

Court No. B-180261
Estate No. 11-254119
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY
IN THE MATTER OF THE PROPOSAL OF
WISTON INTERNATIONAL TRADE CO. LTD.**

Proposal Trustee's Third Report

PURPOSE OF THIS REPORT

This report should be read in conjunction with both the Proposal Trustee's First Report dated April 24, 2018 and Proposal Trustee's Second Report dated July 18, 2018.

Pursuant to Section 50.4(9) of the Bankruptcy and Insolvency Act, Wiston International Trade Co. Ltd. ("**Wiston**" or the "**Company**") is seeking an extension of 29 days up to August 31, 2018 to file its proposal.

This report is to provide the Court and other stakeholders an update on Wiston's current financial affairs and conduct since the filing of the Proposal Trustee's Second Report dated July 18, 2018.

Wiston filed its Notice of Intention to Make a Proposal ("**NOI**") on March 26, 2018, and G. Powroznik Group Inc. consented to act as the Trustee (**the "Proposal Trustee"**). An automatic stay of proceedings arose as a result of filing the NOI with respect to all claims that existed against Wiston as of March 26, 2018. If the extension sought is not allowed, Wiston will be deemed to have made an assignment in bankruptcy.

Background

There have be no changes in background information since the filing of the Proposal Trustee's Second Report dated July 18, 2018.

FINANCIAL POSITION AND CASH FLOW

In its Second Report dated July 18, 2018, the Proposal Trustee reported on Wiston's Budget to Actual Cash Flows for the fifteen-week period from March 26, 2018 to July 8, 2018. This report extends the comparison of budgeted and actual cash flows for three weeks and accordingly, we attach as **Appendix A**, a comparison of Actual compared with Budget Cash Flows for the three-week period from July 9, 2018 to July 29, 2018.

ACTUAL CASH FLOW – JULY 9TH TO 29TH, 2018

Management of Wiston, had previously reported upon plans for processing an order for the bulk sale of product inventory with estimated realizable proceeds of approximately \$100,000. During the three-week period ending July 29th, Wiston received \$55,459 of proceeds from the bulk sale of product inventory. In the subsequent two days up to July 31, 2018, Wiston has received additional proceeds from bulk product sales in the amount of \$55,459 being the remaining 50% owing for the first bulk shipment of \$110,918.

The estimated unpaid post-filing liabilities of Wiston outstanding as at July 8, 2018 were \$170,500. In the three weeks from July 9, 2018 to July 29, 2018 Wiston paid \$20,763 of post-filing liabilities which were previously reported on as outstanding as at July 8, 2018. As a result of this payment, together with additional invoices received from trade creditors for services rendered since July 8 which currently remain unpaid, the estimated unpaid post filing liabilities of Wiston as at July 29, 2018 were \$153,500. This includes accruals of \$50,000 for legal and Proposal Trustee fees. However, there are additional unbilled and hence unaccrued liabilities in respect of legal and Proposal Trustee fees for professional service time incurred since July 8, 2018.

The positive impact of the bulk product inventory sales program has been tempered by a slump in the monthly recurring product inventory sales. Wiston's Forecast Cash Flow for the eight-week period July 9, 2018 to September 2, 2018 had anticipated average weekly proceeds from the ongoing sale of product inventory, excluding bulk sales, of \$37,500 per week. For the three-week period under review, it was expected that Wiston would have received \$112,500 from ongoing sales of product inventory. This did not materialize and only \$24,000 was received for normal course of business recurring product inventory sales. Wiston feels that the summer vacation season has largely been responsible for the slowing of normal sales activity. It plans to continue its successful experience with bulk sales of its end-of-line products.

FORECAST CASH FLOW

The cash flow forecast prepared by the company (attached as **Appendix B**) forecasts a shortfall of \$153,000 during the extension sought, which it expects to cover from either its refinancing activities or the administration charge sought in its current application. This is an approximately \$100,000 higher shortfall than the \$52,500 shortfall forecast in the Cash Flow Forecast Appendix B filed with the Proposal Trustee's Second Report dated July 18, 2018. The principal reason for the increase in forecast cash flow shortfall arises from the actual shortfall in cash flow as compared with the forecast for the three-week period July 9 to July 29, 2018, when projected normal-course sales of product of \$115,000 failed to materialize, with only \$24,000 in actual sales arising, resulting in an unfavourable variance and shortfall in forecast cash flow of \$91,000.

The forecast cash flow for the five weeks, July 30 to September 2, 2018 is premised on aggregate normal product sales of \$100,000 over the forecast five-week period, or an average of \$20,000 per week. This is a reduction from the average \$37,500 included in the Forecast Cash Flow filed with the Proposal Trustee's Second Report. Management considers this revised estimate to be reasonable. In addition, management of Wiston is forecasting sales of \$235,000 from its new strategy of bulk product inventory sales to eliminate 'end-of-line' inventory.

Direct Material Cost Expenditure for New Product Inventory

The Proposal Trustee previously reported on management's plans to commence receiving shipments of new product inventory from HeilongJiang Far East Wood Company ("HFEWC") in Harbin, China. In the Proposal Trustee's Second Report, dated July 18, 2018, reference was made to an initial two container shipment, out of a total order for twenty-two containers, which were awaiting inspection clearance by the authorities in China before beginning transportation to Canada. The Proposal Trustee has inspected a commercial invoice issued by the factory in China, for the twenty-two container shipment and has received a letter of confirmation from the HFEWC confirming their intention to deliver the twenty-two containers and confirming the initial down-payments received from Wiston, on account of the initial shipments.

Management of Wiston have informed the Proposal Trustee that this initial two container shipment, had not as of July 31st received inspection clearance and was still at the factory in Harbin, China. Accordingly, based on the transportation lead-time outlined in the Trustee's Second Report, management of Wiston does not expect this initial shipment of product inventory to arrive in Canada by August 31, 2018.

FINANCIAL POSITION

The Proposal Trustee has relied to date on the internal financial information provided by the Company and has not attended to third party verification of asset values.

Assets

The Proposal Trustee has not conducted any additional inquiries of Wiston management and has not performed any additional verification of the assets of Wiston, except for its inquiries as disclosed above in relation to product inventory, since the filing of its Second Report dated July 18, 2018.

Liabilities

The Proposal Trustee has not focused on updating the pre-NOI liabilities pending filing of a proposal.

The Proposal Trustee in its Second Report dated July 18, 2018 reported that management of Wiston had informed them that there are 103 arm's length unsecured trade creditors who are owed a total of \$368,000, inclusive of the \$144,000 of customers with credit. Upon further inquiry, this was determined to include approximately \$66,000 of post-filing liabilities on account of invoices received for services rendered post March 26, 2018. Accordingly the pre-NOI trade creditor liabilities amount to approximately \$302,000.

In the Proposal Trustee's Second Report dated July 18, 2018, the Proposal Trustee reported that management of Wiston had identified aggregate unpaid post-filing liabilities of \$172,500 (inclusive of the \$66,000 identified above). Of this \$172,500 estimated amount owing, approximately \$20,700 has been paid in the three weeks July 9, 2018 to July 29, 2018. Wiston has received additional invoices for approximately \$1,350 resulting in an estimated aggregate unpaid post-filing liabilities at July 29, 2018 of \$153,250. This amount does not include accruals for additional Proposal Trustee and legal fees incurred since July 8, 2018 in assisting the company with the continuing NOI process.

Secured Creditor – Bank of Montreal (“Bank of Montreal” or the “Bank”)

The Company has taken initiatives to refinance the Bank's debt and advises that it has a tentative agreement with a third party to do so. The Proposal Trustee and the Company's counsel have spoken to this third party to confirm his intentions. As at June 30, 2018 Wiston's records indicate they owed approximately \$2.5 million. The Bank has acquiesced on the Company's previous applications for extension of the NOI. Bank of Montreal

was given a general security agreement ("GSA") over all the assets of Wiston by the Company. The Company's shareholder (the 'principal') has provided a personal guarantee and an indemnity to Bank of Montreal as collateral security against any shortfall on the secured amounts owing by Wiston. The personal guarantee is secured by a first mortgage against the principal's residential real estate in the City of Vancouver. The assessment value for the real estate is \$4,930,000 or more than double the amount of indebtedness to Bank of Montreal. Accordingly, the Bank of Montreal appears to be fully secured for its loans by the principal's residence.

Management of Wiston have informed the Proposal Trustee that they have reached an agreement in principle with the Bank of Montreal. Specifically, the Bank will consent to any further extensions of the NOI to September 25th, 2018 and the application for an administration charge on condition that the principal repay the Bank directly or through the security it holds on his personal residence. This is a significant development that enhances the ability to complete a successful restructuring of Wiston.

MONITORING

Pursuant to subsection 50.4(7) the Proposal Trustee is monitoring the Company's business and financial affairs. The Company has co-operated in providing weekly cash flow reports and access to information requested by the Proposal Trustee.

QUALIFICATIONS OF THIS REPORT

In preparing this report, the Proposal Trustee has relied upon Wiston's books and records, unaudited financial information prepared by Wiston and discussions with management and its legal counsel. The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance with respect to the information contained in this report.

The cash flow statement and other future oriented financial information relied upon in this report are based upon management's assumptions regarding future events. Actual results will vary from the information presented even if the assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

RECOMMENDATION OF THE PROPOSAL TRUSTEE

The Proposal Trustee is continuing to monitor the Company's financial affairs and is not aware of any material change in its financial position other than as described in this report. The Company has begun implementing a strategy to eliminate the unexpected payables accumulation during the NOI and continues to pursue several options to refinance its affairs and file a successful proposal.

In the Proposal Trustee's opinion, Wiston has acted and is acting in good faith and with due diligence and further that no creditor will be materially prejudiced if the extension is granted.

Pursuant to the above, the Proposal Trustee supports a twenty-nine (29) day extension to the filing of the proposal.

All of which is respectfully submitted the 1st day of August, 2018.

G. Powroznik Group Inc.

In its capacity as Trustee under the Proposal of Wiston International Trade Co. Ltd.

A handwritten signature in black ink, appearing to be 'G. Powroznik', written in a cursive style.

Per: Gary D. Powroznik, CIRP, LIT
Managing Director