

COURT FILE NO. 25-095144

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE RECEIVERSHIP OF 1609715 ALBERTA LTD.,
OPERATING AS HAMPTON INN & SUITES AIRDRIE.

DOCUMENT **FIRST REPORT OF MNP LTD., RECEIVER-MANAGER**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING
THIS DOCUMENT

RECEIVER-MANAGER
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INTRODUCTION AND BACKGROUND

1. 1609715 Alberta Ltd. dba Hampton Inn & Suites Airdrie (the “Company” or “Hampton Inn”) was placed into receivership pursuant to an order granted on June 16, 2020 (the “Receivership Order”) by the Court of Queen’s Bench of Alberta naming MNP Ltd. as Receiver and Manager (the “Receiver”) over the assets of the Company.
2. The Hampton Inn is located at 52 East Lake Avenue NE in Airdrie, Alberta (the “Property”). The Company’s operations had been temporarily discontinued due to the COVID-19 outbreak prior to the Receivership and have not been restarted.
3. The Receivership Order was granted pursuant to an application by Servus Credit Union, (“Servus”), who holds a first-ranking mortgage against the Property, general security agreements against Hampton Inn and a general assignment of rents and leases (the “Servus Security”).
4. The Receiver took possession of the Properties on June 16, 2020 and since that time has undertaken a number of activities to safeguard, maintain and market the Property for sale, as further described herein.

NOTICE TO READER

5. In preparing this first report (the “First Report”) and in making comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information of the Company, books and records of the Company, and information from other third-party sources (collectively, the “Information”). 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 or other standards established by the Chartered Professional Accountants of Canada (the “Standards”). Additionally, none of the Receiver’s procedures were intended to disclose defalcations or other irregularities. If the Receiver were to perform additional procedures or to undertake an audit examination of the information in accordance with the Standards, additional matters may have come to the Receiver’s attention. Accordingly, the Receiver does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Receiver may refine or alter its observations as further information is obtained or brought to its attention after the

date of this report.

6. The Receiver assumes no responsibility or liability for any loss of damage occasioned by any party as a result of the use of the First Report. Any use, which any party makes of this report, or any reliance or decision to be made based on this report, is the sole responsibility of such party.
7. All amounts included herein are in Canadian dollars unless otherwise stated.
8. A copy of the Receivership Order and other information regarding these proceedings can be found on the Receiver's website at <https://mnpdebt.ca/en/corporate/corporate-engagements/1609715-alberta-ltd>

PURPOSE OF THE REPORT

9. The purpose of the First Report is to provide this Honourable Court with the Receiver's comments and information in respect of the activities of the Receiver since its appointment on June 16, 2020 and information in respect of an application by the Receiver seeking the following relief:
 - i) Approving the reported actions of the Receiver in administering these receivership proceedings provided that only the Receiver, in its personal capacity and with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approvals; and
 - ii) Approving an increase in the Receiver's borrowing limit set out in the Receivership Order to \$650,000.

ACTIVITIES OF THE RECEIVER

10. Since its appointment, the Receiver has:
 - i) Taken possession of the Property;
 - ii) Changed locks, taken possession of the books and records for the Company, and obtained appropriate insurance for the Property;
 - iii) Engaged an independent contractor to perform daily security checks of the Property;
 - iv) Processed all employees' wages and severance pay applications under the *Wage Earner Program Protection Act*;
 - v) Provided all employees separations and T4 slips;

- vi) Arranged repairs and maintenance to A.C. units and to the plumbing of the Property;
- vii) Obtained quotes for winterization the Property;
- viii) Coordinated and completed GST returns for the Company;
- ix) Maintained the Receiver's website for the proceedings;
- x) Obtained an appraisal of the Property;
- xi) Requested proposals from real estate brokers to list and sell the Property;
- xii) Engaged Avison Young Real Estate Alberta Inc. ("Avison Young") as the listing agent for the Property;
- xiii) Dealt with and assessed numerous offers received on the Property;
- xiv) Retained and instructed Norton Rose Fulbright LLP ("Norton Rose") to conduct a security review on the Servus Security and to consult on the sale process;
- xv) Held discussions and corresponded with Servus, Avison Young, potential purchasers and creditors;
- xvi) Negotiated a conditional asset purchase agreement (the "APA") regarding the Property;

SALES PROCESS

11. The Receiver commenced a sales process (the "Sales Process") on August 12, 2020 after formally engaging Avison Young to solicit invitations for offers to purchase the Property.
12. As a result of the Sales Process, various offers to purchase were received.
13. In consultation with Servus, the Receiver entered into the APA. The APA is subject to certain conditions such as rezoning and financing and it is not anticipated that the conditions will be waived until February 28, 2021. Therefore, the Receiver is not, at this time, presenting the APA to this Honourable Court for approval.
14. Servus supports the Receiver entering into the APA.
15. The Receiver anticipates that closing of the APA will not occur until the end of March 2021, therefore the Receiver will need to maintain the Property until closing at additional and initially unanticipated cost.

LEGAL

16. Norton Rose has provided an opinion that, subject to standard qualifications, the Servus

Security is valid and enforceable against the Property.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

17. Below is the Receiver's Interim Statement of Receipts and Disbursements for the period of June 16, 2020 to November 23, 2020.

1609715 ALBERTA LTD. O/A HAMPTON INN AND SUITES IN AIRDRIE
Interim Statement of Receipts and Disbursements
For the period June 16, 2020 to November 23, 2020

Receipts	
Receiver's certificate ¹	\$ 250,000.00
Miscellaneous refunds	862.05
Total Receipts	<u>\$250,862.05</u>
Disbursements	
Insurance ²	131,541.00
Receiver's fees and costs ³	37,344.49
Utilities	16,441.59
Legal fees ⁴	13,090.50
Security	8,650.00
Repairs and maintenance	6,750.00
Appraisal fees	8,180.80
Miscellaneous expenses ⁵	2,853.40
GST paid and recoverable	3,692.72
Filing fees paid to Official Receiver	70.00
Total Disbursements	<u>228,614.50</u>
Estimated Excess of Receipts over Disbursements	<u>\$ 22,247.55</u>

Notes

- 1) First Receiver's Certificate for \$180,000 issued on July 23, 2020; second Receiver's Certificate of \$70,000 issued on September 18, 2020
- 2) Commercial Insurance Policy with HUB International Insurance Brokers for the period of July 20, 2020 to July 10, 2021.
- 3) Receiver's fees for the period of June 2, 2020 to June 30, 2020
- 4) Legal fees for the period of June 1, 2020 through to August 31, 2020
- 5) Cost of searches, newspaper advertisement, bank charges and City of Airdrie Land use amendment application

18. As the Property's operations have not been restarted, no revenues have been realized and all receipts are from the issuance of Receiver's Certificates.

19. The Receiver has incurred costs to maintain the Property since taking possession including insurance premiums of \$131,541 for the period of July 2, 2020 to July 1, 2021, repairs and maintenance, utilities, appraisal and security cost totaled approximately \$45,000 for the period of June 16, 2020 to October 31, 2020.

20. In addition, legal fees and disbursements to August 31, 2020 of approximately \$14,000, and Receiver's fees and disbursements to June 30, 2020 of \$40,000 have been paid.

OPERATING BUDGET FOR THE PERIOD DECEMBER 1, 2020 TO MARCH 31, 2021

21. Below is the operating budget for the period December 1, 2020 to March 31, 2021 (the "Operating Budget").

1609715 ALBERTA LTD. O/A HAMPTON INN AND SUITES IN AIRDRIE

MONTHLY OPERATING BUDGET
From December 1 2020 to March 31, 2021

	Dec-20	Jan-21	Feb-21	Mar-21
Opening cash balance	\$ 22,000	(\$ 172,500)	(\$ 203,300)	(\$ 232,900)
Estimated Receipts				
GST refund	-	3,700	4,900	-
Total Estimated Receipts	-	3,700	4,900	-
Estimated Disbursements				
Receiver's fees and disbursements (incl. GST) ¹	125,000	15,000	15,000	40,000
Winterization ²	25,000	-	-	-
Estimated Legal fees and disbursements (incl. GST) ³	25,000	-	-	20,000
Utilities	10,000	10,000	10,000	10,000
Contingency	5,000	5,000	5,000	5,000
Snow removal service	3,500	3,500	3,500	3,500
Security	1,000	1,000	1,000	1,000
Total Estimated Disbursements	194,500	34,500	34,500	79,500
Estimated position, net of total disbursements	(\$ 194,500)	(\$ 30,800)	(\$ 29,600)	(\$ 79,500)
Ending cash balance	(\$ 172,500)	(\$ 203,300)	(\$ 232,900)	(\$ 312,400)
Total Estimated Financing Required	(\$ 172,500)	(\$ 203,300)	(\$ 232,900)	(\$ 312,400)

Notes

- 1) December forecast includes payment of invoices in arrears since June 30, 2020 and estimate for November 2020
- 2) Based on quotes obtained as of November 20, 2020
- 3) December forecast includes payment of invoices in arrears since August 31, 2020 and estimate for November 2020

22. The Receivership Order authorized Receiver's Certificate to a maximum of \$250,000. To date, the Receiver has borrowed the maximum amount.
23. The Operating Budget indicates that additional costs of \$343,000 will be incurred by the Receiver until the APA closes.
24. The Receiver recommends that the Receiver's Certificate borrowing limit be increased by \$400,000 to \$650,000 to allow the APA to close. The Receiver anticipates that these increased borrowings will be sufficient to fund its administration of the receivership through closing of the APA.
25. Servus does not object to increasing the Receiver's borrowing limits.

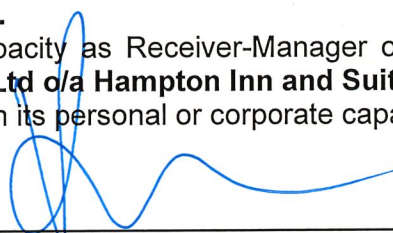
CONCLUSION

26. Based upon the foregoing the Receiver seeks the Court's approval for the following;
- a. Approval of the reported actions of the Receiver in administering these receivership proceedings provided that only the Receiver, in its personal capacity and with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approvals; and
 - i) an order increasing the Receiver's borrowing powers under the Receiver's Certificate from \$250,000 to \$650,000.

All of which is respectfully submitted this 23rd day of November 2020.

MNP Ltd.

In its capacity as Receiver-Manager of **1609715 Alberta Ltd o/a Hampton Inn and Suites Airdrie** and not in its personal or corporate capacity


Per: Victor P. Kroeger, CIRP, LIT, CPA, CA, CFE
Senior Vice President