

Court File No. BK-25-00098475-0000
Estate File No. 33-3174726

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
1995677 ONTARIO INC.
(FORMERLY KNOWN AS DESLAURIER CUSTOM CABINETS INC.)
OF THE CITY OF RENFREW, IN THE PROVINCE OF ONTARIO**

FIRST REPORT OF THE PROPOSAL TRUSTEE

DATED JANUARY 17, 2025

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EXHIBITS

A Certificate of Filing dated January 16, 2025

INTRODUCTION

1. On January 16, 2025 (the “**Filing Date**”), 1995677 Ontario Inc. (formerly known as Deslaurier Custom Cabinets Inc. (“**1995677**” or the “**Company**”) filed with the Official Receiver a Notice of Intention to Make a Proposal (“**NOI**”) to its creditors and named Raymond Chabot Inc. (“**RCI**”) as Proposal Trustee (the “**Proposal Trustee**”). The Certificate of Filing of the NOI is attached hereto as **Exhibit A**.
2. RCI will be sending the notice of the NOI to every known creditor of 1995677 (the “**Notice to Creditors**”) pursuant to subsection 50.4(6) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) on January 20, 2025.
3. This first report of the Proposal Trustee to the Court (the “**Report**”) has been posted on the Proposal Trustee’s website at <https://www.raymondchabot.com/public-records/>. The Notice to Creditors will be posted it is sent to the creditors.
4. All capitalized terms used in this Report but not otherwise defined shall have the meaning ascribed to such terms in the affidavit of Jason Chartrand sworn January 17, 2025 (“**Chartrand Affidavit**”), included in the Company’s motion material.

PURPOSE OF REPORT

5. The purpose of this Report is to provide the Court with information pertaining to:
 - a. The marketing process undertaken by 1995677 to find a buyer or investor prior to the commencement of the Proposal proceedings;
 - b. The transaction (the “**Transaction**”) as set out in the asset purchase agreement dated December 6, 2024 and amended on January 17, 2025 (“**APA**”) between 1995677 and the Purchaser;
 - c. The Proposal Trustee’s recommendation that this Court grant the following Orders, as requested by 1995677:
 - i. An Approval and Vesting Order (“**AVO**”), which among other things:
 1. Approves the Transaction;
 2. Vests in the Purchaser all of the Company’s right, title, benefit and interest in and to the Purchased Assets described in the APA free and clear of all encumbrances (as defined in the AVO); and

3. Assigns the agreements listed in Schedule “C” of the AVO pursuant to Section 84.1 of the BIA to the Purchaser.
- ii. A Sealing Order which seals the Confidential Exhibits attached to the Chartrand Affidavit until the closing of the Transaction or further order of the Court.

TERMS OF REFERENCE

6. In preparing this Report, the Proposal Trustee has been provided with, and has relied upon, unaudited, draft and/or internal financial information, the Company’s books and records, discussions with management of the Company, and information from third-party sources (collectively, the “**Information**”). Except as described in this Report:
 - a. the Proposal Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants Canada Handbook (the “**CPA Handbook**”) and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under CAS in respect of the Information;
 - b. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed. Future oriented financial information referred to in this Report was prepared based on management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations may be material.
 - c. the Proposal Trustee has prepared this Report in its capacity as a Court-appointed officer. Parties using the Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes.
7. Unless otherwise stated, all dollar amounts contained in the Report are expressed in Canadian dollars.

BACKGROUND

8. The Company is a respected leader in the cabinetry industry, employing approximately 130 people, and one of the largest employees in the Town of Renfrew, Ontario. The Company has recently faced significant financial challenges, leading to the filing of the NOI on January 16, 2025. These challenges arose from a combination of external economic factors and internal operational pressures that weakened the company's financial stability.
9. Post-pandemic supply chain disruptions caused significant delays in the availability of critical raw materials, such as wood and hardware, while inflation-driven price increases further impacted the Company's cost structure. Concurrently, labor shortages within the manufacturing and construction industries added further strain on production capacity and increased operational costs. Additionally, key market, such as construction, real estate, and renovation, experienced a slowdown, further reducing demand for the Company's products. In the last calendar quarter of 2023, the Company's sales fell to half of their previous volumes and have since only recovered to 60% of the previous revenue profile.
10. Given the Company's declining financial situation, Royal Bank of Canada ("**RBC**"), one of the Company's senior secured lenders, issued demands and a notice of intention to enforce security on March 13, 2024. Subsequently, RBC retained Raymond Chabot Grant Thornton and Co. L.L.P. ("**RCGT & Co**") to conduct an analysis of the financial and business situation of the Company, including monitoring the progress the Company's marketing and sales process.
11. Internally, despite efforts to manage costs and improve efficiency, the Company struggled with declining cash flow. The company has sought creditor protection under the NOI process to preserve jobs and to maintain the long-term value of the business through a court supervised sale process.

1995677'S MARKETING & SALES PROCESS

12. Before filing the NOI, management explored several strategic alternatives including refinancing or, alternatively, selling the assets of the Company. Two (2) independent advisors, Stephan May of Welch Capital Partners and Nick Bakish of Group RMC, strongly recommended against a public sale, fearing it would erode the Company's operational stability and damage its goodwill, one of its most valuable assets. Maintaining goodwill was critical to preserving the Company's relationships with customers, suppliers, and the market at large, which was essential for sustaining its value.
13. In February 2024, management entered negotiations with two (2) potential investors who had recently exited their business with large transactions. These were referrals from various professional networks. While many others were approached as well, none entered into discussions with the Company. These parties were provided with a detailed Confidential Information Memorandum (CIM) and other financial and operational information. Both investors engaged in discussions with management and requested that their names not be disclosed. During this period, RBC and the Company entered into a forbearance agreement in response to growing concerns about the company's financial health. This agreement, although it provided time and some financial breathing room also created uncertainty, and the investors withdrew from negotiations.
14. Following the withdrawal of the initial investors, management made attempts to refinance its debt with alternative lenders. However, despite these efforts, the Company's cash requirement was too significant for the alternative lenders to approve refinancing. The scale of the financial need made it impossible to secure the necessary funding, leaving the Company with limited options.
15. In May and June 2024, management explored further sales opportunities and engaged with three (3) additional potential buyers. One of these buyers submitted a Letter of Intent ("LOI") in June 2024 proposing to acquire the assets of the Company. However, this offer required the existing secured debt to be converted into new term debt, a condition that was unacceptable to the Company's secured creditors. As a result, this proposal did not advance further.
16. In August 2024, the Company entered into a non-binding agreement with another potential purchaser, a copy that was to be incorporated by Cliffbrake Corporation (Jim McLeod) and Argyle Capital Partners (Neil Mohammed). Argyle Capital Partners had been contacted by Stephan May

of Welch Capital Partners. This transaction would have required an NOI filing and vesting order and provided for approximately \$2.5M in cash to be distributed amongst the secured creditors only. The unsecured creditors were to receive no distribution as part of this transaction. Ultimately, the proposed sale transaction was insufficient to gain support from the Company's secured creditors.

17. Potvin Construction of Ottawa and other private investors were approached, but no meaningful discussions or offers materialized. Despite continued efforts, none of the available options met the Company's strategic objectives or provided a viable solution to its financial difficulties.
18. In October 2024, the Company retained Capital Asset Management to prepare an appraisal of its assets. The appraisal report provides three values for the assets: (1) fair market value in place; (2) liquidation value in place; and (3) liquidation value. A copy of the appraisal report is attached hereto as a Confidential Exhibit to the Chartrand Affidavit.
19. Based on the appraisal report, it is clear that the secured creditors would incur significant shortfalls in a bankruptcy scenario and there would be no funds available for the unsecured creditors.
20. With typical refinancing and sale prospects being exhausted, management, through a related company (the "**Purchaser**"), entered into an APA with the Company on December 6, 2024 and obtained the support of its senior secured creditors, namely RBC and BDC Capital Inc. ("**BDCCI**"). The APA was subsequently amended on January 17, 2025. A redacted copy of the APA is attached as a confidential exhibit to the Company's motion material and subject to a request for a Sealing Order.
21. In the months leading up to the filing of the NOI, the Company has been working diligently with its counsel to negotiate the terms of the APA and the Transaction with the Purchaser. In addition, management has been concurrently discussing the details of the Transaction with 1995677's senior secured creditors, RBC and BDCCI, which are owed approximately \$6.4M under their collective credit facilities as of the Filing Date. As indicated above, the Company was able to obtain the support of the senior secured creditors for the Transaction.
22. Based on the above, the Proposal Trustee is of the view that the Company has conducted a thorough marketing and sales process, albeit privately only. As previously indicated, the Company chose to conduct a marketing and sales process privately on the recommendation of its independent advisors in order to preserve the value of its goodwill, one of its most valuable assets. RCGT & Co, pursuant

to its engagement as outlined above, has consulted with RBC throughout the process, which has not raised any issue or objection to the marketing and sales process undertaken by the Company.

23. As indicated in the Chartrand Affidavit, the purchase price provided for in the APA is considerably higher than the only other offer received (\$2.5M) and provides for an amount of \$250,000 to be set aside to make a proposal to the unsecured creditors. Given the appraised value of the assets and the amounts owing to the secured creditors, it appears highly unlikely that any other potential purchaser would offer an amount sufficient to reimburse the secured creditors in full and provide for any distribution to the unsecured creditors. Finally, the senior secured creditors, RBC and BDCCI, support the Transaction in light of the marketing and sales process conducted by the Company.
24. As such, the Proposal Trustee is recommending that the Court approve the APA and authorize and direct 1995677 to enter into and carry out the terms of the APA, as between the 1995677 as Vendor and the Purchaser, together with any further amendments thereto deemed necessary, and vesting in the purchaser title to the Purchased Assets described in the APA free of any encumbrances.
25. The Proposal Trustee is also recommending that the transaction contemplated by the APA be approved by the Court for the following reasons:
 - a. the Company has acted in good faith and with diligence throughout this process;
 - b. the transaction will allow for the continued employment of the vast majority of its employees (approximately 130) and the ongoing provision of services to its customers;
 - c. the transaction will protect customer deposits of approximately \$1M and ensure that the orders are fulfilled;
 - d. the transaction will result in proceeds to be paid to both secured creditors and unsecured creditors of the Company;
 - e. the senior secured creditors, RBC and BDCCI, have communicated their support for the APA, subject to certain conditions and further information which the Company is gathering;
 - f. the APA is unconditional except for requiring the Company to file and NOI and the Court's Approval and Vesting Order; and
 - g. the purchase price is in line with the appraised value of the Assets.

ASSIGNMENT OF CONSENT REQUIRED CONTRACTS

26. The APA contemplates the assignment of Consent Required Contracts (defined in section 3.4 of the APA) as part of the Transaction.
27. The Purchaser unequivocally requires the Consent Required Contracts to continue to operate the Business in the ordinary course. As a result, it is a condition to closing the Transaction that the Consent Required Contracts be assigned to the Purchaser.
28. To date, the Proposal Trustee has been advised that the Company has worked diligently to identify all of the counterparties to the Consent Required Contracts that must consent to be provided with notice of this motion.
29. The Company has advised that it intends to communicate directly with such counterparties in an attempt to procure executed consents and waivers prior to the Closing Date. However, given the number of Consent Required Contracts, it may not be possible for all consents and waivers to be obtained prior to the anticipated Closing of the Transaction. Accordingly, the Company is seeking the assignment of the Consent Required Contracts in the AVO.
30. According to management, none of the Consent Required Contracts are agreements that cannot be assigned under the BIA, such as: (a) agreements that have been entered into after the commencement of the NOI proceedings, (b) eligible financial contracts, or (c) collective agreements.
31. The Purchaser insists that it is essential to the Transaction that the value of the Consent Required Contracts be preserved in its hands following the closing of the Transaction. As such, the Company has concluded that the only way to do so is through the AVO given that the Consent Required Contracts are not permitted to be assigned without the consent of the counterparty.
32. Any cure costs due and owing to the counterparties to the Consent Required Contracts as of the Closing Date, if any, will be paid by the Purchaser.

CREDITORS

33. As of the date of the NOI, 1995677's debts totalled approximately \$14.3 million, and was comprised of HST owing to the Canada Revenue Agency ("CRA") totaling \$1.3M, secured debts

totaling approximately \$7.4M million and unsecured debts totaling approximately \$5.6M million. 1995677's debts are described in further detail below in their order of priority.

Canada Revenue Agency

34. 1995677 is in arrears to the CRA on account of HST in the amount of approximately \$1.3M, inclusive of interest and penalties.

RBC

35. RBC is a senior secured creditor of 1995677. According to its loan documents, RBC as extended the following credit facilities secured against specific vehicles and the present and after-acquired personal property of the Company:

- a. A revolving demand facility;
- b. Vehicles leases; and
- c. A credit card facility.

36. 1995677's indebtedness to RBC under its credit facilities totals approximately \$3.6M as of the Date of Filing.

BDCCI

37. BDCCI is a senior secured creditor of 1995677 and is owed approximately \$2.9M as of the Date of Filing.

Equipment leases and loans

38. The Company has entered into a number of equipment leases and loans which are owed approximately \$925K as of the date of Filing.

Unsecured creditors

39. According to Management, unsecured creditors total approximately \$5.6 million comprising mostly of amount owing to suppliers.

PROPOSAL PROCEEDINGS

40. Following the closing of the Transaction (targeted for February 10, 2025), the Proposal Trustee expects the Company will make proposal to its unsecured creditors using the \$250,000 to be remitted to the Proposal Trustee upon closing of the Transaction.

CONCLUDING AND RECOMMENDATION

41. The Chartrand Affidavit outlined the marketing and sales process conducted by the Company and the Proposal Trustee has no reason to believe that a renewed sales process would create a better result that achieved by the APA.
42. The senior secured creditors, RBC and BDCCI, have communicated their support for the APA, subject to certain conditions and further information which the Company is gathering.
43. The Company has no viable alternative but to complete the Transaction contemplated by the APA to preserve the business and prevent any further loss of jobs and dissipation in asset value.
44. Based on the above, the Proposal Trustee respectfully recommends that the Court make an order granting the relief requested by 1995677, as summarized in paragraph 5 of this Report.

All of which is respectfully submitted at Ottawa, Ontario this 17th day of January 2025.

RAYMOND CHABOT INC.

In its capacity as the Proposal Trustee of
1995677 Ontario Inc. (formerly known as
Deslaurier Custom Cabinets Inc.),
and not in its persona capacity.


Per: 
Stanley Loiselle, CIRP, LIT

Exhibit A

Certificate of Filing dated January 16, 2025



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

District of ONTARIO
Division No. 12 - Ottawa
Court No. 33-3174726
Estate No. 33-3174726

Industrie Canada

Bureau du surintendant
des faillites Canada

In the Matter of the Notice of Intention
to make a proposal of:

1995677 Ontario inc.
Insolvent Person

RAYMOND CHABOT INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: January 16, 2025, @ 11:49 am

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4(1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Hailey Henriques

E-File / Dépôt électronique

Official Receiver

CD Howe Building A/S Ottawa Division, 235 Queen St., Ottawa, ONTARIO, K1A 0H5, 877/376-9902

Canada