

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

DATED **JUNE 9, 2023**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING
THIS DOCUMENT

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RECEIVER-MANAGER
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APPENDICES

Appendix A

Redacted listing proposal from Avison Young

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 only asset of the Company is a four-story, 32 unit apartment building located at 485 Furby Street in Winnipeg, Manitoba (the “**Property**”). The property has been vacant due to a fire in late 2022 and that, due to safety concerns, resulted in the Property being boarded up by the City of Winnipeg Fire Service.
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 568 and a general assignment of rents and leases (the “**Furby 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//5684961_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. The Receiver's recommendation to list the Property for sale with Avison Young Commercial Real Estate (Manitoba) Inc. ("**Avison Young**"); and
 - d. The Receiver's request for an order to seal the Receiver's Confidential Supplement (as 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 of the following payables of the Company that the Receiver was aware of from the Receivership application materials:

	Creditor Name	Amount in \$CDN
Secured		
	First National Financial Corporation	\$ 2,470,000.00
Unsecured		
	Manitoba Hydro	\$ 2,500.00
	Major Electric Ltd.	\$ 4,586.80

12. As the Receiver did not have sufficient borrowing rights under the Receivership Order, First National paid the City of Winnipeg the actual amount owing for property taxes and City of Winnipeg utilities for 2023, and prior years, of \$263,787.28 on May 24, 2023 to stop interest and penalties from accruing.
13. The amount owing to First National, including the amount paid for property taxes, continues 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. As noted in the First Report, the Receiver requested amongst other things, an increase in the Receiver's Borrowing Charge, as defined in the Receivership Order. The Receiver advises that since the First Report the Receiver has been able to repay the borrowings received under Receiver's Certificate 1 and that, at this time, an increase in the Receiver's Borrowing Charge is not required.
16. The Receiver has been provided with claim details for the 2 insurance claims that have been made on the Property. The Receiver's current summary of the insurance claims are outlined below.

Claim #1		
Date		31-Aug-22
Cause	Fire	
Money Paid from Claim		
Loss of Rent - Sept. 2022 - Jan. 2023	\$	83,420.00
Repairs - ACV Paid	\$	<u>64,795.96</u>
To be paid	\$	18,624.04
Additional Claim Amounts Outstanding		
Demo/Tear-out	\$	23,115.72 This is after \$5,000 deductible. Not paid yet because damaged areas have not been torn out yet.
Emergency Board-up	\$	1,201.47
Total additional claim amounts outstanding	\$	<u>42,941.23</u>
Total potential insurance amount still to be recovered Claim 1	\$	61,565.27

Claim #2		
Date		26-Sep-22
Cause	Fire	
Money Paid from Claim to date		
	\$	-
Money Outstanding		
Repairs - ACV Quoted	\$	65,425.84 Quoted this for ACV of repairs.
Demo/Tear-out	\$	14,914.70 This is after \$5,000 deductible. Not paid yet because damaged areas have not been torn out yet.
Emergency Board-up	\$	<u>1,533.53</u> Will not be paid until tear-out is completed.
Total potential insurance amount still to be recovered Claim 2	\$	81,874.07

Total Claim 1 and Claim 2 potential insurance amounts still to be recovered

\$143,439.34

17. The Receiver, based on the estimates provided by Hedman Construction Ltd. and provided to the Court in the Confidential Supplement to the Receiver's First Report, is currently engaging with the insurance company to re-evaluate whether a re-calculation of loss is required.

18. The Receiver's current interim statement of receipts and disbursements to May 30, 2023 is below.

5684961 Manitoba Ltd.
Statement of Receipts & Disbursements
For the period March 17, 2023 to May 30, 2023

Receipts:	
Insurance claims received	\$64,795.96
Interest earned	<u>55.10</u>
Total Receipts	<u>64,851.06</u>
Disbursements:	
Filing fees	72.82
Receiver's fees and disbursements	33,243.80
Legal fees and disbursements	20,321.48
Opinion of value fee	975.00
GST paid	2,761.29
PST paid	<u>1,385.79</u>
Total Disbursements	<u>58,760.18</u>
Excess of Receipts over Disbursements represented by Cash in Bank	<u><u>\$6,090.88</u></u>

19. The Receiver currently has \$6,091 in its trust account. The Receiver's trust account has been funded by insurance payments made against the pre-receivership insurance claims filed by the Company.

20. 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

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

22. 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
23. 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.
24. 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
25. The proposals provided by the 4 parties were based on:
- a. as-is condition, (only 3 proposals were received);
 - b. if the property was fully repaired; and
 - c. if the Property was demolished and the land only was sold.
26. After consultation with First National, the decision was made to not complete the repair work as any further potential insurance claim proceeds would not cover these outstanding estimated repair costs and First National was not prepared to fund the required repairs. First National was also not willing to cover the cost of demolishing the Property (the “**Demolition Costs**”) as the sales proceeds from a sale of the raw land were not anticipated to be sufficient to cover the Demolition Costs.
27. 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, length of listing, name in the market and familiarity with properties similar to Furby. 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

28. The Receiver's confidential supplement (the "**Receiver's Confidential Supplement**") is being filed to provide the Court with commercially sensitive information.
29. 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.
30. 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

31. 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 sale of 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 **5684961
Manitoba Ltd.** and not in its personal or corporate
capacity



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: 485 Furby Street



Todd Labelle

Todd Labelle Personal Real Estate Corporation
Vice President, Alternate Broker
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todd.labelle@avisonyoung.com

Paul Douglas

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**AVISON
YOUNG**



485 Furby Street Executive Summary

485 Furby Street

Positive Factors

- Due to its proximity to downtown Winnipeg and the University of Winnipeg, 485 Furby Street's geographic location in the Spence neighbourhood adjacent to the up-and-coming West Broadway locale, provides consistent demand for affordable rental housing. This demand will result in stabilized cash flows and low vacancy for an opportunistic investor.
- Excellent transit, bike and walk scores.
- The building's current suite count allows the opportunity for an investor to acquire a multifamily product with significantly higher density than would otherwise be permitted on this site.
- Extensive renovations required will enable investors to capitalize on new, increased rent structures above the allowable annual rent increases set forth by the Residential Tenancy Act.
- Recent bond rallies and the Bank of Canada's pause on interest rate hikes will lead to improved lender confidence.
- Electrical, including separately metered suites and HRV system upgrades appear to have been initiated.

Challenges Identified

- While the interest rate increases have paused, some lenders remain hesitant to finance such projects due to the work required and the lack of current income. Anticipate developers/investors requiring greater-than-typical upfront capital to undertake this project, narrowing the number of prospective purchasers.
- The building is situated in a high crime area, which adds risk and insurance costs to the project.
- Any purchaser will require extensive due diligence, including an appraisal for financing and as-built construction quotes. Anticipate purchasers requiring a minimum of 45 days due diligence.
- Significant foundation work costs are unknown.
- Asbestos remediation costs if any, are unknown.
- Construction costs required to bring the property to leasable condition are unknown.
- Lengthy and high carrying costs during construction period.
- Parking is limited to the street.

Summary

We recommend commissioning an asbestos inventory report, in addition to soliciting quotes from the contractor community in order to accurately understand the capital required to bring 485 Furby Street to leasable condition. In lieu of this process, based on comparable revenue generating properties, the final sale price will be in the range of [REDACTED] based on [REDACTED] per unit plus or minus, or [REDACTED]

Price Recommendation

Upon review of 485 Furby our professional assessment on pricing is as follows:

If the property were to be sold on an as-is basis, our Opinion of Value would be [REDACTED]. This value is based on several assumptions. The shell of the building contributes significant value to the property as it allows for 30 units. If the building were demolished and rebuilt, the maximum number of units allowable by today's zoning by-laws would be 15 units. As such we estimate the property as-is to be worth [REDACTED] per unit.

If the property were to be renovated to leasable condition and sold, our Opinion of Value would be [REDACTED]. Without having formal inspections by contractors, electrical and structural engineers etc. the estimated cost to refinish would be [REDACTED] per unit plus or minus. This price also assumes that the foundation and building mechanical system repairs do not exceed [REDACTED]. If the building were renovated back to a leasable state, we estimate a cost of approximately [REDACTED] and therefore bringing the value at an [REDACTED] Cap Rate to [REDACTED]. Once fully leased, if market rents were achieved, we estimate based on a [REDACTED] Cap Rate a value of approximately \$[REDACTED].

If the building were to be demolished and the site removed of all debris, the Opinion of Value for the raw land would be [REDACTED] which equates to [REDACTED] per unit based on the maximum density that would be allowed by the City of Winnipeg.

In all circumstances, we recommend listing this property on an unpriced basis in order to solicit as much activity from the market as possible, which will produce a higher number of offers. We will prequalify the prospective purchasers and make recommendations.

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, will garner maximum exposure to the market.

A realty fee of [REDACTED] of the final purchase price of the 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. In the likely event that Avison Young represents the purchaser and seller, the realty fee shall be [REDACTED] [REDACTED] %.

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

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**AVISON
YOUNG**

**CANADA
BEST
MANAGED
COMPANIES**

Platinum member