



COURT FILE NUMBER 2003 15729

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

PLAINTIFF 1082476 ALBERTA LTD.

DEFENDANTS **104 AVENUE (EDMONTON) DEVELOPMENT CORP.**

DOCUMENT **FIRST REPORT OF THE RECEIVER, MNP LTD., DATED August 3, 2021**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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Solicitors for the Receiver, MNP Ltd.

**Introduction and Purpose of the Report**

1. MNP Ltd. was appointed as Receiver of the real property legally described as:

PLAN B-2  
BLOCK SIX (6)  
LOTS ONE HUNDRED AND SIXTY-SIX (166) AND ONE HUNDRED AND SIXTY-SEVEN (167)  
EXCEPTING THEREOUT ALL MINES AND MINERALS.

PLAN B-2  
BLOCK SIX (6)  
LOTS ONE HUNDRED AND SIXTY-FIVE (165) AND ONE HUNDRED SIXTY-EIGHT (168)  
TO ONE HUNDRED AND SEVENTY-TWO (172) INCLUSIVE.

and

PLAN B2  
BLOCK 6  
LOTS 163 AND 164  
EXCEPTING THEREOUT ALL MINES AND MINERALS OUT OF LOT ONE HUNDRED AND SIXTY-FOUR (164) ONLY.

(hereinafter referred to collectively as the "Property") pursuant to a Court of Queen's Bench of Alberta (the "Court") Order dated February 17, 2021 (the "Receivership Order").

2. The Property is owned by 104 Avenue (Edmonton) Development Corp. (the "Company").
3. The purpose of the Receiver's First Report to Court (the "First Report") is to provide the Court with an update with respect to the following:
  - a) Activities of the Receiver;
  - b) Status of the Realtor Listing Sales Process;
  - c) Summary of the Priority and Secured Interests;
  - d) Receiver's Proposed Sales Process;
  - e) Receiver's Interim Statement of Receipts and Disbursements; and
  - f) Summary of Professional Fees;
4. In preparing the First Report and making comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information of the Company, the Company's books and records, 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.
5. Further information relating to the receivership proceedings can be located on the Receiver's website at <https://mnpdebt.ca/en/corporate/corporate-engagements/104-ave-edmonton-development-corp>.

#### **Initial Activities of the Receiver**

6. On February 22, 2021 the Receiver attended to the Property to take possession.
7. In taking possession of the Property the Receiver:
  - changed the locks to the exterior entrances;
  - toured the Property to identify any security risks and/or maintenance requirements;
  - retained a contractor to assist with securing different access points to the Property;
  - contacted the security company retained by the Company to advise of the Receiver's appointment and provide direction on daily security checks; and
  - placed liability insurance on the Property.
8. The Receiver contacted the third party leasing approximately half of the Property for the purposes of a parking lot to confirm the status of the lease and lease payments outstanding.
9. The Company provided the Receiver with the requested books and records in relation to the Property.
10. The Receiver has completed site checks regularly at the Property, however, due to a series of break-ins and vandalism the Receiver has had to complete repairs and incur additional costs to address graffiti.
11. The building on the Property was subject to fire and water damage in June 2020 and to the Receiver's knowledge no work has been done to clean up this damage since the event. The Receiver sought quotes to complete a clean up of the debris on the main floor of the Property as well as a water issue in the subfloor (parkade) level.
12. The Receiver notified the stakeholders on of the estimated costs to clean up the fire, water and debris damage of the Property for the purposes of making it more attractive to potential purchasers. The total estimated costs were approximately \$45,000 - \$50,000. The Receiver advised that these costs would need to be paid through advances under Receiver's

Borrowings, however, none of the stakeholders advised they were interested in funding these costs. Copies of the correspondence to the stakeholders is attached as **Schedule 1**.

13. The estimated costs associated with the removal of the water in the parkade level of the Property are based on the assumption that the water is contaminated and would need to be hauled to a waste water treatment facility. The Receiver is in the process of having the water tested to confirm whether or not it is contaminated and if not, whether other options might be available for this remediation.

#### **Status of the Realtor Listing Sales Process**

14. In accordance with the terms of the Receivership Order the listing agreement entered into by the Company with CBRE Limited ("CBRE") prior to the Receiver's appointment was to continue for the duration of the agreement.
15. The CBRE Listing Agreement was entered into in November 2020 and included a listing price of \$14.5 million for the Property.
16. CBRE has marketed the Property since January 2021 through its distribution network both across Canada and internationally. The marketing process generated in excess of 500 views on-line resulting in 33 information package downloads.
17. From January 2021 to July 24, 2021 the CBRE marketing process generated 2 Letters of Intention ("LOI"). Details with respect to the 2 LOIs are included in the Receiver's Confidential Addendum to the First Report (the "Confidential Addendum").
18. The Receiver circulated details relating to the 2 LOIs to the stakeholders and discussed the terms of the 2 LOIs with the Company, however, based on the feedback from the stakeholders neither one of the 2 LOIs were considered acceptable.
19. CBRE advises the Receiver that the sale of the Property for the purposes of a high rise development project does not seem probable in the current market (due to the current level of condominium inventory on the market and in progress to be constructed). Third parties interested in the Property are pricing based on a mid-rise development opportunity which results in a reduced value.
20. The listing agreement with CBRE expired on July 24, 2021 and in accordance with the terms of the Receivership Order the Receiver is required to return to Court for approval prior to initiating any further marketing process for the Property.

#### **Summary of Priority and Secured Creditors**

##### *City of Edmonton*

21. The City of Edmonton has a priority claim for property tax arrears and current amounts outstanding. As at July 30, 2021 this amount is estimated to be \$365,813.

##### *1082476 Alberta Inc. ("108")*

22. 108 holds first position mortgage security registered against the Property. Counsel for the Receiver has provided an opinion that the security is valid and enforceable. The approximate balance owing to 108 as at August 30, 2021 would be \$9,040,745 (not including enforcement costs). The Receiver's Counsel has also reviewed whether 108 can claim higher rates of interest on the 108 indebtedness pursuant to mortgage amending agreements, to the current rate of 14% per annum, in priority to subsequent encumbrancers given that the present rate of interest is higher than the rate specified in the original mortgage. Receiver's Counsel has provided an opinion that 108 can properly claim the increased interest pursuant to mortgage amending agreements in priority to the subsequent encumbrancers.

*Stercus Accidit Mortgage Corporation ("Stercus")*

23. Stercus holds second position mortgage security registered against the Property with a principal balance of \$1.6 million. The Receiver's counsel has not yet reviewed the Stercus security.

*2436619 Ontario Inc. ("Luxe")*

24. Luxe holds third position mortgage security registered against the Property with a principal balance of \$2.0 million. The Receiver's counsel has not yet reviewed the security of Luxe.

*Morgan Investments Group ("Morgan")*

25. Morgan holds fourth position mortgage security registered against the Property with a principal balance of \$3.5 million. The Receiver's counsel has not yet reviewed the security of Morgan.

*Kingsett Mortgage Corporation ("Kingsett")*

26. Kingsett holds fifth position mortgage security registered against the Property with a principal balance of \$11 million. The Receiver's counsel has not yet reviewed the security of Kingsett.

**Receiver's Proposed Sales Process**

27. CBRE, with expertise in the marketing and sale of commercial properties, has marketed the Property for approximately 7 months through the CBRE listing agreement. That sales process generated two LOIs that were not acceptable to the stakeholders.
28. CBRE advises the Receiver that the current market for the Property is likely limited to local purchasers due to the current level of development projects in progress and/or planned for downtown Edmonton as well as the current state of the local economy.
29. 108 commissioned an appraisal through Gettel Appraisals dated October 28, 2020 that provided for a Market Value ("MV") and Forced Sale Value ("FSV") of the Property. A copy of the Gettel Appraisal was filed with the Court with the Affidavit of Value on December 18, 2020.
30. The 2 LOIs submitted through the CBRE marketing process included purchase prices in line with (or lower than) the FSV referenced in the Gettel Appraisal and included terms such as vendor take back financing and or extended closing dates. The Receiver notes that the Gettel Appraisal does not assume any costs for the remediation/demolition of the building (for further development) where the potential purchaser who did not require vendor take back financing required these costs be deducted from the purchase price.
31. 108 has advised the Receiver that it will extend a credit bid to purchase the property in lieu of amounts owed under its first position mortgage security. The structure of this bid would include payment of all priority claims (including the Receiver's fees and disbursements).
32. Based upon the current rate of interest of 14% on the 108 financing the Receiver has completed an analysis of the purchase price required for the Property to fully satisfy the priority claims and the 108 financing in full under various timelines. A copy of that analysis is attached as **Schedule 2**.
33. Based upon the Receiver's analysis a purchase price in line with the FSV (net of the demolition and reclamation costs) would need to be obtained and the transaction closed before May 2022 for there to be sale proceeds available for distribution to creditors other than 108 (after payment of priority claims). Based on discussions with CBRE a sale transaction in this price range is likely to require either vendor take back financing or a prolonged closing date (similar to the LOIs submitted to CBRE during the listing process).

34. The Receiver proposes to run a 45 day sales process that would include the following:
- a) Receiver to circulate an Information Summary and Invitation for Offers to the general public, commercial realtors, and any party provided by the Company and Stakeholders;
  - b) Advertising on social media platforms;
  - c) Set terms and conditions as well as a pre-determined form of Offer to Purchase document for all parties interested to submit an Offer; and
  - d) Deadline for submissions of Offer to Purchase to be 45 days from the initiation of the sales process.
35. Upon conclusion of the Receiver's proposed sales process an Offer to Purchase can be brought to Court for approval if deemed reasonable by the Receiver.

**Receiver's Interim Statement of Receipts and Disbursements**

36. Attached as **Schedule 3** is a copy of the Receiver's Interim Statement of Receipts and Disbursements.

**Professional Fees**

37. Attached as **Schedule 4** is a copy of a summary of the Receiver's Fees and Disbursements to July 30, 2021.
38. Attached as **Schedule 5** is a summary of the Receiver's Legal Fees and Disbursements.

**Conclusion**

39. The Property has been marketed through a listing agreement with CBRE for approximately 7 months with 2 LOIs being submitted where neither one was acceptable to the stakeholders.
40. The monthly holding costs (including accrued interest) are such that, based on the estimated value of the Property, within a short period of time the value of the first position secured mortgage (after accounting for priority claims and reclamation costs) will exceed the value of the Property.
41. The Receiver seeks the Courts approval in authorizing a 45 day sales process for the Property on the basis that the Property has already been widely exposed to the market and a deadline would create some urgency in the market for those interested in participating. A 45 day sales process provides for an opportunity to obtain near FSV within a time frame that could allow for payment in full of the priority and first position secured creditor with the potential for distribution to creditors in priority behind the first position secured creditor. A prolonged sales process, once accrued interest and holding costs are considered, will significantly diminish that opportunity.

All of which is respectfully submitted this 3rd day of August, 2021.

**MNP Ltd.**

In its capacity as Receiver of  
**The Property of 104 Ave (Edmonton) Development Corp.**  
And not in its personal or corporate capacity

  
Per: Eric Sirrs, CIRP, LIT  
Senior Vice President

# SCHEDULE 1

## Eric Sirrs

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**From:** Eric Sirrs  
**Sent:** April 9, 2021 10:36 AM  
**To:** 'Sheila English'; Lindsey Miller; ateasdale@lawsonlundell.com; tlee@kingsettcapital.com; Kentigern Rowan  
**Cc:** Darren Bieganeck  
**Subject:** 104 Ave Edmonton Development Corp ("104 Ave Edmonton") - Receivership Update  
**Attachments:** 11.jpg; 3.jpg; 7.jpg; 5.jpg

Stakeholders,

As you are aware MNP Ltd. was appointed the Receiver of the property owned by 104 Ave Edmonton (the "Property") on February 17, 2021. In the process of taking possession of the property we have identified the following challenges with its current state:

- Some access points to unauthorized individuals remain on the second level, we have engaged a service provider to cover up and secure these access points;
- Since the fire and subsequent water damage from the summer of 2020 the property has not been "cleaned up" in any way (please see attached pictures for reference); and
- The basement level (formerly a parkade) currently has approximately 6 inches of solid ice from water that appears to have been unable to drain properly (either from the water damage to extinguish the fire or gathered through the summer/fall).

In consultation with the listing realtor we believe consideration should be given to removing the debris from the ground floor of the property for the purposes of improving the presentation of the property to potential purchasers. While the building itself is likely of no value to a potential purchaser in its current state it presents poorly and likely suggests additional costs to a purchaser in the short term to clean up and/or demolish. We have obtained one cost estimate of approximately \$20,000 (and are waiting on a second cost estimate) to remove the debris and clean out the main level of the property essentially to a broom swept condition. As the weather warms up we will also be obtaining quotes to address the water issue in the parkade level.

We are estimating costs of approximately \$25,000 - \$30,000 to clean up the debris on the main floor and address the water issue in the parkade level (subject to change upon receipt of a cost estimate) and are inquiring as to whether or not any of the secured lenders are interested in funding these costs under Receiver's Certificates.

With regards to the ongoing marketing of the property through the listing realtor (CBRE), as per Mr. Rowan's email of March 16, 2021 to date one LOI has been submitted for which the terms (in particular the closing date) was determined to be unacceptable. CBRE advises there could be another LOI presented in the near future based on recent interest, however, as of April 9 nothing has been submitted.

The Receiver requested MNP's property tax assessment group review the 2020 tax assessments for the potential of appealing the assessed values and was advised that the per squarefoot valuation assessed by the city is likely below market value resulting in a recommendation to not pursue a property tax appeal for 2020. An issue with graffiti on the exterior of the building has resulted in the City of Edmonton assessing a fine (added to the property tax balance) for cleaning. Currently the total outstanding property taxes (including fines) are approximately \$170,471.92.

Should you require any further information please do not hesitate to contact me.

Regards,

**Eric Sirrs, CIRP, LIT**  
SENIOR VICE PRESIDENT

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Member of Praxity, AISE.  
Global Alliance of Independent Firms

Please be advised that our **MNP office is open to the public** under safety protocols. Due to the City of Edmonton bylaw, effective August 1, 2020, **masks are required** on our floor that is open to the public, and during in-person meetings at the MNP office. We have taken social distancing measures to ensure the health and safety of our team members and our clients. Many on our team are continuing to work remotely. We continue to accept electronic delivery of files and documents via the Client Upload or Client Portal links on our website. Please contact your MNP advisor for assistance if required.

For relevant and up-to-date information, visit our [COVID-19 Business Advice Centre](#) on our website. You will find timely updates on Government regulations, tax information, advice for employers and our continued response to this evolving circumstance.



# SCHEDULE 2

**Purchase Price and Estimated Net Realization Values**

	<b>Aug-31</b>	<b>Nov-30</b>	<b>Feb-28</b>	<b>May-31</b>
Purchase Price	10,090,000	10,420,000	10,795,000	11,200,000
<i>Price per sqft (\$)</i>	<i>134</i>	<i>139</i>	<i>144</i>	<i>149</i>
<i>Reclamation Costs</i>				
Abatement ( <i>Asbestos</i> )	90,500	90,500	90,500	90,500
Demolition	335,780	335,780	335,780	335,780
<b>Net Realization Value</b>	<b>9,663,720</b>	<b>9,993,720</b>	<b>10,368,720</b>	<b>10,773,720</b>
<i>Price per sqft (\$)</i>	<i>129</i>	<i>133</i>	<i>138</i>	<i>143</i>
<i>Priority Interests</i>				
Property Tax (1)	365,813	365,813	399,813	450,813
City penalties and interest	18,291	18,291	18,291	18,291
Realtor Commission (2%)	201,800	208,400	215,900	224,000
Professional Fees (2)	25,000	30,000	40,000	50,000
<b>Net Realization</b>	<b>9,071,107</b>	<b>9,389,507</b>	<b>9,713,007</b>	<b>10,048,907</b>
<i>Secured Interest</i>				
1082476 Alberta Inc.	9,065,745	9,065,745	9,065,745	9,065,745
1082476 Alberta Inc. (accruing interest)		317,301	634,602	951,903
1082476 Alberta Inc. (enforcement costs)		5,000	10,000	15,000
<b>Surplus Realization After Priority and 1st Secured</b>	<b>5,362</b>	<b>1,461</b>	<b>2,660</b>	<b>16,259</b>
Stercus Accidit	1,660,000	1,660,000	1,660,000	1,660,000
Lux London	2,083,333	2,083,333	2,083,333	2,083,333
Morgan Investments Group	3,675,000	3,675,000	3,675,000	3,675,000

Notes:

- (1) Property Taxes estimated to increase by approximately \$17,000 per month starting Jan 2022. Accruing interest and penalties for property tax arrears have not been included.
- (2) Professional Fees estimated to increase due to ongoing administration.

# SCHEDULE 3

**104 Ave (Edmonton) Development Corp. - Receivership**  
Receiver's Interim Statement of Receipts and Disbursements  
February 17, 2021 to Jul 30, 2021

	Feb 17/21 to 23/21 (\$)	Jul Variance (\$)	Feb 17/21 to Jul 30/21 (\$)
<b>RECEIPTS</b>			
Rental Income	40,136.96	-	40,136.96
	<b>40,136.96</b>	<b>-</b>	<b>40,136.96</b>
<b>DISBURSEMENTS</b>			
Filing Fees	71.54	-	71.54
GST Paid	798.89	-	798.89
Insurance	824.00	-	824.00
Receiver's Legal Fees	12,090.60	-	12,090.60
Locksmith	127.00	-	127.00
Security Services	3,759.88	-	3,759.88
Repairs and Maintenance	4,375.00	-	4,375.00
	<b>22,046.91</b>	<b>-</b>	<b>22,046.91</b>
<b>NET PROCEEDS</b>	<b>18,090.05</b>	<b>-</b>	<b>18,090.05</b>

# SCHEDULE 4

**SUMMARY OF RECEIVER'S FEES AND DISBURSEMENTS**  
**104 Ave (Edmonton) Development Corp. Property - Receivership**

**FEE SUMMARY**

	<u>Hours</u>	<u>Fees</u>
Eric Sirrs	19.50	12,417.50
Maha Shah	14.80	3,076.80
Reina Ainsworth	11.60	2,300.90
	<u>45.90</u>	<u>17,795.20</u>

**Total Hours**

**45.90**

**TOTAL FEES**

**17,795.20**

**DISBURSEMENT SUMMARY**

Locksmith	<u>12.50</u>
	12.50

**TOTAL DISBURSEMENTS**

**17,807.70**

**TOTAL FEES AND DISBURSEMENTS**

**17,807.70**

Less Interim Billings

-

**NET FEES AND DISBURSEMENTS (not including GSI)**

**17,807.70**

# SCHEDULE 5

SUMMARY OF RECEIVER'S LEGAL FEES  
RECEIVERSHIP OF 104 AVE (Edmonton) Development Corp. Property

	<b>Date</b>	<b>Invoice #</b>	<b>Fees and Disbursements</b>	<b>GST</b>	<b>Total</b>
Duncan Craig LLP	31-Mar-21	346721	5,297.50	264.88	5,562.38
Duncan Craig LLP	29-Jun-21	349140	6,793.10	339.66	7,132.76