



COURT FILE NUMBER Q.B. 434 of 2017

COURT COURT OF QUEEN'S BENCH FOR SASKATCHEWAN IN
BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE SASKATOON

PLAINTIFF CANADIAN IMPERIAL BANK OF COMMERCE

DEFENDANTS JMV ENTERPRISES LTD.

DOCUMENT **FIRST REPORT OF THE COURT APPOINTED RECEIVER OF
JMV ENTERPRISES LTD.**

DATED MAY 19, 2017

PREPARED BY DELOITTE RESTRUCTURING INC.

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

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INTRODUCTION

- 1) Pursuant to an Order (the "**Receivership Order**") of the Court of Queen's Bench for Saskatchewan in Bankruptcy and Insolvency (the "**Court**") dated March 29, 2017 (the "**Date of Receivership**"), Deloitte Restructuring Inc. ("**Deloitte**") was appointed as receiver (the "**Receiver**"), without security, of all assets, undertakings and properties of JMV Enterprises Ltd. ("**JMV**" or the "**Company**"). A copy of the Receivership Order is attached hereto as Appendix "**A**".
- 2) The Receivership Order was granted as a result of an application by Canadian Imperial Bank of Commerce ("**CIBC**") which was owed approximately \$3.7 million from the Company at the Date of Receivership (the "**CIBC Indebtedness**"). CIBC holds various registered security over all of the Company's present and after-acquired real and personal property, along with a personal guarantee from the former principal of JMV, Mr. Frank Garrett (the "**Guarantor**"), and an assignment of the life insurance policy on the Guarantor (collectively the "**CIBC Security**").
- 3) The Receiver's independent legal counsel, McKercher LLP ("**McKercher**"), has conducted an independent review of the validity and enforceability of the CIBC Security and has advised that the CIBC Security is valid and enforceable and ranks in priority to the unsecured creditors of JMV and to any subsequently appointed trustee in bankruptcy (the "**Security Opinion**"). The Receiver is also using MLT Aikins LLP ("**MLT**") as its counsel on matters not requiring independent advice.
- 4) Following the issuance of the Receivership Order, the Receiver issued a statutory Notice and Statement of the Receiver (the "**Notice to Creditors**") pursuant to subsections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act (Canada)*. The Receivership Order, together with the Notice to Creditors have been posted on the Receiver's website at <http://www.insolvencies.deloitte.ca/en-ca/Pages/JMVEnterprisesLtd.aspx> (the "**Receiver's Website**"). This first report of the Receiver (the "**First Report**") will also be posted to the Receiver's Website after it has been filed with the Court.
- 5) In addition to the First Report, the Receiver has prepared a confidential supplement to the First Report dated May 19, 2017 (the "**First Confidential Report**") which the Receiver is seeking to be sealed in the Court file.
- 6) Unless otherwise provided, all other capitalized terms not defined in this First Report are as defined in the Receivership Order.

Purpose

- 7) The purpose of this First Report is to:
 - a) Provide the Court with an update of the Receiver's activities since the Date of Receivership;
 - b) Respectfully recommend that the Court:
 - i. Approve the reported activities of the Receiver to date in respect of administering these receivership proceedings;
 - ii. Approve the Colliers Proposal for the sale of the Properties (both terms as defined later in this First Report);

- iii. Approve the Maynards Proposal and the McDougall Proposal for the sale of the Artworks (terms as defined later in this First Report);
- iv. Approve of the future distribution of funds to CIBC as they relate to the CIBC Security and as they become available up to the amount of the CIBC Indebtedness; and
- v. Approve an Order sealing the First Confidential Report in the Court file.

Terms of Reference

- 8) In preparing this First Report, the Receiver has relied upon unaudited financial and other information prepared by the Company's current and former employees, the Company's books and records, and discussions with the Company's former employees and various third parties with knowledge of the Company and its assets and operations. 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 Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of this information.
- 9) All dollar amounts in this First Report are in Canadian dollars, unless otherwise indicated.

BACKGROUND

- 10) JMV is a private company that was incorporated in the Province of Saskatchewan ("**SK**") in May 1993. Mr. Garrett was the sole shareholder and director of the Company.
- 11) JMV operated a bookkeeping and tax practice in Regina, SK under the registered business name of "Priority-One Business Services" (the "**Business**"). The Business operated from premises owned by JMV that are located at 2211 Smith Street, Regina, SK (the "**Business Office**").
- 12) In addition to operating the Business, JMV invested in and was the registered owner of eight (8) properties (the "**Properties**") located at:
 - a) 2064 Rae Street, Regina, SK (the "**Rae Street Property**");
 - b) 2113 Smith Street, Regina, SK;
 - c) 2211 Smith Street, Regina, SK (the Business Office);
 - d) 2235 Smith Street, Regina, SK;
 - e) 2237 Smith Street, Regina, SK;
 - f) 2307 Smith Street, Regina, SK;
 - g) 2352 Smith Street, Regina, SK; and

- h) 305 Dewdney Ave East, Regina, SK (the "**Industrial Property**").
- 13) On June 5, 2016 (the "**Date of Passing**"), Mr. Garrett passed away suddenly in a scuba diving accident on Lovering Lake near Chamberlain, SK. The Receiver notes that the circumstances surrounding the scuba diving accident and Mr. Garrett's death are subject to an ongoing investigation by the Office of the Chief Coroner of Saskatchewan (the "**Coroner**").
- 14) As a result of Mr. Garrett failing to prepare a last will and testament and having no next of kin willing to manage his affairs and the ongoing Business, on October 6, 2016 CIBC Trust Corporation ("**CIBC Trust**") was appointed Administrator of the Estate of Mr. Garrett by Order of the Court of Queen's Bench for Saskatchewan upon the application of Mr. David Gerrand of the law firm of Gerrand Rath Johnson LLP, counsel to the Estate of Mr. Garrett. In this role, CIBC Trust acted solely in the capacity as a court-appointed administrator of the Estate of Frank Garrett and had no formal authority or desire to take steps to manage the Business and financial affairs of JMV.
- 15) CIBC, the principal and first ranking secured creditor of JMV, was concerned about the status of the Properties, the Business, and other financial affairs since the passing of Mr. Garrett and was also not receiving timely and complete information in regards to JMV. As a result, CIBC took steps to have a Receiver appointed over the Company.

POWERS OF THE RECEIVER

- 16) The Receiver's powers are detailed in Paragraph 3 of the Receivership Order and include, among others, the power to take and maintain possession and control of the assets of the Company; the power to manage, operate and carry on the business of the Company; and, the power to market and sell the assets of the Company (subject to Court approval if any one transaction exceeds \$50,000 or if the aggregate transactions exceed \$100,000).
- 17) The Receivership Order also authorized the Receiver to borrow up to \$500,000 without further approval of the Court for the purpose of carrying out its duties and powers (the "**Borrowing Facility**"). The Receiver has not accessed the Borrowing Facility to date.

POSSESSION AND CONTROL OF THE ASSETS

- 18) The Receiver took the following steps with respect to the assets and operations of the Company:
 - a) Attended at the Business Office and met with the former employees of JMV who have been winding up the Business;
 - b) Met with the property manager previously engaged by JMV and Mr. Garrett (the "**Property Manager**") to manage some of the Properties and conducted an inspection of each of the Properties with the Property Manager and met with various tenants;
 - c) Retained the Property Manager to assist with the management of the Properties, collect rent from tenants, and coordinate repairs and maintenance to the Properties where required;

- d) Arranged to have all utility accounts for the Properties transferred to the name of the Receiver;
- e) Issued a letter and a copy of the Receivership Order to tenants/occupants notifying them of the Receiver's appointment and providing contact information;
- f) Instructed the Property Manager to obtain quotes for urgent repairs and maintenance work and approved the work upon review of the quotes;
- g) Advised the Company's insurance broker of the receivership and confirmed and arranged for amendments to the existing insurance policies to reflect the previously undisclosed vacancy of some of the Properties;
- h) Arranged for the redirection of JMV's mail to the Receiver's office;
- i) Contacted CRA to request trust audits and to open a new GST account to facilitate GST filings for the period subsequent to the Date of Receivership; and
- j) Reviewed an appraisal prepared by McDougall Auctioneers Ltd. ("**McDougall**") in November 2016 (the "**Artworks Appraisal**") for the artwork collection owned by JMV (the "**Artworks**") and inspected the Artworks being stored by McDougall at a secure storage facility.

ASSETS

Properties

- 19) The eight (8) Properties include two residential properties, five commercial properties and one industrial property and are summarized as follows:
 - a) The Rae Street Property was built in 1912 and is a two and a quarter-storey house which has been converted into four (4) separate residential apartments. At the Date of Receivership, two (2) of the apartments were occupied by tenants on month-to-month leases, however both tenants have subsequently vacated so the property is currently vacant.
 - b) The property located at 2113 Smith Street was built in 1901 and is a two-storey house which has been converted into two commercial units. The property was vacant as at the Date of Receivership and the Receiver does not expect the vacancies to be filled in the immediate future.
 - c) The Business Office was built in 1907 and is a two and a half-storey house which has been converted into three (3) commercial units. At the Date of Receivership, the property was occupied by three (3) tenants, including the former employees of the Business. The three (3) tenants have notified the Receiver that they will be vacating the property by the end of May 2017 and the Receiver does not expect the vacancies to be filled before a sale.
 - d) The property located at 2235 Smith Street is a two-storey house currently under construction. The property is zoned and intended for residential use. The Receiver is advised that work on the property stopped more than a year ago due to a dispute between Mr. Garrett and various subcontractors. The Receiver

has taken steps to better secure the fence around the building and is arranging for the removal of waste lumber from the property.

- e) The property located at 2237 Smith Street was built in 1929 and is a two-storey house converted into one office unit. At the Date of Receivership, the property was occupied by a tenant with a lease through to February 2018. The tenant has paid the rent in full in advance to the Receiver for the remaining lease period.
 - f) The property located at 2307 Smith Street was built in 1912 and is a two and a quarter-storey house which has been converted into three (3) separate residential apartments. At the Date of Receivership all three (3) units were occupied by tenants on month-to-month leases.
 - g) The property located at 2352 Smith Street was built in 1912 and is a two and a half-storey house which has been converted into commercial space with a residential unit on the top floor. At the Date of Receivership a tenant occupied the commercial space pursuant to a lease expiring in April 2021 and the same tenant also resides in the residential apartment on a month-to-month lease. In addition, seven (7) parking stalls are located on the property that are currently leased to a separate tenant on a month-to-month basis.
 - h) The Industrial Property was originally built in 1972 and is an industrial warehouse separated into two (2) units. At the Date of Receivership one of the units was occupied by a tenant with a lease expiring in November 2019. The other unit was vacant and the Receiver does not expect the vacancy to be filled in the immediate future.
- 20) Following its appointment, the Receiver inspected each of the Properties and identified several repair and maintenance issues. The urgent issues have been addressed and the Receiver is currently reviewing quotes obtained by the Property Manager on other matters and is assessing when, or if, further repair work will be completed.
- 21) The Receiver has been provided with copies of written appraisals for each of the Properties (the "**Property Appraisals**") that were completed from August 2016 to October 2016 by Ema-Lyn Real Estate Appraisals and Consulting ("**Ema-Lyn**"). The Property Appraisals were prepared under instructions from Mr. Gerrand and have not been updated by the Receiver as they are relatively current and appear reasonable based on a review by Deloitte LLP's Real Estate Advisory Group. Copies of the Property Appraisals are included in the First Confidential Report.

Business and Rent Accounts Receivable

- 22) At the Date of Passing, the Company was operating from the Business Office with approximately eleven (11) employees who worked in the Business and also assisted with the Properties and related receipts and disbursements. JMV also retained the Property Manager at that time on a contract basis to deal with most of the Properties. Subsequent to the Date of Passing, the senior accountant employed by the Company, and proposed future partner or owner of Priority-One Business Services (the "**Senior Accountant**"), took effective control of the Business and commenced the orderly wind down of the operations. The Senior Accountant, along with the Property Manager, also took control over the Properties. The actions undertaken by the Senior Accountant and the Property Manager included:

- a) Terminating the employees of the Company effective June 15, 2016, processing the final payroll, and preparing records of employment;
 - b) Notifying clients of Mr. Garrett's passing and arranging for the transfer of files where requested;
 - c) Completing work in progress and billing clients for this work;
 - d) Recording accounting transactions and preparing financial statements;
 - e) Collecting the remaining accounts receivable from clients;
 - f) Collecting rents from the tenants of the Properties and paying for various related expenses including property taxes, utilities, insurance, repairs and maintenance, etc. and remitting funds to CIBC or CIBC Trust;
 - g) Responding to queries from CIBC and CIBC Trust and providing supporting information; and
 - h) Filing outstanding corporate tax and GST returns on behalf of the Company.
- 23) The Receiver has reviewed various books and records, bank statements and information prepared and/or provided by the Senior Accountant, CIBC, and CIBC Trust and has performed a reconciliation of the transactions of the Business and Properties from the Date of Passing to the Date of Receivership. From the period between the Date of Passing and the Date of Receivership, a total of \$125,402 in rental receipts were collected from tenants of the Properties and a total of \$146,991 in disbursements related to the Properties were paid. The Receiver has not noted any unusual or material discrepancies with these accounts or transactions.
- 24) At the Date of Receivership, the Company had Accounts Receivable of \$60,364 comprising \$50,298 from a former tenant at the Industrial Property for unpaid rent and \$10,066 in outstanding invoices related to bookkeeping services performed by the Business. The Receiver has sent letters to each of the debtors demanding payment of the outstanding amounts and is currently considering further collection actions, including referral of smaller balances to a collection agent, serving statements of claim upon debtors, and/or commencing litigation. Approximately \$2,750 in accounts receivable have been collected by the Receiver to date.

Artwork and Antiques

- 25) JMV owned a significant amount of artwork and antiques as Mr. Garrett was an avid collector and purchased many pieces through JMV. The Company's financial statements for the year ended September 30, 2015 reported a value of approximately \$535,000 for artwork and antiques.
- 26) In November 2016, CIBC Trust engaged McDougall to complete the Artworks Appraisal for various artwork located at Mr. Garrett's personal residence and the Business Office. The Receiver understands that shortly after the Artworks Appraisal was completed, the Artworks were removed from these locations by McDougall and were stored at a separate secure storage location. The Receiver has attended at the storage location with McDougall to inspect the Artworks.

- 27) The Receiver has also been made aware of four (4) paintings and one (1) sculpture (the "**Additional Artworks**") which Mr. Garrett had purchased from two (2) art galleries in Toronto, Ontario prior to the Date of Passing. Mr. Garrett was making regular payments to the galleries but there remain unpaid balances and related storage charges owing by JMV totalling \$9,200 and \$21,500, respectively (the "**Unpaid Balances**"). The Receiver provided the details of the Additional Artworks and the Unpaid Balances to two (2) auctioneers who have provided proposals to sell the existing Artworks. Both auctioneers have estimated that the gross realizations would exceed the Unpaid Balances and have recommended that the Receiver pay the Unpaid Balances to enable the Additional Artworks to be included in the proposed auction discussed further in the First Confidential Report.
- 28) The Receiver has been advised that McDougall was also engaged by CIBC Trust to collect and sell the antiques owned by the Company. The Receiver has been provided with a McDougall auction sales report from CIBC Trust in relation to the auction of 41 lots of antiques on January 11, 2017. The sale grossed approximately \$14,500 and, following the deduction of costs and commissions, net proceeds of approximately \$11,000 were paid and deposited into the Company's CIBC bank account on January 26, 2017.

Life Insurance Policy

- 29) JMV owned a life insurance policy over Mr. Garrett for \$500,000 (the "**Policy**") through Assumption Mutual Life Insurance Company ("**Assumption Life**") for several years prior to the Date of Passing. On July 23, 2013, the Policy was assigned for collateral purposes from Canadian Western Bank to CIBC as part of the CIBC Security.
- 30) The Receiver is aware that a claim cannot be made against the Policy until a death certificate has been issued and a physician's statement is completed by the doctor who certified the cause of death. As noted previously, Mr. Garrett's death is subject to an ongoing investigation by the Coroner and no death certificate will be issued until the investigation is complete.
- 31) The Receiver has written to the Coroner advising of the Receivership of the Company and is seeking an update on the timing of the Coroner's report. No response has been received as at the date of this First Report. The Receiver has also written to Assumption Life advising of the Receivership of the Company and the Receiver's intention to submit a claim against the Policy upon receipt of the Coroner's report.

CREDITORS AND SECURED CHARGES

- 32) As noted previously, CIBC is the principal secured creditor of the Company, was owed approximately \$3.7 million at the Date of Receivership, and has a valid and enforceable security (as reported in the Security Opinion). Based on the Security Opinion, the Receiver is seeking approval from the Court to approve the future distribution of funds realized by the Receiver to CIBC, as they relate to the CIBC Security and as they become available, up to the amount of the CIBC Indebtedness.
- 33) The Company's records do not indicate a debt owing to the Canada Revenue Agency ("**CRA**") in relation to payroll source deductions or goods and services tax ("**GST**"). However, CRA has not yet conducted a payroll and GST trust audit on the Company as at the date of the First Report and additional liabilities may be assessed.

- 34) As at the Date of Receivership, the available books and records of the Company reported unsecured creditors with claims of approximately \$52,000.
- 35) The Receiver is also aware of a statement of claim dated October 22, 2013 filed against Mr. Garrett and the Company by Ms. Alena Pastuch (the "**Pastuch Lawsuit**"). Ms. Pastuch, a former client of the Company, is suing for false representation, professional misconduct, and breach of contract. The Pastuch Lawsuit is seeking damages of \$10,745,000 plus costs. While the Receiver has observed and briefly reviewed two statements of defence filed on behalf of Mr. Garrett and the Company in November 2013, the Receiver has not yet reviewed the facts or merits of the Pastuch Lawsuit and has not received a legal opinion regarding the validity or quantum of any potential claim.

PROPERTY SALES PROCESS

- 36) The Receiver engaged in discussions with several stakeholders, including CIBC, the Senior Accountant, Mr. Gerrand, the Property Manager, and the Deloitte LLP Real Estate Advisory Group, with respect to a process to sell the Properties and solicit potential interested parties and real estate agents. As part of the sales process, the Receiver prepared an information summary which included details of each of the Properties being offered for sale, along with related terms and conditions of sale and requirements for any investors wishing to buy the Properties or brokers/agents seeking to sell the Properties on behalf of the Receiver (the "**Property Information Summary**"). A copy of the Property Information Summary is attached to this First Report as Appendix "**B**".
- 37) The salient terms and conditions of sale included in the Property Information Summary were as follows:
 - a) The Properties were being offered for sale on an 'as-is, where-is' basis;
 - b) The Receiver would not be obligated to accept the highest offer, or any proposal, and the acceptance by the Receiver of any proposal or offer would be subject to the approval of the Court;
 - c) Asset viewings would be coordinated with the Receiver; and
 - d) Proposals and offers were to be submitted by May 8, 2017 (the "**Submission Deadline**").
- 38) The Property Information Summary was provided to, or requested by, ten (10) interested parties and eight (8) real estate agents/brokers (the "**Agents**").
- 39) As a result of inquiries and discussions with several Agents regarding the Properties and the existing tenants, the Receiver issued a supplement to the Property Information Summary (the "**Property Information Summary Supplement**") which detailed the gross rental income for each of the Properties and the term of each lease for each of the tenants. A copy of the Property Information Summary Supplement is attached to this First Report as Appendix "**C**".
- 40) At the Submission Deadline, the Receiver received the following offers and proposals:

- a) One (1) offer from an interested party to purchase two (2) of the Properties;
and
 - b) Five (5) proposals from the Agents to sell the Properties on behalf of the Receiver.
- 41) The one (1) offer received for the purchase of two (2) of the Properties was for significantly less than the values included in the Property Appraisals, and the Receiver did not accept the offer.
- 42) The Receiver has reviewed the five (5) proposals received from the Agents. The Agents are generally proposing similar strategies to list and sell each property individually. The marketing costs and selling commissions in the proposals vary and two of the proposals have requested six-month exclusivity listing periods which the Receiver would normally expect with the sale of similar properties.
- 43) The Receiver notes that, due to scheduling conflicts, four (4) of the Agents were unable to inspect the interior of the Properties before the Submission Deadline and submitted initial proposals noting that the proposed listing prices may be subject to change following the interior inspection of the Properties. In light of this, the Receiver arranged for the Property Manager to perform inspections of the Properties on May 11, 2017 with the four (4) Agents. All four (4) Agents issued amendments to their proposals as a result of these inspections. The fifth Agent who had previously inspected the interior of the Properties and submitted a proposal before the Submission Deadline was advised of this additional inspection and amendments and did not raise any objection with the Receiver.
- 44) The Receiver held further discussions with two (2) of the Agents who were considered the most suitable to sell the Properties.
- 45) Based on the sale process and the related discussions and sale proposals and offer received, the Receiver is of the view that acceptance of an Agent's proposal should result in the highest return to the creditors.
- 46) The Receiver is recommending the acceptance of the Colliers International sales proposal (the "**Colliers Proposal**") for the reasons outlined in the First Confidential Report. The Colliers Proposal is more fully described in the First Confidential Report along with the other proposals and offers received.
- 47) The Receiver has discussed and shared the offer and proposals received through the sales process with CIBC, and CIBC is in agreement with accepting the Colliers Proposal to sell the Properties.

ARTWORK SALES PROCESS

- 48) The Receiver engaged in discussions with several stakeholders, including CIBC and McDougall, with respect to a process to sell the Artworks. While the Receiver received a proposal on April 24, 2017 from McDougall to sell the Artworks, it was determined that proposals should be sought from other auctioneers and art galleries for the sale of the Artworks.
- 49) As part of the sales process, the Receiver compiled the available information in relation to the Artworks (the "**Artworks Information**") which was comprised of the following:

- a) A listing of the Artworks as outlined in the Artworks Appraisal;
 - b) A schedule of some of the Artworks purchased by the Company as compiled by the former employees of the Company from the books and records of the Company; and
 - c) Photos of the Artworks taken by McDougall when the Artworks were collected and placed into storage.
- 50) Interested auctioneers/galleries were identified through research conducted by the Receiver and discussions with the former employees of the Company. In addition, several galleries contacted the Receiver directly expressing an interest in assisting the Receiver with selling some of the Artworks.
- 51) The Receiver emailed the Artworks Information on May 1, 2017 to three (3) auctioneers and four (4) art galleries requesting proposals under the following terms and conditions:
- a) Proponents were to demonstrate recent experience selling comparable type of artwork and were to be able to market the Artworks to a wide network of buyers and collectors;
 - b) The Receiver would not be obligated to accept any proposal and that the acceptance by the Receiver of any proposal would be subject to the approval of the Court;
 - c) The Receiver made no representations or warranties, expressed or implied, as to the authenticity, description, condition, suitability for purpose, size, quantity, or value of any of the Artworks; and
 - d) Proposals and offers were to be submitted by the May 8, 2017 Submission Deadline.
- 52) At the Submission Deadline, the Receiver received three (3) proposals from auctioneers to sell the Artworks on behalf of the Receiver.
- 53) The Receiver has reviewed the three (3) proposals received from the auctioneers. One (1) proposal recommended selling the Artworks by way of online auction following an in-person viewing at a hotel in Regina. The two (2) other proposals recommended transporting some of the more significant Artworks to Vancouver or Calgary and selling them at scheduled live auctions in October/November 2017. Both proposals note that some of the Artworks have limited appeal and value and have proposed having them sold in Regina.
- 54) The Receiver is recommending the acceptance of the sales proposal of Maynards Antique and Fine Art Ltd. (the "**Maynards Proposal**") and the sales proposal of McDougall (the "**McDougall Proposal**") for the Artworks for the reasons outlined in the First Confidential Report. The Maynards Proposal and McDougall Proposal are more fully described in the First Confidential Report, along with the other proposals and offers received.

- 55) The Receiver has discussed and shared the offer and proposals received through the sales process with CIBC, and CIBC is in agreement with accepting the Maynards Proposal and the McDougall Proposal to sell the Artworks.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 56) Attached as Appendix "D" is a Statement of Receipts and Disbursements reflecting the administration of the JMV receivership for the period March 29, 2017 to May 17, 2017. As at May 17, 2017, the Receiver held approximately \$51,685 in trust.
- 57) The Receiver notes that included in the disbursements made to date are payments made to Hybrid Electric Inc. for \$3,035 and Comfort Mechanical for \$2,729. These payments related to unpaid invoices for repairs and maintenance services provided prior to the Date of Receivership. The Receiver believes that the payment of these invoices are justified as these expenditures were previously approved by CIBC Trust in its capacity as Administrator of the estate of Mr. Garrett and they were required for necessary repairs and improvements to the Properties.
- 58) As previously noted, three (3) tenants who occupied the Rae Street Property and the Business Office as at the Date of Receivership have either vacated or will be vacating the properties by the end of May 2017. Each tenant previously paid a security deposit equivalent to one months' rent and, based on the Receiver's investigations, the security deposits were paid into the Company's general bank account rather than a separate trust account. The sum of the three (3) security deposits is \$2,828 and upon completion of a final inspection by the Property Manager to confirm no damage has occurred and the property has been properly cleaned, the Receiver (subject to the direction of the Court) will repay the security deposits to the tenants from the Receiver's trust account. CIBC is in agreement with making these payments.
- 59) The Receiver has invoiced approximately \$38,000 in fees to April 13, 2017 and understands that MLT and McKercher have approximately \$10,000 in unbilled fees to the date of this First Report. No professional fees have been paid to date due to the limited funds currently being held in the Receiver's trust account and the potential need for funds to cover repairs and maintenance as well as the payment of property taxes on June 30, 2017 which totalled approximately \$85,000 in 2016 for all of the Properties.
- 60) Based on the outstanding and accrued professional fees and the potential need for funds to cover the pending property tax payments and any repairs and maintenance, the Receiver may need to access the Borrowing Facility to fund these payments prior to the receipt of any funds from the sale or realization of the assets.

CONCLUSIONS AND RECOMMENDATIONS

- 61) Based on the foregoing, the Receiver respectfully requests that the Court:
- i. Approve the reported actions of the Receiver to date in respect of administering these receivership proceedings;

- ii. Approve the Colliers Proposal for the sale of the Properties;
- iii. Approve the Maynards Proposal and the McDougall Proposal for the sale of the Artworks;
- iv. Approve of the future distribution of funds realized by the Receiver to CIBC as they relate to the CIBC Security and as they become available up to the amount of the CIBC Indebtedness; and
- v. Approve an Order sealing the First Confidential Report in the Court file.

All of which is respectfully submitted at Calgary, Alberta this 19th day of May, 2017.

DELOITTE RESTRUCTURING INC.

In its capacity as Receiver for the estate of
JMV Enterprises Ltd. and not in its personal capacity



Jeff Keeble, CA, CIRP, LIT, CBV
Senior Vice-President