

District of Alberta
Division No.: Calgary
Estate No: 25-2832314
Court No: 25-2832314

**IN THE MATTER OF THE BANKRUPTCY OF
HOME SOLUTIONS CORPORATION**

MINUTES OF THE FIRST MEETING OF CREDITORS

DATE:	June 7, 2022
TIME:	10:00 AM Mountain Time
LOCATION:	Conference call line
CHAIRMAN & SECRETARY:	Vanessa Allen, Trustee
ATTENDENCE:	Per the Attached List

The First Meeting of Creditors was held by Zoom (the "Zoom Call"). The details of the meeting were included in the Notice to Creditors dated May 22, 2022.

AUTHORITY AND CALL TO ORDER

Vanessa Allen of MNP Ltd., Trustee, acted as Chairman under the authority of section 105 (1) of the *Bankruptcy and Insolvency Act*. The Chairman declared the meeting properly called at 10:05 AM. Jacqueline Shellon acted as Secretary.

PURPOSE OF MEETING

The purpose of the meeting as set out in section 102(5) of the *Bankruptcy and Insolvency Act* was as follows:

- to consider the affairs of the bankrupt,
- to affirm the appointment of the Trustee or to substitute another in its place,
- to appoint Inspectors, and
- to give such directions to the Trustee as the creditors may see fit with reference to the administration of the bankrupt estate.

DOCUMENTS TO TABLE

The Chairman tabled the following documents:

- Assignment for the General Benefit of Creditors
- Certificate of Appointment of Trustee
- Statement of Affairs
- Trustee's Preliminary Report
- Notice to Creditors of Bankruptcy and First Meeting of Creditors
- Proof of Publication in Local Newspaper
- Trustee's Affidavit of Mailing

QUORUM

Pursuant to section 106(2) of the *Bankruptcy and Insolvency Act*, at least one proven creditor was in attendance in person or by proxy forming a quorum.

A copy of the attendance list for the meeting is attached.

Trustee's Preliminary Report

The Trustee's Preliminary Report (the "Trustee's Report") was summarized for the creditors present and is attached hereto. There were no questions regarding the Trustee's Report.

Affirmation of the appointment of MNP Ltd. as Trustee

MOTION: To affirm the appointment of MNP Ltd. as Trustee of the bankrupt estate.

ALL IN FAVOUR. NONE OPPOSED

MOTION PASSED

Appointment of Inspectors

The Trustee reviewed the role of the inspectors. Taunja Byers and Jean-Christophe Greck indicated that they would be willing to act as inspectors of the bankrupt estate.

MOTION: To appoint Taunja Byers and Jean-Christophe Greck to act as the inspectors of the bankrupt estate.

ALL IN FAVOUR. NONE OPPOSED

MOTION PASSED

There being no further business the Chairman terminated the meeting.

Dated at Calgary, Alberta this 7th of June 2022.



Vanessa Allen, B. Comm, CIRP, LIT
Chairman

District of Calgary
Division: Calgary
Estate No: 25-2832314
Court No: 25-283-2314

ATTENDANCE LIST FOR THE FIRST MEETING OF CREDITORS
IN THE MATTER OF THE BANKRUPTCY OF
HOME SOLUTIONS CORPORATION

DATE & TIME: Tuesday, June 7, 2022 at 10:00 AM

PLACE: Zoom meeting roll call

DEBTOR

NAME: HOME SOLUTIONS CORPORATION

REPRESENTATIVE: Jeffrey Deacon

MNP LTD., TRUSTEE & REPRESENTATIVES

Vanessa Allen, Licensed Insolvency Trustee
Jacqueline Shellon, Secretary

<u>Attendee Name present via conference call</u>	<u>Representing</u>	<u>Amount of claim</u>
Taunja Byers	TD Bank (Secured) (Proxy)	\$ 2,176,473.00
Taunja Byers	TD Bank (Unsecured) (Proxy)	1.00
Soren Nielsen	S.Neisen Family Trust (Secured) (Proxy)	874,999.00
Wendy McAllister	W.Sonego Family Trust (Secured) (Proxy)	874,999.00
Soren Nielsen	S.Neisen Family Trust (Unsecured) (Proxy)	1.00
Wendy McAllister	W.Sonego Family Trust (Unsecured) (Proxy)	1.00
Wendy McAllister	2140328 Alberta Ltd. (Proxy)	295,311.93
Jean Christopher Grek	Private Equity Partners (Secured) (Proxy)	9,224,814.23
Jean Christopher Grek	Private Equity Partners (Unsecured) (Proxy)	1.00
Kent Cranmer	KC3 Enterprises Ltd (Proxy)	17,876.79
Kenneth Alenton	Kenivy Enterprises Ltd. (Proxy)	2,628.49
Sonia Kalburgi (Dentons LLP)	Vitro Flat Glass Canada Inc. (Observer - no claim filed)	-
James Mah	James Mah (Observer - no claim filed)	-
Grant Daunheimer	Diamond Willow Advisory Ltd. (Observer - no claim filed)	-
Maryanne Pidwerski	Self (Observer - no claim filed)	-
Douglas A. Dunscombe	Self	3,097.50
Elizabeth Lankin	Longview Corporation (Observer - no claim filed)	-
Justin Kwon (Osuji & Smith Lawyers)	Gavin Spate (Observer - no claim filed)	-

Remaining balance intentionally left blank

Total value of claims present via telephone conference

\$13,470,203.94

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**IN THE MATTER OF THE BANKRUPTCY OF
HOME SOLUTIONS CORPORATION
TRUSTEE'S PRELIMINARY REPORT**

The information contained in this report has been prepared from the available books and records of the Company (as subsequently defined) and discussions with management. These books and records have not been reviewed or otherwise audited by the Trustee and, consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information contained therein.

BACKGROUND

1. On May 20, 2022 (the "Filing Date"), Home Solutions Corporation ("HSC" or the "Company") made an assignment in bankruptcy and MNP Ltd. was appointed as Trustee of the bankrupt estate. Publicly available documents related to the bankruptcy are available on the Trustee's website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/home-solutions-corporation>.
2. HSC was incorporated under *the Business Corporations Act of Alberta* with its principal business activity being manufacturing and supplying materials for closets and glassware for commercial and residential clients in the construction industry. HSC's shares were purchased by 2133892 Alberta Ltd. ("2133892") effective January 1, 2019. The Company and 2133892 were then amalgamated on January 7, 2019. The Company subsequently amalgamated with Simple Spaces (Edmonton) Ltd., a wholly owned subsidiary, on May 1, 2020. The Company operated out of two buildings in Calgary located at 11550 40th Street SW and 11510 40th Street SW and one building in Edmonton located at 110 91st Street SW (collectively, the "Premises").
3. On the Filing Date, all of the Company's operations ceased and all of HSC's employees were terminated.

4. The bankruptcy was precipitated by the following:
 - a. On May 5, 2022, Private Debt Partners Senior Opportunities Fund GP d.b.a. Private Debt Partners (“PDP”) issued a demand letter and a Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act (Canada)* (the “BIA”). As set out therein, PDP was owed approximately \$9.2 million (the PDP Claim”) pursuant to a credit facility that was secured by, among other security, a general security agreement (the “PDP Security”) over all of the present and after-acquired assets of HSC (the “HSC Assets”);
 - b. On May 6, 2022, the Toronto-Dominion Bank (“TD Bank”) issued a demand letter and a Notice of Intention to Enforce Security pursuant to section 244 of the BIA. TD Bank was owed approximately \$2.2 million (the “TD Claim”) pursuant to various credit facilities that were also secured by various general security agreements against all of the HSC Assets (the “TD Security”); and
 - c. The Company was experiencing significant cash flow constraints and was unable to meet its obligations, generally. Had its operations not been discontinued, HSC would have been unable to meet upcoming payroll obligations.
5. On May 24, 2022, the Notice of Bankruptcy, First Meeting of Creditors (the “Meeting”), a list of creditors and a proof of claim form, along with a proxy, were sent to all known creditors of the Company. Pursuant to subsection 102(4) of the BIA, notice of HSC’s bankruptcy was published in the May 26, 2022 edition of the Calgary Herald newspaper.

BOOKS AND RECORDS

6. The Trustee has taken possession of the Company’s books and records and is in the process of completing backups for all available electronic records.

CONSERVATORY AND PROTECTIVE MEASURES

7. The Company’s operations were discontinued as at the Filing Date. The Trustee took reasonable steps to conserve and protect the Assets, including changing the locks on the Premises, verifying HSC’s inventory (the “Inventory”) and ensuring adequate insurance coverage.

ASSET REALIZATION AND PROJECTED DISTRIBUTION

8. The Assets reported by the Company's on the Filing Date included the following:
 - a. Accounts receivable with a net book value of approximately \$2.2 million;
 - b. Production inventory with a net book value of approximately \$2.9 million. The Trustee notes that, upon taking possession of the HSC's Assets, an inventory count was completed, which reflected production inventory with a cost of only approximately \$498,400. HSC's former management has confirmed to the Trustee that the inventory value reflected in the Company's books and records was significantly overstated;
 - c. Prepaid expenses of approximately \$517,300 as at April 30, 2021;
 - d. Leasehold improvements of approximately \$720,800 as at April 30, 2021;
 - e. Manufacturing and office equipment (including rolling stock) with a net book value of approximately \$1.5 million, as at April 30, 2021; and
 - f. Intangible assets (consisting of HSC's customer list) and goodwill with a net book value of approximately \$6.8 million.
9. Following the Filing Date, the Trustee was approached by various parties (the "Interested Parties") who expressed an interest in purchasing HSC as a turn-key operation with the intention of re-opening the business in some form. On May 25, 2022, the Trustee issued correspondence to these parties, requesting that any such offers be submitted by May 27, 2022. The timeline reflected the fact that the Company's operations had been discontinued and, as such, time would be of the essence if business operations were to be resumed/ employees were to be re-hired.
10. The Trustee has been having ongoing discussions with one of the Interested Parties with the intention of potentially completing a transaction through a concurrent Court-appointed Receivership. In the absence of such a transaction, the Trustee will be releasing their interest in the Company's assets, which are fully secured.

SUMMARY OF CLAIMS

11. As noted above, at the Filing Date, the Company listed the following priority claim, which will rank ahead of any claims of secured creditors:
 - a. A claim of approximately \$31,500 for Canada Revenue Agency employee payroll source deductions; and
 - b. A claim by Service Canada related to unpaid vacation pay of approximately \$50,400 payable pursuant to the Wage Earners' Protection Program ("WEPP"), which will be granted a super-priority over HSC's current assets pursuant to section 81.4(1) of the BIA. We note that the Company had approximately 89 employees, who will also have unsecured claims related to unpaid severance/ termination obligations.
12. As noted above, TD Bank was owed approximately \$2.2 million with respect to the TD Claim. The Trustee's legal counsel, McMillan LLP ("McMillan") has completed an independent review of the TD Security and determined that it is effective, valid and enforceable against the Trustee. The Trustee currently anticipates that they will be accepting an appointment as either a privately-appointed agent or a Court-appointed receiver for the purpose of realizing on the inventory and accounts receivable (the "Current Assets") over which TD Bank has senior ranking security.
13. Also as noted above, PDP was owed approximately \$9.2 million with respect to the PDP Claim. McMillan has completed an independent review of the PDP Security and determined that it is effective, valid and enforceable against the Trustee. The Trustee currently anticipates that they may be accepting a concurrent appointment as a Court-appointed receiver for the purpose of realizing on the HSC Assets, excluding the Current Assets (the "PDP Assets") over which PDP has senior ranking security. If that appointment does not proceed. The Trustee will be releasing their interest in the PDP Assets.
14. In addition to TD Bank and PDP, at the Filing Date, HSC listed the following secured creditors:
 - a. 3M Holdings Ltd. and Gemstone Lights Calgary Ltd. were each listed as being owed approximately \$732,000;
 - b. S. Nielsen Family Trust and W. Sonogo Family Trust were each listed as being owed approximately \$800,000 pursuant to promissory notes issued on November 29, 2021

in connection with the sale of HSC's shares to 2133892, which subsequently amalgamated with the Company; and

- c. Summit Acceptance Corp. who leased/ financed various vehicles/ equipment to the Company.
15. HSC also listed unsecured creditors with claims of approximately \$1.8 million. Included in the unsecured creditor listing are the landlords for the Calgary and Edmonton Locations, who may be entitled to preferred claims pursuant to Section 136(1)(f) of the BIA; and
16. As of the date of this report, the Trustee has received 11 proofs of claims totaling approximately \$2.2 million (secured) and approximately \$314,700 unsecured. Please note that the Trustee has not determined the admissibility of the above-noted claims for dividend purposes.
17. At the time that this report was finalized, the Trustee had not received any proxies.

LEGAL

18. As reported above, the Trustee retained McMillan to complete independent reviews of both the TD Security and the PDP Security.
19. Subject to the approval of any inspectors who may be appointed, the Trustee will be seeking to retain McMillan LLP as its legal counsel to the extent that any further legal assistance is required with respect to this estate.

REVIEW OF FRAUDULENT PREFERENCES AND TRANSFERS AT UNDERVALUE

20. The Trustee is required to undertake a review of any transactions that occurred prior to the date of bankruptcy that would constitute a transfer at undervalue or a fraudulent preference as defined by subsections 95 and 96 of the BIA (the "Review") and expects to commence that review shortly after the Meeting.

OTHER

21. Based on the above, all of HSC's assets are fully secured and there is anticipated to be a substantial shortfall in satisfying the claims of the Company's secured creditors. As such,

there is not anticipated to be any funds available for distribution to the Company's unsecured creditors.

22. TD Bank has provided the Trustee with an indemnity with respect to their fees and disbursements and the associated costs of the bankruptcy proceedings.

Dated at Calgary, Alberta this 7th day of June 2022.

MNP Ltd.,

In its capacity as Trustee of the Estate of
Home Solutions Corporation and not in its
personal or corporate capacity



Vanessa Allen, B. Comm, CIRP, LIT
Senior Vice President