

District of: Ontario
Division No.: 05
Estate No. 35-123181

IN THE MATTER OF THE BANKRUPTCY OF:

2031581 Ontario Ltd. O/A Furniture Direct
DEBTOR

BDO Dunwoody Limited
TRUSTEE

ORDINARY ADMINISTRATION

Minutes of the First General Meeting of Creditors:

Date Monday May 28th, 2007 Time 11:00 am

Place 425 Bingemans Centre Drive, Kitchener, ON

Chairperson: Kyla M. Nauman Official Receiver

CALLING MEETING TO ORDER

The Chair called the meeting to order at 11:00am, and then announced a brief recess at 11:01am to allow the remainder of the people who were in attendance to file their claim. At 11:24 the meeting was called back to order.

ATTENDANCE

The attendance is recorded as per the list on record in the estate file.

QUORUM

The chairperson examines the proof of notification, proofs of claim and establishes the quorum.

Chairperson reviewed the proof of notification in the paper, and the affidavit of mailing to prove the meeting was duly convened.

Chairperson then examined the proof of claims submitted, along with the proxies to the trustee and the creditor representatives. Established a quorum existed.

CALL TO ORDER

The chairperson declares the meeting legally constituted and calls the meeting to order.

Media was already present when chairperson and trustee arrived at meeting. They were not admitted to the meeting by the chair. Motion from the chair as to whether or not the Media should attend. Chair also indicates that there will be no videotaping allowed

Moved by: Trustee by Proxy
Seconded by: Trustee by Proxy
Vote conducted
Motion Carried: Media is allowed

INTRODUCTION OF PARTICIPANTS

The Chair introduced herself, the assisting Official Receiver, the trustee and her staff, and the present director and officer of the bankrupt corporation.

AUTHORITY TO CHAIR AND PURPOSE OF MEETING

Chair stated the authority she had to chair the meeting and that any objections to a ruling made can be appealed to court. The purpose of the meeting was also explained to the creditors.

TABLING OF ESTATE DOCUMENTS

Documents made available for review by creditors included;

1. Bankruptcy Assignment
2. Statement of Affairs
3. Affidavit of Mailing
4. Proof of Notification
5. Trustee's Written Report
6. Official Receivers Report and Examination

OFFICIAL RECEIVERS REPORT ON EXAMINATION

Chair explained the purpose of a Section 161 of the BIA examination and then proceeded to present a summary of the findings from the examination on the principal of the corporation.

Chair further explained that this was a preliminary examination, and a more comprehensive one could be conducted by a creditor under section 163 of the BIA.

The report of the Official Receiver is on record in the estate files.

REPORT TO CREDITORS BY TRUSTEE

The trustee reports on the preliminary administration of the estate.

Trustee delivered a written preliminary report to all creditors present at the meeting. This report is attached to the minutes.

The report of the Trustee is on record in the estate files.

QUESTION PERIOD

Chair stated we will now commence the question period and explains the purpose and procedure of the question period.

Floor is now open for questions.

Creditor Elcra Cruz: We paid by debit-we are not on the list on the computer how do I get my furniture

Trustee: You can file a claim , if however your item is not tagged , tagging being the way the item and the purchaser can be matched up, then you will be an unsecured creditor

Creditor Cory Jansen: Apparently customers were required to put down 33%, however I was required to put the full amount down.

For Furniture Direct -Stan West: 33% was the minimum required by company policy , however in order to expedite the process sales people would request more then the minimum. Sales people often times requested what they wanted.

Creditor Marina Brown- What percentage of the furniture has been tagged and what is proper tagging

Trustee: a sticker is placed on the furniture this is what is meant by tagging

Creditor Marina Brown: When does the sticker go on?

For Furniture Direct -Stan West: When the furniture is removed from the truck a bar code label is attached which corresponds to a PO(Purchase Order) This would identify the purchaser and the furniture item. However a swap may have occurred to fill some other persons order due to the fact the original customer could not pay the balance or only one piece showed up and that piece could fill someone elses order. This would mean that some of the labels may not be correct.

Creditor Jim Nutter: How long for the furniture tagged to be dealt with

Trustee: two weeks approximately

Creditor Angela Mutters: How long did the Director know that the company was going into bankruptcy

For Furniture Direct-Stan West: We did not know until the day we filed bankruptcy. We tried to make other arrangements but an agreement with CRA could not be reached. CRA demanded that we file a voluntary bankruptcy. The company was profitable. I am unsure if CRA could have seized the bank account.

Creditor Roly Marchant: I am questioning the Trustee with regards to a letter dealing with employee wages . This letter is entitled "Terms of Understanding"

Trustee: I would refer you to my report paragraph "F" which speaks to this in detail. As well did CRA knowingly sign the agreement when there was no cash in the account? I believe this was not the case , however this issue is on-going

Creditor Roly Marchant: Are we employees going to get paid, and is the trustee looking into this further

Trustee: I agree to meet with legal counsel and do the best we can.

Creditor Diane Garr- Who's job is it to re-tag the furniture?

Trustee: there has been no tagging of items after the date of bankruptcy, these assets will be sold as general assets.

Creditor: We paid a \$400.00 deposit on a mattress -how long do we have to wait before we find out that our item is there before we give up?

Trustee: We have a team of six people working on the inventory. We are going through as fast as possible.

Creditor Dan Holman: Every item is identified by a specific bar code label. Why is the trustee not proceeding in a orderly manner using this system? Why is the process taking so long?

Chair: I am going to allow the Trustee to go over this issue again and then stop all these types of questions after this point. The trustee has explained a number of times now how they have reviewed the computer systems and the issues with the tagging of inventory

Trustee: we proceeded to use the computer system, We printed a test list of 100 items about 40 % of the information did not match up with the purchase orders and the items. As the lists must be correct and accurate we could not rely on the system, so the process is a manual one.

Creditor: what about the people who paid in full?

Trustee Again explained that the furniture must be tagged otherwise you are an unsecured creditor only.

Creditor: We keep hearing that there was no money in the account -can we get proof that this was the case. I understand that there was money in the account, why did we not get paid

For Furniture Direct -Stan West: CRA removed \$300,000.00 from the account .

At this point there were numerous comments from the participants at the meeting again regarding the letter signed by CRA regarding the employees wages and when they would be paid..

Chair: As was stated before, these issues are being reviewed . There is a process and this does take time. The Trustee reviews all priorities in order.

Creditor: Is there any other means to find out information besides the Internet as not all of us have access to a computer.

Chair: Refer your name and number to the Trustee.

Creditor: How long will it take? What do we do in the meantime?

Several comments from the floor made at random stating the individual circumstances and the time already spent waiting for delivery.

Trustee: Bankruptcy administrations to deal with the most issues is completed usually between 2 to 3 months. In this case it may be longer . 12 months is not unusual to complete final report.

Creditor: In Feb 2007 there was media coverage dealing with the problems- why did you take more orders -you must have known you were in trouble

For Furniture Direct: Stan West There was negative media coverage about our businesses and as a result we received order cancellations, it also raised concerns with CRA who after seeing the story set up an audit. During that audit CRA became aware we were preparing to close down one of our companies. In discussions with CRA we presented a plan which I believed would succeed but CRA would not agree unless we signed over our house. We did not what to do this

Creditor: Was there any unlawful activity. I refer to my invoice which shows I purchased a \$700.00 item but received a \$100.00 item on deliver which I refused. It was not the same item number

Trustee: As an officer of the court I look into the activities of the company. At this point all payments and sales seem to be in order as my report stated. The next step is to deal with the issue of customer deposits and sale activity prior to the bankruptcy.

Creditor- Doug Holman I am an employee and I have concerns for many of these customers, The

Trustee should be dealing with the state of art computer system to figure out the inventory. No employee have been contacted that know this system- what are they doing!

Chair: Discussed some general points about the decisions that can be made prior to Inspector approval and then with Inspectors which will be dealt with later but for now the comment will be noted in the minutes.

Creditor: We made our purchase April 10th was our order placed?

For Furniture Direct Stan West: probably your order was into Ashley within three days.

Creditor: The majority of the inventory would be sold orders ?

For Furniture Direct-Stan West: I agree with that statement

Creditor: What is happening with trucks loaded with inventory ?

Trustee: There are no trucks at the store or warehouse which have not been dealt with. There are trucks in transit which I am dealing with regarding that inventory.

Creditor : What is happening with this inventory. Is it going to be tagged .

Trustee: I am dealing with the trucking companies but inventory was not tagged in transit it was tagged after being unloaded.

Creditor: if something is on a truck can it still be received from the truck?

The chair called for order and stated that to speed up the process and to avoid duplication, she would have all the questions remaining be recorded and then have the trustee respond at the end.

Starting with the question above which will be question 1

2) What is happening with the sub leases?

3) Creditor: What is the relationship between Ashley customer service department and the store? I received my order but every piece was damaged. I leave 10 messages at customer service, then when I do get through they refer me back to the store , then the store refers me back to customer service, now there is no store and I have damaged furniture at home

4)Creditor: Furniture was in the store then apparently ended up in the warehouse. How can assets be picked up first in the showroom but not pieces that were moved to the warehouse?

5) Creditor: Why does CRA have more priority then us?

6) There were two questions dealing with credit cards , firstly a Creditor: I pay by credit card

what are my options? Secondly a Creditor representative: My daughter paid with Visa now her credit rating is suffering how does she fix it up?

7) Trade Creditor: I do service work for the company will there be any money for the unsecured creditors? I also received a cheque for payment of my account does this make me a preferred creditor?

8) Creditor: I ordered my furniture Jan 11 it was not delivered, it was on back order I would like to know how this has personally effected the West's

9) Creditor: Was there a company policy in place with regards to delivery problems such as a cancellation process or would an order ever become void?

10) Creditor Hill : why did you allow CRA to throw both companies into bankruptcy?

11) Creditor Jeff Newsome: How is BDO being paid? How much since Apr 27th

12) Creditor Angela Munus: What about the Protection Plans I purchased are they still valid? What about the warranties?

13) Creditor: Furniture that was returned to the store for repair what happened to it?

14) Creditor: Customers who paid in full should get their furniture. Also if furniture is there for people who only paid a deposit they should have the opportunity to pay in full and receive their furniture:

15) Creditor: I ordered furniture in Dec name on the website is different from my name because I got married . What can I do about that?

The following section is the answers provided by the Trustee

1) We are looking at tagged furniture. Furniture in transit is a different issue and one that the inspectors would be able to discuss to provide direction to the Trustee. As always if someone is not happy the administration of the estate is subject to a court review.

2) We will be disclaiming the leases

3) Ashley did contact us and we understood that their customer service was responding to warranty issues and that Ashley would be handling the warranty work directly.

Creditor: do you have a phone number? Trustee stated no we do not but I believe it is on their website.

Creditor: I have their phone number would you like it?

Trustee Yes Please

Creditor provided the trustee with the party's telephone contact information.

4) The showroom was dealt with first as they had smaller number of items. The warehouse which has some 10,000 items in it is now being dealt with

5) CRA position is a legally valid position afforded to it under the ITA (Income Tax Act) for source deductions and under the ETA (Excise Tax Act) for GST

6) You will have to call your credit card companies. They may also be waiting to see if your order can be identified before they accept a claim from you

7) Unknown at this time if there will be a dividend for any unsecured creditors and your cheque that you received from the company gives you no priority

8) Trustee asked the creditor regarding her question. The creditor stated that what she wanted to know more then anything is how the West's were dealing with this personally.
Stan West: we have lost everything. As far as back orders 75 to 80 % of sales were back ordered due to the fact that the manufacturer would only produce items in small runs then these item would be very successful on the floor and as a result the manufacturer could not keep up with demand.

9) Each delayed order was dealt with on an individual basis. Each case may have resulted in a re-selection or some cash payment. Cancellation of a order was done under extreme conditions

10) The Companies filed bankruptcy

11) Nothing has been received yet, but it has already cost us \$15,000 for administration so far. BDO has an agreement with CRA for costs. Costs are dealt with in priority and with agreement from secured creditors. In all cases the amount of costs are dealt with by the courts. Trustee also talked about the nature of the sale of the furniture not specifically identified.

12) Protection Plans purchased from the company are no longer valid however warranties from the manufacturer as previously indicated are being honoured.

13) There was a repair area and we have identified some of the items. When we are able to match then up that information will be placed on the web site

14) Again as long as the furniture is properly identified then those who paid in full will receive their furniture. If furniture is identified and the customer has only paid a deposit then we will give the customer an opportunity to pay the balance.

15) You can look for both names on the website or you can provide us with your marriage certificate.

AFFIRMATION OF APPOINTMENT OR SUBSTITUTION

Motion To affirm BDO Dunwoody Limited as the Trustee

Moved Bill Broome

Seconded David Howey

Creditor: before we vote here we need to know what our options are?

Chair then referred the question to the Trustee.

Trustee: referred the question back to the chair.

Chair called a short recess.

The meeting was again called to order

Chair proceeded to explain the options. The creditors were made aware of the legal process involved with substituting a trustee at a meeting of creditors. It was then explained that a vote to pass such a resolution would require 75% in dollars of claims filed and a majority in number of the creditors. The chair proceeded to outline the reasons for and against a trustee substitution.

The Chair proceeded to have the vote and the Motion was carried.

APPOINTMENT OF INSPECTORS

Chair stated "Section 116 of the Bankruptcy and Insolvency Act allows the creditors at the first meeting to appoint one, but not exceeding 5 inspectors to the estate of the bankrupt.

Chair explained the roles and duties of inspectors to the estate. It was stated whom were ineligible to be estate inspectors, and the responsibilities of the inspectors appointed.

Request for nominations from the floor

Nominated by self	Seconded
Marty Gruber	Tim Gaw
Bill Broome	Trustee Proxy

Tim Gaw nominated Roly Marchant seconded by Marty Gruber and Roly agreed to stand

Trustee by proxy nominated Fern Glowinsky seconded by Romila Jeevithan and Fern agreed to stand

Trustee by proxy nominated Romila Jeevithan seconded by Fern Glowinsky and Romila agreed to stand

Andy Garnegt nominated Doug Holman seconded by Betty Ferreira and Doug agreed to stand

Dennette Schott nominated Tim Gaw seconded by Dan Holman and Tim agreed to stand

Trustee by proxy nominated Christine Stone Taylor seconded by Dawn Snider and Christine agreed to stand.

There were no more Nominations from the floor .

Chair announced that the nominations were closed.

Chair allowed for a short recess with the purpose of discussing a consensus slate on appointment of 5 inspectors maximum.

Chair called meeting back to order

Chair announced that agreement has been reached and requested that the names of the people standing for inspectors be read aloud .

Marty Gruber a creditor and customer

Roly Marchant a creditor and employee

Fern Glowinsky representing Moneris a creditor

Romila Jeevithan representing HSBC a creditor

Vish Brijbassi representing a landlord nominated by Trustee by proxy , seconded by Dan Holman and agreeing to stand

Chair called for a motion to appoint the above mentioned inspectors

Moved : Trustee by proxy

Seconded : Dan Holman

Motion carried

TRUSTEE INSTRUCTIONS

The Creditors had no specific instructions for the trustee and/or inspectors at this time. All instructions would be presented to the respective parties at a later date.

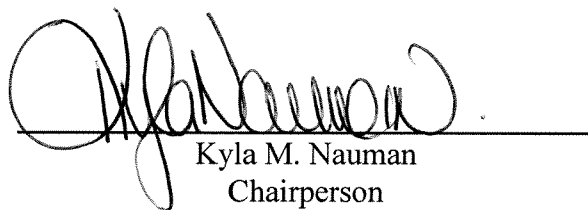
ADJOURNMENT

There being no further business, the meeting is adjourned.

Moved by: Bill Broome

Seconded by: Dafter Hill

Chair announced meeting stands adjourned at 2:12 pm



Kyla M. Nauman
Chairperson

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