

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF
WISTON INTERNATIONAL TRADE CO. LTD.**

**REPORT ON MATERIAL ADVERSE CHANGE IN FINANCIAL CIRCUMSTANCES OF
WISTON INTERNATIONAL TRADE CO. LTD.**

(Section 50.4(7)(b) of the Bankruptcy and Insolvency Act (Canada))

INTRODUCTION AND BACKGROUND

1. Wiston International Trade Co. Ltd. (“ the “Company”) filed a Notice of Intention to Make a Proposal (NOI) on March 26, 2018 under Section 50.4 (1) of the Bankruptcy and Insolvency Act (Canada) (the “**BIA**”).
2. G. Powroznik Group Inc. (the “**Proposal Trustee**”) consented to act as Trustee in respect of these restructuring proceedings.
3. The Company has applied for and the Supreme Court of British Columbia in Bankruptcy and Insolvency has issued Orders granting approvals for, an extension of the time to file a proposal under Section 50.4 (8) of the BIA (an “**Extension**”), together with a continuation of the stay of proceedings, as follows:
 - a. Order dated April 24 granting an Extension to June 7;
 - b. Order dated June 6 granting an Extension to July 20;
 - c. Order dated July 20 granting an Extension to July 27;
 - d. Order dated July 27 granting an Extension to August 2;’
 - e. Order dated August 2, granting an Extension to September 14 (the “**August 2, 2018 Extension**”).

4. Pursuant to the application for the August 2, 2018 Extension, the Company filed a Statement of Cash Flow for the period July 30, 2018 to September 2, 2018 together with accompanying Notes to the Statement of Cash Flow which is attached as Appendix A (the “**July 29 – September 2, 2018 Cash Flow**”).
5. In anticipation of the Company filing either an application for a further extension or a Proposal to Creditors by September 14, 2018, the Company provided the Proposal Trustee earlier this week with actual results for the period covered by the July 29, 2018 Cash Flow which we compiled into the attached as Appendix B (“**Actual to Budgeted Results for July 29-September 2, 2018**”).
6. The Proposal Trustee reported in its Third Report dated August 1, 2018 that was filed in the application to Court by the Company for an Extension that the estimated unpaid post filing liabilities “**Post-Filing Claims**”) of the Company as at July 29, 2018 were \$153,500 but that this did not represent all of the unbilled or accrued legal or Proposal Trustee’s fees.
7. The Company stated that it intended to raise sufficient cash to cover the Post-Filing Claims either from its refinancing activities or its bulk sales of inventory.
8. The Company further stated that it intended to arrange for the shipment of an initial two containers of new product inventory from China to arrive in Canada by September in order to bolster its sales program because it has not had any new inventory since before the NOI was filed.

MATERIAL ADVERSE CHANGE

9. This report has been filed pursuant to section 50.4(7)(b) of the BIA as a result of the Trustee ascertaining that a material adverse change in the insolvent’s projected cash-flow and financial circumstances has occurred.

10. In the Actual to Budgeted Results for July 29-September 2, 2018, the Company confirmed it had a negative variance in both its regular and bulk sales totalling \$148,395 and that its Post-Filing Claims have increased by \$260,852 to \$411,352.
11. The Company has not been able to arrange any additional financing to compensate for this negative shortfall in budgeted sales or arrange for a refinancing of the Company as was initially anticipated and reported in its Court filings under the NOI.
12. The Company also advised that the two containers of new product inventory from China, previously anticipated by the Company to arrive in Canada by late August or early September, have not left China yet and has not provided any independent confirmation of when they will leave or arrive in Canada.
13. As a result of the Company not being able to meet its budgeted sales, arrange new financing, or make arrangements to obtain the immediate supply of new inventory, in the opinion of the Proposal Trustee, this represents a material adverse change in the Company's financial circumstances which significantly impairs:
 - a. the Company's financial circumstances;
 - b. the rights and interest of one or more classes of creditors;
 - c. the Company's ability to carry on operations;
 - d. the likelihood of making a successful proposal.

Dated this 14th day of September, 2018.

G. Powroznik Group Inc. solely in its
capacity as Proposal Trustee of Wison International Trade Co. Ltd.
and not in it Personal or any other Capacity

Per: _____

Gary Powroznik, CPA, CA, CIRP, LIT