

**IN THE MATTER OF THE RECEIVERSHIP OF  
THE HOME IMPROVEMENT WAREHOUSE LTD.**

**RECEIVER'S FINAL REPORT**

**ESTATE 25-095059**

**OCTOBER 18, 2023**

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 to 169 and \$325,000 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, following payment of a \$25,000 retainer to Hudson. The Company also showed that it held shares in Castle Building Centres (“**Castle**”), a cooperatively-owned buying group of lumber and building materials, with a value of \$36,000.
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 and the Company were of the opinion that an outright auction would not realize the best value from the inventory, as an auction would not be able to generate significant value for the vast quantity of items of small value.
7. The Receiver, in consultation with the Company, 169 and MLD, determined that the greatest realization of value from the inventory and assets would come from conducting an onsite liquidation sale from the existing premises, which it conducted with the assistance of employees of the Company. Once most of the inventory had been sold in the liquidation sale and the remaining inventory was less saleable, the Receiver hired an auctioneer to conduct an

onsite auction and finalize the sale of the remaining inventory.

8. The onsite liquidation sale realized approximately \$1.02 million into the receivership estate. The subsequent onsite auction realized a gross amount of \$319,659, with net proceeds of \$288,639.46 being paid to the Receiver after the auction costs.
9. Regarding the accounts receivable that was owing to the Company at the date of receivership, which totalled approximately \$4,600, the Receiver has been unable to collect such amounts.
10. In order to mitigate against potential issues that could arise from HIW's landlord taking steps to enforce upon the lease of its premises, the Company made a voluntary assignment in bankruptcy, through its licensed insolvency trustee, to remain in occupation of the leased premises. This avoided the possibility of the landlord seizing the assets and inventory of the Company for unpaid rent during the liquidation sale.
11. In order for Hudson to act as both receiver and trustee of the bankruptcy of the Company, Hudson first required, and obtained, a legal opinion that the security held by 169 and MLD was valid and enforceable.
12. 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").
13. The Company had received commercial consignment inventory for intended retail sale from Taiga Building Products Ltd. ("**Taiga**") and from Quality Craft Canada Ltd. ("**Quality Craft**") in the approximate value of \$255,000. As neither Taiga, nor Quality Craft, had registered their consignment interest at the PPR of Alberta, their respective claims of a security interest in the inventory / proceeds of sale of the inventory, subject to the commercial consignment, were disallowed by the Receiver as they did not have properly registered security interests.
14. 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. This amount has been paid, and the CRA has no further claim for unremitted source deductions.
15. 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. The complainant also alleged 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. The

complainant eventually withdrew their claim and the case was closed.

16. The Receiver determined, subsequent to the date of the receivership, that Castle owed HIW for patronage dividends, rebates, a shareholder's loan and the value of shares in Castle owned by HIW.
17. The Receiver and its legal counsel contacted Castle and made a demand for payment regarding the amounts due to HIW for patronage dividends, the annual rebate, a shareholder's loan, interest and the shares in Castle owned by HIW. In response, the Receiver was informed by Castle's legal counsel that Castle had retained those amounts due to a right of set off asserted by Castle, and that such amounts had been applied to reduce the indebtedness owing by the Company to Castle.
18. The Receiver obtained a legal opinion that Castle was not legally entitled to set off amounts owing from Castle to HIW against the indebtedness owing by HIW to Castle, because Castle had postponed its secured claim to the priority of secured claims of 169 and MLD.
19. The Receiver was instructed by 169 to not pursue Castle for the funds it had set off, due to the cost of legal fees anticipated to be incurred in pursuing the matter.
20. The Receiver has filed GST returns for the liquidation sale. CRA recently requested that the Receiver file additional GST returns, and such returns have been filed. While there was time and expense in complying with the CRA request, there should be no additional GST payable to CRA.
21. The Receiver has filed the corporate tax return for 2019 up to the date of bankruptcy, which was prepared and filed with the CRA on or about June 23, 2020. The Receiver has also filed the corporate tax returns for the period of December 5, 2019 to December 31, 2019 as well as the corporate tax returns for the years of 2020 and 2021, paying all amounts owing for provincial and federal taxes.
22. The Trustee filed its final Statement of Receipts and Disbursements for the bankruptcy estate of the Company on May 16, 2022, and subsequently obtained its discharge as Trustee from the Court of King's Bench on September 26, 2022.
23. A Final Statement of Receipts and Disbursements ("**FSRD**") for the receivership is attached as Schedule "A" to this Report. As of the date of this report, there is approximately \$70,407 remaining in the Receiver's trust account.
24. Professional fees and disbursements charged by the Receiver in respect of its administration of the receivership total approximately \$80,612 (including GST), including all un-invoiced work in progress and anticipated amounts that will be required to complete the receivership administration. Professional fees and disbursements charged by the Receiver's legal counsel total approximately \$17,300 (including GST), including all un-invoiced work in progress and anticipated amounts that will be required to complete the receivership administration.

25. In the opinion of the Receiver, the services rendered in respect of these fees and disbursements have been duly rendered in response to the required and necessary duties of the Receiver over the duration of the receivership period, and are reasonable in the circumstances.
26. As shown on the FSRD, the Receiver intends to pay its unpaid fees and disbursements of \$26,326.97 (including GST), covering the period of May 7, 2021 to completion of the administration of this receivership. The Receiver also intends to remit the remaining balance of \$44,080.46 to 169 pursuant to its security agreement. There were insufficient funds realized from the assets of the Company to pay the first priority secured creditor, 169, in full.
27. There are no funds available for payment of Castle or any other secured or unsecured creditors following payment of the disbursements noted in the Final Statement of Receipts and Disbursements.

Respectfully submitted,

Hudson & Company Insolvency Trustees Inc.



Stefan DuChene, CPA, CIRP, LIT

**SCHEDULE "A"**

**The Home Improvement Warehouse Ltd.- In Receivership  
Hudson & Company Insolvency Trustees Inc., Receiver  
Final Statement of Receipts & Disbursements**

**December 4, 2019 to October 18, 2023**

<b>RECEIPTS</b>	<u>\$</u>
Proceeds from liquidation sale, including GST (Note 1)	\$ 1,027,384.09
Net proceeds from auction, net of GST (Note 2)	288,639.46
Cash in bank (Note 3)	61,209.45
Interest	<u>4,257.25</u>
<b>TOTAL RECEIPTS</b>	<u>1,381,490.25</u>
 <b>DISBURSEMENTS</b>	
Payroll and benefits (Note 4)	203,424.71
Building rent (Note 5)	70,167.40
Receiver's fees - to May 6, 2021	51,700.00
Inventory purchases (Note 6)	49,341.78
Utilities	38,413.40
Funds transferred to bankruptcy for costs, net of rent (Note 7)	36,873.46
GST remitted to CRA	32,746.53
Credit card charges and bank service charges	17,680.79
Operating costs - delivery, supplies	17,521.39
Legal fees paid to date	16,520.15
Corporate taxes	11,705.23
Insurance	3,748.52
GST on building rent (Note 5)	3,508.38
GST on professional fees	3,421.66
Advertising	1,953.48
GST paid to suppliers	1,332.94
Records Storage	629.00
Ascend software license fees	275.00
Filing fees to OSB & Court	70.00
Search fees	49.00
<b>TOTAL DISBURSEMENTS</b>	<u>561,082.82</u>
 <b>SUBTOTAL</b>	 820,407.43
 Less: Payments to secured creditors (Note 8)	 750,000.00
 <b>BALANCE IN TRUST</b>	 <u>\$ 70,407.43</u>
 <b>PROPOSED REMITTANCES:</b>	
Receiver's fees - May 7, 2021 to close (incl. GST)	26,326.97
Payment to secured creditor (Note 8)	44,080.46
	<u>\$ 70,407.43</u>

## **NOTES**

**Note 1** - The proceeds from the liquidation sale include the realization from the inventory, equipment, any receivables collected, and any refunds and rebates received.

**Note 2** - 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, with a net amount of \$288,639.46 paid to the Receiver.

**Note 3** - Cash includes \$25,000 paid to the Receiver and Trustee as a retainer.

**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 totaling \$73,675.78 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 and GST noted above in the amount of \$73,675.78, the following funds have been paid to the bankruptcy estate for expenses incurred: Trustees fees of \$27,845.21 (incl. GST), outside accountant's fees of \$7,498.53, filing fees, advertising meeting of creditors, room rental, and searches totaling \$1,145.17, and GST of \$384.55. Including rent and GST, this totaled to cover the cost of the bankruptcy administration.

**Note 8** - \$325,000.00 was paid to each of 1698420 Alberta Ltd. and Michael L. Doyle on April 23, 2020. 1698420 Alberta Ltd. was paid a further \$100,000.00 on June 16, 2021, and will be paid a final payment of the remaining funds in the receivership at the conclusion of the receivership.