IN THE MATTER OF THE RECEIVERSHIP OF

THE HOME IMPROVEMENT WAREHOUSE LTD.

RECEIVER'S INTERIM REPORT

ESTATE 25-095059

MAY 10, 2020

1. The Home Improvement Warehouse Ltd. ("HIW" or the "Company") was a retail home improvement business. It operated from leased premises at 2620 Centre Avenue NE, Calgary, Alberta. The Company had encountered financial difficulty due to continuing operating losses and did not expect to become profitable in the near future.

2. The Company was placed into receivership on December 4, 2019 by secured creditors, 1698420 Alberta Ltd. ("169") and Michael L. Doyle ("MLD"), who had valid and enforceable security interests against HIW registered at the Personal Property Registry ("PPR") of Alberta. Hudson & Company Insolvency Trustees Inc. was appointed by 169 and MLD as the Receiver (the "Receiver" or "Hudson") pursuant to the terms of their security agreements.

3. As of the date of the receivership, HIW owed $575,000.00 to 169 and $325,000.00 to MLD.

4. The assets of the Company consisted of inventory valued on the books of the Company at a cost of $1,248,580, equipment and vehicles with a value of $130,251, and receivables with a value of $4,607. The Company also stated that it had approximately $30,000 in its bank account, after payment of a $25,000.00 retainer to Hudson. The Company also showed it had shares in Castle Building Centres ("Castle").,a cooperatively-owned buying group of lumber and building materials, worth $36,000.00.

5. Castle was also a secured creditor of HIW. The Company had a debt of approximately $1,211,000 owed to Castle, however, Castle had postponed its security interest in priority to the security interests of 169 and MLD.

6. The Receiver had prior experience in insolvencies of hardware and lumber retail outlets, and had discussions prior to its appointment with management of the Company, with other people experienced in the retail lumber business, and with an auctioneer about the best method for realizing on the assets of the Company.

7. There were 15,455 items in inventory, with values ranging upwards from less than one

dollar to several hundred dollars. The average cost of an item in inventory was approximately $80.

8. The Receiver and the Company were of the opinion that an outright auction would not be the best way to realize the best value from the inventory, as an auction would not be able to get significant value for the vast quantity of items of small value.

9. The option of an onsite liquidation of the inventory was discussed. The Receiver could retain the services of the existing employees of the Company, who were familiar with the business and the retail operation, and the employees could contact the list of existing customers during the liquidation sale to invite them to attend and buy inventory as it was being sold, at a discounted price lower than what they had previously paid at retail. The selling prices could be discounted gradually, with more desirable items being discounted less, and the discount being increased during the course of the liquidation sale. There would be lower costs to conduct the sale than an auctioneer would charge, as the Receiver would hire the current employees at their current rates, and not have to pay the auctioneer's overhead and commission. The employees would also be able to customize orders, such as assemble pre-hung doors, for customers which an auctioneer would not be able to do.

10. The Receiver, in consultation with the Company and 169 and MLD, determined that the greatest realization from the inventory and assets would come from conducting an on-site liquidation sale from the existing premises. Once most of the inventory had been sold in the liquidation sale and the remaining inventory was less saleable, the Receiver would thereafter hire an auctioneer to conduct an onsite auction and finalize the sale of the remaining inventory.

11. In order to address potential issues that could arise from HIW's lease of its premises, the Company determined that it would voluntarily make an assignment in bankruptcy. A bankruptcy of the Company would allow the Company through its Trustee in bankruptcy to remain in occupation of the leased premises and avoid the possibility of the landlord seizing the assets and inventory of the Company for unpaid rent during a liquidation sale.

12. It is most economical to have the same insolvency professional act as both receiver and trustee in bankruptcy, if a trustee in bankruptcy is necessary. In order for Hudson to act in both capacities, a legal opinion regarding the validity of the secured claims of 169 and MLD was required. Hudson requested and obtained an independent legal opinion that the security held by 169 and MLD was valid and enforceable.

13. Upon receiving the independent legal opinion that the security granted to 169 and MLD was valid and enforceable, the Company voluntarily assigned itself into bankruptcy on December 5, 2019, and Hudson was appointed as Trustee of the bankruptcy estate of HIW (the "Trustee").

14. The Receiver retained the existing staff of HIW and continued renting the existing

premises for the purpose of conducting the on-site liquidation sale. The Receiver developed operating procedures for conducting the liquidation sale, reviewed the procedures to be followed during the sale with employees, controlled the bank accounts, and attended at the premises regularly to monitor the ongoing sale.

15. The Company had received commercial consignment inventory from Taiga Building Products Ltd. ("Taiga") and from Quality Craft Canada Ltd. (Quality Craft") in the approximate amount of $255,000. As neither Taiga, nor Quality Craft, had registered their consignment interest at the PPR of Alberta, their respective claims were disallowed, as they did not have properly registered security interests. Having made this determination, the consignment inventory was sold in the course of the liquidation sale in the receivership and the proceeds realized are included in the total liquidation sale proceeds.

16. Once the vast majority of inventory had been sold, it became uneconomical to continue the liquidation sale. The Receiver obtained a proposal from an auctioneer that the Receiver had worked with previously, and engaged that auction service to conduct an auction of the remaining inventory and equipment from the premises. The unreserved auction was conducted online over several days utilizing the leased premises for bidders to view the lots. The auction realized a gross amount of $319,659.00, with net proceeds of $288,639.46 being paid to the Receiver after the auction costs.

17. At the time of the receivership, the Company owed Canada Revenue Agency ("CRA") $18,520.70 for unremitted source deductions for the month of November 2019. This amount constituted a deemed trust and had priority over all other secured and unsecured creditors of the Company. The Receiver paid this amount in the normal course of business, and CRA has no further claim for unremitted source deductions.

18. Hudson was contacted by the Alberta Human Rights Commission ("AHRC") regarding a complaint by a former employee of the Company that had been filed against the Company prior to the receivership and bankruptcy. The employee claimed to have been mistreated by the management of the Company, because the Company had not properly acknowledged his inability to work after an injury had occurred, as well it was alleged by the complainant that management of the Company had made some statements about his character that were not true. The former employee claimed to be entitled to damages for his alleged mistreatment and had filed a complaint with the AHRC. Hudson dealt with the AHRC and researched and provided case law to the AHRC that the claim would not have priority in the receivership or bankruptcy. Personnel changed at AHRC, and a different lawyer from AHRC advanced the claim again, which Hudson again responded to with the opinion that the human rights claim could not be pursued without leave of the Court, given the bankruptcy of both the Company and Michael Doyle Jr. Hudson was notified on March 25, 2021 that the complainant had withdrawn his complaint and the case was closed.

19. The Receiver has filed the corporate tax return for 2019 up to the date of bankruptcy, which was prepared and filed with CRA on or about June 23, 2020.

20. In collecting the information to file the corporate tax return of the Company, the Receiver determined that it had not received a T4A from Castle for the patronage dividend that was paid by Castle to HIW in February 2019 and which Castle should have sent out by February 28, 2020. HIW received patronage dividends from Castle, a cooperative, based on the volume of purchases made by HIW from Castle during the year.

21. Castle should have also paid HIW a patronage dividend for the 2019 year, which would have been payable at the end of February 2020.

22. The Receiver requested any rebates, patronage dividends and the T4A for the patronage dividend from Castle in an email on May 25, 2020 to Castle, and in various voicemail messages. Castle did not respond to the requests until August 20, 2020.

23. On August 20, 2020, Castle finally provided the Receiver with the T4A for 2019, which showed a patronage dividend of $49,164.99 less taxes withheld of $7,359.75. This T4A was for the patronage dividend paid by Castle to HIW in February of 2019.

24. The Receiver also received on August 20, 2020 a copy of correspondence dated February 15, 2020 from Castle to HIW, which HIW or the Receiver had not received previously. The letter showed that Castle had declared a patronage dividend to HIW on February 10, 2020 for the year 2019 of $42,095.60, less withholding tax of $6,299.34, for a net amount due to HIW of $35,796.26. The letter also stated a T4A would be issued for that amount in February of 2021.

25. When the Receiver inquired about the net patronage dividend of $35,796.26, it was informed by legal counsel for Castle in September 2020 that the amount had been set-off by Castle against the debt owed by HIW to Castle.

26. The information provided by Castle to the Receiver on August 20, 2020 also showed annual rebates of $35,622.09 were due to HIW from Castle for the 2019 year. The Receiver has not received any rebate from Castle for the purchases made by HIW prior to the receivership and bankruptcy of the Company, and is unsure if Castle set off these additional rebate amounts that may have been owed to HIW.

27. The Receiver has filed GST returns for the liquidation sale. CRA recently requested that the Receiver file additional GST returns. While there will be time and expense in complying with the CRA request, there should be no additional GST payable to CRA.

28. The Receiver has not filed the 2020 corporate tax return for the Company. The Receiver or HIW have not received a T4A from Castle for 2020. The Receiver will have to determine if the tax shown in Castle's letter to HIW dated February 15, 2020 of $6,299.34 was actually remitted to CRA. The Receiver will also need to determine if preparing and filing a corporate tax return for 2020 warrants the cost of preparing the return.

29. An Interim Statement of Receipts and Disbursements is attached as Schedule "A" to this Report.

30. The Receiver presently has $191,910.80 remaining in trust, following payment of $325,000.00 to each of the secured creditors,169 and MLD. 169 is presently owed a remaining balance of$250,000.00 in respect of its secured debt.

31. The Receiver will incur additional fees and expenses in completing the receivership. Any funds remaining after payment of the Receiver's fees and costs in completing the receivership and bankruptcy will be paid to 169, as a secured creditor of HIW. As such, it is presently anticipated that there will be insufficient funds to pay the secured claim of 169 in full, and that there will be no funds available for payment of other secured or unsecured creditors.

Respectfully submitted,

Hudson & Company Insolvency Trustees Inc.

B.G. Hudson

Bruce G. Hudson, LIT, CPA, CIRP

SCHEDULE "A"

The Home Improvement Warehouse Ltd.- In Receivership

Huson & Company Insolvency Trustees Inc., Receiver

Receiver's Interim Statement of Receipts & Disbursements

December 4, 2019 to May 10, 2021

RECEIPTS	$
Cash in bank (Note 1)	61,209.45
Proceeds from liquidation sale, including GST (Note 2)	1,027,384.09
Net proceeds from auction, net of GST (Note 3)	288,639.46
Interest	1,112.32
TOTAL RECEIPTS	1,378,345.32
DISBURSEMENTS	
Payroll and benefits (Note 4)	201,300.13
Building rent (Note 5)	70,167.40
GST on building rent (Note 5)	3,508.38
GST paid to suppliers	1,319.61
GST remitted to CRA	32,746.53
Credit card charges and bank service charges	17,680.79
Insurance	3,748.52
Inventory purchases (Note 6)	49,341.78
Advertising	1,953.48
Operating costs - delivery, supplies	17,521.39
Utilities	38,413.40
Receiver's fees paid to date	51,700.00
Legal fees paid to date	6,226.00
Filing fees to OSB & Court	70.00
Ascend software license fees	275.00
Search fees	49.00
Records Storage	629.00
GST on professional fees	2,910.65
Funds transferred to bankruptcy for costs, net of rent (Note 7)	36,873.46
Paid to secured creditors (Note 8)	650,000.00
TOTAL DISBURSEMENTS	1,186,434.52
AMOUNT PRESENTLY IN TRUST (Note 9)	191,910.80

E. & O. E.

NOTES

Note 1 - Cash includes $25,000.00 paid to the Receiver and Trustee as a retainer.

Note 2 - The proceeds from the liquidation sale and auction include the realization from the inventory, equipment, any receivables collected, and any refunds and rebates received

Note 3 - The auction realized gross proceeds of $319,659.00, less the following: commission of $15,983.08, expenses of $6,979.75, and credit card merchant fees of $8,056.71, for a net amount of $288,639.46 being paid to the Receiver.

Note 4 - At the time of the receivership, there were unremitted source deductions for November, 2019 of $18,520.70 that had a super priority to the assets in the receivership. These source deductions were paid in the normal course along with the source deductions for the payroll in the liquidation.

Note 5 - Rent and GST was advanced to the bankruptcy trust account, and paid from that account to the landlord to remain in occupation of the premises during the liquidation sale.

Note 6 - The receiver purchased additional inventory during the receivership to increase the realization from the existing inventory.

Note 7 - In addition to rent, the following funds have been paid to the bankruptcy estate for expenses incurred: Trustees fees $21,000.00, outside accountant's $7.498.53, filing fees, advertising meeting of creditors, room rental, and searches of $682.40, and GST of $2,125.45, with $6,286.56 remaining in trust to pay the costs of completing the bankruptcy administration.

Note 8 - $325,000.00 was paid to each of 1698420 Alberta Ltd. and Michael L. Doyle on April 23, 2020.

Note 9 - The remaining funds will be paid to 1698420 Alberta Ltd. as a secured creditor after payment of professional fees incurred in completing the receivership