 31ST <u>24th</u>
JUSTICE PENNY	)	DAY OF OCTOBER <u>NOVEMBER</u> , 2023

**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**

**AMENDED AND RESTATED ORDER
(~~appointing Receiver~~Amending Receivership Order, dated October 31, 2023)**

THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing The Fuller Landau Group Inc. ("**Fuller**") as receiver and manager (in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of each of 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,

(collectively, the “Debtors”) acquired for, or used in relation to a business carried on by the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavits of Don Rogers sworn July 24, 2023 and October 31, 2023, and the respective exhibits thereto, and [the First Report of the Receiver, dated November 17, 2023 \(the “First Report”\), and](#) on hearing the submissions of counsel for Applicant, counsel for the Respondents, [counsel for Ironbridge Equity Partners IV LP and Ironbridge Equity Partners \(International\) IV, LP \(together, the “DIP Lender”\)](#) and such other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the affidavit of service of Matilda Lici sworn October 31, 2023, and [the affidavit of service of Amanda Campbell, sworn November 9, 2023, and](#) on reading the consent of Fuller to act as the Receiver,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, Fuller is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of each of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the “Property”).

RECEIVER’S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtors, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtors;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (g) to settle, extend or compromise any indebtedness owing to the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of any of the Debtors, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The

authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

(j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

(k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

(i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

(l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;
- (p) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have; and
- (q) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

(+) and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including each of the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that (i) the Debtors, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records,

or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. **THIS COURT ORDERS** that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

810. THIS COURT ORDERS that ~~the stay of proceedings in effect in accordance with paragraphs 14-17 of the Amended and Restated Initial Order dated September 5, 2023 (the "ARIO") granted in the proceedings commenced under the Companies' Creditors Arrangement Act (Canada) under court file no. CV 23-00703933-00CL (the "CCAA Proceedings") shall apply mutatis mutandis to any Proceedings (as defined in the ARIO) or any right or remedy against or in respect of~~ all rights and remedies against the Debtors, the Receiver and, or affecting the Property, and nothing herein shall derogate from the stay of proceedings in effect pursuant to the ARIO except to the extent necessary to give effect to the appointment of the Receiver. For greater certainty, notwithstanding paragraph 41 of the ARIO, the DIP Lender (as defined in the ARIO) shall refrain from exercising any and all of its rights and remedies under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Lender's Charge without further Order of this Court. are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors are not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtors, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

13. THIS COURT ORDERS that the DIP Lender shall only be permitted to enforce its rights and remedies against the Debtors or the Property with further Order of the Court and that seeking such Order will not require a lifting of the stay contemplated in paragraphs 9-12 of this Order.

RECEIVER TO HOLD FUNDS

914. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be

opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of further Order of this Court.

EMPLOYEES

1015. **THIS COURT ORDERS** that all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

1116. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

1217. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

1318. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

1419. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of

this Order in respect of these proceedings, and that the Receiver's Charge shall form a charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, ~~provided, however, that nothing in this paragraph shall derogate from or impair any of the existing priority charges (the "CCAA Charges") granted in the CCAA Proceedings, which CCAA Charges shall continue to exist until the comeback hearing on November 24, 2023 (the "Comeback Date") or further~~ and the provisions of this Order ~~of the Court~~.

1520. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

1621. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

1722. **THIS COURT ORDERS** that, subject to the consent of the Applicant and the DIP Lender, the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed ~~\$1,500,000~~ 750,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge, the Administration Charge (as

defined in the ARIO), and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, ~~provided, however, that nothing in this paragraph shall derogate from or impair any of the CCAA Charges granted in the CCAA Proceedings, which CCAA Charges shall continue to exist until the Comeback Date or further Order of the Court. From the date of this Order until the Comeback Date, the Receiver shall only borrow or draw on those amounts that are necessary for the receivership on an interim basis, until the Comeback Date.~~

1823. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

1924. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

2025. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

PRIORITY OF ~~THE~~ CHARGES

26. **THIS COURT ORDERS** that the priority charges granted pursuant to the Amended and Restated Initial Order dated September 5, 2023 (the "ARIO") issued in the proceedings commenced by the Debtors and certain related entities under the Companies' Creditors Arrangement Act (Canada) under court file no. CV-23-00703933-00CL (the "CCAA Proceedings") shall be continued and apply mutatis mutandis in the within receivership proceedings and the priorities of the Administration Charge, the Director's Charge, the DIP Lender's Charge, and the Financial Advisor's Charge (each as defined in the ARIO), and the Receiver's Charge and the Receiver's Borrowings Charge, as among them, shall be as follows:

First - the Administration Charge and the Receiver's Charge (to a combined maximum of \$750,000), which charges shall rank pari passu with each other;

Second – the Receiver’s Borrowings Charge (to a maximum of \$750,000);

Third - the Director’s Charge (to a maximum of \$600,000);

Fourth - the DIP Lender’s Charge (to a maximum of \$7,000,000); and

Fifth – the Financial Advisor’s Charge (to a maximum of \$950,000).

~~2127.~~ **THIS COURT ORDERS** that ~~the relative priority of the Receiver’s Charge, the Receiver’s Borrowings Charge and each of the CCAA Charges will be determined at the Comeback Date.~~ paragraph 26 of this Order is without prejudice to the beneficiaries of the Lien Charge (as defined in the ARIO).

SERVICE AND NOTICE

~~2228.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <https://www.ontariocourts.ca/scj/practice/regional-practice-directions/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (the “**Rules**”), this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol and shall be accessible by selecting the Debtors’ name from the engagement list at the following URL ‘<https://fullerllp.com/services/corporate-restructuring-and-insolvency/selected-active-engagements/>’.

~~2329.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors’ creditors or other interested parties at their respective addresses as

last shown on the records of the Debtors and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

2430. **THIS COURT ORDERS** that the Receiver be and it is hereby directed to communicate and cooperate with RSM Canada Limited, in its capacity as the Monitor of the Debtors in the CCAA Proceedings, with a view to making the transition from the CCAA Proceedings to the receivership herein as efficient as possible.

2531. **THIS COURT ORDERS** that the ARIO, as amended as of October 31, 2023, shall continue in full force and effect until the CCAA Proceedings are terminated by order of this Court, provided that, to the extent that there is any inconsistency between any provision(s) of the ARIO and the provisions of this Order, the provisions of this Order shall prevail.

2632. **THIS COURT ORDERS** that the Receiver is authorized and directed to pay the sum of \$2,000.00 to Koskie Minsky LLP in trust for Radisa Zlatahnic o/a MRAD.

2733. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

2834. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors.

2935. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its 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 Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

3036. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

3137. THIS COURT ORDERS that the Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtors' estate with such priority and at such time as this Court may determine.

3238. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

3339. 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, and enforceable without any need for entry or filing.

RECEIVER'S ACTIVITIES AND R&D

40. THIS COURT ORDERS that the First Report and the activities and conduct of the Receiver described therein be and are hereby approved, provided, however that the Receiver in its personal capacity and only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

41. THIS COURT ORDERS that the Receiver's statement of receipts and disbursements, to November 10, 2023, be and is hereby approved.

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that The Fuller Landau Group Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties of each of 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 (collectively, the "**Debtors**") acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the ~~18th~~31st day of ~~August~~October, 2023, as amended and restated by Order of the Court dated November 24, 2023 (the "**Order**") made in an action having Court file number CV-23-00703874-00CL, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

The Fuller Landau Group Inc., solely in its capacity as Receiver of the Property, and not in its personal capacity

Per: _____

Name:

Title:

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, et al.

Respondents

ONTARIO

SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

AMENDED AND RESTATED ORDER
(Amending Receivership Order,
dated October 31, 2023)

DENTONS CANADA LLP

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Toronto-Dominion Centre
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sara.wilson@dentons.com

Lawyers for The Fuller Landau Group Inc. in its
capacity court-appointed receiver and manager of
Quality Rugs of Canada Limited, et al.

Summary report:	
Litera Compare for Word 11.4.0.111 Document comparison done on 11/17/2023 2:54:26 PM	
Style name: Underline Strikethrough	
Intelligent Table Comparison: Active	
Original DMS: iw://WORKSITE.CA.DENTONS.COM/NATDOCS/74777925/1	
Modified DMS: iw://WORKSITE.CA.DENTONS.COM/NATDOCS/74777925/3	
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Add	74
Delete	56
Move From	6
Move To	6
Table Insert	1
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	143

TAB 6

Revised: January 21, 2014
~~s.243(1) BIA (National Receiver) and s. 101 CJA (Ontario) Receiver~~

~~Court File No. —~~

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

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

THE HONOURABLE MR.) ~~WEEKDAY~~FRIDAY, THE #24th
)
 JUSTICE PENNY) DAY OF ~~MONTH~~NOVEMBER, ~~20~~YR2023

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

~~PLAINTIFF~~⁺Applicant
Plaintiff

- and -

~~DEFENDANT~~
Defendant

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

AMENDED AND RESTATED ORDER

~~(appointing Receiver~~Amending Receivership Order, dated October 31, 2023)

⁺~~The Model Order Subcommittee notes that a receivership proceeding may be commenced by action or by application. This model order is drafted on the basis that the receivership proceeding is commenced by way of an action.~~

THIS ~~MOTION~~ APPLICATION made by the ~~Plaintiff~~² Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “BIA”) and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the “CJA”) appointing ~~[RECEIVER'S NAME]~~ The Fuller Landau Group Inc. (“Fuller”) as receiver ~~[and manager]~~ (in such capacities, the “Receiver”) without security, of all of the assets, undertakings and properties of ~~[DEBTOR'S NAME]~~ (the “Debtor” each of 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, (collectively, the “Debtors”)) acquired for, or used in relation to a business carried on by the ~~Debtor~~ Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

~~ON READING the affidavit of [NAME] sworn [DATE] and the Exhibits thereto and on hearing the submissions of counsel for [NAMES], no one appearing for [NAME] although duly served as appears from the affidavit of service of [NAME] sworn [DATE] and on reading the consent of [RECEIVER'S NAME] to act as the Receiver,~~

ON READING the affidavits of Don Rogers sworn July 24, 2023 and October 31, 2023, and the respective exhibits thereto, and the First Report of the Receiver, dated November 17, 2023 (the “First Report”), and on hearing the submissions of counsel for Applicant, counsel for the Respondents, counsel for Ironbridge Equity Partners IV LP and Ironbridge Equity Partners (International) IV, LP (together, the “DIP Lender”) and such other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the affidavit of service of Matilda Lici sworn October 31, 2023, and the affidavit of service of Amanda Campbell, sworn November 2, 2023, and on reading the consent of Fuller to act as the Receiver,

SERVICE

² ~~Section 243(1) of the BIA provides that the Court may appoint a receiver "on application by a secured creditor".~~

1. **THIS COURT ORDERS** that the time for service of the Notice of ~~Motion~~Application and the ~~Motion~~Application is hereby abridged and validated³ so that this ~~motion~~application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, ~~[RECEIVER'S NAME]~~Fuller is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of each of the ~~Debtor~~Debtors acquired for, or used in relation to a business carried on by the ~~Debtor~~Debtors, including all proceeds thereof (the “Property”).

RECEIVER'S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the ~~Debtor~~Debtors, including the powers to enter into any agreements, incur any obligations in the ordinary course of business,

~~³If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~

cease to carry on all or any part of the business, or cease to perform any contracts of the ~~Debtor~~Debtors;

- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the ~~Debtor~~Debtors or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the ~~Debtor~~Debtors and to exercise all remedies of the ~~Debtor~~Debtors in collecting such monies, including, without limitation, to enforce any security held by the ~~Debtor~~Debtors;
- (g) to settle, extend or compromise any indebtedness owing to the ~~Debtor~~Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of any of the ~~Debtor~~Debtors, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the ~~Debtor~~Debtors, the Property or the Receiver, and to settle or compromise any such proceedings.⁴ The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

~~⁴This model order does not include specific authority permitting the Receiver to either file an assignment in bankruptcy on behalf of the Debtor, or to consent to the making of a bankruptcy order against the Debtor. A bankruptcy may have the effect of altering the priorities among creditors, and therefore the specific authority of the Court should be sought if the Receiver wishes to take one of these steps.~~

- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
- (i) without the approval of this Court in respect of any transaction not exceeding \$~~_____~~100,000, provided that the aggregate consideration for all such transactions does not exceed \$~~_____~~500,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, ~~[or section 31 of the Ontario *Mortgages Act*, as the case may be,]~~⁵ shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

⁵ ~~If the Receiver will be dealing with assets in other provinces, consider adding references to applicable statutes in other provinces. If this is done, those statutes must be reviewed to ensure that the Receiver is exempt from or can be exempted from such notice periods, and further that the Ontario Court has the jurisdiction to grant such an exemption.~~

(n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the ~~Debtor~~Debtors;

~~(p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;~~

~~(q)~~ to exercise any shareholder, partnership, joint venture or other rights which the ~~Debtor~~Debtors may have; and

~~(r)~~ to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including each of the ~~Debtor~~Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that (i) the ~~Debtor~~Debtors, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being “Persons” and each being a “Person”) shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the ~~Debtor~~Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the “Records”) in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. **THIS COURT ORDERS** that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of

the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE ~~Debtor~~DEBTORS OR THE PROPERTY

9. **THIS COURT ORDERS** that no Proceeding against or in respect of the ~~Debtor~~Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the ~~Debtor~~Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. **THIS COURT ORDERS** that all rights and remedies against the ~~Debtor~~Debtors, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the ~~Debtor~~Debtors to carry on any business which the ~~Debtor is~~Debtors are not lawfully entitled to carry on, (ii) exempt the Receiver or the ~~Debtor~~Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the ~~Debtor~~Debtors, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the ~~Debtor~~Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the ~~Debtor~~Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the ~~Debtor's~~Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the ~~Debtor~~Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

13. **THIS COURT ORDERS** that the DIP Lender shall only be permitted to enforce its rights and remedies against the Debtors or the Property with further Order of the Court and that seeking such Order will not require a lifting of the stay contemplated in paragraphs 9-12 of this Order.

RECEIVER TO HOLD FUNDS

~~13~~14. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the

credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of ~~this Order or any~~ further Order of this Court.

EMPLOYEES

~~14~~15. **THIS COURT ORDERS** that all employees of the ~~Debtor~~Debtors shall remain the employees of the ~~Debtor~~Debtors until such time as the Receiver, on the ~~Debtor's~~Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

~~15~~16. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the ~~Debtor~~Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

~~16~~17. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or

collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

1718. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

1819. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a **first** charge on the Property in priority to all security interests, trusts, liens, charges and

encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.⁶ [and the provisions of this Order.](#)

1920. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

2021. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

2122. **THIS COURT ORDERS** that, [subject to the consent of the Applicant and the DIP Lender,](#) the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$~~_____~~[750,000](#) (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge, [the Administration Charge \(as defined in the ARIO\),](#) and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

~~⁶Note that subsection 243(6) of the BIA provides that the Court may not make such an order "unless it is satisfied that the secured creditors who would be materially affected by the order were given reasonable notice and an opportunity to make representations".~~

2223. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

2324. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

2425. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

PRIORITY OF CHARGES

26. **THIS COURT ORDERS** that the priority charges granted pursuant to the Amended and Restated Initial Order dated September 5, 2023 (the "ARIO") issued in the proceedings commenced by the Debtors and certain related entities under the *Companies' Creditors Arrangement Act* (Canada) under court file no. CV-23-00703933-00CL (the "CCAA Proceedings") shall be continued and apply *mutatis mutandis* in the within receivership proceedings and the priorities of the Administration Charge, the Director's Charge, the DIP Lender's Charge, and the Financial Advisor's Charge (each as defined in the ARIO), and the Receiver's Charge and the Receiver's Borrowings Charge, as among them, shall be as follows:

First - the Administration Charge and the Receiver's Charge (to a combined maximum of \$750,000), which charges shall rank *pari passu* with each other;

Second – the Receiver's Borrowings Charge (to a maximum of \$750,000);

Third - the Director's Charge (to a maximum of \$600,000);

Fourth - the DIP Lender's Charge (to a maximum of \$7,000,000); and

Fifth – the Financial Advisor's Charge (to a maximum of \$950,000).

27. **THIS COURT ORDERS** that paragraph 26 of this Order is without prejudice to the beneficiaries of the Lien Charge (as defined in the ARIO).

SERVICE AND NOTICE

~~25~~28. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at

~~http~~https://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/regional-practice-directions/eservice-commercial/) shall be valid and effective service. Subject to Rule 17.05 of the Rules of Civil Procedure (the “Rules”), this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules ~~of Civil Procedure~~. Subject to Rule 3.01(d) of the Rules ~~of Civil Procedure~~ and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol ~~with~~ and shall be accessible by selecting the Debtors’ name from the engagement list at the following URL ‘~~@~~https://fullerllp.com/services/corporate-restructuring-and-insolvency/selected-active-engagements/’.

~~26~~29. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the ~~Debtor's~~Debtors’ creditors or other interested parties at their respective addresses as last shown on the records of the ~~Debtor~~Debtors and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

30. **THIS COURT ORDERS** that the Receiver be and it is hereby directed to communicate and cooperate with RSM Canada Limited, in its capacity as the Monitor of the Debtors in the CCAA Proceedings, with a view to making the transition from the CCAA Proceedings to the receivership herein as efficient as possible.

31. **THIS COURT ORDERS** that the ARIO, as amended as of October 31, 2023, shall continue in full force and effect until the CCAA Proceedings are terminated by order of this Court, provided that, to the extent that there is any inconsistency between any provision(s) of the ARIO and the provisions of this Order, the provisions of this Order shall prevail.

32. **THIS COURT ORDERS** that the Receiver is authorized and directed to pay the sum of \$2,000.00 to Koskie Minsky LLP in trust for Radisa Zlatahnic o/a MRAD.

2733. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

2834. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the ~~Debtor~~Debtors.

2935. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its 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 Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

3036. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within

proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

3137. **THIS COURT ORDERS** that the PlaintiffApplicant shall have its costs of this ~~motion~~application, up to and including entry and service of this Order, provided for by the terms of the Plaintiff'sApplicant's security or, if not so provided by the Plaintiff'sApplicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor'sDebtors' estate with such priority and at such time as this Court may determine.

3238. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days²¹ notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

39. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order, and enforceable without any need for entry or filing.

RECEIVER'S ACTIVITIES AND R&D

40. **THIS COURT ORDERS** that the First Report and the activities and conduct of the Receiver described therein be and are hereby approved, provided, however that the Receiver in its personal capacity and only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

41. **THIS COURT ORDERS** that the Receiver's statement of receipts and disbursements, to November 10, 2023, be and is hereby approved.

SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that ~~[RECEIVER'S NAME]~~The Fuller Landau Group Inc., the receiver (the "Receiver") of the assets, undertakings and properties ~~[DEBTOR'S NAME]~~of each of 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 (collectively, the "Debtors") acquired for, or used in relation to a business carried on by the ~~Debtor~~Debtors, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 31st day of 20, October, 2023, as amended and restated by Order of the Court dated November 24, 2023 (the "Order") made in an action having Court file number CL CV-23-00703874-00CL, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

~~[RECEIVER'S NAME]~~ The Fuller Landau Group Inc., solely in its capacity
- as Receiver of the Property, and not in its personal capacity

Per: _____

Name:

Title:

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

- and -

QUALITY RUGS OF CANADA LIMITED, et al.

Respondents

ONTARIO

SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

AMENDED AND RESTATED ORDER
(Amending Receivership Order,
dated October 31, 2023)

DENTONS CANADA LLP

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Toronto, ON M5K 0A1

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Lawyers for The Fuller Landau Group Inc. in its
capacity court-appointed receiver and manager of
Quality Rugs of Canada Limited, et al.

Summary report:	
Litera Compare for Word 11.4.0.111 Document comparison done on 11/17/2023 2:55:23 PM	
Style name: Underline Strikethrough	
Intelligent Table Comparison: Active	
Original filename: C:\Users\campbellam\OneDrive - Dentons\Documents\AB, BC and CL Model Orders\receivership-order-EN.doc	
Modified DMS: iw://WORKSITE.CA.DENTONS.COM/NATDOCS/74777925/3	
Changes:	
Add	168
Delete	166
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Move To	1
Table Insert	1
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	337

TAB 7

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

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

THE HONOURABLE MR	)	FRIDAY, THE 24th
)	
JUSTICE PENNY	)	DAY OF NOVEMBER, 2023

BETWEEN:

**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**

**CLAIMS PROCESS ORDER
(Lien Claims and Trust Claims)**

THIS MOTION, made by The Fuller Landau Group Inc. (“**Fuller Landau**”), in its capacity as the court-appointed receiver and manager (the “**Receiver**”) of the assets, undertakings and properties of 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 (collectively, the “**Debtors**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the Receiver and the First Report of the Receiver (the “**First Report**”), and on hearing the submissions of counsel for the Receiver, the Applicant, and such other counsel listed on the Counsel Slip,

SERVICE

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

DEFINED TERMS

2. **THIS COURT ORDERS** that, for the purposes of this Order, the following definitions shall apply:

- (a) “**Adjudicator**” means one or more independent individuals with relevant expertise in the construction industry that may be appointed to review Proofs of Claim and Lien Notices in accordance with this Order;
- (b) “**Amended and Restated Initial CCAA Order**” means the Order issued by the Court in the CCAA Proceedings on September 5, 2023, amending and restating the Initial Order of the Court, dated August 25, 2023, as may be further amended from time to time by this Court;
- (c) “**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended;
- (d) “**Business Day**” means a day, other than a Saturday or a Sunday, on which banks are generally open for business in Toronto, Ontario;

- (e) “**CCAA Proceedings**” means the proceedings in court file number CV-23-00703933-00CL commenced by the Debtors and certain related persons pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36.
- (f) “**Claim**” means a Lien Claim or a Trust Claim, as usage dictates;
- (g) “**Claims Bar Date**” means 5pm local Toronto time on December 21, 2023;
- (h) “**Claimant**” means a Lien Claimant or a Trust Claimant, as usage dictates;
- (i) “**Claims Package**” means a document package that includes a copy of the Notice to Claimants, the Proof of Claim form, the Instruction Letter and such other materials as the Receiver, may consider appropriate or desirable;
- (j) “**Claims Process**” means the claims process established by this Order for proving Claims;
- (k) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (a) “**Dispute Notice**” means a written notice delivered to the Receiver by a Person advising of that Person’s intention to dispute a Notice of Revision or Disallowance, in substantially the form attached as Schedule “E” hereto;
- (b) “**Known Claimant**” means:
 - (i) any Claimant that filed a Lien Notice with the Monitor prior to the issuance of this Order; and

- (ii) any Claimant which, based upon the books and records of the Debtors, supplied materials, labour and/or services to any QSG Project prior to the date of this Order, and was owed monies by one of the more of the Debtors as of the date of this Order which monies remain unpaid in whole or in part;
- (c) “**Instruction Letter**” means the guide to completing the Proof of Claim form, in substantially the form attached as Schedule “B” hereto;
- (d) “**Lien Claim**” means the right of any Person to claim a lien under Provincial Lien Legislation in respect of the supply of labour, materials, and/or services to a QSG Project;
- (e) “**Lien Claimant**” means any Person asserting a Lien Claim under Provincial Lien Legislation;
- (f) “**Lien Notice**” has the meaning given to that term in the Amended and Restated Initial CCAA Order;
- (g) “**Notice to Claimants**” means the notice to Claimants for publication in substantially the form attached hereto as Schedule “A”.
- (h) “**Notice of Revision or Disallowance**” means a notice advising a Person that all or part of such Person's Claim set out in such Person's Proof of Claim has been revised or disallowed, in whole or in part, in substantially the form attached as Schedule “D” hereto;

- (i) **“Person”** means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, governmental authority, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;
- (j) **“Proof of Claim”** means the proof of claim to be completed and filed by a Claimant, in the form attached as Schedule “C” hereto, and which shall include all supporting documentation in respect of the Claimant’s Claim, details of any liens registered by the Claimant against a QSG Project, copies of any bonded off liens the Claimant has related to a QSG Project, and copies of any Lien Notices provided by the Claimant to the Monitor;
- (k) **“Proven Claim”** means a Lien Claim or a Trust Claim to the extent that it has been finally determined in accordance with the terms of this Order;
- (l) **“Provincial Lien Legislation”** means the *Construction Act*, RSO 1990, c. C.30, *Builders’ Lien Act*, RSA 2000, c B-7, *Prompt Payment and Construction Lien Act*, RSA 2000, c P 26.4, *Builders Lien Act*, SBC 1997, c 45, all as amended, and any similar provincial lien legislation applicable to a QSG Project in any Canadian province. Unless the context requires otherwise, in this Order, use of the term “Provincial Lien Legislation” refers to the Provincial Lien Legislation governing in the province in which the applicable QSG Project is situated;

- (m) “**QSG Project**” means a construction project or improvement to which one of the Debtors has supplied labour, materials, and/or services;
- (n) “**Trust Claim**” means the right of any Person to claim a trust under Provincial Lien Legislation in respect of amounts received by one of the Debtors or the Receiver for services, materials or work supplied to a QSG Project; and
- (o) “**Trust Claimant**” means any Person asserting a Trust Claim under Provincial Lien Legislation.

NOTICE TO CLAIMANTS

3. **THIS COURT ORDERS** that the Receiver shall, as soon as practicable following the issuance of this Order:
- (a) publish the Notice to Claimants in The Globe and Mail (National Edition), and in the Daily Commercial News by Construct Connect (a leading construction trade newspaper);
 - (b) post a copy of the Claims Package on the Receiver’s website; and
 - (c) send a Claims Package to each of the Known Claimants.

PROOFS OF CLAIM AND CLAIMS BAR DATE

4. **THIS COURT ORDERS** that a Claimant wishing to assert a Claim shall deliver to the Receiver a Proof of Claim on or before the Claims Bar Date or such later date as the Receiver may agree in writing or the Court may otherwise direct.

5. **THIS COURT ORDERS** that the Claims of all Persons who have, or could have, a Lien Claim or a Trust Claim and who do not deliver a Proof of Claim to the Receiver by the Claims Bar Date shall be forever extinguished and barred, and all such Persons shall be deemed to have fully and finally released and discharged all such Claims against the Debtors. Further, any Person with a Claim who fails to deliver a Proof of Claim to the Receiver:

(a) shall not be entitled to receive further notice with respect to the Claims Process;
and

(b) shall not be permitted to participate in any distribution on account of such Claim(s).

6. **THIS COURT ORDERS** that, unless otherwise directed by the Receiver, any Lien Claimants and Trust Claimants who provided a Lien Notice to the Monitor and wish to assert a Claim are required to file a Proof of Claim respecting their Lien Claim and Trust Claim, as applicable, on or before the Claims Bar Date. A Proof of Claim must be filed in respect of every Claim, regardless of whether or not a legal proceeding in respect of a Claim has been previously commenced.

REVIEW OF PROOFS OF CLAIM AND LIEN NOTICES

7. **THIS COURT ORDERS** that the Receiver, in addition to its prescribed rights and obligations under the BIA, and any and all orders made in these proceedings, is hereby directed and empowered to, (a) administer the Claims Process, including the determination of Claims, and (b) appoint one or more Adjudicators to determine any Claims, and may take such other actions and fulfill such other roles as are contemplated by this Order.

8. **THIS COURT ORDERS** that the Receiver may refer the review of any Proof of Claim or Lien Notice to the Adjudicator, on notice to the applicable Claimant.
9. **THIS COURT ORDERS** that the Receiver or the Adjudicator, as applicable, shall review all Proofs of Claim and Lien Notices, including without limitation as to the validity, quantum or priority of the Claim, and the Receiver and the Adjudicator shall be entitled to allow, revise or disallow, in whole or in part, the Claims set out therein.
10. **THIS COURT ORDERS** that the Receiver or the Adjudicator, as applicable, may, before disallowing a Claim, in whole or in part, permit a Claimant a specified period of time to provide additional documentation and/or submissions in respect of its Proof of Claim.
11. **THIS COURT ORDERS** that where a Proof of Claim is not fully compliant with this Order, the Receiver or the Adjudicator, as applicable, shall have the discretion whether to allow such Proof of Claim, in whole or in part, despite such non-compliance.
12. **THIS COURT ORDERS** that where a Claim has been accepted by the Receiver or the Adjudicator, as applicable, in accordance with this Order, such Claim shall constitute a Proven Claim. The Adjudicator shall advise the Receiver of any such determination.
13. **THIS COURT ORDERS** that, where a Proof of Claim is revised or disallowed by the Receiver or the Adjudicator, in whole or in part, the Receiver or the Adjudicator, as applicable, shall deliver to the Claimant a Notice of Revision or Disallowance as soon as reasonably practicable. A copy of any Notice of Revision or Disallowance delivered by the Adjudicator shall also be provided to the Receiver.

DISPUTE NOTICE

14. **THIS COURT ORDERS** that a Claimant who intends to dispute a Notice of Revision or Disallowance shall deliver a Dispute Notice to the Receiver so that it is received by the Receiver no later than fourteen (14) calendar days after such Claimant is deemed to have received the Notice of Revision or Disallowance in accordance with this Order, or such longer period as may be agreed to by the Receiver in writing.

15. **THIS COURT ORDERS** that where a Claimant fails to deliver a Dispute Notice in accordance with this Order, the amount and status of such Claimant's Claim shall be deemed to be as set out in the Notice of Revision or Disallowance. Such amount and status, if any, shall constitute such Claimant's Proven Claim, and the balance of such Claimant's Claim, if any, shall be forever barred and extinguished.

RESOLUTION OF DISPUTED CLAIMS

16. **THIS COURT ORDERS** that as soon as practicable after a Dispute Notice is received by the Receiver in accordance with this Order, the Receiver may attempt to resolve and settle the disputed Claim with the Claimant.

17. **THIS COURT ORDERS** that in the event that a dispute raised in a Dispute Notice in respect of a Claim is not settled within a reasonable time period or in a manner satisfactory to the Receiver and the applicable Claimant, the Receiver shall, on notice to the disputing Claimant, schedule an appointment with the Court for the purpose of scheduling a motion to seek a determination by the Court of the disputed Claim, at which appointment directions will be sought from the Court on the process for such determination.

NOTICES AND COMMUNICATIONS

18. **THIS COURT ORDERS** that, except as set out in this Order, any notice or other communication to be given pursuant to this Order by the Receiver to a Claimant shall be in writing, and delivered by prepaid ordinary mail, courier, personal delivery, or electronic mail to the Claimant to such physical or electronic address for such Claimant as may be recorded in the books of the Debtors and/or the Receiver or set out in such Claimant's Proof of Claim. Any such notice or other communication, (i) if given by prepaid ordinary mail, shall be deemed received on the fifth (5th) Business Day after mailing within Canada and the tenth (10th) Business Day after mailing internationally; (ii) if given by courier or delivery shall be deemed received on the next Business Day following dispatch, (iii) if given by electronic mail before 5:00 PM (local Toronto time) on a Business Day shall be deemed received on such Business Day, and (iv) if given by electronic mail after 5:00 PM (local Toronto time) on a Business Day shall be deemed received on the following Business Day.

19. **THIS COURT ORDERS** that any notice or other communication to be given under this Order by a Claimant to the Receiver shall be in writing and will be sufficiently given only if delivered by prepaid ordinary mail, courier, personal delivery, facsimile transmission or electronic mail addressed to:

The Fuller Landau Group Inc.
Court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.
151 Bloor Street West, 12th floor
Toronto, Ontario M5S 1S4
Attention: Ken Pearl
Fax: 416.645.6501
Email: kpearl@fullerllp.com

Any such notice or communication delivered by a Creditor shall be deemed to be received upon actual receipt thereof by the Receiver during normal business hours on a Business Day or if delivered outside of normal business hours, the next Business Day.

GENERAL

20. **THIS COURT ORDERS** that the form and substance of each of the Notice to Claimants, Instruction Letter, Proof of Claim, Notice of Revision or Disallowance and Dispute Notice, substantially in the forms attached to this Order are hereby approved. Notwithstanding the foregoing, the Receiver may from time to time make changes to such forms as the Receiver considers necessary or advisable.

21. **THIS COURT ORDERS** that any Claim denominated in foreign currency shall be converted to Canadian dollars at the Bank of Canada noon exchange rate in effect as of August 25, 2023.

22. **THIS COURT ORDERS** that, in discharging its obligations under this Order, the Receiver, and any Adjudicator appointed under this Order, (i) shall have all of the protections given to a receiver under the BIA, this Order and any other orders of the Court in these proceedings; (ii) shall incur no liability or obligation as a result of carrying out the provisions of this Order and their obligations hereunder; (iii) shall be entitled to rely on the books and records of the Debtors and any information provided by the Debtors, all without independent investigation; and (iv) shall not be liable for any claims, costs or damages resulting from any errors or omissions in such books, records or information.

23. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in respect of the discharge of its powers and duties hereunder, or to assist any Adjudicator appointed hereunder.

24. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or any foreign jurisdiction, to give effect to this Order and to assist the Receiver and its 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 Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Receiver in any foreign proceeding, or to assist the Receiver and its agents in carrying out the terms of this Order.

SCHEDULE "A"**NOTICE TO CLAIMANTS**

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

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

BETWEEN:

**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****NOTICE OF CLAIMS PROCESS ORDER AND CLAIMS BAR DATE
(Lien Claims and Trust Claims)**

NOTICE IS HEREBY GIVEN that, pursuant to an Order of the Ontario Superior Court of Justice (Commercial List), dated November 24, 2023 (the "**Claims Process Order**"), The Fuller Landau Group Inc., in its capacity as Court-appointed receiver and manager (in such capacity, the "**Receiver**") of 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 (collectively, the "**Debtors**"), has been authorized to administer a claims process for the purpose of identifying and determining certain claims against the Debtors. Capitalized terms used in this Notice and not otherwise defined have the meaning ascribed to them in the Claims Process Order (a copy of which is available on the Receiver's Website).

PLEASE TAKE NOTICE that the Claims Process applies to Lien Claims and Trust Claims. Any creditor who has not received a Claims Package and who believes that he or

she has a Lien Claim and/or Trust Claim against one or more of the Debtors must contact the Receiver in order to obtain a Proof of Claim form.

THE CLAIMS BAR DATE is 5:00 p.m. (Toronto Time) on December 21, 2023. Proofs of Claim must be completed and filed with the Receiver using the procedures required in the Claims Process Order so that they are received by the Receiver on or before the Claims Bar Date.

HOLDERS OF CLAIMS WHO DO NOT FILE A PROOF OF CLAIM BY THE CLAIMS BAR DATE SHALL BE FOREVER EXTINGUISHED AND BARRED FROM ASSERTING THEIR CLAIMS AGAINST THE DEBTORS AND THEIR CLAIMS SHALL BE FOREVER EXTINGUISHED AND BARRED.

CLAIMANTS REQUIRING INFORMATION or claims documentation may contact the Receiver. The Receiver's contact details are

THE FULLER LANDAU GROUP INC.

Court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.
151 Bloor St W, 12th Floor
Toronto, ON M5S 1S4

Ken Pearl

Tel: 416-645-6519

Email: kpearl@fullerllp.com

SCHEDULE "B"
INSTRUCTION LETTER

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

BETWEEN:

**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**

INSTRUCTION LETTER

CLAIMS PROCESS

Pursuant to the Order of the Ontario Superior Court of Justice (Commercial List), dated November 24, 2023 (the "**Claims Process Order**"), The Fuller Landau Group Inc., in its capacity as Court-appointed receiver and manager (in such capacity, the "**Receiver**") of 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, (collectively, the "**Debtors**"), has been authorized to conduct a claims process (the "**Claims Process**"). A copy of the Claims Process Order and other public information concerning these proceedings can be obtained from the Receiver's website at: https://fullerllp.com/active_engagements/quality-sterling-group/.

This letter provides general instructions for completing a Proof of Claim form. Capitalized terms not defined within this instruction letter shall have the meaning ascribed thereto in the Claims Process Order.

The Claims Process is intended to identify and determine the amount of Lien Claims and Trust Claims against the Debtors. Please review the Claims Process Order for the full terms of the Claims Process.

All notices and inquiries with respect to the Claims Process should be directed to the Receiver by prepaid registered mail, courier, personal delivery, facsimile transmission or email at the address below:

THE FULLER LANDAU GROUP INC.

Court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.
151 Bloor St W, 12th Floor
Toronto, ON M5S 1S4

Ken Pearl

Tel: 416-645-6519

Fax: 416.645.6501

Email: kpearl@fullerllp.com

FOR CLAIMANTS SUBMITTING A PROOF OF CLAIM

If you believe that you have a Claim against one or more of the Debtors, you must complete and file a Proof of Claim form with the Receiver.

All Proofs of Claim must be received by the Receiver before 5:00 p.m. (Toronto Time) on December 21, 2023 (the "**Claims Bar Date**"). Any Claims for which you have not filed a Proof of Claim by the Claims Bar Date shall be forever extinguished and barred against the Debtors.

When completing the Proof of Claim form, please be ensure to include the exact legal name of the Debtor that you are asserting a Claim against (e.g., Quality Rugs of Canada Limited) and attach all supporting documentation (including invoices and purchase orders), details of any liens registered against a QSG Project, copies of any bonded off liens in respect of your Claim and a copy of any Lien Notices provided to the Monitor.

All Claims denominated in a foreign currency shall be converted to Canadian Dollars at the Bank of Canada noon exchange rate in effect as of August 25, 2023.

ADDITIONAL FORMS

Additional Proof of Claim forms can be obtained from the Receiver's website at https://fullerllp.com/active_engagements/quality-sterling-group/ or by contacting the Receiver.

DATED this 24th day of November, 2023.

SCHEDULE “C”**PROOF OF CLAIM FORM
(Lien and/or Trust Claims)**

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

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

BETWEEN:

**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**

PROOF OF CLAIM (TRUST CLAIMS & LIEN CLAIMS)

In the matter of the receivership of 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 (collectively, the “**Debtors**”).

1. PARTICULARS OF CLAIMANT

(a) Full Legal Name of Claimant: _____

(b) Full Mailing Address of Claimant: _____

(c) Telephone Number of Claimant: _____

(d) Facsimile Number of Claimant: _____

(e) E-mail Address of Claimant: _____

(f) Attention (Contact Person): _____

2. PARTICULARS OF ORIGINAL CLAIMANT FROM WHOM YOU ACQUIRED THE CLAIM, IF APPLICABLE:(a) Have you acquired this Claim by assignment? Yes No
(if yes, attach documents evidencing assignment)

a. Full Legal Name of Original creditor(s): _____

3. PROOF OF CLAIM**THE UNDERSIGNED CERTIFIES AS FOLLOWS:**

That I [am a Claimant/hold the position of _____ of the Claimant]
[*select applicable*] and have knowledge of all the circumstances connected with the Claim
described herein.

That I have knowledge of all the circumstances connected with the Claim described and set out
below.

_____ [insert Debtor name(s)] was and is still indebted to the Claimant as follows:

(When completing the Proof of Claim form, please be ensure to include the exact legal name of the Debtor that you are asserting a Claim against (i.e. Quality Rugs of Canada Limited). Any Claims denominated in a foreign currency shall be filed in such currency and will be converted to Canadian Dollars at rates set out in the Claims Process Order. If there is insufficient space below, please attach a schedule with additional Claims.)

	Class of Claim <i>(Lien Claim or Trust Claim)</i>	Name of Debtor <i>(full legal name)</i>	Name of Owner and Project Address	Date(s) of Supply	Amount of Claim
1					\$
2					\$
3					\$
4					\$
5					\$
TOTAL AMOUNT OF CLAIMS					\$

4. BOND INFORMATION (leave blank if not relevant)

In respect of this debt, I believe I am a beneficiary of a [Performance Bond / Labour and Material Bond / Other], bearing Bond Number _____ *[Insert Bond Number]*, with a total bond amount of \$ _____ *[Insert Amount of Bond, if known]*, issued by _____ *[Insert Name of Surety]*.

5. PARTICULARS OF CLAIM:

The particulars of the undersigned's total Lien Claims and Trust Claims are attached.

(Provide full particulars of the Claim(s) and all supporting documentation, including the legal name of the Debtor(s) you are asserting a Claim against, the amount, description of transaction(s) or agreement(s) giving rise to the Claim(s), name of any guarantor(s) which has guaranteed the Claim(s), and amount of Claim(s) allocated thereto, date, number and copies of all invoices and purchase orders, and particulars of all credits, discounts, etc. claimed. Copies of any Lien Notices provided to the Monitor, details of any liens registered by

the Claimant against at QSG Project and copies of any bonded off liens related to a QSG Project must also be attached.)

6. FILING OF CLAIM:

This Proof of Claim must be returned to and received by the Receiver by 5:00 p.m. (Toronto Time) on or before the Claims Bar Date (December 21, 2023).

Completed forms must be delivered by prepaid registered mail, courier, personal delivery, facsimile transmission or email to the Receiver at the following addresses:

THE FULLER LANDAU GROUP INC.

Court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.
151 Bloor St W, 12th Floor
Toronto, ON M5S 1S4

Ken Pearl

Tel: 416-645-6519
Fax: 416.645.6501
kpearl@fullerllp.com

Date: _____

(name of Claimant)

By: _____
(signature of Claimant/Representative)

Name:

Title:

I have authority to bind the Claimant

SCHEDULE “D”

NOTICE OF REVISION OR DISALLOWANCE

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

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

BETWEEN:

**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**

NOTICE OF REVISION OR DISALLOWANCE

TO: _____

The Receiver or Adjudicator, as applicable, has reviewed your Proof of Claim dated _____, 20____, and Lien Notice(s), if applicable, and has revised or disallowed your Claim(s), in whole or in part, for the following reasons:

Subject to further dispute by you in accordance with the provisions of the Claims Process Order, your Claim(s) will be allowed as follows:

Debtor	Lien Claim per Proof of Claim	Disallowed	Allowed (as revised)

Debtor	Trust Claim per Proof of Claim	Disallowed	Allowed (as revised)

If you intend to dispute this Notice of Revision or Disallowance, you must notify the Receiver of such intent by delivery to the Receiver of a Dispute Notice in accordance with the Claims Process Order, such that it is received by the Receiver by 5:00 p.m. no later than fourteen (14) calendar days after you receive such Notice of Revision or Disallowance at the following address by prepaid registered mail, courier, personal delivery, facsimile transmission or email:

THE FULLER LANDAU GROUP INC.

Court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.
151 Bloor St W, 12th Floor
Toronto, ON M5S 1S4

Ken Pearl

Tel: 416-645-6519
Fax: 416.645.6501
kpearl@fullerllp.com

If you do not deliver a Dispute Notice in accordance with the Claims Process Order, the value of your Claim(s) shall be deemed to be as set out in this Notice of Revision or Disallowance.

Dated at _____ this _____ day of _____, 20____.

SCHEDULE “E”

DISPUTE NOTICE

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

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

BETWEEN:

**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**

DISPUTE NOTICE

1. PARTICULARS OF CLAIMANT

(g) Full Legal Name of Claimant: _____

(h) Full Mailing Address of Claimant: _____

(i) Telephone Number of Claimant: _____

(j) Facsimile Number of Claimant: _____

(k) E-mail Address of Claimant: _____

(l) Attention (Contact Person): _____

2. DISPUTE OF REVISION OR DISALLOWANCE OF CLAIM:

(Any Claim(s) denominated in a foreign currency shall be filed in such currency and will be converted to Canadian dollars at the rate set out in the Claims Process Order.)

We hereby disagree with the value of our Claim(s) as set out in the Notice of Revision or Disallowance dated _____, as set out below:

Class of Claim <i>(Trust or Lien Claim)</i>	Debtor <i>(provide full legal name)</i>	Claim as Allowed or Revised per Notice of Revision or Disallowance	Claim per Claimant
		\$	\$
		\$	\$
		\$	\$
		\$	\$

(Insert particulars of Claim(s) per Notice of revision or Disallowance, and the value of your Claim(s) as asserted by you.)

3. REASONS FOR DISPUTE:

(Provide full particulars of the Claim(s) and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the Claim, name of any guarantor(s) which has guaranteed the Claim, and amount of Claim allocated thereto, date and number of all invoices and purchase orders, and particulars of all credits, discounts, etc. claimed. The particulars provided must support the value of the Claim, as stated by you in item 2 above.)

If you intend to dispute the Notice of Revision or Disallowance, you must notify the Receiver of such intent by delivery to the Receiver of a Dispute Notice in accordance with the Claims Process Order such that it is received by the Receiver by 5:00 p.m. no later than fourteen (14) calendar days after you receive such Notice of Revision or Disallowance at the following address by prepaid registered mail, courier, personal delivery, facsimile transmission or email:

The Receiver:

THE FULLER LANDAU GROUP INC.

Court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.
 151 Bloor St W, 12th Floor
 Toronto, ON M5S 1S4

Ken Pearl

Tel: 416-645-6519
 Fax: 416.645.6501
 kpearl@fullerllp.com

Dated at _____ this _____ day of _____, 20____.

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

- and -

QUALITY RUGS OF CANADA LIMITED, et al.

Respondents

<p>ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST)</p> <p>PROCEEDING COMMENCED AT TORONTO</p>	<p>CLAIMS PROCESS ORDER</p> <p>DENTONS CANADA LLP 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON M5K 0A1</p> <p>Kenneth Kraft (LSO # 31919P) Tel: 416-863-4374 Fax: 416 863-4592 kenneth.kraft@dentons.com</p> <p>Sara-Ann Wilson (LSO # 56016C) Tel: (416) 863-4402 sara.wilson@dentons.com</p> <p><i>Lawyers for The Fuller Landau Group Inc. in its capacity court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.</i></p>
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WAYGAR CAPITAL INC., as agent for NINEPOINT
CANADIAN SENIOR DEBT MASTER FUND L.P.
Applicant

- and -
QUALITY RUGS OF CANADA LIMITED, et al.
Respondents

<p>ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST)</p> <p>PROCEEDING COMMENCED AT TORONTO</p> <p>MOTION RECORD (returnable November 24, 2023)</p> <p>DENTONS CANADA LLP 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON M5K 0A1</p> <p>Kenneth Kraft (LSO # 31919P) Tel: 416-863-4374 Fax: 416 863-4592 kenneth.kraft@dentons.com</p> <p>Sara-Ann Wilson (LSO # 56016C) Tel: 416-863-4402 sara.wilson@dentons.com</p> <p><i>Lawyers for The Fuller Landau Group Inc. in its capacity court-appointed receiver and manager of Quality Rugs of Canada Limited, et al.</i></p>	
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