

COURT FILE NUMBER 2501 01350

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PEAVEY INDUSTRIES GENERAL PARTNER LIMITED, TSC STORES GP INC., and PEAVEY INDUSTRIES LIMITED

DOCUMENT FIFTH REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS MONITOR OF PEAVEY INDUSTRIES GENERAL PARTNER LIMITED, TSC STORES GP INC., and PEAVEY INDUSTRIES LIMITED

**May 12, 2025**

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# FIFTH REPORT OF THE MONITOR

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## INTRODUCTION

1. Peavey Industries General Partner Limited (“**Peavey GP**”), TSC Stores GP Inc. (“**TSC GP**”), Guys Freightways Ltd. (“**Guys**”), and Peavey Industries Limited (“**Peavey Industries**”) (Peavey GP, TSC GP and Peavey Industries, collectively, the “**Applicants**”) applied to the Court of King’s Bench of Alberta (the “**Court**”) for an initial order (the “**Initial Order**”) to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”) to, among other things, obtain a stay of proceedings (the “**Stay of Proceedings**”) to allow the Applicants an opportunity to restructure their business and affairs. The Initial Order was granted by Order of Justice Feasby on January 27, 2025. FTI Consulting Canada Inc. (“**FTI**” or the “**Monitor**”) was appointed Monitor of the Applicants as well as in respect of Peavey Industries LP (“**Peavey LP**”) and Peavey Industries Mutual Fund Trust (“**MFT**”) (collectively, Peavey LP, MFT and the Applicants are referred to as the “**Peavey Group**”).
2. The Initial Order, among other things:
  - a. Granted the Stay of Proceedings up to and including February 6, 2025;
  - b. Authorized the Applicants to continue performance of a store closing consulting agreement (“**SC Agreement**”) between Peavey LP and Gordon Brothers Canada ULC (“**GBC**”) dated December 20, 2024;
  - c. Authorized the Applicants to continue performance of a master service agreement for consignment of memo merchandise between Peavey LP, as consignee and GBC, as consignor, dated December 20, 2024, (“**Consignment Agreement**”);

- d. Authorized the Applicants to continue performance of an agreement for services (the “**RE Consulting Agreement**”) between Peavey LP and GBC, as consultant, for the provision of real estate consulting services;
  - e. Authorized (but did not obligate) the Peavey Group to pay any critical supplier for inventory delivered prior to the date of the Initial Order, provided such payment is supported by the Agent and the Monitor;
  - f. Authorized the Peavey Group to continue to use the Cash Management Accounts (as defined below); and
  - g. Granted certain Court-ordered charges sought by the Applicants including an administration charge (“**Administration Charge**”), interim lender’s charge (“**Interim Lender’s Charge**”) and a directors and officers charge (“**D&O Charge**”) (collectively, the “**Charges**”).
3. On February 6, 2025, the Court of King’s Bench of Alberta granted the following additional orders:
- a. An amended and restated Initial Order (the “**ARIO**”) which provided for:
    - i. An extension of the stay of proceedings until April 30, 2025;
    - ii. Increases to the amounts of the Administration Charge, the Interim Lender’s Charge, and the D&O Charge;
    - iii. Approval of a Key Employee Retention Plan (“**KERP**”) and Key Employee Incentive Plan (“**KEIP**”) to facilitate retention and incentivize key employees to remain in their employment during the CCAA Proceedings,

and approval of a corresponding fourth-ranking charge on the Property (“**KERP/KEIP Charge**”); and

iv. A declaration that pursuant to section 5(5) of the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s.1 (“**WEPPA**”) that the Peavey Group meet the criteria established by section 3.2 of the *Wage Earner Protection Program Regulations*, SOR/2008-222 (the “**WEPP Regulations**”) as of the date of the granting of the Stay Extension and WEPPA Order; and

b. A restricted Court access order with respect to the KERP and KEIP.

4. On March 7, 2025, the Monitor prepared and provided our Second Report to the Court with respect to the 1903P Application to approve certain fees under the 1903P Credit Agreement (the “**Fees**”). The Second Report included the Monitor’s calculations with respect to the Fees.
5. On March 19, 2025, the Court of King’s Bench of Alberta granted an order (the “**Fee Order**”) amending paragraph 35 of the ARIO to authorize the Lenders to apply cash sweeps to the maximum aggregate amount of \$85,516,297 (demanded Pre-Filing Indebtedness of \$66.4 million plus the Fees, plus legal fees, costs and expenses as provided for under the 1903 Credit Agreement. As of the date of the Initial Order, the Pre-Filing Indebtedness had been reduced to \$65.7 million, consistent with the opening Pre-Filing Indebtedness (before the Fees) balance as presented in the CCAA Cash Flow Statement.
6. On March 27, 2025, the Monitor prepared and provided our Third Report to the Court with respect to the Applicants’ Application to approve the sale of intellectual property relating to the Tractor Supply Company (“**TSC**”) brand. The Third Report provided, among other things, an update on activities since the First Report, including the proposed sale of the TSC IP, the commencement of the process to solicit offers for other intellectual property owned by the Peavey Group, and the commencement of the sale of Peavey owned

furnishing, trade fixtures, equipment, machinery, office supplies, racking, rolling stock and other personal property (collectively, “**FF&E**” and the “**FF&E Process**”).

7. On April 2, 2025, the Court of King’s Bench of Alberta granted the following:
  - a. An approval and vesting Order which provided for the following relief:
    - i. Approval of the stalking horse sale and investment solicitation process conducted by Peavey Group and the Monitor in relation to the TSC IP; and
    - ii. Approving the sale agreement for the TSC IP as between Peavey LP and TSC; and
  - b. An Order approving an amendment to the RE Consulting Agreement with GBC.
  
8. On April 25, 2025, the Court of King’s Bench of Alberta granted the following:
  - a. An order amending the ARIO to extend the stay of proceedings up to and including July 25, 2025 (the “**Stay of Proceedings**”) and to authorize the Peavey Group to sell or dispose of assets (excluding inventory) up to \$7.0 million in the aggregate;
  - b. A sale approval and vesting order (the “**Guys SAVO**”) approving the share purchase offer of Guys (the “**Guys Offer**”) by Fire & Flood Emergency Services Ltd.;
  - c. A sale approval and vesting order approving the sale of all issued and outstanding Class “A” commons shares of Turtle Mountain Seed Co. (“**Turtle Mountain**”) to 2607781 Alberta Ltd. (“**260 AB**”), a party related to the Applicants (the “**Turtle Mountain SAVO**”);

- d. A sale approval and vesting order approving the sale of certain of the Peavey Group IP Property and FF&E located at eight of the locations to 260 AB (the “**Peavey Assets SAVO**”). 260 AB’s proposed purchase of the common shares of Turtle Mountain and the assets included in the Peavey Assets SAVO are collectively referred to as the “**260 AB Offer**”);
  - e. An order assigning the lease of the premises located in Mount Forest, Ontario to Shoppers Realty Inc. (“**Shoppers**”, the “**Shoppers Transaction**”);
  - f. An order requiring the Canadian Internet Registration Authority to release the name of the entity or entities who registered transfers and became transferees of the tractorsupply.ca domain name; and
  - g. A restricted access order with respect to the Guys SAVO.
9. This report (“**Report**” or the “**Fifth Report**”) is prepared in connection with the application currently scheduled to be heard on May 15, 2025, where the Monitor provides for a general update and is seeking the following:
- a. An order (the “**Enhanced Monitor’s Powers Order**”) expanding the powers of the Monitor since the closure of all remaining stores and majority of the Peavey Group assets and Property have been liquidated or sold; and
  - b. Authorization to make the payments to the applicable employees under the KEIP, as previously approved by this Honourable Court.

## TERMS OF REFERENCE

10. Capitalized terms used but not defined herein are given the meaning ascribed to them in the Second Anderson Affidavit and the ARIO.
11. In preparing this Report, the Monitor has relied upon certain information (the “**Information**”) including the Peavey Group’s unaudited financial information, books and records and discussions with Peavey Group senior management (“**Management**”).
12. Except as described in this Report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*.
13. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*.
14. Future oriented financial information reported to be relied on in preparing this Report is based on Management’s assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

## GENERAL UPDATE

16. The following provides a general update of activities since the date of the Monitor’s Fourth Report:

## **INVENTORY LIQUIDATION / STORE CLOSING**

17. The Peavey Group has completed its Inventory Liquidation and FF&E Process and have closed and vacated all locations. As a result of the final store closures, an additional 588 employees have been released between April 14, 2025 and the date of this Report. The Peavey Group currently has three employees and one consultant remaining who are assisting with the wind-down of the business and completing the remaining administrative tasks (working remotely).
18. By May 15, 2025, the remaining employees are anticipated to be terminated.
19. WEPP Instruction Letters have been sent to 1,496 eligible employees, of which 937 have submitted a WEPP Proof of Claim to the Monitor. The Monitor has reviewed 937 of the WEPP Proof of Claims submitted to date and has submitted these to Service Canada for processing.
20. The Monitor continues to review and process claims received from eligible employees.

## **REMAINING TRANSACTION STATUS**

21. The Guys Offer, the 260 AB Offer (including the sale of Turtle Mountain), and the Shoppers Transaction have closed and funds received by the Peavey Group (being held in trust). Each of these transactions were as set out and described in the Monitors Fourth Report dated April 17, 2025 and the Confidential Supplemental Report.
22. The Monitor and Company are currently finalizing the final working capital adjustment as set out in the Guys Offer which was limited to an adjustment (positive or negative), of \$150,000.

## FF&E PROCESS

23. As noted above, the FF&E Process, which was run in parallel to the Inventory Liquidation, has been completed. The net recoveries (sales less commissions) on the FF&E total approximately \$4.6 million, a portion of which is to be allocated between FF&E Lenders.
24. The FF&E Process was approved by each of the respective parties who had security over the proceeds from FF&E, who include ATB Financial, Bank of Montreal and Royal Bank of Canada (collectively referred to as the “**FF&E Lenders**”).
25. As previously reported to this Honourable Court, GBC, who completed the FF&E Process was required to make commercially reasonable efforts to track the proceeds from FF&E by item, to the extent possible. GBC was then to report to the FF&E Lenders and the Monitor in respect of such sales and tracking. If a sale by GBC includes FF&E that is subject to a registered security interest of the FF&E Lenders and other property that is not, the parties shall negotiate in good faith to determine a fair allocation of the purchase price between the FF&E that is subject to a registered security interest of the FF&E Lenders and the other property, in consultation with the Monitor. If no agreement is reached, any Party may apply to have the allocation determined by the Court.
26. The Monitor, in consultation with the Company have reviewed the results of the FF&E Process provided by GBC and the Monitor has completed an initial proposed allocation of the proceeds as between the FF&E Lenders and the amounts secured by the Interim Lender.
27. The Monitor’s analysis was based on a review of the description of the items sold at each location and attempted to determine if the individual items was subject to specific security. As previously reported, in certain circumstances, the assets located in various store locations are not clearly defined so as to determine precisely whether they are subject to the security of the FF&E Lenders or the Lender. Accordingly, the Monitor notes that various estimates and assumptions were required in the allocation of the FF&E Process due

to general descriptions of the specific FF&E in the related security documents and/or in the invoices issued.

28. The Monitor notes that the FF&E Process resulted in thousands of transactions over 94 stores and distribution centers, requiring certain extrapolation estimates.
29. The Monitor intends to present the proposed allocation of the FF&E Process to the FF&E Lenders, and, if agreement can be reached, distribution of the net proceeds from the FF&E will be completed. Further direction from this Honourable Court will be sought if agreement cannot be reached.

#### **KEIP PAYMENT**

30. The KEIP was a contingent payment in total of \$250,000 that was allocated to the KEIP Employees (five senior employees) based on a specific recovery threshold. The KEIP was previously approved by Court and with the agreement of the approval of the Interim Lender.
31. The Monitor has reviewed the calculation of the recovery threshold and confirms that the targets have been reached to trigger the payment of the KEIP to the KEIP Employees. The calculation has been reviewed with the Interim Lender, who approves of the payment.

#### **WIND-DOWN BUDGET AND FURTHER INTERIM DISTRIBUTION**

32. The Monitor, in consultation with the Applicants, is finalizing a wind-down budget and after calculating sufficient hold-back amounts, intends to make a further interim distribution to the Interim Lender.
33. The Monitor notes, based on the net recoveries to date, the amounts owing on the pre-filing secured debt under the 1903P Credit Agreement, including the approved Fees (as described in the Monitor's Second Report) have been repaid in full. However, the amounts owing to

the Interim Lender are unlikely to be repaid in full after considering the following holdbacks:

- a. Costs to be incurred to complete the wind-down of these proceedings including post-filing expenses to be paid, future administrative costs and professional fees; and
  - b. Distribution of agreed proceeds to the FF&E Lenders.
34. With respect to the Court-ordered Charges, the Monitor notes the following:
- a. Funds will be retained in the wind-down budget to cover future and outstanding professional fees, therefore eliminated the need for an Administrative Charge;
  - b. The Directors' Charge of \$7 million related to estimated GST owing at any point in time and current wages. The Monitor understands that post-filing GST has been paid current (or will be included in the wind-down budget) and all remaining employees are expected to be terminated by May 15, 2025, therefore no Director's Charge is required; and
  - c. The amounts owing under the KERP have now been or will be paid in full and the amounts owing under the KEIP are to be paid upon court approval.
35. Should recoveries be such that the Interim Lender and remaining secured creditors are repaid in full, a claims process will be proposed with respect to distributions to the unsecured creditors.

## **ENHANCED MONITOR'S POWERS ORDER**

36. The wind-down of the Applicants' Property is substantially complete. All locations have been closed and disclaimed, the Inventory Liquidation and FF&E Process has been completed, and the remaining asset transactions (the Guys Offer, the 260 AB Offer and the Shoppers Transaction) have closed.
37. The Applicants currently have three remaining employees, all of whom will be terminated on or before May 15, 2025. One of the remaining employees is an officer and director of the Peavey Group and is agreeable to the termination date and cessation of their role as officer and director. The Monitor intends to extend consulting agreements to a select number of the remaining employees to assist with final employee matters (review of WEPPA claims, filing T4's and records of employments), IT matters, and the final financial and accounting wind-down of the business.
38. The enhanced powers and protections proposed to be afforded to the Monitor pursuant to the proposed form of Enhanced Monitor's Powers Order will allow for the estate of the Applicants to be wound down and the final distributions and payments to be made.
39. The Monitor has held preliminary meetings with Management and discussions with stakeholders to discuss the expanded role, including the Lenders, who are each supportive of the Application for the Enhanced Monitor's Powers Order.

## **KEIP PAYMENTS**

40. The Monitor, in consultation with the Applicants and Interim Lender, have reviewed the requirements as defined under the KEIP, and are in agreement that the specified recovery threshold that the KEIP payment was contingent upon has been met, which were that net recoveries after post-filing Interim Financing advances were greater than the \$75.0 million.

As such, the KEIP Employees (five senior employees/executives) are entitled to the \$250,000 KEIP payment (to be split evenly between the KEIP Employees.

41. The Monitor is seeking approval from this Honourable Court for the Applicants to make the applicable KEIP payment to each of the eligible KEIP Employees.

## **CONCLUSIONS**

42. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court:
  - a. Grant the Enhanced Monitor's Powers Order as it is appropriate in the circumstances and will provide a sufficient level of oversight over the Applicants' remaining interests and obligations; and
  - b. Authorize the payments to the KEIP Employees pursuant to the KEIP.

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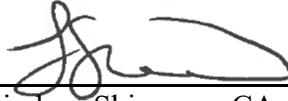
All of which is respectfully submitted this 12<sup>th</sup> day of May 2025.

**FTI Consulting Canada Inc.**, in its capacity as  
the Monitor of the Applicants  
and not in its personal or corporate capacity



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