

District of: Ontario  
Division No.: 05  
Estate No. 35-123180

IN THE MATTER OF THE BANKRUPTCY OF:

3550184 Canada Ltd., O/A Home Fashion Market  
DEBTOR

BDO Dunwoody Limited  
TRUSTEE

ORDINARY ADMINISTRATION

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Minutes of the First General Meeting of Creditors:

Date Monday May 28th, 2007      Time 2:00 pm

Place 425 Bingemans Centre Drive, Kitchener, ON

Chairperson: Kyla M. Nauman      Official Receiver

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CALLING MEETING TO ORDER

The Chair called the meeting to order at 2:00pm, and then announced a brief recess at 2:01pm to allow the completion of an ongoing meeting of creditors in the related estate #35-123181, 2031581 Ontario Ltd. O/A Furniture Direct. At 2:37pm 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 establish that 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.

The Chair asked the Media representatives to identify themselves. No one identified themselves. It was determined that no media were present.

### **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 director of the corporation.

Chair further explained that this was a preliminary examination, and notifies the meeting of the other statutory examination authorities available in 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.

The chair opened the floor for questions

Creditor Mark Grant: I am an employee and I would like to say that the Trustee should empty out the store in Waterloo and move that inventory to the Warehouse

Trustee: We need to consider this after the meeting

Creditor: Amanda Cartwright: I do not have all the proper paper work to prove my claim.

Trustee: Do the best you can

Creditor: What is an inspector?

Chair: we will deal with this later in the meeting.

Creditor: I am an employee will it take 6 to 12 months to get paid if at all?

Trustee: that is correct

Creditor: (employee) I heard that BDO will get paid as preferred before employee's

Trustee: That is correct.

Creditor: Is there any other media the Trustee can use other then the computer as we do not have internet access.

Trustee: You can provide your name and number to the Trustee

Creditor: I have a question regarding the letter received that stated the company was going to make good on all orders before the company closed.

For Home Fashion Market- Stan West: At the point the letter was issued the Company felt that they would be able to achieve that. If it had not been for the CTV news show, it would have been done.

Creditor: My order was placed on Dec 26th and I believe that this was more than enough time to deliver the furniture.

For Home Fashion Market- Stan West - I can not speak to individual orders, but again I will state that the news cast alerted CRA, who did an audit, who became nervous and then they took measures to collect their debt.

Creditor: Please expand on the financial accounting error that was addressed in the examination

For Home Fashion Market: The financial accounting error was an overstatement of a couple of points on our profit margin which affected the balance sheet, but it was not the reason for the bankruptcy.

Creditor: When my deposit was taken I was told that the deposit would go to the supplier

For Home Fashion Market Place-Stan West: No. All deposits were held by the company in the general account.

Creditor: Why are orders not being completed?

Trustee: The Trustee is not involved in the purchase of inventory for the completion of orders. The Trustee is simply dealing with existing inventory.

Creditor: Can we get our furniture if it is not properly tagged?

Trustee: If the furniture is tagged , customers will receive it, if not they will not receive it

Creditor: Stephenie Thomson: I just want to make a statement that my lawyer informed me about. He stated that when you make a deposit, you need to clearly state that the funds are "in trust". As well my order according to the supplier was never placed in Nov/06.

For Home Fashion Market-Stan West: I can assure every customer that all orders were placed within several days.

Creditor: How do we get proof

Trustee: I would think from the company records and this is being examined.

Creditor Mark: How far was the company behind on GST, PST

For Home Fashion Market: All filings were up to date . Arrears outstanding were from the late fall when we had 100 employees and balances added up quickly and we were behind several months. Agreements were in place to pay the arrears. However in April 2007 we were short for the current payment by about 50% and CRA did not agree to an extension.

Creditor: What about directors liability?

Trustee: CRA usually looks at the recovery from the company. They can however raise an assessment at anytime.

Creditor: There were several other secured creditors not identified in the Trustee's report who are they?

Trustee: They are Ella West and West Furniture Inc.

Creditor: What about the liquidation - how is that dealt with?

Trustee: General inventory will be liquidated by sale and what method to use is not known at this time.

Creditor: Will we as customers be given an opportunity to buy furniture before it goes up for liquidation?

Trustee: I do not believe there will be any special rights given to the existing customers.

Creditor: Will we get our deposit back?

Trustee: When we make payouts we do so in priority. If money is available to the unsecured it will be shared pro rata amongst all claims.

For Home Fashion Market-Stan West: I am also stating that there was an agreement with CRA re: wages.

Creditor( employee) If CRA signed this deal with you, when will we be paid?

Trustee: It was an agreement in principle. There are no funds available to pay the wages at this time.

Creditor: What is the percentage of furniture that is tagged.

Trustee: A lot of furniture is already tagged . We should be able to complete the process in several weeks.

Creditor: What is the process when dealing with tagged furniture?

Trustee: The process was explained that the tagged furniture must match up with PO( purchase order) to identify that piece to a purchaser.

Creditor: A different company called me and wanted to sell me a Martha Stewart bedroom suite which was what I had ordered and had not received. It apparently was also not in the warehouse. They had my personal information as well.

For Home Fashion Market-Stan West: Existing non -filled orders were distributed to two other furniture retailers which I considered to be the very best (Unsure of store names- one was a store in Stoney Creek and Brohill in Toronto). This was done to maybe assist customers in getting the furniture. People are under no obligation to buy from these retailers.

Creditor: Is it better to go back to the credit card company?

Trustee: The credit card company may want you to wait to see if your furniture is in the warehouse before stating it as a disputed claim.

Employee: I just want to make a statement that sales completed in the last three days that the store was open may not have been updated in the computer system.

Again the tagging process was described and the swapping issues which would require more work on the Trustee's part to correctly identify the furniture.

Creditor: How long before this is wrapped up.

Trustee: 6 to 12 months is the normal time length.

After final question was posed and answered, the Chair stated that additional question sheets were available at the back

### **AFFIRMATION OF APPOINTMENT OR SUBSTITUTION**

Motion To affirm BDO Dunwoody Limited as the Trustee

Moved Bill Broome

Seconded Stephenie Thomson

Motion Carried

No Objections

## **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

Bill Broome seconded by Stephenie Thomson

Fern Glowinsky seconded by Romila Jeevithan

Romila Jeevithan seconded by Fern Glowinsky

Stephenie Thomson seconded by Sandra Preley

Paul West seconded by Trustee by proxy

Chair called for a motion to appoint the above mentioned inspectors

Moved : Trustee by proxy

Seconded : Dan Holman

Motion carried

No Objections

## **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**

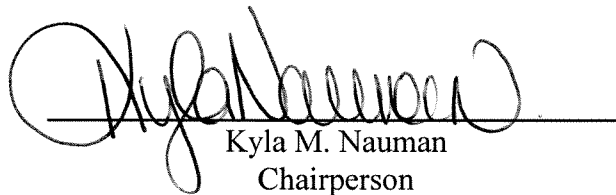
There being no further business, the meeting is adjourned.

Moved by: Bill Broome

Seconded by: Peter Jones

Chair announced meeting stands adjourned at 3:30 pm

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A handwritten signature in black ink, appearing to read 'Kyla M. Nauman', is written over a horizontal line. The signature is cursive and somewhat stylized.

Kyla M. Nauman  
Chairperson

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