

Clerk's Stamp

COURT FILE NO. 21-081615

COURT COURT OF KING'S BENCH OF MANITOBA

JUDICIAL CENTRE WINNIPEG

IN THE MATTER OF THE RECEIVERSHIP OF 5684961 MANITOBA LTD.

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

DATED **APRIL 25, 2023**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING
THIS DOCUMENT

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INTRODUCTION AND BACKGROUND

1. 5684961 Manitoba Ltd. (the “**Company**” or “**568**”) was placed into receivership pursuant to an order granted on March 17, 2023 (the “**Receivership Order**”) by the Court of King’s Bench of Manitoba naming MNP Ltd. as Receiver and Manager (the “**Receiver**”) over all of the current and future assets of the Company.
2. The Company has a four-story 30 unit apartment building located at 485 Furby Street in Winnipeg, Manitoba (the “**Property**”). The property has been vacant and was boarded up by the Winnipeg Fire Service due to several acts of vandalism and fire damage prior to the Receivership. The Property remains boarded up and vacant and has not been repaired to date and is without an occupancy permit.
3. The Receivership Order was granted pursuant to an application by First National Financial GP Corporation, (“**First National**”), who holds a first-ranking mortgage against the Property, general security agreements against 568 and a general assignment of rents and leases (the “**Furby Security**”).
4. The Receiver took possession of the Property on March 17, 2023 and since that time has undertaken a number of activities to safeguard and maintain the Property as well as prepare the information necessary to begin a sale solicitation process (the “**SSP**”), as further described herein.
5. A copy of the Receivership Order and other information regarding these proceedings can be found on the Receiver’s website at https://mnpdebt.ca/5684961_manitoba_ltd

NOTICE TO READER

6. 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 the First Report.

7. 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 the First Report, or any reliance or decision to be made based on the First Report, is the sole responsibility of such party.

8. All amounts included herein are in Canadian dollars unless otherwise stated.

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 March 17, 2023 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;
- ii) Increasing the borrowing powers of the Receiver to \$300,000;
- iii) Approving a sale solicitation process to sell the Property; and
- iv) Approving an order to seal the Confidential Supplement (defined below).

ACTIVITIES OF THE RECEIVER

10. Since its appointment, the Receiver has:

- i) Taken possession of the Property;
- ii) Posted notice of the Receivership, taken possession of the limited books and records for the Company;
- iii) Prepared and issued the Notice and Statement of Receiver;

- iv) Engaged an independent property manager to perform physical inspections of the Property;
- v) Obtained quotes for security cameras and perimeter fencing for the Property;
- vi) Engaged with the principal of the Company, Patrick Penner (“**Mr. Penner**”) regarding various requests made to access the Property and access to the insurance funds to make needed repairs to the Property as a result of the numerous fires that have damaged the Property;
- vii) Requested from Mr. Penner (on several occasions), his detailed, documented work plan for all work that Mr. Penner wants to do on the Property as well as requesting that Mr. Penner provide proof of funds to complete the detailed, documented work plan;
- viii) Maintained the Receiver’s website for the proceedings;
- ix) Obtained an opinion of value of the Property;
- x) Engaged an independent contractor to provide an estimate of costs to repair the Property to return the Property to a state that would allow it to be relet;
- xi) Dealt with prior insurance companies to obtain the status of outstanding claims;
- xii) Reviewed existing insurance coverage and engaged an insurance broker to provide quotes for new insurance policies; and
- xiii) Retained and instructed Pitblado Law LLP (“**Pitblado Law**”) to conduct a security review on the Furby Security, to consult on the sale process and to provide legal advice to the Receiver during these proceedings.

RECEIVER’S BORROWING POWERS

11. Pursuant to the Receivership Order granted on March 17, 2023, the Receiver is authorized to borrow up to \$150,000.
12. The Receiver, since its appointment has issued a Receiver’s Certificate for \$140,000, against the current authorized borrowing amount in order to pay professional fees, property management expenses and insurance costs.

13. Below is the Receiver’s interim statement of receipts and disbursements to April 14, 2023;

**5684961 MANITOBA LTD. - In Receivership
Interim Statement of Receipts and Disbursements
For the period March 17, 2023 to April 14, 2023**

Receipts	
Insurance Claim Receipts ¹	<u>\$ 64,795.96</u>
Disbursements	
Receiver's fees and costs ²	16,378.65
Appraisal fees	975.00
GST paid and recoverable	867.68
Filing fees paid to Official Receiver	<u>72.82</u>
Total Disbursements	<u>18,294.15</u>
Estimated Excess of Receipts over Disbursements Represented by Cash in Bank	<u>\$ 46,501.81</u>

Notes

- 1) Insurance cheques from ClaimsPro for damage repairs
- 2) Receiver's fees for the period of January 12, 2023 to March 31, 2023

14. The Receiver has also estimated its costs until the end of May to initiate a sales process and continue the administration of the Receivership proceedings in the amount requested. Professional fees (Receiver and Receiver’s legal) and potential costs associated with insurance are estimated to be over \$86,000.
15. The Receiver has also received an estimated cost analysis from Ash Property Management for the period ending May 31, 2023 of approximately \$50,000 for property management fees, security and construction costs to keep the Property safe, address fines and penalties from Winnipeg Police Services and pay outstanding water and hydro costs.
16. The Receiver is of the view that the sales process will go on for many months and the Receiver will be required fund the Receivership until a sale closes.



17. The schedule below outlines the Receiver's estimated costs to complete a sales process.

MNP Ltd. in its capacity as Receiver of 5684961 Manitoba Ltd. - Additional Funding Estimates		
Insurance - estimated		\$ 10,000.00
MNP Ltd. - Receiver fees		
Estimated Receiver's fees - June - September	20,000.00	
Estimated fees for Court report for SAVO and Receiver's Discharge	<u>30,000.00</u>	50,000.00
Misc:		
Ash Property Management		10,600.00
Ash Property Management - misc costs		<u>5,500.00</u>
Total Misc		16,100.00
Pitblado LLP		
Estimated legal fees June - September	12,000.00	
Estimated fees for SAVO and Receiver's Discharge	<u>20,000.00</u>	
		<u>32,000.00</u>
Subtotal		108,100.00
Contingency		51,900.00
Remaining balance of funding available		- 10,000.00
Total requirement		\$ 150,000.00
Amount requested		\$150,000.00

18. The Receiver currently anticipates that the need for an additional \$150,000 in borrowings will be required to close a sale.

SALES PROCESS

- 19. The Receiver is prepared to commence a sales solicitation process (the “**SSP**”) to solicit invitations for offers to list the Property.
- 20. The SSP will be open to commercial real estate brokers (the “**Interested Parties**”).
- 21. Based on an opinion of value prepared for the Receiver, (the “**OOV**”), there are several options to market and sell the Property, including the option of selling the Property as raw land. A copy of the OOV is attached in the Receiver’s confidential supplement to the First Report (the “**Confidential Supplement**”).
- 22. The Receiver proposes to open the SSP for a period of 15 day in order to allow the realtors to submit their proposals. This process will include inviting Mr. Penner to participate.



23. On the assumption that the Court has approved the SSP, the Receiver will list the Property with the successful realtor and return to Court once an acceptable asset sale agreement with a purchaser has been executed, with the lone remaining condition being the approval of the Court for a sale approval and vesting order.

CONFIDENTIAL SUPPLEMENT TO THE RECEIVER'S FIRST REPORT

24. The Receiver commissioned Avison & Young to prepare an OOV on the Property. The OOV was provided to the Receiver on April 5, 2023. The Receiver is seeking the approval of this Honourable Court to have this information remain confidential until a sale closes or upon a further order of the Court due to the financial analysis it provides and the impact that the release of this information would have on the marketplace if the OOV were not kept confidential. The Receiver is of the view that if the requested sealing order is not granted, the SSP process will be unduly affected.

25. The Receiver requested through Ash, that an independent contractor, Hedman Construction Ltd. ("**Hedman**") provide an estimate of costs to return the Property to a condition that would allow it to again be occupied. Hedman's estimate was also used to determine whether the estimate provided by Mr. Penner was reasonable. Due to the commercial sensitivity that the Hedman and Mr. Penner's estimates contain, it is the Receiver's view that this information be kept confidential as the SSP will be conducted on an as-is basis and the ultimate use of the Property as well as the repairs deemed necessary will be left with a potential purchaser to determine.

LEGAL

26. Pitblado Law has provided an opinion that, subject to standard qualifications, the Furby Security is valid and enforceable against the Property.

CONCLUSION

27. Based upon the foregoing the Receiver seeks the Court's approval for the following;

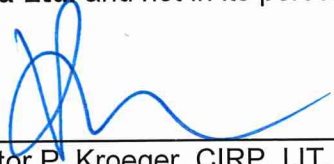
- a. Approval of the reported actions of the Receiver in administering these receivership proceedings provided that only the Receiver, in its personal capacity and with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approvals;

- b. Amendment of the Receivership Order to increase the Receiver's Borrowings to \$300,000;
- c. Approval of the Receiver initiating the SSP; and
- d. Approval of a Sealing Order of the Confidential Supplement to the First Report.

All of which is respectfully submitted this 25th day of April 2023.

MNP Ltd.

In its capacity as Receiver-Manager of **5684961 Manitoba Ltd.** and not in its personal or corporate capacity



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