

COURT FILE NUMBER **2001-00425**

COURT **COURT OF QUEEN'S BENCH OF ALBERTA**

JUDICIAL CENTRE **CALGARY**

PLAINTIFF **ROYAL BANK OF CANADA**

DEFENDANTS **MTK PROPERTIES LTD., MCARTHUR FURNITURE (ALBERTA) LTD, EDWIN POUND AND THERESA POUND**

**IN THE MATTER OF THE RECEIVERSHIP OF MTK PROPERTIES LTD. AND MCARTHUR FURNITURE (ALBERTA) LTD**

APPLICANT **KPMG INC., IN ITS CAPACITY AS COURT APPOINTED RECEIVER OF MTK PROPERTIES LTD. AND MCARTHUR FURNITURE (ALBERTA) LTD**

DOCUMENT **FIRST REPORT OF THE RECEIVER**

DATE **MAY 8, 2020**

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# ***1. INTRODUCTION AND PURPOSE OF REPORT***

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## **Introduction**

1. On application by Royal Bank of Canada (“**RBC**”), the Court of Queen’s Bench of Alberta (the “**Court**”) pronounced an order on February 4, 2020 (the “**Receivership Order**”), pursuant to which KPMG Inc. (“**KPMG**”) was appointed receiver and receiver manager (in such capacity, the “**Receiver**”), without security, of all of the current and future assets, undertakings, and properties of every nature and kind whatsoever, and wherever situate (collectively, the “**Property**”) of MTK Properties Ltd. (“**MTK**”) and McArthur Furniture (Alberta) Ltd. (“**McArthur**” and together with MTK, the “**Companies**”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (“**BIA**”), section 13(2) of the *Judicature Act*, RSA 2000, c J-2, section 99(a) of the *Business Corporations Act*, RSA 2000, c B-9 and section 65(7) of the *Personal Property Security Act*, RSA 2000 c P-7.
2. Pursuant to a subsequent order of the Court pronounced on February 4, 2020, the effective date of the Receivership Order was stayed until 12:00PM on Tuesday, March 31, 2020 (the “**Receivership Date**”).

## **Purpose of the Report**

3. This is the Receiver’s first report to the Court (the “**First Report**” or this “**Report**”) which has been prepared to provide the Court with:
  - a) Background information on the Companies;
  - b) A summary of the Companies’ primary assets and liabilities;
  - c) An update on the actions of the Receiver since the Receivership Date;
  - d) A summary of the Receiver’s proposed inventory liquidation plan; and
  - e) The Receiver’s recommendations.

## Terms of Reference

4. All materials filed with the Court and all orders granted by the Court in connection with the receivership proceedings will be made available to creditors and other interested parties in electronic format on the Receiver's website <https://www.kpmg.com/ca/mcarthur> (the "**Receiver's Website**").
5. In preparing this Report, the Receiver has been provided with, and has relied upon, unaudited and other financial information, books and records (collectively, the "**Information**") prepared by the Companies and/or their representatives, and discussions with the Companies' management and/or representatives.
6. The Receiver has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Receiver has not audited, reviewed 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 pursuant to the Chartered Professional Accountants Handbook, and accordingly the Receiver expresses no opinion or other form of assurance in respect of the Information.
7. The information contained in this Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Receiver.
8. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

## ***2. BACKGROUND INFORMATION ON THE COMPANIES***

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9. McArthur is a furniture retailer with storefront premises in Calgary (the “**Calgary Property**”) and storefront and warehouse premises in Airdrie (the “**Airdrie Property**”) and, together with the Calgary Property, the “**Properties**”). MTK is a real estate holding company, which owns and leases the Airdrie Property to McArthur, and formerly owned the Calgary Property.
10. The Companies began experiencing financial difficulty in 2017, having failed to make scheduled payments in accordance with their RBC loan agreement, and the loans having matured and become payable immediately.
11. In August of 2017, the Companies listed the Properties for sale, as part of a restructuring effort to repay the RBC indebtedness.
12. On October 11, 2018, RBC issued demand letters and notices of intention to enforce security pursuant to section 244(1) of the BIA. Subsequently, in October of 2018, the Companies entered into a forbearance agreement with RBC, which included a consent receivership order signed by the Companies.
13. Following the expiration of the forbearance agreement, RBC continued to informally forbear, as the Companies presented a succession of signed offers for the sale of the Properties. All such sale agreements were conditional, and none were completed prior to January 9, 2020.
14. On January 9, 2020, RBC filed an application returnable February 4, 2020 seeking the appointment of KPMG as Receiver over the Property. During the February 4, 2020 hearing, RBC’s application to appoint a Receiver was granted, and immediately stayed until March 31, 2020 (the “**Order Stay Period**”) to allow the Companies additional time to complete the sale of the Properties, as the Companies had obtained further conditional offers to purchase the Properties.
15. During the Order Stay Period the Companies were able to complete the sale of the Calgary Property. The proceeds from the sale of the Calgary Property were used to partially repay the RBC indebtedness. The sale of the Airdrie Property was not completed during the Order Stay Period.
16. Immediately following the expiry of the Order Stay Period, the Receivership Order was effective and the Receiver took possession of the assets of the Companies.

17. Further background and information regarding the Companies and the previous proceedings can be found on the Receiver's website at <https://www.kpmg.com/ca/mcarthur>.

### ***3. THE COMPANIES' PRIMARY ASSETS***

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18. As at the Receivership Date, the Companies' primary Alberta based assets as recorded in the Companies' books and records are summarized as follows:

<b>McArthur Assets</b>	
<b>Assets</b>	<b>Book Value (CAD \$)</b>
Inventory	1,131,615
Accounts receivable	428,042
Property, plant, and equipment	98,787
Cash	2,413
<b>Total</b>	<b>1,660,857</b>

<b>MTK Assets</b>	
<b>Assets</b>	<b>Book Value (CAD \$)</b>
Property, plant, and equipment	7,789,826
Cash	95
<b>Total</b>	<b>7,789,921</b>

19. McArthur's assets primarily consist of higher-end furniture inventory and equipment (the "Inventory"), located at the Properties. The Receiver has sought liquidation proposals for the Inventory as described later in this report.
20. McArthur also has various accounts receivable amounts due from customers, relating to deposits or partial payments from customers for purchases that have not yet been delivered. The Receiver is reviewing purchase contracts and contacting affected customers to attempt completion of sales and the recovery of receivable balances.
21. MTK's primary asset consists of the Airdrie Property. Prior to the receivership, the Airdrie Property was listed for sale at \$4.95 million.
22. The funds held in McArthur's and MTK's bank accounts have been frozen, and are in the process of being transferred to the Receiver's trust account.

#### ***4. THE COMPANIES' PRIMARY LIABILITIES***

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23. As at the Receivership Date, the Companies' primary liabilities as recorded in the Companies' books and records are summarized as follows:

<b>McArthur Liabilities</b>	
<b>Liabilities</b>	<b>Book Value (CAD \$)</b>
Shareholder loan	615,321
Accounts payable	405,299
572843 Alberta Ltd	244,496
Intercompany payable	141,924
Accrued liabilities	78,993
Pound Holdings	50,000
1871594 Alberta LTD	50,000
<b>Total</b>	<b>1,586,031</b>

<b>MTK Liabilities</b>	
<b>Liabilities</b>	<b>Book Value (CAD \$)</b>
Mortgage	2,730,524
Other payables	1,946,634
GST Payable	5,700
<b>Total</b>	<b>4,682,858</b>

24. Intercompany payables represent funds loaned from MTK to McArthur.
25. Liabilities to 512843 Alberta Ltd, Pound Holdings, and 1871594 Alberta LTD represent loans to McArthur from parties who are related to the Companies.
26. Other payables represent a loan to MTK from a related party to the Companies.
27. The mortgage liability represents the book value of the total sum outstanding to RBC from MTK as at the Receivership Date. McArthur is liable as a guarantor to the mortgage in the amount of \$675,000, for which RBC has a first ranking security on the assets of McArthur

## ***5. ACTIVITIES OF THE RECEIVER TO DATE***

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### **Initial Receivership Activities**

28. On the Receivership Date, the Receiver attended the Properties to undertake the following initial actions:
- a) Inform the McArthur employees of the Receivership Order and the Receiver's appointment thereunder, and terminated all employees of McArthur;
  - b) Inventory the assets at the Properties;
  - c) Engage one former employee under contract terms to assist the Receiver with its duties;
  - d) Identify and secure the Companies' books and records; and
  - e) Secure access to the Properties and ensure that such access was limited to the Receiver and the landlord of the Calgary Property.

### **Cash and Banking**

29. Approximately two months prior to the Date of Receivership, the Companies established new bank accounts at Canadian Western Bank ("CWB"). The Receiver sent notice to CWB that all of the Companies' accounts were to be frozen immediately. The Companies' bank accounts remain open for receipts only. The Receiver is reviewing prior transactions on the CWB accounts to assess potential recoverable amounts to the receivership estates.
30. The Receiver immediately opened new trust accounts in the name of the receivership estates. The CWB balances are in process of being transferred into the relevant Receiver's trust accounts.
31. The Receiver issued a certificate to RBC in the amount of \$100,000, being part of the total principal sum of \$500,000 which the Receiver is authorized to borrow for various receivership matters, including coverage of necessary expenses such as insurance, security, rent, and utilities, among others.

## **Books and Records**

32. All books and records remain at the Calgary Property. Access to the books and records is restricted to the former employee contracted by the Receiver.

## **Insurance**

33. The Receiver has continued the existing insurance policies held by the Companies prior to the Date of Receivership. The Receiver has been added as a loss payee to all relevant policies.

## **Management, Employees, and Contractors**

34. As at the Date of Receivership, the Companies had twelve employees. All but one employee had been previously temporarily terminated due to the current COVID-19 pandemic. The Receiver informed all employees via telephone and email of their permanent termination.
35. As noted previously, the Receiver engaged one employee as a contractor to assist the Receiver with its duties.
36. Employees were owed amounts for wages, commissions, vacation, and severance due as at the Date of Receivership. All such amounts will be reviewed and, where applicable, paid through the Wage Earner Protection Program Act ("WEPPA"). The Receiver is in process of sending the required documents to all affected employees.

## ***6. REALIZATION OF ASSETS***

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### **Land and Building**

37. As at the Date of Receivership, MTK owned the Airdrie Property.
38. The Airdrie Property was listed with Jones Lang Lasalle Real Estate Services Inc. (“**JLL**”) prior to the receivership.
39. The Receiver has entered into a new listing agreement with JLL to market the Airdrie Property given JLL’s reputation, local knowledge and familiarity with the Airdrie Property. The commission arrangement is in accordance with normal market terms. RBC and the guarantor of the RBC indebtedness (the “**Guarantor**”) are supportive of the Receiver engaging JLL to list and market the Airdrie Property for sale.
40. JLL has listed the Airdrie Property for \$4.95 million.

### **Inventory**

41. Inventory is located at both Properties. The Calgary Property is currently leased, with monthly rental and occupancy costs of approximately \$28,000.
42. Although the Companies’ books and records indicate a book value of approximately \$1.1 million for the Inventory, the Receiver notes that the book value is likely significantly overstated given the records have not been recently updated and the cost basis does not account for aged or slow moving inventory. Although given that the Inventory is consumer focused, value would most usually be maximized by allowing the Inventory to be sold over time in a standard retail setting. However, given the current economic environment and the COVID-19 related closures, the Receiver believes:
  - a) Retail sales are highly unlikely to return to normal in the short term as non-essential businesses in Alberta remain closed;
  - b) Even if there is a partial re-opening of businesses in the near future, it is unlikely demand for the Inventory will return in the short term given its nature;

- c) Realizing on the Inventory in a reasonable timeframe is unlikely given the current COVID-19 pandemic, meaning the Companies will continue to incur significant costs, including ongoing rent, without any corresponding revenue; and
  - d) Even if some form of retail sale could be organized, it is likely that it would be protracted and expensive.
- 43. The Receiver assessed the possibility of relocating Inventory from the Calgary Property to the Airdrie Property to allow additional time to realize on the Inventory. However, it was determined that this was not an appropriate action as:
  - a) The cost to relocate the Inventory was estimated at approximately \$50,000;
  - b) Moving the Inventory from the Calgary Property to the Airdrie Property would expose the Inventory to potential damage; and
  - c) There was insufficient space at the Airdrie Property to house all the Inventory in that one location.
- 44. Accordingly, Receiver must remain in occupation of the leased Calgary premises to realize on the Inventory. Given the monthly lease costs of \$28,000, there would continue to be a deterioration in realizable value if the Inventory was not realized in an expedited time frame.
- 45. Therefore the Receiver determined to conducted an expedited sales process (the “**Sales Process**”), which allowed interested parties to express interest and review the Inventory within a two-week period thus limiting incremental costs.

### **Sales Process**

- 46. The Sales Process commenced on April 20, 2020. In order to allow sufficient time for the Receiver to review all bids with RBC and the Guarantor, and to allow for any liquidation or sales process to be complete on or before May 31, 2020, a bid deadline of May 3, 2020 (the “**Bid Deadline**”) was set and communicated to all interested parties.
- 47. In order to solicit purchase offers or liquidation proposals for the Inventory, the Receiver contacted liquidators with experience in furniture retailing, and local competitors who occupy the same high end

furniture retail space as McArthur. In addition, certain parties contacted the Receiver directly to express interest.

48. All interested parties were informed of the need to vacate the Calgary Property on or before May 31, 2020.
49. Seven parties viewed the Inventory at the Properties. All parties who visited the Properties were provided with a general listing of the Inventory.
50. At the Bid Deadline the Receiver received five bids: three purchase offers from competitors, one commission only auction proposal, and one auction net minimum guarantee proposal.
51. Following receipt of the bids, the Receiver corresponded with certain parties that submitted bids in order to clarify certain terms of their respective bids.

### **Recommendation**

52. Upon reviewing the bids in detail, the Receiver determined that the bid received from GD Auctions (the “**GD NMG Offer**”) was superior to all other bids received.
53. The Receiver has, subject to approval of the Court, accepted the GD NMG Offer. A copy of the GD NMG Offer (with certain terms redacted) is attached hereto as **Appendix “B”**.
54. The Receiver has provided further detailed information on the appraised value of the Inventory, the Sales Process conducted and the GD NMG Offer in the First Confidential Supplemental Report.
55. The Receiver is of the view that the Sales Process for the Inventory was fair, reasonable, transparent, and provided the highest and best value for the Inventory in the circumstances given the following:
  - a) The current COVID-19 pandemic has limited the options available to the Receiver to realize on the Inventory;
  - b) Due to the ongoing closure of businesses and the amount of the monthly occupation rent for the Calgary Property, time is of the essence in order to reduce ongoing receivership costs and maximize value for creditors;

- c) The Sales Process allowed for a two-week period for interested parties to review and assess the Inventory. In the Receiver's view, this timeline was sufficient to allow interested parties to perform any necessary due diligence and submit bids for the Inventory;
- d) The GD NMG Offer provided the highest realization on the Inventory and contains a net minimum guarantee, which provides a level of certainty for creditors of the estates;
- e) RBC is supportive of the Sales Process and the GD NMG Offer; and
- f) The Guarantor, who has approximately 20 years' experience in the retail furniture industry is supportive of the Sales Process and the GD NMG Offer.

56. The Receiver will seek a sealing order in connection with the First Confidential Supplemental Report as the First Confidential Supplemental Report contains certain commercially sensitive information, including the proposed purchase prices for the Inventory. Disclosure of the information contained in the First Confidential Supplemental Report could cause irreparable prejudice to creditors and other stakeholders in the event the transaction contemplated by the GD NMG Offer does not close. If this were to occur, the Inventory could be subject to further marketing and the Receiver's ability to obtain the highest and best price would be severely compromised by the information contained in the First Confidential Supplement Report entering the public domain. As such, the Receiver seeks a limited sealing order in connection to the First Confidential Supplemental Report.

## ***7. RECEIVER'S RECOMMENDATIONS***

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57. The Receiver submits this First Report, respectfully requesting that the Court:
- a) Approve the First Report and the activities of the Receiver as set out therein; and
  - b) Approve the Sales Process and GD NMG Offer as detailed herein.

This Report is respectfully submitted this 8<sup>th</sup> day of May, 2020

**KPMG Inc.**

**In its capacity as Court-appointed Receiver of  
MTK Properties Ltd. and McArthur Furniture (Alberta) Ltd  
and not in its personal or corporate capacity**



Per: Neil Honess  
*Senior Vice President*

**APPENDIX "A"**

**NOTICE AND STATEMENT OF THE RECEIVER**

**PURSUANT TO SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC 1985, c B-3**

# **BANKRUPTCY AND INSOLVENCY ACT**

## **Form 87**

### **Notice and Statement of the Receiver** (Subsections 245(1) and 246(1) of the Act)

#### **IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF MCARTHUR FURNITURE (ALBERTA) LTD**

**The Receiver gives notice and declares that:**

1. On the 31<sup>st</sup> day of March, 2020, the undersigned, KPMG Inc., became the receiver and manager (the “**Receiver**”) in respect of the property of McArthur Furniture (Alberta) Ltd (the “**Company**”) (the “**Property**”).

The Property of the Company can be summarized as follows<sup>1</sup>:

<b>Assets</b>	<b>Estimated Amount (CAD \$)</b>
Cash	2,413
Accounts receivable	428,042
Inventory	1,131,615
Property, plant, and equipment	98,787
<b>Total</b>	<b>1,660,857</b>

2. The undersigned became the Receiver in respect of the assets, undertakings and properties described above by virtue of being appointed by the Court of Queen’s Bench of Alberta File No. 2001-00425, Calgary Judicial Centre, dated February 4, 2020. A copy of the appointing order can be found on the receiver’s website at: <https://www.kpmg.com/ca/mcarthur>.
3. The undersigned took possession or control of the property described above on the 31<sup>st</sup> day of March, 2020.
4. The following information relates to the Receivership:
  - (a) Address of insolvent persons: 67 Glenbrook Pl SW  
Calgary, AB T3E 6W4
  - (b) Principal line of business: Furniture Sales
  - (c) Location of business: 67 Glenbrook Pl SW  
Calgary, AB T3E 6W4; and  
141 Gateway Dr NE  
Airdrie, AB T4B 0J6

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<sup>1</sup> The above summary of estimated assets has been prepared based the books and records of the Company and may not accurately reflect the net realizable value of the Company’s assets.

*Notice and Statement of the Receiver (Subsections 245(1) and 246(1))*

- (d) Estimated amount owed by the Company to each creditor who holds security on the property described above<sup>2</sup>:

<b>Secured Creditor</b>	<b>Estimated Amount (CAD \$)</b>
Royal Bank of Canada	2,730,524
<b>Total</b>	<b>2,730,524</b>

- (e) The list of other creditors of the insolvent persons and the amount owed to each creditor (to the extent that it is known) and the total amount due by the insolvent persons is attached to this notice as **Appendix “A”**.
- (f) The intended plan of action of the Receiver during the receivership, to the extent that such a plan has been determined, is to preserve the property and eventually realize on that property, subject to various considerations.

- (g) Contact Person for Receiver:

Cristina Pimienta  
KPMG Inc.  
Suite 3100, 205-5<sup>th</sup> Avenue SW  
Calgary, AB, T2P 4B9  
Telephone: (403) 691-8406  
Facsimile: (403) 691-8008  
Email: [cpimienta@kpmg.ca](mailto:cpimienta@kpmg.ca)

Andrew Brausen  
KPMG Inc.  
Suite 3100, 205-5<sup>th</sup> Avenue SW  
Calgary, AB, T2P 4B9  
Telephone: (403) 691-8092  
Facsimile: (403) 691-8008  
Email: [abrausen@kpmg.ca](mailto:abrausen@kpmg.ca)

Dated at Calgary, Alberta, this 8<sup>th</sup> day of April, 2020.

**KPMG Inc.**, in its capacity as receiver and manager of  
McArthur Furniture (Alberta) Ltd.  
and not in its personal or corporate capacity



Per: Neil Honess  
*Senior Vice President*

<sup>2</sup> Amount owing is based on records provided by Royal Bank of Canada as at March 31, 2020.

# **BANKRUPTCY AND INSOLVENCY ACT**

## **Form 87**

### **Notice and Statement of the Receiver** (Subsections 245(1) and 246(1) of the Act)

#### **IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF MTK PROPERTIES LTD.**

**The Receiver gives notice and declares that:**

1. On the 31<sup>st</sup> day of March, 2020, the undersigned, KPMG Inc., became the receiver and manager (the “**Receiver**”) in respect of the property of MTK Properties Ltd. (the “**Company**”) (the “**Property**”).

The Property of the Company can be summarized as follows<sup>1</sup>:

<b>Assets</b>	<b>Estimated Amount (CAD \$)</b>
Cash	95
Property, plant, and equipment	7,789,826
<b>Total</b>	<b>7,789,921</b>

2. The undersigned became the Receiver in respect of the assets, undertakings and properties described above by virtue of being appointed by the Court of Queen’s Bench of Alberta File No. 2001-00425, Calgary Judicial Centre, dated February 4, 2020. A copy of the appointing order can be found on the receiver’s website at: <https://www.kpmg.com/ca/mcarthur>.
3. The undersigned took possession or control of the property described above on the 31<sup>st</sup> day of March, 2020.
4. The following information relates to the Receivership:
  - (a) Address of insolvent persons: 67 Glenbrook Pl SW  
Calgary, AB T3E 6W4
  - (b) Principal line of business: Real estate holding company
  - (c) Location of business: 141 Gateway Dr NE  
Airdrie, AB T4B 0J6

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<sup>1</sup> The above summary of estimated assets has been prepared based the books and records of the Company and may not accurately reflect the net realizable value of the Company’s assets.

*Notice and Statement of the Receiver (Subsections 245(1) and 246(1))*

- (d) Estimated amount owed by the Company to each creditor who holds security on the property described above<sup>2</sup>:

<b>Secured Creditor</b>	<b>Estimated Amount (CAD \$)</b>
Royal Bank of Canada	2,730,524
<b>Total</b>	<b>2,730,524</b>

- (e) As per the Company's records, there are no further amounts owed to any other creditor.
- (f) The intended plan of action of the Receiver during the receivership, to the extent that such a plan has been determined, is to preserve the property and eventually realize on that property, subject to various considerations.

- (g) Contact Person for Receiver:

Cristina Pimienta  
KPMG Inc.  
Suite 3100, 205-5<sup>th</sup> Avenue SW  
Calgary, AB, T2P 4B9  
Telephone: (403) 691-8406  
Facsimile: (403) 691-8008  
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Telephone: (403) 691-8092  
Facsimile: (403) 691-8008  
Email: [abrausen@kpmg.ca](mailto:abrausen@kpmg.ca)

Dated at Calgary, Alberta, this 8<sup>th</sup> day of April, 2020.

**KPMG Inc.**, in its capacity as receiver and manager of  
MTK Properties Ltd.  
and not in its personal or corporate capacity



Per: Neil Honess  
*Senior Vice President*

<sup>2</sup> Amount owing is based on records provided by Royal Bank of Canada as at March 31, 2020.

**APPENDIX "B"**

**GD NET MINIMUM GUARANTEE (REDACTED)**



# AUCTION PROPOSAL

OF



For



May 3, 2020

Edmonton - Calgary



105, 11500-29 Street SE  
Calgary, AB T2Z 3W9

May 3, 2020

**KPMG Inc.**  
3100, 205- 5<sup>th</sup> Avenue SW  
Calgary, AB T2P 4B9

Via email: jsithole@kpmg.ca

Attention: Mr. Joe Sithole

**RE: AUCTION PROPOSAL FOR MCARTHUR FURNITURE**

Dear Sir:

Thank you for the opportunity to provide you with this Proposal. G.D. Auctions & Appraisals Inc. (“*GDA*”) have reviewed certain fixed assets and inventory of the above-noted Company, as viewed for KPMG Inc., and propose the following proposals:

**PROPOSAL A (STRAIGHT COMMISSION)**

**PROPOSAL B (NET MINIMUM GUARANTEE)**

These Proposals are subject to the following General Limiting Conditions and Critical Assumptions:

**SALE STRATEGY**

1. These proposals are based on the assets as viewed on May 1, 2020 at the Calgary and Airdrie locations.
2. GDA offers its services to operate a Timed Online Auction for the Calgary and Airdrie locations on a mutually agreed upon date.

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3. The Assets are free and clear of all liens and encumbrances. GDAA shall be indemnified and held harmless by KPMG Inc. against any claim or action arising as a result of dealing with said Assets that were represented as being free and clear.
  4. GDAA will be permitted the use of “McArthur Furniture” and “KPMG Inc.” in advertising a Receivership auction.
  5. **Due to the unprecedented current Covid-19 situation GDAA will be offering “by appointment only” viewing and check-out for our customers so that we may continue to follow all personal distancing and safety guidelines set forth from the Government.**
  6. GDAA will setup, inventory, clean as needed, catalogue, and photo the assets for auction to post to the Timed Online Auction. GDAA will have a 5-day viewing period for each location prior to the auction closing dates, for prospective bidders to inspect and view all items. The Timed Online Auction for Calgary will be scheduled to close on a mutually agreed upon date with the Timed Online Auction, Viewing and Check-out being completed on or before June 05, 2020 and the Airdrie location by June 30, 2020.
  7. GDAA will have free use of the premises which shall include rent, occupancy costs, property taxes, utilities, telephone, business tax, etc. until June 05, 2020, or other mutually agreed upon date for the Calgary location and June 30, 2020, or other mutually agreed upon date for the Airdrie location.
  8. GDAA will advertise an Online Auction Sale through a multi-platform, uniquely developed marketing strategy that will best work for an Online Auction Sale relevant to the assets included. Common strategies deployed by GDAA are social media campaigns, relevant daily, weekly and trade specific publications that include both print and online options. Multi-channel exposure on the world wide web, as well as through pamphleteering to trade related companies, and mail to relevant potential purchasers.
  9. GDAA does not assume responsibility for disposal or proper treatment of any hazardous materials as defined by municipal, provincial or federal legislation.
  10. KPMG Inc. shall be responsible for clean-up and garbage disposal costs incurred and will be deducted from Auction proceeds.
  11. GDAA will be responsible for charging, collecting and remitting the GST where it has been notified said tax is applicable.
  12. GDAA shall continue to carry a \$2 million Comprehensive General Liability insurance policy covering personal injury and property damage that may occur during the Auction/Liquidation Sale as described above. KPMG Inc. shall satisfactorily insure the Assets GDAA is liquidating.
  13. GDAA will be responsible for collection of monies for all sales and will guarantee payment once collected. All sale proceeds shall be deposited in a trust account.
  14. KPMG Inc. will be responsible for all merchant charges associated with the auction sale.
  15. GDAA reserves the right to charge a 15% Buyer’s Premium. Any Buyer’s Premium collected will be to the sole account of GDAA and will not constitute sales for the purpose of calculating any splits outlined below.
  16. GDAA will have the option of adding other assets to enhance the sale.
  17. Within 21 days of the sale, GDAA shall provide a full report of all sales of the Assets together with sale proceeds in the form of a cheque.

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18. GDAA reserves the right to amend these Proposals in the event that between the date of this letter and the date or proposed date of the auction or sale there occurs an event of *force majeure* which shall include, but not be limited to, flu, epidemic, serious illness or plagues, disease, emergency or outbreak acts of God, riots, civil disturbances, strikes, lock-outs, acts of war, terrorism, insurrection and the like.

In order to comply with the timetable as outlined, the above offer is open until 5:00 PM Wednesday May 6, 2020 unless extended by mutual agreement.

We trust the above is to your satisfaction. We are ready to proceed immediately.

Proposal Accepted: \_\_\_\_\_

Respectfully yours,  
**GD Auctions & Appraisals Inc.**

**KPMG Inc.,**



\_\_\_\_\_  
James Carlson  
Senior Vice President

\_\_\_\_\_  
Joe Sithole or Neil Honess

~ PLEASE SIGN AND RETURN ~

\_\_\_\_\_  
GST Number