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**Estate File No.: 31-3008133**

**IN THE MATTER OF THE BANKRUPTCY OF  
BAD BOY FURNITURE WAREHOUSE LIMITED  
OF THE CITY OF PICKERING, IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT TO CREDITORS ON  
PRELIMINARY ADMINISTRATION**

## **1. Introduction**

1. On November 9, 2023 (the "NOI Filing Date"), Bad Boy Furniture Warehouse Limited (the "Company") filed a Notice of Intention to Make a Proposal (the "NOI Proceedings") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"). KSV Restructuring Inc. ("KSV") was appointed as the proposal trustee (the "Proposal Trustee").
2. On November 17, 2023, the Ontario Superior Court of Justice (Commercial List) made an order in the NOI Proceedings (the "November 17<sup>th</sup> Order"), among other things, (i) granting the Company to January 23, 2024 to file a proposal or to seek a further extension of the stay and (ii) approving a liquidation sale of the Company's inventory.
3. Pursuant to the November 17<sup>th</sup> Order, the Company retained Infinity Asset Solutions Inc. to assist it to conduct its inventory liquidation sale. The liquidation sale commenced immediately following the issuance of November 17<sup>th</sup> Order and concluded on January 23, 2024.
4. As the Company did not file a proposal or obtain an extension to do so by the stay expiry date of January 23, 2024, the Company was deemed to have made an assignment in bankruptcy on January 24, 2024. KSV was appointed the Licensed Insolvency Trustee (the "Trustee") of the Company, subject to affirmation of its appointment at the first meeting of creditors.

### **1.2 Currency**

1. All currency references in this report (the "Report") are to Canadian dollars.

### 1.3 Restrictions

1. In conducting its review and preparing this Report, the Trustee has relied upon financial and other information supplied by the Company.
2. The Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Trustee expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information contained in this Report should perform its own diligence.
3. Estimates regarding amounts that could be available for distribution to the Company’s creditors are subject to change based on the Trustee’s realization efforts and findings during these bankruptcy proceedings.

## 2. Background

1. The Company was incorporated under the laws of Ontario on July 17, 1990. The Company was a well-known retailer of furniture, appliances, and electronics that operated 12 retail stores across Ontario and sold its products via an e-commerce platform. The Company also sold appliances to real estate developers and property managers (the “Builder Business”).
2. The Company is owned by Lastman Furniture Inc. (“LFI”). The Trustee understands that LFI is wholly-owned by Blayne Lastman, the Company’s former President, Chief Executive Officer and sole Director.
3. The principal purpose of the NOI proceedings was to create a stabilized environment to allow the Company the opportunity to consider its restructuring options, while it sold its inventory through the Court-approved liquidation sale and to have the opportunity to collect its accounts receivable owing to the Company from Builder Business customers on an orderly basis.
4. Laurentian Bank of Canada (“LBC”) was the Company’s senior secured creditor. LBC provided the Company with a revolving line of credit. As of the Filing Date, LBC was owed approximately \$4.4 million.
5. KSV, as Proposal Trustee, retained Osler, Hoskin & Harcourt LLP (“Osler”) as its counsel. Osler provided the Proposal Trustee with an opinion confirming the validity and enforceability of LBC’s security. During the NOI proceedings, the Company repaid in full its indebtedness owing to LBC from the net proceeds of the inventory liquidation sale and the collection of accounts receivable.
6. During the NOI proceedings, the Proposal Trustee, on behalf of the Company, conducted a sale process to market the Company’s business and assets for sale (the “Sale Process”). The Sale Process was conducted over several weeks. Although several parties initially expressed an interest in the opportunity, no offers were received. The Company, with the assistance of the Proposal Trustee, also considered monetizing its store and head office leases, but the Proposal Trustee determined that the leases had no realizable value upon completing its review and discussing the leases with realtors.

7. Contemporaneous with the Sale Process, the Company also extensively considered restructuring and downsizing its business, including operating a smaller number of high-performing stores and significantly reducing its overhead costs. The Company was ultimately unable to put forward a proposal for consideration by its creditors. The Company's excessive overhead costs were a significant contributor to the Company's financial challenges, particularly in the current economic environment, which had resulted in declining revenue.
8. In January 2024, the Company's cash flow eroded rapidly due to its high overhead costs and the deep discounts being offered on the sale of its inventory in the liquidation sale. Accordingly, the Company determined that it would not be able to seek an extension of the stay of proceedings in the NOI Proceeding, and accordingly, the Company was deemed to have made an assignment in bankruptcy on January 24, 2024.

### 3. The Bankrupt Estate

#### 3.1 Assets

1. The following table provides a summary of the Company's assets as of the date of bankruptcy as set out in the Company's Statement of Affairs.

	(\$) Value Per Statement of Affairs
Cash	\$1,400,000
Accounts receivable	\$50,000
Due from LFI	\$1

2. Each of the Company's assets is discussed below.
  - a) **Cash:** as of the date of this Report, there was approximately \$1 million in the Trustee's accounts before considering unpaid amounts owing for operating costs, employees and professional fees since the date of bankruptcy. The net bank balance after considering these items is estimated to be approximately \$500,000. The cash balance includes net realizations from the sale of the inventory during the liquidation sale, accounts receivable collections and sundry other recoveries.
  - b) **Accounts receivable:** the book value of the Company's accounts receivable as of the date of bankruptcy was approximately \$1.72 million. The receivables largely relate to appliances sold to developers in respect of various real estate development projects as part of the Builder Business. The balance in the table above reflects the Company's estimate of the net realizable value of the accounts receivable as of the date of bankruptcy. Each of the remaining receivables is subject to significant alleged setoff claims (such as for loss of warranty, damage and breach of contract) that have been asserted by Builder Business customers, which claims the Trustee intends to review. The Trustee will discuss the remaining receivables and the issues related to their collection with the inspectors appointed in these proceedings.

- c) **Due from LFI:** The Company's books and records reflect approximately \$1.49 million owing to it from LFI as at September 30, 2023. The Company's statement of affairs reflects this receivable at \$1. The LFI receivable reflects amounts paid to related parties during the Company's fiscal years ending September 30, 2022 and September 30, 2023, as well as expenses paid by the Company on behalf of related parties during that period. The Company's management disagrees with both the characterization and amount of the liability as reflected on the Company's books and records. The Trustee intends to discuss this matter with the inspectors appointed in these proceedings.

### 3.2 Property of the Bankrupt Not Divisible Amongst Creditors

1. The Trustee is not aware of any property that would not be divisible amongst the Company's creditors by virtue of subsection 67(1) of the BIA or otherwise, with the potential exception of an amount estimated to be less than \$100,000 that may be payable to First Data Canada Ltd. ("First Data") in respect of certain uncompleted transactions since the Filing Date. First Data processed credit and debit card transactions for the Company.

## 4. Creditors

### 4.1 Secured Creditors

1. Pursuant to a search of the Ontario Personal Property Security Act conducted on November 6, 2023, the Trustee understands that the following parties, in addition to LBC, have registered a security interest in the Company's assets:
  - a) Mercedes-Benz Financial and Mercedes-Benz Financial Services Canada Corporation, which has made five registrations secured against five respective motor vehicles<sup>1</sup>;
  - b) Panasonic Canada Inc. ("Panasonic") that has a registration that predates the LBC registration but is limited to inventory bearing the trademarks "Panasonic", "National" or "Panafax". The Company's records show there is no balance owing to Panasonic; and
  - c) Konica Minolta Business Solutions (Canada) Ltd., which has a registration against a photocopier.

### 4.2 Unsecured Creditors

1. Based on the Company's books and records, the claims of unsecured creditors as at the date of bankruptcy are estimated to exceed \$20 million, including amounts owing to First Data, inventory suppliers (such as Whirlpool Canada LP and Electrolux Home Products), employees in respect of severance and/or termination pay and customers who made deposits on the purchase of appliances and furniture but never received those products<sup>2</sup>.

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<sup>1</sup> All leased vehicles have been returned to the lessors or the respective leases have been assumed.

<sup>2</sup> Some of these customers received a refund of their deposit from credit card companies, which would be included in the amount of the claim by First Data.

## 5. Books and Records

1. The Trustee has taken possession of the books, records and data it requires to complete its duties and obligations under the BIA, including bank statements for the year preceding the date of bankruptcy. The Trustee has also obtained the Company's minute books.

## 6. Preferences and Transfers at Undervalue

1. Pursuant to the BIA, the Trustee is required to conduct a review for preferences and transfers at undervalue by reviewing the Company's bank statements and accounting records for the year preceding the date of the initial bankruptcy event, being November 9, 2023 (the date of the NOI filing). In respect of non-arm's length transactions, the "look-back" period under the BIA is five years. The Trustee is in the process of carrying out that review.
2. As noted above, the Company's books and records reflect approximately \$1.49 million owing from LFI as at September 30, 2023. The Trustee intends to discuss the LFI receivable with the inspectors appointed in these proceedings.

## 7. Anticipated Realization and Projected Distribution

1. At this time, the Trustee is unable to estimate the amount, if any, that may be available for distribution to the Company's creditors. The Trustee does not believe, however, that amounts available for distribution to creditors, if any, will be significant as a percentage of the total claims against the Company.

## 8. Other Matters

1. There are no other matters to discuss at this time.

\* \* \*

DATED at Toronto, Ontario, this 12<sup>th</sup> day of February, 2024.

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.  
IN ITS CAPACITY AS LICENSED INSOLVENCY TRUSTEE OF  
BAD BOY FURNITURE WAREHOUSE LIMITED  
AND NOT IN ITS PERSONAL CAPACITY**