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COURT FILE NO. 21-081615

COURT COURT OF KING'S BENCH OF MANITOBA

JUDICIAL CENTRE WINNIPEG

IN THE MATTER OF THE RECEIVERSHIP OF 6525785 MANITOBA LTD.

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

DATED **JUNE 9, 2023**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION OF  
PARTY FILING  
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**APPENDICES**

Appendix A

Redacted listing proposal from Avison Young

## **INTRODUCTION AND BACKGROUND**

1. 6525785 Manitoba Ltd. (the “**Company**” or “**652**”) 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 only asset of the Company is a 24-unit, four-story apartment building located at 480 Young Street in Winnipeg, Manitoba (the “**Property**”). Following a significant fire in the fall of 2022, the City of Winnipeg Fire Department removed all tenants and boarded up the Property. Upon certain repairs being completed by January 2023, the City of Winnipeg issued a partial occupancy permit that allowed the Company to lease 14 of the units. Prior to the receivership 11 of the units had been leased and an additional 3 units were leased after the Receivership Order was granted. Additional repairs are required before the balance of the units in the Property will be given an occupancy permit such that they can be leased.
3. The Receivership Order was granted pursuant to an application by First National Financial GP Corporation, (“**First National**”), who holds a first-registered mortgage against the Property, general security agreements against 652 and a general assignment of rents and leases (the “**Young Security**”).
4. The First Report of the Receiver (the “**First Report**”) was issued on April 25, 2023.
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//6525785\\_manitoba\\_ltd](https://mnpdebt.ca//6525785_manitoba_ltd)

## **NOTICE TO READER**

6. In preparing this second report (the “**Second 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 Second 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 Second Report. Any use, which any party makes of the Second Report, or any reliance or decision to be made based on the Second 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 Second Report is to provide this Honourable Court with:
  - a. Details relating to the administration of the Receivership, including a request for approval of the Second Report and the activities of the Receiver described herein;
  - b. An update on the Property listing process;
  - c. Obtain the Court's approval to list the Property for sale with Avison Young Commercial Real Estate (Manitoba) Inc. ("**Avison Young**"); and
  - d. Approve an order to seal the Receiver's Confidential Supplement (defined below).

#### **THE ADMINISTRATION OF THE RECEIVERSHIP**

10. The Receiver has been requested by this Honourable Court to provide additional details relating to the receivership administration to date.
11. The Receiver advised in its Notice and Statement of Receiver, dated March 27, 2023 that, according to the supporting documents filed for the Receivership application, the amount owing by the Company to its creditors was:

	Creditor Name	Amount in \$CDN
<b>Secured</b>		
	First National Financial Corporation	\$ 1,726,176.00
	City of Winnipeg - Property Tax	\$ 137,953.00
<b>Unsecured</b>		
	City of Winnipeg - Water & Waste	\$ 146.00
	City of Winnipeg - Planning, Property & Development	\$ 846.00

12. Subsequent to the filing of the NSR, the Receiver received a property tax report that indicated a total balance owing to the City of Winnipeg was only \$69,267.41 including 2022 penalty arrears and interest. This amount was paid by the Receiver. The 2023 property taxes are \$25,060.42 and in order to minimize additional penalties and interest, these were paid directly by First National on May 24, 2023.
13. The amount owing to First National will include the 2023 property taxes paid by First National and First National's debt will continue to accrue interest and charges.
14. No other creditors have come forward as being owed money for the pre-receivership period although no claims process has yet been undertaken by the Receiver.
15. The Property currently has 10 tenants in the Property and generates sufficient funds from operations to cover the associated expenses, and the expenses of Ash Property Management ("**Ash**"), the property manager. The property manager financial reporting statement generated by Ash is summarized below and the net rental receipts are being held in trust by Ash:

6525785 Manitoba Ltd. o/a 480 Young St.  
Rental statement of receipts and disbursements  
For the period March 17, 2023 to April 30, 2023

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Rental income	\$9,421.00
Hydro	500.00
Water	500.00
Administration fees	50.00
Bank charges	50.00
Property Manager fees	3,116.13
Cleaning	1,408.96
	5,625.09
Net rental receipts over net operating expenses held in trust by property manager	\$3,795.91

16. A copy of the Receiver's interim statement of receipts and disbursements (the "SRD"), not including the rental receipts and disbursements is below.

6525785 Manitoba Ltd.  
Statement of Receipts & Disbursements  
For the period March 17, 2023 to May 30, 2023

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Receipts:	
Interim insurance claims received	\$200,000.00
Interest earned	0.02
Total Receipts	200,000.02
Disbursements:	
Filing fees	72.82
Receiver's fees and disbursements	31,264.45
Legal fees and disbursements	21,690.61
Opinion of value fees	975.00
GST paid	2,735.75
PST paid	1,478.06
Utilities	98.03
Repairs & Maintenance	345.00
Property taxes	69,267.41
Total Disbursements	127,927.13
<b>Excess of Receipts over Disbursements represented by Cash in Bank</b>	<b>\$72,072.89</b>

17. Based on the cash on hand and our current availability of Receiver's Borrowing Charge, we do not anticipate requiring any increase in the Receiver's Borrowing Charge at this time.

### **SALE SOLICITATION PROCESS**

18. As directed by this Honourable Court, the Receiver issued a request for proposals (the "RFP") to list the Property for sale.

19. An email outlining the RFP request was distributed to the following 8 local and national real estate brokers:

- a. North Atlas Commercial Real Estate
- b. Monopoly Realty
- c. Avison Young
- d. Cushman Wakefield Winnipeg Stephenson
- e. Re/Max Executives Realty
- f. Capital Commercial Real Estate Services Inc
- g. Coldwell Banker Preferred Real Estate
- h. Colliers International Group

20. The brokers that were selected to participate in the RFP represent national as well as local brokers that have significant experience in listing and selling multi-family residential buildings.

21. The RFP deadline was May 15, 2023 (the "**Deadline**"). On the Deadline, the Receiver received 4 proposals, the details of which are outlined and provided in the Receiver's Confidential Supplement to the Second Report

22. Based on the proposals received, the Receiver recommends to the Court that the Property be listed on an as-is basis with Avison Young. We recommend listing with Avison Young due to its pricing, suggested listing period, name in the market and familiarity with properties similar to Young. A copy of the redacted (for recommended listing price, potential selling price and commission structure) Avison Young proposal is attached hereto as Appendix ("**A**")

### **CONFIDENTIAL SUPPLEMENT TO THE RECEIVER'S SECOND REPORT**

23. The Receiver's confidential supplement to the Second Report (the "**Receiver's Confidential**

**Supplement**") is being filed to provide the Court with commercially sensitive information.

24. A detailed breakdown of the proposals received from the RFP is outlined in the Receiver's Confidential Supplement. The Receiver is of the view that the details relating to the proposals submitted during the RFP process should remain sealed at this time in order to protect the commercial integrity of the RFP process as well as protect the strategies, pricing and market strategies that each of the proposals entail.
25. The Receiver is seeking a Sealing Order until after a sale of the Property closes, or until a further Order of this Honourable Court directs the release of that information, to ensure the market for the Property will be preserved until a Court approved sale closes.

### **CONCLUSION**

26. Based upon the foregoing the Receiver seeks the Court's approval for the following;
- a. Approval of the Second Report and the activities of the Receiver described herein;
  - b. Approval for the Receiver to execute a listing agreement with Avison Young for the Property; and
  - c. Approval of a Sealing Order of the Receiver's Confidential Supplement.

All of which is respectfully submitted this 9th day of June 2023.

**MNP Ltd.**

In its capacity as Receiver-Manager of **6525785 Manitoba Ltd.** and not in its personal or corporate capacity



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



# APPENDIX A

# Marketing and Sales Strategy Proposal

**Prepared for: Rick Anderson – MNP Ltd.**

Regarding: 480 Young Street



**Todd Labelle**

Todd Labelle Personal Real Estate Corporation  
Vice President, Alternate Broker  
204 560 1509  
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**Paul Douglas**

Associate  
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**Steven Luk Pat**

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**AVISON  
YOUNG**

# 480 Young Street Executive Summary

## 480 Young Street

### Positive Factors

- 480 Young Street's geographic location in the Spence neighbourhood adjacent to the up-and-coming West Broadway locale shows consistent demand for affordable rental housing due to its proximity to downtown Winnipeg and the University of Winnipeg.
- Excellent transit, bike and walk scores.
- Opportunity for a buyer to acquire an income generating asset which will assist with meeting lender criteria, increasing the number of qualified purchasers.
- Extensive renovations required for multiple suites enables investors to capitalize on new, increased rent structures above the allowable annual rent increases set forth by the Residential Tenancy Act.
- Electrical, including separately metered suites and HRV system upgrades appear to have been initiated and in some suites, completed.

### Challenges Identified

- Some common area elements require upgrades and/or maintenance work.
- The building is situated in a high crime area, which adds risk and insurance costs to the property.
- Damage to the front door from multiple break ins.
- Parking is limited to the street.
- The remaining suite work has not been confirmed, albeit it does not appear to be insurmountable for many developers.

### Summary

This property is currently in a well-placed and marketable position. Taking the noted factors into consideration, adjusting the proforma with current income and expenses and considering a capitalization rate that an investor would be willing to accept in order to pursue the challenges of the project, the final sale price will range between [REDACTED].





# Price Recommendation

Given the current cash flow from the property, low area vacancy and limited work required to achieve above market rent increases, we are confident this building will be well received by our client base and the broader market. Based on comparable revenue generating properties, we recommend pricing the building at [REDACTED] per leased unit and [REDACTED] per unit that require improvements, assuming the improvement cost does not exceed [REDACTED] per unit [REDACTED] and [REDACTED] for common area [REDACTED]. We recommend listing the property for [REDACTED].

The noted suggested pricing guidance encompasses all factors for consideration and there must be some benefit allowance factored in for the work a developer must do compared with a fully leased property.

Should the property be renovated to leasable condition, we anticipate achieving an [REDACTED] Cap Rate with an Opinion of Value being [REDACTED].

## Marketing Strategy

Our marketing strategy that begins with direct targeted marketing to our list of local and national developers combined with broker blasts, the Avison Young website, Realtor.ca and multiple media and marketing platforms which will garner maximum exposure to the market.

A realty fee of [REDACTED] of the final purchase price of this property will be split evenly between Avison Young and any outside broker who provides a successful offer. While many of our competitors split the fees on a less favorable basis with outside brokers, Avison Young's approach to fairness encourages the participation of the outside brokerage community, which in turn produces stronger offers and results for our clients.

Avison Young is proud of its reputation for thoroughness when evaluating prospective purchasers and offers. This property has significant challenges that will require consultation with city planners, contractors and counter due diligence to ensure the purchasers are receiving accurate information from their consultants.







# Our Team



**Todd Labelle**  
Vice President, Alternate Broker  
*Todd Labelle Personal Real Estate Corporation*

Todd Labelle has over 15 years of real estate experience in Winnipeg. He initially entered the residential side of real estate, establishing knowledge of condominiums and land development. Over the years, Todd has gained extensive experience in the retail sector with a primary focus on land, specifically for residential and commercial development. Todd successfully closed 17 multifamily land transactions from January 2019 to present for a total of 69.13 acres with a dollar value of approximately \$51MM. He has entered into negotiations or conditional offers on 12 additional properties for a total of approximately 49 acres with a value of approximately \$57MM. Todd's primary focus has been in the Winnipeg and Brandon markets and communities in close proximity to Winnipeg. Todd completed his Broker's Licensing course in 2021 and is a registered Authorized Official / Alternate Broker with Avison Young. He is also a member of the Kidney Foundation of Canada - MB Branch.



**Paul Douglas**  
Associate

Pau Douglas is focused on retail leasing and sales, investment and land development. He has over fifteen years of experience in business development, retail management, real estate investment and property management. His entrepreneurial experience has contributed to a comprehensive understanding of business, sales and negotiation. Paul is a member of the International Council of Shopping Centres (ICSC) and is a candidate of the Certified Commercial Investment Member (CCIM) designation. His clients appreciate his commitment to gaining a deep understanding of their business, goal and objectives.



**Steven Luk Pat**  
Associate

Steven has a wealth of experience of over ten years as a Management Professional in a range of industries including Event Management, Institutional Food Service Management, Project Management and Entrepreneurship. He holds a BA in International Relations with Minors in Economics & Hospitality Management from Florida International University in Miami, Florida. In 2021, Steven completed his Certified Associate in Project Management (CAPM) from the Project Management Institute and in 2022, he completed the Canadian Securities Course (CSC).



**Nicole Abbott**  
Marketing Manager

### Experience

- ▶ 23 years experience in the industry
- ▶ Client services specialist
- ▶ Project management



**Tracy Bramwell Chubaty**

Research Analysis / Social Media

### Experience

- ▶ Over a decade of experience in the industry
- ▶ Manages and analyzes industry databases
- ▶ Market research expert
- ▶ Promotes listings and market reports through social media

# Our Company

REAL ESTATE  
PROFESSIONALS

5,000+

BROKERAGE  
PROFESSIONALS

1,100

SF UNDER  
PROPERTY MGMT

225MIL

NUMBER OF  
OFFICES

100+

NUMBER OF  
COUNTRIES

17

**Avison Young** creates economic, social and environmental value as a global real estate advisor, powered by people. At Avison Young, we believe in creating positive impact wherever we go.

There is a vital role for commercial real estate to create healthy, productive workplaces for employees, cities that are centres of prosperity for its citizens and built spaces and places that create a net benefit to the economy, the environment and the community.

Our agile team has global insight, local market expertise and access to some of the most comprehensive technology in the commercial real estate industry – all at the ready to work on creating your competitive advantage. As a private company, you will collaborate with an empowered partner who is invested in your success as much as you are.



## For investors

Reaching the goals important to you and appreciating what you value. Informed perspectives on value creation across your portfolio and in every location. An owner's mindset focused on driving your properties' performance for long-term economic and environmental sustainability. The opportunity for your assets to positively impact the community around you – attracting great tenants, improving local amenities and engagement, supporting local employment.



## For occupiers

Making your space a key to achieving your most strategic goals for cost management, productivity, health and wellbeing and more. Unique focus on creating great environments for people to thrive as they work, shop and live. Space optimization that drives business goals. Aligned solutions that span planning, brokerage and property management. Needs that are anticipated and expertly managed.



## What you always get from us

A proactive partner invested in your success. The right mix of around-the-corner knowledge and multi-national expertise. Teams backed by the best intelligence technology. A long view of our relationship where your interests come first.





# We look forward to the opportunity of working together

**Todd Labelle**

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[avisonyoung.com](http://avisonyoung.com)

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**AVISON  
YOUNG**

**CANADA  
BEST  
MANAGED  
COMPANIES**

Platinum member