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DEFENDANTS	COMPUTER TRENDS CANADA INC. and CHRISTOPHER STEELE
DOCUMENT	**FIRST REPORT OF THE RECEIVER, HARDIE & KELLY INC. SEPTEMBER 30, 2013**
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FIRST REPORT OF THE RECEIVER
HARDIE & KELLY INC.
SEPTEMBER 30, 2013

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INTRODUCTION

1. On September 12, 2013 (the "Receivership Date"), Bank of Montreal ("BMO") made an application to the Court of Queen's Bench of Alberta (the "Court") for the appointment of a receiver (the "Receiver") of the current and future assets, property and undertakings of Computer Trends Canada Inc. ("Computer Trends" or the "Company").

2. The Court granted an Order (the "Receivership Order") on September 12, 2013, (the "Receivership Date") which was consented to by the Company, appointing Hardie & Kelly Inc. as the Receiver.

3. The purpose of this report (the "First Report") is to advise the Court of:

    a. An overview of the business of Computer Trends and background information leading up to the appointment of the Receiver;

    b. The Receiver's initial activities including the Receiver's efforts to realize on the assets of the Company; and

    c. The Receiver's recommendation in respect to the sale of substantially all of the Company's assets.

TERMS OF REFERENCE

4. In preparing this First Report, the Receiver has relied upon unaudited financial information, records of the Company and discussions with the Company's former management ("Management") and former employees. The Receiver has not performed an audit, review or other verification of such information.

BACKGROUND

5. Computer Trends is a private company with 100% of its issued and outstanding shares being held by Mr. Christopher Steele, the President of the Company. The Company had been in business in some form for 22 years operating as a retailer and wholesaler of closeout and liquidation brand name merchandise including but not limited to home decor, house wares, electronics, computers, HDTVs, toys, pet products, tools and jewellery. Products were sold at prices up to 80% off regular retail prices.

6. As at the Receivership Date, the Company had approximately 80 employees and was operating from seven retail locations across the Prairies with two locations in Calgary, two in Edmonton and one store in each of Lethbridge, Saskatoon and Winnipeg.

7. One location in Calgary and the Saskatoon location both operated under the Computer Trends banner and carried a retail inventory comprised principally of computers, televisions and electronics. The remaining five locations operated under the trade name of "Buyzing" and principally carried items such as home decor, house wares, toys, pet products and other miscellaneous goods.

8. The Company had been experiencing cash flow difficulties for some time. As set out in the Affidavit of Mr. Roland Ardiles, sworn September 10, 2013 and filed in these proceedings (the "Ardiles Affidavit"), the Company was in default of its credit agreement with BMO. Consequently, the Company ultimately entered into a forbearance agreement with BMO on August 6, 2013 (the "Forbearance Agreement").

9. The Forbearance Agreement provided that the Company was to meet certain benchmarks, established by Management, in respect of the pay down of its indebtedness to BMO. These benchmarks were set out in a cash flow forecast prepared by Management, which was included as part of the Forbearance Agreement (the "Cash Flow Forecast").

10. The Cash Flow Forecast included two key representations made by Management:

    a. The Company would achieve retail sales totalling approximately $2.0 Million by September 9, 2013; and

    b. The indebtedness to BMO would be repaid in its entirety on or about September 9, 2013.

11. The basis for Management proposing the above parameters was that they would retain a liquidation specialist, Tiger Capital Group, LLC ("Tiger Group") based out of the United States, to assist Management with what was effectively a self-liquidation.

12. The full implementation of the Company's self-liquidation strategy was delayed for approximately two weeks for various reasons. Notwithstanding, the average daily sales anticipated by the Company of up to $90,000 per day never came close to materializing during the month following the execution of the Forbearance Agreement. BMO's indebtedness was therefore not retired by September 9, 2013 as had been contemplated by Management. As of the Receivership Date, the Company still owed approximately $730,000 to BMO.

INITIAL ACTIVITIES OF THE RECEIVER

13. The Receiver and or its Agents attended at all seven locations immediately after the granting of the Receivership Order.

14. Based on the Receiver's experience and familiarity with the Company and its operations from its previous role as a consultant pursuant to the Forbearance Agreement, the Receiver determined it would not be cost effective to continue to run the retail operations for numerous reasons including but not limited to:

    a. The Company's inability to achieve Management's sales targets during its self-liquidation period;

    b. A concern that more of the Company's more readily saleable and higher margin inventory had already been sold during the Company's self-liquidation period;

c. The significant amount of overhead associated with maintaining operations in the various locations and the number of employees of the Company. The monthly rent for the seven locations totaled approximately $140,000 and the gross payroll from the most recent pre-receivership bi-weekly payroll was approximately $125,000;

d. The Receiver's understanding that the Company's inventory lists were inaccurate due to inter-store transfers not being recorded consistently;

e. Management's inability to find an interested party to negotiate some form of sale, merger, investment or alternative financing to resolve its financial crisis; and

f. The extent of the professional fees that would be associated with the oversight of continuing operations.

15. At each location the Receiver convened a meeting with all employees on shift and advised those individuals present of the following:

a. That the employment of all employees was terminated as of September 12, 2013 with written confirmation of the same to follow in due course;

b. That the Receiver intended to approach a limited number of former employees with offers to temporarily assist the Receiver on an as-needed basis to update certain accounting records including T4s and Records of Employment and support the Receiver's efforts to liquidate the Company's assets as necessary; and

c. That former employees were permitted to advance claims under the *Wage Earner Protection Program Act* and an initial explanation of the process involved was provided with advice that the written materials necessary to file a claim would be forwarded to employees in due course.

16. The local store managers were instructed to contact those employees not working on the Receivership Date to advise them of the proceedings and the resulting implications to their employment status.

17. Based on discussions with Management, the Receiver temporarily engaged eight former employees to initially assist the Receiver for various limited periods of time.

18. With the cooperation of the respective staff in each of the stores, the Receiver made arrangements to control access to the premises.

19. The Receiver arranged for the continuation of the Company's existing insurance coverage.

20. Given the Company had not achieved the success it had contemplated during its self-liquidation period, the Receiver notified Tiger Group that its agreement was terminated as of the Receivership Date.

LIQUIDATION OF ASSETS

21. Prior to the Receivership Date, the Company had paid rent at the respective seven locations through to the end of September. The Receiver immediately held preliminary discussions with some experienced liquidators surrounding the nature of the inventory (effectively being liquidation goods) and various liquidation strategies. The common feedback provided by the various liquidators to the Receiver was:

    a. Given the nature of the inventory being principally smaller dollar discount items that were already effectively liquidated goods, the costs for the Receiver to conduct a complete inventory count at all seven locations would be extremely expensive and likely not cost effective given the nature of the inventory and store fixtures (the "Assets"); and

    b. Undertaking an inventory would effectively be redundant as a party interested in the assets would likely wish to conduct some form of their own due diligence inspection and count prior to submitting an offer;

    c. The costs to move the inventory to a central location would be excessive given the nature of the inventory; and

d. Given that the general nature of the majority of the inventory is effectively already "discounted liquidated goods" and the Company had not acquired new stock in the last several weeks, recoveries would likely be low.

22. The Receiver determined that the most cost efficient course of action would be to initiate an expedited solicitation of offers or proposals from liquidation firms for the following reasons:

a. After receiving the initial general feedback from liquidators and given the nature of the assets, the Receiver ascertained that the holding costs while conducting an extended sales process would significantly erode into the already likely low net recoveries;

b. Professional liquidators would have the ability to react quickly to an expedited sales process;

c. An extended advertising and marketing process was unlikely to attract an unknown party who might ultimately submit an offer that would be significantly incremental in size (which would offset the risk of incurring ongoing occupancy and holding costs during an extended sales process), versus those offers to be submitted by parties the Receiver intended to contact; and

d. Management had for several months prior to the proceedings been unsuccessful in its efforts to broker an alternative solution to resolve the Company's financial difficulties.

23. Consequently, the Receiver prepared a tender package and invited the following liquidation specialists to submit proposals by September 25, 2013 (the "Bid Deadline"):

a. Tiger Group;

b. Maynards Industries Ltd;

c. Century Services Inc.;

d. Wayman Services Corp.;

e. Gordon Brothers Group; and

f. Liquidation World (subsidiary of Big Lots Inc.).

24. In addition to the above, the Receiver circulated the opportunity to the following retail liquidation businesses:

a. Bianca Amor;

b. Factory Direct; and

c. Fields.

25. Details of the tender process were also forwarded to several other one-off parties expressing an interest in one or more locations to the Receiver.

26. The Receiver also encouraged Mr. Steele to advise the Receiver of any other additional parties he may be aware of that may have an interest in the Assets or that the Company had previously held discussions with who may have an interest submitting a proposal.

27. Multiple proposals/offers were submitted to the Receiver prior to the Bid Deadline. After seeking further clarification in respect of the terms of the proposals/offers, the Receiver ultimately accepted the offer submitted by 1157953 Alberta Ltd. doing business as Bianca Amor (the "Bianca Amor Offer") subject to the approval of this Honourable Court.

28. The details of the proposals/offers received will be contained in the Receiver's Confidential Supplemental Report (the "First Confidential Report"). The Receiver is concerned that in the event the pending sale to Bianca Amor does not close for any reason, the disclosure of the respective details of the offers may affect the Receiver's efforts to remarket the Assets. The Receiver will be seeking the Court's approval to have the First Confidential Report sealed.

CREDITORS

29. As set out in Exhibit "D" of the Ardiles Affidavit, the only registrations against the Company as noted in recent searches of the respective Personal Property Registries of Alberta, Manitoba and Saskatchewan are that of BMO.

30. As mentioned above, as of the Receivership Date, the Company was indebted to BMO approximately $730,000. The Receiver's counsel is in the process of conducting an independent review of the security held by BMO; however, the Receiver is not proposing a distribution at this time and will make a further application to Court in due course in respect of a distribution of funds.

31. The Receiver understood that the Company had been current with its source deduction remittances as of the Receivership Date; however, Canada Revenue Agency has not yet advised if a payroll audit will be conducted.

32. As of the date of Receivership, the Company's employees were owed approximately $149,000 in accrued wages and approximately $60,000 in vacation pay. The Receiver, with the support of BMO, funded the pre-receivership bi-weekly payroll that was due to be paid on September 13, 2013, by way of issuance of a Receiver's Certificate issued in favour of BMO for the net payroll of approximately $91,000. The Receiver will also be responsible for remitting the associated source deductions of approximately $33,000.

33. The books and records of the Company also reflected approximately $4.5 Million of trade creditors.

RECOMMENDATIONS

34. The Receiver recommends to this Honourable Court that given the nature of the Assets, the extent of the proposals/offer received and the excessive holding costs associated with the Receiver continuing to maintain possession of the Assets (including occupation rent for the month of October that will come due immediately if this transaction does not proceed), that the closing of a sale in an expeditious manner is critical to maximizing the net recoveries from the proceedings.

35. The Receiver is seeking approval of and recommends to this Honourable Court the approval of the Bianca Amor Offer for the reasons set out herein and in the First Confidential Report.

36. The Receiver recommends that the First Confidential Report be sealed for purposes of maintaining the integrity of the sales process in the event the contemplated sale to Bianca Amor does not close for any reason.

All of which is respectfully submitted this 30th day of September 2013.

Hardie & Kelly Inc.,
in its capacity as Receiver and Manager of
Computer Trends Canada Inc.
and not in its personal capacity

Per: ______________________
Marc E. Kelly, CA·CIRP
Senior Vice President