

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

Court No. 31-2459849

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SATIN FINISH HARDWOOD FLOORING, LIMITED
OF THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO**

**FOURTH REPORT TO THE COURT
SUBMITTED BY MNP LTD.**

JUNE 5, 2019

I. INTRODUCTION

1. This report (the “**Fourth Report**”) is filed by MNP Ltd. in its capacity as proposal trustee (“**Proposal Trustee**”) under the Notice of Intention to Make a Proposal (the “**NOI**”) filed by Satin Finish Hardwood Flooring, Limited. (“**Satin**” or the “**Company**”) on January 2, 2019 (the “**Filing Date**”), pursuant to Section 50.4 (1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”).
2. On January 23, 2019, the Court issued an Order (the “**First Extension Order**”) and Endorsement that, *inter alia*:
 - a. extended the time for filing a proposal to and including March 18, 2019; and
 - b. approved the marketing and sale process as more particularly described in the First Report, dated January 18, 2019 (the “**First Report**”) and Exhibit “E” attached thereto (the “**Sale Process**”).

A copy of the First Extension Order issued on January 23, 2019 is attached as **Appendix “A”**.

3. On March 15, 2019, the Court issued an Order (the “**Second Extension Order**”) that, *inter alia*:
 - a. Extended the time for filing a proposal to and including May 2, 2019;
 - b. Extended the timeline for the Sale Process by two (2) weeks; and
 - c. Authorized the Proposal Trustee and its counsel to receive, subject to certain limitations, interim draws toward payment of their professional fees and disbursements out of monies received from the Company.

Copies of the Second Report dated March 13, 2019 (the “**Second Report**”), without appendices, and the Second Extension Order are attached as **Appendix “B”** and “**C**” respectively.

4. On May 1, 2019 the Court issued an Order (the “**Third Extension Order**”) that, *inter alia*:
 - a. Extended the time for filing a proposal to and including June 14, 2019;
 - b. Further extended the Sale Process, limited to only parties referred to in the Confidential Appendix “F” of the Third Report, dated May 1, 2019 (the “**Third Report**”) (attached without appendices as **Appendix “D**” hereto), such that offers were due by May 15, 2019;
 - c. Authorized the Company to sell certain materials, products and inventory out of the ordinary course of business, limited to \$710,000 (before HST) in the aggregate;
 - d. Sealed the confidential appendices to the Third Report.

A copy of the Third Extension Order is attached **Appendix “E”**.

RESTRICTIONS

5. In preparing this Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Affidavits of David A. Zimmerman, sworn on January 17, 2019, March

13, 2019, April 30, 2019 and June 3, 2019 (the “**First Zimmerman Affidavit**”, “**Second Zimmerman Affidavit**”, “**Third Zimmerman Affidavit**” and “**Fourth Zimmerman Affidavit**” respectively), the Company’s books and records, discussions with employees and management of the Company and information from other third-party sources (collectively, the “**Information**”). Except as described in this 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 of the Chartered Professional Accountants of Canada.

6. The Proposal Trustee also bases its report on the Company’s cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals’ Standards of Professional Practice No. 99-5 (Trustee’s Report on Cash Flow Statement). Certain of the information referred to in this report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by Chartered Professional Accountants Canada, has not been performed. Future oriented financial information referred to in this report was prepared based on estimates and assumptions provided by the Company’s management. Readers are cautioned that, since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

III. PURPOSE OF THIS REPORT

7. The purpose of this Fourth Report is to, *inter alia*:
 - a. Update the Court with respect to:
 - i. the activities of the Company and the Proposal Trustee since the Third Report; and
 - ii. the results of the Sale Process.

- b. Provide the Court with the Proposal Trustee's recommendations that the Court make an order, as requested by the Company, *inter alia*:
- i. approving the sale of substantially all the assets and undertakings of Satin to 2340125 Ontario Inc. (the "**Purchaser**"), pursuant to an Asset Purchase Agreement dated May 28, 2019 (the "**APA**");
 - ii. a Vesting Order in favour of the Purchaser; and
 - iii. approving this Fourth Report, as well as the approval of the activities of the Proposal Trustee as set out herein.

IV. ACTIVITIES OF THE COMPANY

Scaling Back Operations

8. As reported in the Third Report, Satin anticipated that all materials for existing orders would be produced by the week ended May 3, 2019. The intention of the Company was to then shut down the production line.
9. Satin has since advised that the production has been reduced from 45 employees to 15 but has not totally shut down. Satin intends to sell various types of inventory that require limited production work to complete, which can be done using a limited number of employees.

Excess Inventory

10. As reported in the Third Report, Satin had accumulated surplus raw materials, Work in Progress, and Off-Quality Inventory (both terms as defined within the Third Report), which would have had limited value in a liquidation scenario.

11. The Third Extension Order authorized Satin to sell the surplus raw materials, Work in Progress, and Off-Quality Inventory outside of the ordinary course of business for a sale price not to exceed \$710,000 (before HST) in the aggregate for the period ending June 14, 2019.
12. Satin's financial reporting does not distinguish between the sale of the surplus raw materials, Work in Progress, and Off-Quality Inventory from the sale of normally sold flooring, thereby making it difficult for the Proposal Trustee to confirm whether the sale of the surplus raw materials, Work in Progress, and Off-Quality Inventory outside of the ordinary course of business was within the \$710,000 cap.
13. Satin has advised that the aggregate of all sales for the period of May 1, 2019 to May 30, 2019 totalled approximately \$562M. Satin further advised that of the sales during the month of May, an estimated eighty percent (80%) of sales related to sales in the normal course of business, and did not include the sale of the excess raw materials, Work in Progress, nor Off-Quality Inventory. On the basis of the information provided, it has been estimated that the sales of surplus raw materials, Work in Progress and Off Quality Inventory totalled \$112M for the period noted above.

Employee Liabilities

14. Since the filing of the NOI and during the Sale Process, the Company has continued to pay on-going employee liabilities, of the type described in section 60(1.3)(a) of the BIA, through a payroll processing company, Ceridian. Ceridian remits all employee source deductions to Canada Revenue Agency ("CRA"). Subject to CRA conducting an audit of

the Company's payroll account(s), the Company does not currently owe any additional amounts for payroll source deductions.

15. In addition to the normally paid salaries and wages there are certain employee liabilities that are outstanding:

- a. For the period prior to the filing of the NOI, the Company's liability for unremitted payment to the unionized employees' pension plan (the "**Pension**") is approximately \$38,000 (the "**Pension Plan Liability**"). The Proposal Trustee notes that the Pension is a prescribed pension plan within the meaning of section 60(1.5) of the BIA and BIA General Rule 59.1.
- b. As of May 31, 2019, the Company has reported that there is an expected outstanding amount owed to employees for accrued vacation pay totalling approximately \$106,000¹ (the "**Vacation Pay Liability**", and together with the Pension Plan Liability, the "**Employee Obligations**").

16. Pursuant to the most recently filed Second Revised Cash Flow (as defined in the Third Report), filed in support of the Company's motion returnable May 1, 2019, (the "**Cash Flow Forecast**"), in excess of \$190M was forecast to be paid for the week ended June 14, 2019 towards the Employee Obligations, in addition to normally paid wages. The forecasted payment was calculated on the basis of the Vacation Pay Liability which was

¹ This represents the total vacation pay arrears, which amount is greater than the amount required under paragraphs 60(1.3)(a) of the BIA.

owed as at the date of the NOI filing, the amount of which has been reduced to approximately \$106M during the NOI period.

17. In accordance with the Cash Flow Forecast, the Company intends on paying the Employee Obligations prior to, or upon the completion of the sale transaction contemplated by the APA (the “**Transaction**”).

18. As the Company will be deemed to have made a bankruptcy assignment as at 12:01 a.m. on June 15, 2019, one of the matters that the Proposal Trustee must certify in the proposed Proposal Trustee’s Certificate necessary to be delivered to permit the closing of the Transaction is that the Company has paid or has made satisfactory arrangements to make the payments required under sections 60(1.3)(a) and 60(1.5)(a) of the BIA.

V. **SALE PROCESS**

Activity During the Extended Sale Process

19. Details of the previous steps taken by Satin and the Proposal Trustee regarding the Sale Process are summarized in the Second Report and the Third Report.

20. Pursuant to the Third Extension Order the Sale Process was extended by approximately five (5) weeks provided that only certain prospective going-concern purchasers, referred to in Confidential Appendix “F” to the Third Report (the “**Interested Parties**”), would be permitted to submit offers by the extended bid deadline of May 15, 2019.

21. The extension to the Sale Process provided by the Third Extension Order was to allow for the completion of due diligence by the Interested Parties, and to enhance the prospects of

a going-concern sale of the Company's assets and maximize the realization for stakeholders.

22. As noted in the Fourth Zimmerman Affidavit, despite diligent efforts by Satin to find a buyer of its assets and operations on a going-concern basis, no offers were received from the Interested Parties by the bid deadline of May 15, 2019, or thereafter.

Asset Purchase Agreement

23. As detailed in Confidential Appendix "F" to the Third Report, all offers received for the Company's assets during the Sale Process, received prior to a previous bid deadline of April 8, 2019, were to liquidate the assets of the Company. Such offers would not have provided for close to sufficient realizations to satisfy the debt owed to Canadian Imperial Bank of Commerce ("CIBC"), Satin's lender and senior secured creditor, such that a viable proposal could not be made to its creditors. Additionally, the liquidation offers did not provide for the continuing employment of any Satin employees.

24. As further detailed in the Fourth Zimmerman Affidavit, the Purchaser, a related party to Satin, has agreed to purchase substantially all of the assets of the Company for a purchase price equal to the Company's indebtedness to CIBC as at the closing date, by way of an assumption by the Purchaser of such indebtedness. The Transaction will permit an orderly sale of Satin's assets on a going concern basis and maximizing the realization for the benefit of the CIBC, and per the Fourth Zimmerman Affidavit, the Purchaser intends to continue employment of all or substantially all existing employees.

25. Satin and the Purchaser have executed the APA, which is conditional on approval by this Court and the issuance of a vesting order in favour of the Purchaser. A copy of the executed APA is attached as Exhibit "G" to the Fourth Zimmerman Affidavit.
26. Pursuant to the APA, the closing date is two (2) business days after the satisfaction or waiver of conditions and is not to occur later than June 13, 2019. Further details of the APA are provided in the Fourth Zimmerman Affidavit.

Recommendation

27. The Proposal Trustee has considered the factors set out in Section 65.13 of the BIA with respect to the Company's motion that the court grant an order authorizing the Transaction and issuing a vesting order. The Proposal Trustee respectfully recommends that the Court make the order sought by the Company for the following reasons:
- a. Satin and the Proposal Trustee have carried out the court-approved Sale Process in accordance with this Court's orders and made reasonable and good faith efforts to sell the Company on a going-concern basis to persons not related to the Company;
 - b. CIBC, the Company's senior secured creditor, has been consulted throughout the Sale Process and does not oppose the Transaction provided that the order approving the Transaction, any vesting order, and closing documents are satisfactory to CIBC and its counsel;
 - c. The APA would result in a better realization for the benefit of CIBC as compared with a liquidation through a bankruptcy;

- d. The consideration offered by the APA greatly exceeds the fair market value of the Company's assets, as determined by the offers received as a result of the Sale Process;
- e. The sale contemplated by the APA is reasonable in circumstances and may result in significant continuing employment; and
- f. The Company, with the exception of the Employee Obligations discussed above in paragraphs 14 through 18, has before and since the filing of the NOI made all payments to employees for wages, salaries, commissions or compensation for services rendered and the Company indicated it will continue to pay such obligations as they become due and will pay the Employee Obligations prior to or on the closing date contemplated by the APA.

28. Unfortunately, the Sale Process has determined that there is insufficient value in the Company's assets to allow for any distributions to unsecured creditors, whose claims approximate \$23.3 million.

Vesting Order

29. The APA is conditional on the issuance of an order approving the Transaction and a vesting order vesting title in and to the purchased assets of Satin in and to the Purchaser upon the closing of the Transaction.

30. CIBC has a first secured charge against the assets of the Company. As detailed in the First Report, the Proposal Trustee has received a positive independent legal opinion confirming

the validity, enforceability and registration of the security agreements of CIBC, subject to the usual assumptions and qualifications.

31. The Proposal Trustee notes that the approval and vesting order being sought by the Company is substantially in the form of the Commercial List model order. It has further been noted that per the Fourth Zimmerman Affidavit, none of the registered interests of creditors with interests pursuant to the *Personal Property Security Act* are being vested out by the Transaction.

VI. CONCLUSION AND RECOMMENDATION

32. Based on the foregoing as outlined in the body of this Fourth Report, the Proposal Trustee respectfully requests that this Court issue an order granting the relief detailed in paragraph 7b.

All of which is respectfully submitted on this 5th day of June, 2019.

MNP Ltd.

In its capacity as Trustee under
The Notice of Intention to Make a Proposal of
Satin Finish Hardwood Flooring, Limited
Per:



Sheldon Title

Appendix "A"

District of Ontario
Division No. 09-Toronto
Court File No. 31-2459849
Estate File No. 31-2459849



**ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY AND INSOLVENCY)**

THE HONOURABLE *MADAM*)
JUSTICE *DIETRICH*)
WEDNESDAY, THE 23RD
DAY OF JANUARY, 2019

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF SATIN FINISH HARDWOOD FLOORING, LIMITED OF THE CITY OF
TORONTO, IN THE PROVINCE OF ONTARIO**

ORDER

THIS MOTION made by Satin Finish Hardwood Flooring, Limited (the "**Company**") for an order extending the time for filing a proposal under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended (the "**BIA**") and approving of a sale process, among other things, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the Company, including the Affidavit of David Zimmerman sworn January 17, 2019 and the First Report of MNP Ltd. in its capacity as proposal trustee for the Company (the "**Proposal Trustee**") dated January 18, 2019 (the "**First Report**"), and on hearing submissions of counsel for the Company and for the Proposal Trustee, no one else appearing although properly served as appears from the

Affidavit of Service of Karen Fox sworn on January 18, 2019 and the Affidavit of Service of Sophie Peiou sworn on January 18, 2019:

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Motion, Motion Record and First Report is hereby abridged and validated, such that the motion is properly returnable today, and that further service of the Motion Record and First Report on any other person is hereby dispensed with.

2. **THIS COURT ORDERS** that the time for filing a proposal under subsection 50.4(8) of the BIA be and is hereby extended for a period of 45 days from February 1, 2019 to and including March 18, 2019.

3. **THIS COURT ORDERS** that the sale process (subject to any amendments thereto that may be made in accordance therewith), as more particularly described in the First Report and Exhibit "E" thereto (the "**Sale Process**"), be and is hereby approved and the Proposal Trustee and the Company be and are hereby authorized and directed to take such steps and execute such documentation as they deem necessary or advisable (subject to the terms of the Sale Process) to carry out the Sale Process, subject to prior approval of this Court being obtained before completion of any transaction(s) under the Sale Process.

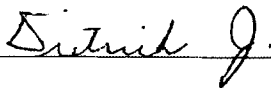
4. **THIS COURT ORDERS** that the Proposal Trustee and its respective affiliates, partners, directors, employees, advisors, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liability of any nature or kind to any person in connection with or as a result of performing their duties under the Sale Process, except to the extent of such losses, claims, damages or liabilities resulting

from the gross negligence or wilful misconduct of the Proposal, as determined by the Court.

5. **THIS COURT FURTHER ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Proposal Trustee and the Company be and are hereby authorized and permitted to disclose and transfer to each Prospective Offeror, as defined in the Sale Process (the “**Offerors**”), if requested by such Prospective Offerors, personal information of identifiable individuals, including, without limitation, all human resources and payroll information in the Company’s records pertaining to the Company’s past and current employees, but only to the extent desirable or required to negotiate or attempt to complete a sale pursuant to the Sale Process (a “**Sale**”). Each Prospective Offeror 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 for the purpose of effecting a Sale, and if it does not complete a Sale, shall return all such information to the Proposal Trustee, or in the alternative destroy all such information and provide confirmation of its destruction if requested by the Proposal Trustee. The Successful Offeror(s), as defined in the Sale Process, shall maintain and protect the privacy of such information and, upon the closing of the transaction(s) contemplated in the Successful Offer(s), as defined in the Sale Process, shall be entitled to use the personal information provided to it that is related to the applicable business and/or assets of the Company acquired pursuant to the Sale Process in a manner that is in all material respects identical to the prior use of such information by the Company, and shall return all other personal information to the Proposal Trustee, or ensure that all other

personal information is destroyed and provide confirmation of its destruction if requested by the Proposal Trustee.

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



IN THE MATTER OF THE PROPOSAL OF SATIN FINISH HARDWOOD, LIMITED
of the City of TORONTO
in the Province of ONTARIO

District of Ontario
Division No. 09-Toronto
Court File No. 31-2459849
Estate File No. 31-2459849

**ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY COURT)**

PROCEEDING COMMENCED AT TORONTO

ORDER

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#3525731 v1 | 411265

Appendix "B"

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

Court No. 31-2459849

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SATIN FINISH HARDWOOD FLOORING, LIMITED
OF THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO**

**SECOND REPORT TO THE COURT
SUBMITTED BY MNP LTD.**

MARCH 13, 2019

I. INTRODUCTION

1. This report (the “**Second Report**”) is filed by MNP Ltd. in its capacity as proposal trustee (“**Proposal Trustee**”) under the Notice of Intention to Make a Proposal (the “**NOI**”) filed by Satin Finish Hardwood Flooring, Limited. (“**Satin**” or the “**Company**”) on January 2, 2019, pursuant to Section 50.4 (1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”). Copies of the NOI and the Certificate of Filing the NOI were appended to the Proposal Trustee's First Report dated January 18, 2019 (the “**First Report**”). A copy of the First Report, without appendices (except Appendix D, the Cash Flow Projections and related reports for the period January 2, 2019 to March 29, 2019), is attached as **Appendix “A”**.
2. On January 23, 2019, the Court issued an Order (the “**First Extension Order**”) and Endorsement that, *inter alia*:
 - a. extended the time for filing a proposal to and including March 18, 2019; and
 - b. approved the marketing and sale process as more particularly described in the First Report and Exhibit “E” attached thereto (the “**Sale Process**”).

Copies of the First Extension Order and Endorsement issued on January 23, 2019 are attached as **Appendix “B”** and **Appendix “C”**, respectively.

II. RESTRICTIONS

3. In preparing this Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Zimmerman Affidavit (as defined in the First Report), the Company's books and records, discussions with employees and management of the Company and information from other third-party sources (collectively, the "Information"). Except as described in this 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 of the Chartered Professional Accountants of Canada.
4. The Proposal Trustee also bases its report on the Company's cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice No. 99-5 (Trustee's Report on Cash Flow Statement). Certain of the information referred to in this report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by Chartered Professional Accountants Canada, has not been performed. Future oriented financial information referred to in this report was prepared based on estimates and assumptions provided by the Company's management. Readers are cautioned that, since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

III. PURPOSE OF THIS REPORT

5. The purpose of this Second Report is to, *inter alia*:
 - a. Update the Court with respect to:
 - i. the activities of the Company and the Proposal Trustee since the First Report;

- 5
- ii. the Company's actual receipts and disbursements in comparison to its cash flow projections for the period January 12, 2019 to March 1, 2019 and updated and extended cash flow projections, and the Proposal Trustee's observations regarding same; and
 - iii. the status of the Sale Process, including the extension of the Sale Process by the Proposal Trustee for a total of two (2) weeks pursuant to paragraph 21 of the Sale Process;
- b. Provide the Court with the Proposal Trustee's recommendations that the Court make an order, as requested by the Company, *inter alia*:
- i. approving the extension of the Sale Process for an additional two (2) weeks in addition to Proposal Trustee Extension (defined below);
 - ii. approving the extension of the time for the Company to file a proposal with the Official Receiver (the "Stay Period") to and including May 2, 2019;
 - iii. approving this Second Report, as well as the approval of the activities of the Proposal Trustee as set out herein; and
 - iv. authorizing the Proposal Trustee and its counsel, Goldman Sloan Nash & Haber LLP ("GSNH") to apply interim payments against their fees and disbursements out of monies received from the Company, subject to such draws and payments for professional fees to Company's counsel being limited to the professional fees provided by and in accordance with the Cash Flow Projections and Revised Cash Flow Projections and such amounts constituting advances against their remuneration and disbursements when and as approved by this Court.

IV. CASH FLOW PROJECTIONS

6. On January 14, 2019, the Company's cash flow projections and related assumptions for the period from January 2, 2019 to March 29, 2019, together with the reports of management and the Proposal Trustee on the cash flow projections (the "Cash Flow Projections") were

filed with the Official Receiver. A copy of the Cash Flow Projections was appended to the First Report.

- 7. To date, the Company has provided the Proposal Trustee with its full co-operation and unrestricted access to its premises, books and records.
- 8. The Proposal Trustee implemented procedures for monitoring the Company's receipts and disbursements and has kept in close contact with management to ensure that operations are continuing in the normal course of business and in accordance with the Cash Flow Projections.
- 9. A summary of the Company's actual receipts and disbursements for the period January 2, 2019 to March 1, 2019 is set out below, with a comparison to forecast:

	Totals for January 2nd to March 1, 2019		
	<i>(Forecast)</i>	<i>(Actual)</i>	<i>(Variance)</i>
Receipts			
Total Receipts	2,598,990	2,412,593	(186,397)
Disbursements			
Payroll (incl. taxes)	(757,194)	(641,133)	116,061
Utilities and Maintenance	(332,601)	(242,353)	90,248
Equipment Leases	(20,000)	-	20,000
Professional and Management Fees	(230,000)	(131,018)	98,982
Insurance	(50,382)	(73,146)	(22,764)
SGA & Costs	(120,461)	(84,184)	36,277
Material Purchases and Freight	(53,119)	(298,761)	(245,642)
Banking Charges and Interest	(35,306)	(92,708)	(57,402)
Total Disbursements	(1,599,062)	(1,563,303)	35,759
Cash Generated	999,927	849,290	(150,637)

- 10. As exhibited above, the Company's cash position at March 1, 2019 is approximately \$150M lower than forecast. The Proposal Trustee offers the following commentary with respect to material unfavourable variances in the Cash Flow Projections:

- a. **Total receipts** – The \$186,000 unfavourable variance in receipts is largely attributable to lower than anticipated post-NOI sales, and more specifically the lower than anticipated sale of products on cash on delivery terms.
- b. **Materials Purchases and Freight** – the unfavourable variance relates to: (i) the post-NOI purchase of hardwood and stain materials that were unanticipated by the Company; and (ii) freight charges and duties related to the post-NOI shipment of goods ordered and paid for by Satin prior to the NOI.

These unfavourable variances were partially offset by the following:

- c. **Payroll** – As noted below, Satin and Teamsters, Local Union 847 (the “Union”) negotiated a new collective bargaining agreement, which agreement was ratified on January 18, 2019. The Cash Flow Projections were prepared on the assumption that the unionized employees would return to work by the first week of February 2019. While the unionized workers returned to work one week earlier than projected, the manufacturing facility was brought back into operation in various stages thereby resulting in the payroll costs being approximately \$116,000 lower than forecast.
 - d. **Utilities and Maintenance** – The approximately \$90,000 favourable variance is attributable to two components. First, the overall utility costs are lower than projected as the plant was not operating at full capacity. Second, Satin has not remitted payment of its property taxes, which variance is a timing difference.
 - e. **Professional and Management Fees** – The \$98,000 favourable variance in payment of professional and management fees is timing in nature.
11. As of the date of the Second Report, the Company is current with respect to its obligations to employees and former employees, including the payment of all outstanding wages and vacation pay to employees, as well as source deduction remittances to Canada Revenue Agency.

V. ACTIVITIES OF THE COMPANY

Labour Negotiations

12. As reported in the First Report, out of its approximately 120 employees, Satin employs more than 90 members of the Union. Prior to the NOI, Satin experienced a breakdown in negotiations of an expired unionized employee's collective bargaining agreement. The unionized employees had been locked out from Satin as of December 7, 2018.
13. After a series of negotiations between Satin and the representatives of the Union, a new collective bargaining agreement was ratified on January 18, 2019.
14. Satin has since resumed the manufacturing operations that were halted during the period of the labour lockout.

Disclaiming of Contract

15. CWB National Leasing ("**National**") leased certain equipment, forklifts, to Satin pursuant to a lease agreement (the "**Contract**"). According to National it was owed \$3,161 as of the date of the NOI. The Company had not made payments under the Contract leading up to the NOI filing due to liquidity constraints. Additionally, Satin advised the Proposal Trustee that the Contract was not integral to the Sales Process or to the Company's efforts under the NOI.
16. For these reasons, and with the Trustee's approval, the Company sent National a notice, in prescribed form, to disclaim the Contract pursuant to Section 65.11 of the BIA on February 27, 2019.

Forbearance Agreement

17. At the date of the First Report, Satin was engaged in good faith negotiations on a forbearance agreement with its senior secured lender Canadian Imperial Bank of Commerce ("**CIBC**"). Satin and CIBC have entered into a forbearance agreement dated as of February 12, 2019 that provides for a forbearance period ending on the earlier of April 30, 2019 and the occurrence of a Termination Event as defined therein. In the forbearance

agreement, CIBC has agreed to continue to provide its credit facilities to Satin on the terms set out therein.

VI. SALE PROCESS

18. The following steps were taken by the Proposal Trustee, with the assistance of the Company, to conduct the Sale Process:

- a. On January 24, 2019, the Proposal Trustee distributed via e-mail a brief interest solicitation letter (the “Teaser”) to prospective purchasers. The distribution list included:
 - i. Companies previously identified by Satin as potentially having an interest in the business;
 - ii. Established Canadian and US hardwood and flooring manufacturing and distributing companies;
 - iii. Canadian and US-based venture capital firms;
 - iv. Companies known by the Proposal Trustee and its affiliated MNP Corporate Finance practice to invest in hardwood and/or flooring companies; and
 - v. Asset liquidators.
- b. Subsequent to the e-mails sent on January 24, 2019, the Proposal Trustee sent the Teaser to additional parties, which had been identified as prospective purchasers, but for which contact information had not yet been obtained. These e-mails were sent between January 25, 2019 and February 4, 2019.
- c. On January 29, 2019, the Proposal Trustee advertised the acquisition opportunity in the National Edition of the Globe & Mail newspaper. A copy of the advertisement is attached as **Appendix “D”**.
- d. On February 7, 2019 the Proposal Trustee prepared and sent an additional teaser (the “Revised Teaser”) via e-mail. The Revised Teaser contained more

information regarding Satin than the Teaser. The Revised Teaser was sent to: (i) those parties that had not yet responded to the Teaser sent on January 24, 2019; and (ii) parties that had been identified as prospective purchasers subsequent to January 24, 2019.

- e. A secure online data room was set up containing additional information and documents in respect of the Company and its business and assets, including a Confidential Information Memorandum (“CIM”). Access to the online data base was provided to all interested parties that signed a confidentiality and non-disclosure agreement (“NDA”).
- f. Notice of the sale was published in the *Insolvency Insider* e-mail publication, on February 11, 19 and 25, of 2019.

- 19. Offers were due by 5 pm on March 11, 2019 (the “**Original Bid Deadline**”) pursuant to the court approved Sale Process. The Proposal Trustee received several executed NDAs from a number of parties (the “**Later NDA Parties**”) only shortly before the Original Bid Deadline. The Later NDA Parties are potential strategic purchasers as well as liquidators.
- 20. Pursuant to paragraph 21 of the Sale Process, the Proposal Trustee is permitted to extend the dates in the Sale Process by a total of up to two (2) weeks without seeking further order of the Court. The Proposal Trustee, in consultation with the Company, determined that it would be beneficial to the Sale Process to exercise its 2-week extension right (the “**Proposal Trustee Extension**”) in order to provide additional time for all parties that submitted an NDA, particularly the Later NDA Parties, to complete their due-diligence and prepare an offer. Therefore, on March 7, 2019, the Proposal Trustee provided notice of the Proposal Trustee Extension via e-mail to all parties that had signed an NDA. The extended sale process results in an offer deadline of March 25, 2019, an offer acceptance deadline of March 29, 2019, a court approval motion date deadline of April 19, 2019 and a transaction completion deadline of May 3, 2019.
- 21. Satin believes that the Proposal Trustee Extension may not provide sufficient time for all parties to properly conduct their due-diligence and submit the best possible offers. Satin

therefore believes that the current bid submission deadline of March 25, 2019 should be extended by an additional two (2) weeks (the “**Proposed Further Extension**”) to allow for the completion of due diligence by prospective purchasers. Satin believes this extension will provide for the best opportunity for a going concern sale which would maximize realization for its stakeholders.

22. The Company is requesting that the Sale Process be extended by a total of an additional two (2) weeks, being fourteen (14) days beyond the two (2) weeks of the Proposal Trustee Extension. The proposed new timeline of the extended Sale Process, including milestone dates already passed and achieved, is attached as **Appendix “E”**.

23. The Proposal Trustee recommends that the Proposed Further Extension be approved for the following reasons:

- a. it is supported by Satin’s senior secured creditor, the CIBC;
- b. if successful, it could result in greater recoveries than in a liquidation, to the benefit of all stakeholders, including secured and unsecured creditors; and
- c. the sale of Satin as a going-concern would potentially preserve the employment opportunity for Satin’s approximately 120 employees and provide ongoing opportunities for Satin’s customers and suppliers

VII. EXTENSION OF THE STAY PERIOD

24. The current Stay Period expires at midnight on March 18, 2019 and the Company seeks an extension of the Stay Period for 45 days to and including May 2, 2019.

25. The Company requires the additional time afforded by the proposed extension of the Stay Period to complete the Sale Process under the Proposed Further Extension. Without the extension, the Company will likely not be able to preserve the possibility of completing a going concern transaction, to the detriment of its creditors.

26. The Proposed Further Extension contemplates that Satin, in consultation with the Proposal Trustee, will have the opportunity to obtain and review offers and negotiate a final asset

purchase agreement prior to the expiration of the Stay Period, should this Court grant the Proposed Further Extension.

27. The Company has prepared a revised cash flow and related assumptions for the period commencing January 2, 2019 and ending May 17, 2019 (the “**Revised Cash Flow Projections**”). A copy of the Revised Cash Flow Projections, together with the reports of management and the Proposal Trustee on the Revised Cash Flow Projections were filed with the Official Receiver on March 13, 2019. A copy of the Revised Cash Flow Projections is attached as **Appendix “F”**.
28. As set out in the Revised Cash Flow Projections, it appears that the Company will have sufficient funds available to continue operating and meet its obligations through to the end of the requested extended Stay Period on May 2, 2019.
29. The Proposal Trustee supports the Company’s request for an extension and has also considered:
 - a. Satin has acted, and continues to act, in good faith and with due diligence in its operations and dealings with its stakeholders;
 - b. that Satin is projected to have sufficient funds to pay post-filing services and supplies in the amounts contemplated in the Revised Cash Flow Projections;
 - c. that CIBC supports the extension and no other creditor is prejudiced by the requested extension;
 - d. that the proposed extension allows the Company to complete the Sale Process, which could generate Offers before the end of the requested extension period that could result in greater recoveries than in a liquidation within a bankruptcy scenario; and
 - e. if Offers are received, it is expected that the Company will then be in a position to consider formulating and presenting a viable proposal.

VIII. PROFESSIONAL FEES

- 30. The Cash Flow Projections and Revised Cash Flow Projections provide for the payment of professional fees related to administration of the proposal proceedings, including the fees and disbursements of the Proposal Trustee, GSNH and Mindens.
- 31. Section 25(1.3) of the BIA provides that the trustee cannot withdraw any money from the estate trust account without the permission in writing of the inspectors or pursuant to a court order, except for the payment of dividends and charges incidental to the administration of the estate. Similarly, GSNH's legal fees must be approved by the Court.
- 32. The Sale Process and the proposal proceedings are ongoing. The Proposal Trustee and GSNH are desirous of receiving interim draws towards payment of their fees and expenses, and at their request, the Company seeks the Court's authorization for these firms to apply interim payments against their fees and disbursements out of monies received from the Company, subject to such draws and payments for professional fees to Company's counsel being limited to the professional fees provided by the Cash Flow Projections and Revised Cash Flow Projections and such amounts constituting advances against their remuneration and disbursements when and as approved by this Court.

IX. CONCLUSION AND RECOMMENDATION

- 33. Based on the foregoing as outlined in the body of this Second Report, the Proposal Trustee respectfully requests that this Court issue an order granting the relief detailed in paragraph 5b.

All of which is respectfully submitted on this 13th day of March, 2019.

MNP Ltd.
 In its capacity as Trustee under
 The Notice of Intention to Make a Proposal of
 Satin Finish Hardwood Flooring, Limited
 Per:



 Sheldon Title

Appendix “C”

District of Ontario
Division No. 09-Toronto
Court File No. 31-2459849
Estate File No. 31-2459849

**ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY AND INSOLVENCY)**

THE HONOURABLE
JUSTICE *Pattillo*

)
)
)

FRIDAY, THE 15TH DAY
OF MARCH, 2019

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF SATIN FINISH HARDWOOD FLOORING, LIMITED OF THE CITY OF
TORONTO, IN THE PROVINCE OF ONTARIO**




ORDER

THIS MOTION made by Satin Finish Hardwood Flooring, Limited (the "**Company**") for an order extending the time for filing a proposal under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended (the "**BIA**") and other relief was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the Company, including the Affidavit of David Zimmerman sworn March 13, 2019 and the Second Report of MNP Ltd. in its capacity as proposal trustee for the Company (the "**Proposal Trustee**") dated March 13, 2019 (the "**Second Report**"), and on hearing submissions of counsel for the Company and for the Proposal Trustee, no one else appearing although properly served as appears from the Affidavit of Service of Karen Fox sworn on March 13, 2019 and the Affidavit of Service of Sophie Peiou sworn on March 13, 2019:

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Motion, Motion Record and Second Report is hereby abridged and validated, such that the motion is properly returnable today, and that further service of the Motion Record and Second Report on any other person is hereby dispensed with.
2. **THIS COURT ORDERS** that the time for filing a proposal under subsection 50.4(8) of the BIA be and is hereby extended for a period of 45 days from March 18, 2019 to and including May 2, 2019.
3. **THIS COURT ORDERS** that the sale process approved by the Order of Madam Justice Dietrich dated January 23, 2019 (the "**Sale Process**") is amended by deleting the timeline chart in paragraph 10 of the First Report of the Proposal Trustee dated January 18, 2019 and substituting therefor the extended timeline chart attached as Appendix "E" (the "**Extended Timeline**") to the Second Report of the Proposal Trustee dated March 13, 2019 (the "**Second Report**").
4. **THIS COURT ORDERS** that the Second Report and the activities of the Proposal Trustee described therein be and are hereby approved, provided that only the Proposal Trustee, in its personal capacity and only with respect to its personal capacity, shall be entitled to rely upon or utilize in any way such approval.
5. **THIS COURT ORDERS** that the Proposal Trustee and its counsel be and are hereby authorized to receive interim draws toward payment of their professional fees and disbursements out of monies received from the Company, subject to such draws, together with any payments of the professional fees and disbursements of the Company's counsel out of monies received from the Company, being limited to the professional fees provided

by the Cash Flow Projections and Revised Cash Flow Projections (defined in the Second Report) and such amounts constituting advances against the remuneration and disbursements of the Proposal Trustee and its counsel when and as approved by this Court.



IN THE MATTER OF THE PROPOSAL OF SATIN FINISH HARDWOOD FLOORING, LIMITED
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

District of Ontario
Division No. 09-Toronto
Court File No. 31-2459849
Estate File No. 31-2459849

**ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY COURT)**

PROCEEDING COMMENCED AT TORONTO

ORDER

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Lawyers for Satin Finish Hardwood Flooring, Limited

Appendix “D”

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

Court No. 31-2459849

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SATIN FINISH HARDWOOD FLOORING, LIMITED
OF THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO**

**THIRD REPORT TO THE COURT
SUBMITTED BY MNP LTD.**

MAY 1, 2019

I. INTRODUCTION

1. This report (the “**Third Report**”) is filed by MNP Ltd. in its capacity as proposal trustee (“**Proposal Trustee**”) under the Notice of Intention to Make a Proposal (the “**NOI**”) filed by Satin Finish Hardwood Flooring, Limited. (“**Satin**” or the “**Company**”) on January 2, 2019, pursuant to Section 50.4 (1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”). In addition, the Proposal Trustee has prepared a confidential supplement to the Third Report detailing the status of the Sale Process (defined below), which the Company and the Proposal Trustee are seeking to be sealed in the Court file.
2. On January 23, 2019, the Court issued an Order (the “**First Extension Order**”) and Endorsement that, *inter alia*:
 - a. extended the time for filing a proposal to and including March 18, 2019; and
 - b. approved the marketing and sale process as more particularly described in the First Report, dated January 18, 2019 (the “**First Report**”) and Exhibit “E” attached thereto (the “**Sale Process**”).

A copy of the First Extension Order issued on January 23, 2019 is attached as **Appendix “A”**.

3. On March 15, 2019, the Court issued an Order (the “**Second Extension Order**”) that, *inter alia*:
 - a. Extended the time for filing a proposal to and including May 2, 2019;
 - b. Extended the timeline for the Sale Process by two (2) weeks; and
 - c. Authorized the Proposal Trustee and its counsel to receive, subject to certain limitations, interim draws toward payment of their professional fees and disbursements out of monies received from the Company.

A copy of the Second Extension Order issued on March 15, 2019 is attached as **Appendix “B”**, respectively.

II. RESTRICTIONS

4. In preparing this Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Zimmerman Affidavit (as defined in the First Report), the Company’s books and records, discussions with employees and management of the Company and information from other third-party sources (collectively, the “**Information**”). Except as described in this 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 of the Chartered Professional Accountants of Canada.
5. The Proposal Trustee also bases its report on the Company’s cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals’ Standards of Professional Practice No. 99-5 (Trustee’s Report on Cash Flow Statement). Certain of the information referred to in this report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by Chartered Professional Accountants Canada, has not been performed. Future oriented financial information

referred to in this report was prepared based on estimates and assumptions provided by the Company's management. Readers are cautioned that, since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

III. PURPOSE OF THIS REPORT

6. The purpose of this Third Report is to, *inter alia*:
 - a. Update the Court with respect to:
 - i. the activities of the Company and the Proposal Trustee since the Second Report to the Court submitted by MNP Ltd. dated March 13, 2019 (the "**Second Report**", attached without exhibits as **Appendix "C"**);
 - ii. the Company's actual receipts and disbursements in comparison to its cash flow projections for the period January 12, 2019 to April 19, 2019 and updated and extended cash flow projections, and the Proposal Trustee's observations regarding same; and
 - iii. the results of the Sale Process, including the status of ongoing efforts to solicit expressions of interest.
 - b. Provide the Court with the Proposal Trustee's recommendations that the Court make an order, as requested by the Company, *inter alia*:
 - i. authorizing the sale of the Company's raw materials, unfinished product (the "**Work in Progress**") and certain inventory that has not met quality standards (the "**Off-Quality Inventory**") outside of the ordinary course of business for a sale price not to exceed \$710,000 (before HST) in the aggregate for the period ending June 14, 2019;
 - ii. sealing the confidential appendix described below until further order of the Court;

- iii. approving the extension of the Sale Process and permitting bids only by certain parties, as discussed below;
- iv. approving the extension of the time for the Company to file a proposal with the Official Receiver (the “Stay Period”) to and including June 14, 2019; and
- v. approving this Third Report, as well as the approval of the activities of the Proposal Trustee as set out herein.

IV. ACTIVITIES OF THE COMPANY

Scaling Back Operations

- 7. As reported in the First Report, out of its approximately 120 employees, Satin employs more than 90 members of the Union (as defined in the First Report). Prior to the NOI, Satin experienced a breakdown in negotiations of an expired unionized employee’s collective bargaining agreement. The unionized employees had been locked out from Satin as of December 7, 2018.
- 8. Satin resumed the manufacturing operations that were halted during the period of the labour lockout after a new collective bargaining agreement was ratified on January 18, 2019.
- 9. During the NOI process, Satin has reduced their sales team in an effort to reduce costs. Due to limited orders, Satin no longer requires the production of additional inventory and will complete all existing orders by the week ended May 3, 2019. Satin has therefore planned to shut down its production line effective as of the week ended May 3, 2019.

Forbearance Agreement

- 10. As reported in the Second Report, Satin and CIBC (as defined in the First Report) entered into a forbearance agreement dated as of February 12, 2019 that provides for a forbearance period ending on the earlier of April 30, 2019 and the occurrence of a Termination Event as defined therein. In the forbearance agreement, CIBC has agreed to continue to provide

its credit facilities to Satin on the terms set out therein. An amendment to the forbearance agreement was made to accommodate the request for a further extension of time to file a proposal.

CRA Audit

11. On April 15, 2019, the Canada Revenue Agency (the “**CRA**”) completed an audit of Satin’s Harmonized Sales Tax (“**HST**”) returns for the period of January 1, 2018 to January 23, 2019 (the “**HST Audit**”).
12. The HST Audit has identified the possibility of CRA raising a pre-NOI re-assessment in the amount of approximately \$234,000.

Excess Inventory

13. Satin has accumulated Off-Quality Inventory that would not be sold to customers directly. During the proposed extension Satin intends to sell their Off-Quality Inventory to a third-party home renovation liquidation firm that they have historically sold their Off-Quality Inventory to.
14. In addition to the Off-Quality Inventory, Satin has an inventory of raw materials and Work in Progress that is surplus to their needs. Satin intends to sell a portion of the raw materials and Work in Progress at discounted rates during the proposed extension period.

15. Satin's sale of raw materials, Work in Progress and Off-Quality Inventory is expected to result in realizations above amounts that would otherwise be expected in a liquidation scenario. Based on the offers received from liquidators during the Sale Process, which offers were for all assets, it is the Proposal Trustee's opinion that the sale of the assets noted above out of the ordinary course of business would be more beneficial to the creditors than a sale or disposition in a bankruptcy scenario. The Trustee recommends that the sale price of these types of inventory be limited to \$710,000 (before HST) in the aggregate for the period ending June 14, 2019 to be consistent with the volume of sales contemplated by the Second Revised Cash Flow Projections (defined below).

V. CASH FLOW PROJECTIONS

16. On March 13, 2019, the Company filed with the Office of the Superintendent of Bankruptcy a revised cash flow and related assumptions for the period commencing January 2, 2019 and ending May 17, 2019 (the "**First Revised Cash Flow Projections**"). A copy of the First Revised Cash Flow Projections was appended to the Second Report.
17. To date, the Company has provided the Proposal Trustee with its full co-operation and unrestricted access to its premises, books and records.
18. The Proposal Trustee implemented procedures for monitoring the Company's receipts and disbursements and has kept in close contact with management to ensure that operations are continuing in the normal course of business and in accordance with the First Revised Cash Flow Projections.
19. A summary of the Company's actual receipts and disbursements for the period January 2, 2019 to April 19, 2019 is set out below, with a comparison to forecast:

Totals for January 2nd to April 19, 2019

(Forecast) (Actual) (Variance)

Receipts

Total Receipts	3,928,226	4,191,509	263,283
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Disbursements

Payroll (incl. taxes)	(1,216,929)	(1,222,930)	(6,001)
Utilities and Maintenance (incl. rent)	(625,086)	(696,513)	(71,427)
Professional and Management Fees	(435,000)	(386,063)	48,937
Insurance	(76,764)	(109,928)	(33,164)
SGA & Costs	(310,426)	(220,764)	89,662
Material Purchases and Freight	(101,319)	(550,073)	(448,754)
Banking Charges and Interest	(70,306)	(152,032)	(81,726)
Contingency	(30,000)	-	30,000
Total Disbursements	(2,865,830)	(3,338,303)	(472,473)

Cash Generated

	1,062,396	853,206	(209,190)
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20. As exhibited above, cash generated as at April 19, 2019 is approximately \$209,000 lower than forecast. The Proposal Trustee offers the following commentary with respect to material unfavourable variances in the First Revised Cash Flow Projections:

- a. **Materials Purchases and Freight** – the unfavourable variance relates to: (i) the post-NOI purchase of hardwood and stain materials that were unanticipated by the Company; and (ii) freight charges and duties related to the post-NOI shipment of goods ordered and paid for by Satin prior to the NOI.

- b. **Utilities and Maintenance** – the unfavorable variance relates to: (i) timing of payments for utilities, as post-NOI agreements were made by Satin with providers to pre-pay on a quarterly basis, details of which were not known by Satin at the time of the forecasts; (ii) higher than forecasted expenditure in repairs and maintenance; and (iii) security costs related to the lockout period that was not forecasted.

- c. **Banking Charges and Interest** - Bank charges are comprised primarily of interest costs related to the CIBC overdraft credit facility. The forecast did not correctly record interest costs and the variances related to the interest charges are of a permanent nature.

These unfavourable variances were partially offset by the following:

- d. **Total receipts** –Satin has collected receivables above the forecasted amount, which is of timing in nature.
- e. **Professional and Management Fees** – The \$49M favourable variance in payment of professional and management fees is timing in nature.

- 21. As of the date of the Third Report, the Company is current with respect to its obligations to employees and former employees, including the payment of all outstanding wages and vacation pay to employees, as well as source deduction remittances to Canada Revenue Agency.
- 22. In support of the Company's motion returnable May 1, 2019, the Company, with the assistance of the Proposal Trustee, prepared an updated weekly cash flow forecast for the period from April 20, 2019 to June 14, 2019 (the "**Second Revised Cash Flow Projections**"), a copy of which, together with the reports of management and the Proposal Trustee on said reports, are attached hereto as **Appendix "D"**. The Second Revised Cash Flow Projections have been prepared using the probable and hypothetical assumptions set out in the notes attached to the Second Revised Cash Flow.
- 23. The Proposal Trustee's review of the Second Revised Cash Flow Projections consisted of enquiries, analytical procedures and discussions related to information supplied to us. Since hypothetical assumptions need not be supported, the procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the forecast. The Proposal Trustee has also reviewed the support for the probable assumptions and the preparation and presentation of the forecast.

24. 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 forecast;
 - b. as at the date of the Third Report, the probable assumptions used in developing the Second Revised Cash Flow Projections are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the forecast, given the hypothetical assumptions; and
 - c. the Second Revised Cash Flow Projections does not reflect the probable and hypothetical assumptions.

VI. SALE PROCESS

25. Details of the steps taken by Satin and the Proposal Trustee regarding the Sale Process are summarized in the Second Report.
26. Pursuant to the Second Extension Order, the Sale Process was extended by two (2) weeks. The revised deadline for submission of bids was April 8, 2019. Notice of the extension was sent via e-mail to all parties that had signed a confidentiality and non-disclosure agreement.
27. The Company is requesting that the Sale Process be extended by an additional approximately five (5) weeks, such that the proposed new timeline of the extended Sale Process, including milestone dates already passed, is as set out in the attached **Appendix "E"**, provided that only the parties contemplating going-concern offers referred to in **Confidential Appendix "F"** are permitted to submit offers by the extended bid deadline of May 15, 2019.
28. Further details of the activities regarding the Sale Process since the Second Report and order requested are set out in **Confidential Appendix "F"**.

VII. EXTENSION OF THE STAY PERIOD

29. The current Stay Period expires at midnight on May 2, 2019 and the Company seeks an extension of the Stay Period to and including June 14, 2019.
30. The Company requires the additional time to complete a transaction as detailed in Confidential Appendix "E". Without the extension, the Company will likely not be able to preserve the possibility of completing a going concern transaction, to the detriment of its creditors.
31. As set out in the Second Revised Cash Flow Projections, it appears that the Company will have sufficient funds available to continue operating and meet its obligations through to the end of the requested extended Stay Period on June 14, 2019.
32. The Proposal Trustee supports the Company's request for an extension and has also considered that:
 - a. Satin has acted, and continues to act, in good faith and with due diligence in its operations and dealings with its stakeholders;
 - b. that Satin is projected to have sufficient funds to pay post-filing services and supplies in the amounts contemplated in the Second Revised Cash Flow Projections;
 - c. that CIBC does not object to the extension and no other creditor is prejudiced by the requested extension;
 - d. that the proposed extension allows the Company to complete a sale transaction, which could generate Offers before the end of the requested extension period that could result in greater recoveries than in a liquidation within a bankruptcy scenario; and
 - e. if Offers are received, it is expected that the Company will then be in a position to consider formulating and presenting a viable proposal.

VIII. SEALING OF CONFIDENTIAL APPENDICES

33. The Confidential Appendix described above contains financially sensitive information that may prejudice the Company's and the Proposal Trustee's ability to solicit going concerns offers. The Company and Proposal Trustee therefore respectfully requests that the Court issue an order sealing the Confidential Report until further order of the Court.

IX. CONCLUSION AND RECOMMENDATION

34. Based on the foregoing as outlined in the body of this Second Report, the Proposal Trustee respectfully requests that this Court issue an order granting the relief detailed in paragraph 6b.

All of which is respectfully submitted on this 1st day of May, 2019.

MNP Ltd.

In its capacity as Trustee under
The Notice of Intention to Make a Proposal of
Satin Finish Hardwood Flooring, Limited
Per:



Sheldon Title

Appendix “E”

District of Ontario
Division No. 09-Toronto
Court File No. 31-2459849
Estate File No. 31-2459849

**ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY AND INSOLVENCY)**

THE HONOURABLE MR.)

WEDNESDAY, THE 1ST DAY

JUSTICE McEWEN)

OF May, 2019

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF SATIN FINISH HARDWOOD FLOORING, LIMITED OF THE CITY OF
TORONTO, IN THE PROVINCE OF ONTARIO**

ORDER

THIS MOTION made by Satin Finish Hardwood Flooring, Limited (the "**Company**") for an order extending the time for filing a proposal under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended (the "**BIA**") and other relief was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the Company, including the Affidavit of David Zimmerman sworn April 30, 2019, and the Third Report of MNP Ltd. in its capacity as proposal trustee for the Company (the "**Proposal Trustee**") dated May 1, 2019 (the "**Third Report**"), and on hearing submissions of counsel for the Company and for the Proposal Trustee, no one else appearing although properly served as appears from the Affidavit of Service of Karen Fox sworn on April 30, 2019:

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Motion, Motion Record and Third Report is hereby abridged and validated, such that the motion is properly returnable today, and that further service of the Motion Record and Second Report on any other person is hereby dispensed with.
2. **THIS COURT ORDERS** that the time for filing a proposal under subsection 50.4(8) of the BIA be and is hereby extended for a period of 43 days from May 2, 2019 to and including June 14, 2019.
3. **THIS COURT ORDERS** that the sale process approved by the Order of Madam Justice Dietrich dated January 23, 2019 (the "Sale Process") as amended by the Order of Mr. Justice Pattillo dated March 15, 2019 is further amended by deleting the timeline chart attached as Appendix "E" to the Second Report of the Proposal Trustee dated March 13, 2019 and substituting therefor the extended timeline chart attached as Appendix "E" to the Third Report, provided that ~~only the parties contemplating going-concern offers~~ ^{only the parties} referred to in the Confidential Appendix "F" ^{to} the Third Report are permitted to submit offers by the amended bid deadline of May 15, 2019.
4. **THIS COURT ORDERS THAT** the Company be and is hereby authorized to sell its surplus raw materials, surplus unfinished product and certain Off-Quality Inventory (as defined in the Third Report) for a sale price not to exceed \$710,000 (before HST) in the aggregate for the period ending June 14, 2019.
5. **THIS COURT ORDERS** that the Third Report and the activities of the Proposal Trustee described therein be and are hereby approved, provided that only the Proposal

Trustee, in its personal capacity and only with respect to its personal capacity, shall be entitled to rely upon or utilize in any way such approval.

6. **THIS COURT ORDERS** that the confidential appendices to the Third Report shall be treated as confidential, sealed and shall not form part of the public record until further Order of this Court.



IN THE MATTER OF THE PROPOSAL OF SATIN FINISH HARDWOOD FLOORING, LIMITED
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

District of Ontario
Division No. 09-Toronto
Court File No. 31-2459849
Estate File No. 31-2459849

**ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY COURT)**

PROCEEDING COMMENCED AT TORONTO

ORDER

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