

CANADA
Province of Quebec
District of Québec
Division No.: 01-Montréal
Court No.: 500-11-055629-188
Estate No.: 41-2449058

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF:

**2964-3277 QUEBEC INC. (DBA CARPET ART
DECO)**

legal person duly incorporated under the laws of
Canada, having its registered office at 480 Lafleur,
Montreal QC H8R 3H9

Petitioner / Debtor

-and-

RICHTER ADVISORY GROUP INC.

Proposal Trustee

**FOURTH REPORT OF THE TRUSTEE
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS**

Richter Advisory Group Inc. ("**Richter**" or the "**Proposal Trustee**"), in its capacity as trustee with respect to the Notice of Intention to Make a Proposal ("**NOI**") filed by 2964-3277 Quebec Inc., doing business as Carpet Art Deco (the "**Debtor**" or the "**Company**"), an insolvent person, does hereby report to the Court the following:

INTRODUCTION

1. On November 29, 2018, the Debtor filed the NOI in accordance with Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S. C. 1985, c. B.-3, as amended (the "**BIA**"), and Richter was appointed as Proposal Trustee under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy is annexed as Exhibit "A" to the First Report of the Trustee dated December 12, 2018 ("**First Report**").
2. On December 5, 2018, documents were sent by regular mail to all creditors of the Debtor, as identified by it, which included a copy of the Debtor's NOI, which is annexed as Exhibit "B" to the First Report.

3. On December 6, 2018, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("**Projections**") together with his report pursuant to Section 50.4(2)(c) of the Act, covering the period from November 29, 2018, to January 11, 2019, which included the major assumptions used in the preparation of the Projections. Concurrently therewith, the Proposal Trustee filed its Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act, all of which is annexed as Exhibit "C" to the First Report.
4. On December 10, 2018 the Debtor filed a motion entitled *Motion for the Issuance of an Order for an Administrative Charge, a Directors and Officers Charge, a Key Employee Incentive Program and Other Remedies* (the "**Charge and KEIP Motion**"). The Charge and KEIP Motion was granted on December 13, 2018.
5. On December 12, 2018, the Debtor filed a motion entitled *Motion for the Extension of the Delay to File a Proposal* (the "**Stay Extension Motion**"). The Stay Extension Motion was granted on December 17, 2018.
6. On December 14, 2018, the Proposal Trustee filed its Second Report in support of the Stay Extension Motion ("**Second Report**").
7. On December 18, 2018, the Court issued a Settlement Approval Order approving the settlement of a dispute between Oriental Weavers International SAE and the Debtor, as appears from the Court record.
8. On January 11, 2019, the Debtor filed a motion entitled *Motion for the Approval of a Consulting Agreement* (the "**Consulting Agreement Motion**"), which motion was granted on January 14, 2019 (the "**GB Consulting Agreement Order**").
9. On January 11, 2019, the Proposal Trustee filed its Third Report in support of the Consulting Agreement Motion ("**Third Report**").
10. On January 14, 2019, the Proposal Trustee through its counsel agreed to provide counsel for Oriental Weavers International SAE ("**OW**") with a copy of the legal opinion prepared by its legal counsel as regards the validity and opposability of the security interest registered by the secured creditors of the Debtor, the whole subject to certain undertakings which were provided by OW. Follow up requests for the copies of the underlying loan and security documents were also fulfilled by the Proposal Trustee.
11. On January 23, 2019, the Debtor filed a motion entitled *Motion for the Extension of the Delay to File a Proposal* (the "**Second Stay Extension Motion**"). The Second Stay Extension Motion will be heard on January 25, 2019.

12. In order to monitor the affairs and finances of the Debtor, the Proposal Trustee has been provided with access to the books, records and other important documents of the Debtor.

PURPOSE OF THIS REPORT

13. The purpose of this Fourth Report is to provide this Court with information pertaining to:
 - a) The Debtor's statement of projected cash flow for the period from December 8, 2018 to February 1, 2019 and results for the period ended January 11, 2019;
 - b) The Debtor's request for a second extension of the statutory delay to file a proposal (the "Proposal Period") to March 8, 2019; and
 - c) The Proposal Trustee's recommendations that this Court make orders, as requested by the Debtor:
 - Approving the Second Stay Extension Motion and extending the stay to March 8, 2019 (the "**Second Extension Order**").

TERMS OF REFERENCE

14. Unless otherwise noted, all monetary amounts contained in this Fourth Report herein are expressed in Canadian dollars.
15. In preparing this Fourth Report, the Proposal Trustee has relied upon certain unaudited financial information prepared by the Debtor's representatives, the Debtor's books and records, and discussions with the Debtor's representatives and legal counsel (the "**Information**").
16. Except as otherwise described in this Fourth Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

THE DEBTOR'S CASH FLOW FORECAST

17. Annexed as **Exhibit "A"** are the reported results versus the Debtor's projections for the period November 29, 2018 to January 11, 2019. The results which are summarized in the table below, reflect a positive net cash flow variance of approximately \$1,854,000 attributable primarily to timing:

2964-3277 Québec Inc.
 Reported vs Projected
 For the period Nov 29, 2018 to Jan 11, 2019
 (\$000's)

	<i>Reported</i>	<i>Projected</i>	<i>Variance</i>
Cash Receipts	\$ 4,518	\$ 3,420	\$ 1,097
Disbursements			
Payroll	(697)	(685)	(12)
Rent & Utilities	(352)	(412)	60
General Expenses and Other	(980)	(1,277)	297
Purchases	(1,053)	(1,122)	70
Filing Deposits	(63)	(167)	104
Sales Taxes	(13)	(55)	42
Interest	(276)	(307)	31
Professional Fees	(437)	(602)	165
	(3,871)	(4,628)	757
Net Cash Flow	\$ 647	\$ (1,207)	\$ 1,854

18. In support of the extension sought, the Debtor has prepared a statement of projected cash flow (**Exhibit “B”**) covering the period January 12, 2019 through March 8, 2019 which we summarize as follows:

2964-3277 Québec Inc.
 Statement of Projected Cash Flow
 For the period Jan 12 to Mar 8, 2019
 (\$000's)

Cash Receipts	\$ 7,470
Disbursements	
Payroll	(850)
Rent & Utilities	(710)
General Expenses and Other	(1,520)
Filing Deposits	(60)
Sales Taxes	(290)
Interest	(260)
Professional Fees	(340)
	(4,030)
Net Cash Flow	\$ 3,440
Opening Bank Indebtedness (Net of Cash and OS Checks)	\$ (21,390)
Net Cash Flow	3,440
Ending Bank Indebtedness (Net of Cash and OS Checks)	\$ (17,950)

Bank Indebtedness does not include outstanding LGs of \$2,555K (US\$1,927K) and outstanding LCs of \$170K (US\$128K) which have not yet been drawn upon.

19. The statement of projected cash flow was prepared on the basis of collections of existing accounts receivables, sales to existing customers of the Debtor based on the current programs with these customers as well as the limited liquidation sales. The level and timing of these liquidation sales are susceptible to change as Gordon Brothers (“GB”), the Company’s liquidation consultant was only formally engaged on January 14, 2019 and is in the process of meeting with both the Debtor’s existing customers and other potential customers over the coming weeks. Accordingly, the

Proposal Trustee will continue to monitor the cash flow results and if needed, will assist the Debtor in updating the cash flows as required.

REQUEST TO EXTEND THE PROPOSAL PERIOD TO MARCH 8, 2019

20. The Debtor is requesting the extension of the Proposal Period to March 8, 2019 (the “**Extension**”).
21. The Proposal Trustee supports the Debtor’s request for the Extension for the following reasons:
 - a) GB was engaged by the Debtor on January 14, 2019 to assist in the liquidation of the Debtor’s inventory, collection of accounts receivable and the sale of the intellectual property. As noted in the Third Report, the agreement between GB and the Debtor estimates that this process will take 120 days and could be extended. It is thus necessary to continue the stay period in order to maximize value for the stakeholders;
 - b) The Debtor is acting in good faith and with due diligence in taking steps to maximize the value of its assets for the benefit of its creditors;
 - c) It is the Proposal Trustee’s view that the Extension will not prejudice or adversely affect any group of creditors; and
 - d) Both the CIBC and the BDC have been advised of the Extension and do not oppose the Extension sought herein.
22. While it is too early to determine whether a viable proposal will be presented by the Debtor to its creditors, in the Proposal Trustee’s view, the Debtor’s request for the Extension is appropriate in the circumstances.

CONCLUSION AND RECOMMENDATION

23. Based on all of the forgoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the relief sought in the Second Extension Motion, as summarized in paragraph 13(c) of this Fourth Report.

Respectfully submitted at Montreal, this 23rd day of January 2019.

Richter Advisory Group Inc.

Licensed Insolvency Trustee



Olivier Benchaya, CPA, CA, CIRP, LIT



Andrew Adessky, CPA, CA, MBA, CIRP, LIT

Exhibit A

2964-3277 Québec Inc.

Reported vs Projected

For the period Nov 29, 2018 to Jan 11, 2019

(\$000's)

	<i>Reported</i>	<i>Projected</i>	<i>Variance</i>	<u>Notes</u>
Cash Receipts	\$ 4,518	\$ 3,420	\$ 1,097	
Disbursements				
Payroll	(697)	(685)	(12)	
Rent & Utilities	(352)	(412)	60	
General Expenses and Other	(980)	(1,277)	297	
Purchases	(1,053)	(1,122)	70	
Filing Deposits	(63)	(167)	104	
Sales Taxes	(13)	(55)	42	
Interest	(276)	(307)	31	
Professional Fees	(437)	(602)	165	
	(3,871)	(4,628)	757	
Net Cash Flow	\$ 647	\$ (1,207)	\$ 1,854	
Opening Bank Indebtedness (Net of Cash and OS Checks)	\$ (23,899)	\$ (23,899)	\$ -	1
Net Cash Flow	647	(1,207)	1,854	
Draw-Down on LGs by trade suppliers	(783)	(285)	(499)	
Draw-Down on LCs by trade suppliers	(87)	-	(87)	
LG Draw-Down Reimbursement by EDC	2,730	2,260	470	
Ending Bank Indebtedness (Net of Cash and OS Checks)	\$ (21,392)	\$ (23,131)	\$ 1,738	2

Note 1: Opening Bank Indebtedness does not include outstanding LGs of \$3,065K (US\$2,296K) and outstanding LCs of \$824K (US\$617K) which have not yet been drawn upon.

Note 2: Ending Bank Indebtedness does not include outstanding LGs of \$2,555K (US\$1,927K) and outstanding LCs of \$170K (US\$128K) which have not yet been drawn upon.

Exhibit B

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055629-188
Estate No. 41-2449058

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
2964-3277 Québec Inc.
Of the City of Montréal
In the Province of Québec

The attached statement of projected cash flow of 2964-3277 Québec Inc., as of the 23rd day of January 2019, consisting of January 12, 2019 to March 8, 2019, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Quebec, this 23rd day of January 2019.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Licensed Insolvency Trustee
Per:



Olivier Benchaya, CPA, CA, CIRP, LIT - Licensed Insolvency Trustee
1981 avenue McGill College, 11th floor
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055629-188
Estate No. 41-2449058

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
2964-3277 Québec Inc.
Of the City of Montréal
In the Province of Québec

Purpose:

2964-3277 Québec Inc. filed a Notice of Intention to Make a Proposal on November 29, 2018. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of 2964-3277 Québec Inc. (the "Company"), for the period from January 12, 2019 to March 8, 2019, relating to the filing of a Motion to extend the delay to Make a Proposal.

This Statement of Projected Cash Flow has been prepared by management on January 22, 2019, based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from January 12, 2019 to March 8, 2019, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts are estimated by management based upon current outstanding accounts receivable balances and expected liquidation sales during the period.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

Payroll is based on current headcount levels adjusted to reflect management's restructuring plan;

Rent is based on rent agreements with lessors;

Filing Deposits reflects management's estimate of required deposits necessary to ensure continued service from certain critical suppliers.

General expenses are mainly composed of brokerage, freight, temporary labor and insurance. They are based upon historical data adjusted to reflect the current level of activity and management's best estimates;

The interest is based on current loan balances and interest rates;

The professional fees are related to the current restructuring and are based on management's estimate;

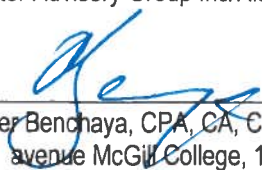
The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 23rd day of January 2019.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Licensed Insolvency Trustee

Per:



Olivier Benchaya, CPA, CA, CIRP, LIT - Licensed Insolvency Trustee
1981 avenue McGill College, 11th floor
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055629-188
Estate No. 41-2449058

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
2964-3277 Québec Inc.
Of the City of Montréal
In the Province of Québec

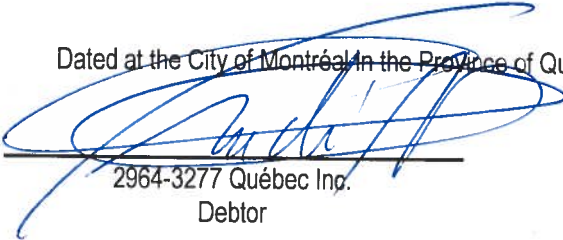
The Management of 2964-3277 Québec Inc., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 22nd day of January 2019, consisting of January 12, 2019 to March 8, 2019.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Québec, this 22nd day of January 2019.


2964-3277 Québec Inc.
Debtor

Fadi Melki, President

Name and title of signing officer

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055629-188
Estate No. 41-2449058

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
2964-3277 Québec Inc.
Of the City of Montréal
In the Province of Québec

Purpose:

2964-3277 Québec Inc. filed a Notice of Intention to Make a Proposal on November 29, 2018. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of 2964-3277 Québec Inc. (the "Company"), for the period from January 12, 2019 to March 8, 2019, relating to the filing of a Motion to extend the delay to Make a Proposal.

This Statement of Projected Cash Flow has been prepared by management on January 22, 2019, based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from January 12, 2019 to March 8, 2019, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts are estimated by management based upon current outstanding accounts receivable balances and expected liquidation sales during the period.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

Payroll is based on current headcount levels adjusted to reflect management's restructuring plan;

Rent is based on rent agreements with lessors;

Filing Deposits reflects management's estimate of required deposits necessary to ensure continued service from certain critical suppliers.

General expenses are mainly composed of brokerage, freight, temporary labor and insurance. They are based upon historical data adjusted to reflect the current level of activity and management's best estimates;

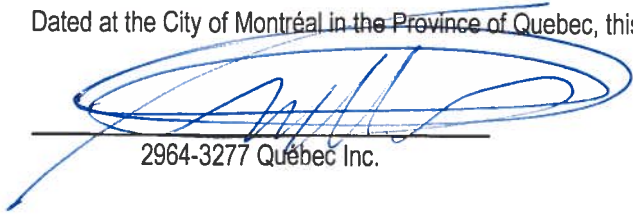
The interest is based on current loan balances and interest rates;

The professional fees are related to the current restructuring and are based on management's estimate;

The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 22nd day of January 2019.



A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the left, positioned above a solid horizontal line.

2964-3277 Québec Inc.

2964-3277 Québec Inc.
Statement of Projected Cash Flow
For the period Jan 12 to Mar 8, 2019
Week ending
(\$000's)

	Note	1 18-Jan-19 (7 days)	2 25-Jan-19 (7 days)	3 01-Feb-19 (7 days)	4 08-Feb-19 (7 days)	5 15-Feb-19 (7 days)	6 22-Feb-19 (7 days)	7 01-Mar-19 (7 days)	8 08-Mar-19 (7 days)	Total (56 days)
Cash Receipts		\$ 890	\$ 800	\$ 720	\$ 950	\$ 970	\$ 1,300	\$ 1,220	\$ 620	\$ 7,470
Disbursements										
Payroll		(220)	-	(210)	-	(210)	-	(210)	-	(850)
Rent & Utilities		-	(230)	(130)	-	(30)	-	(320)	-	(710)
General Expenses and Other		(350)	(180)	(70)	(90)	(210)	(230)	(210)	(180)	(1,520)
Filing Deposits		-	(60)	-	-	-	-	-	-	(60)
Sales Taxes		-	-	(140)	-	-	-	(150)	-	(290)
Interest		-	-	(140)	-	-	-	(120)	-	(260)
Professional Fees		(50)	(140)	(20)	(50)	(20)	(20)	(20)	(20)	(340)
		(620)	(610)	(710)	(140)	(470)	(250)	(1,030)	(200)	(4,030)
Net Cash Flow		\$ 270	\$ 190	\$ 10	\$ 810	\$ 500	\$ 1,050	\$ 190	\$ 420	\$ 3,440
Opening Bank Indebtedness (Net of Cash and OS Checks)	1	\$ (21,390)	\$ (21,120)	\$ (20,930)	\$ (20,920)	\$ (20,110)	\$ (19,610)	\$ (18,560)	\$ (18,370)	\$ (21,390)
Net Cash Flow		270	190	10	810	500	1,050	190	420	3,440
Ending Bank Indebtedness (Net of Cash and OS Checks)	1	\$ (21,120)	\$ (20,930)	\$ (20,920)	\$ (20,110)	\$ (19,610)	\$ (18,560)	\$ (18,370)	\$ (17,950)	\$ (17,950)

Note 1: Bank Indebtedness does not include outstanding LGs of \$2,555K (US\$1,927K) and outstanding LCs of \$170K (US\$128K) which have not yet been drawn upon.


Fad Melki, President


Olivier Benchaya, CPA, CA, CFP, LIT