

THE KING'S BENCH

WINNIPEG CENTRE

IN THE MATTER OF:

THE APPOINTMENT OF A RECEIVER PURSUANT TO SECTION 243 OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED, AND SECTION 55 OF *THE COURT OF KING'S BENCH ACT*, C.C.S.M. C. C280

BETWEEN:

FIRST NATIONAL FINANCIAL GP CORPORATION,

Applicant,

- and -

**6525785 MANITOBA LTD. 6472240 MANITOBA LTD.
and PGRP PROPERTIES INC.,**

Respondents.

FIRST REPORT OF MNP LTD., RECEIVER-MANAGER

PITBLADO LLP
Barristers and Solicitors
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(File No. 61972.2)

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 6525785 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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RECEIVER-MANAGER
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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 Company has a four-story apartment building located at 480 Young Street in Winnipeg, Manitoba (the “**Property**”). The property had been vacant due to a fire in late 2022. In January 2023 the Property was partially reopened with new tenants in 11 of the Property’s 24 units as of the date of the Receivership Order being granted. Since the date of the Receivership an additional 3 units have been leases so there are currently 14 tenants in the Property. Additional repairs are required before the balance of the units in the Property can be relet.
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. 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

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 the First 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 the First Report, or any reliance or decision to be made based on the First Report, is the sole responsibility of such party.
7. All amounts included herein are in Canadian dollars unless otherwise stated.

PURPOSE OF THE REPORT

8. The purpose of the First Report is to provide this Honourable Court with an update on 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) Approving an order to seal the Receiver's Confidential Supplement (defined below); and
 - iii) Approving a sale solicitation process to sell the Property.

ACTIVITIES OF THE RECEIVER

9. 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, and obtained appropriate insurance for the Property;
 - iii) Prepared and issued the Notice and Statement of Receiver;
 - iv) Engaged an independent property manager, Ash Property Management ("**Ash**"), to manage the Property including the collection of rent, addressing tenant complaints, and conducting needed tenant related repairs and maintenance;
 - v) Maintained the Receiver's website for the proceedings;

- vi) Obtained an opinion of value of the Property;
- vii) Addressed tenant matters;
- viii) Held discussions with the principal of the Company, Mr. Patrick Penner ("Mr. Penner") regarding ongoing lease opportunities and repair work required on the Property;
- ix) Prepared the information necessary to begin a sale solicitation process if the process is approved by the Court;
- x) Dealt with prior insurers to obtain the status of outstanding claims;
- xi) Engaged an insurance broker to provide quotes for new insurance policies;
- xii) Engaged a contractor to provide a cost estimate to complete outstanding repairs to the Property; and
- xiii) Retained and instructed Pitblado Law LLP ("**Pitblado Law**") to conduct a security review on the Young Security, to consult on the sale process and to provide legal advice to the Receiver during these proceedings.

SALES PROCESS

10. The Receiver is prepared to commence a sales solicitation process (the "**SSP**") to solicit invitations for offers to list the Property for sale.
11. The SSP will be open to commercial real estate.
12. Based on an opinion of value dated April 5, 2023 that was prepared for the Receiver, (the "**OOV**"), there are several options to market and sell the Property. A copy of the OOV is attached in the Receiver's confidential supplement to the First Report (the "**Confidential Supplement**").
13. The Receiver proposes to open the SSP for a period of 15 day in order to allow the realtors to submit their proposals.
14. This process will also include inviting Mr. Penner to participate.
15. 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

16. 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 such time as a sale is closed or upon 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.

17. The Receiver also engaged a contractor to provide an independent estimate of the cost to repair the Property to determine whether the estimates provided by Mr. Penner were reasonable. The Receiver is of the opinion that the contents of this estimate would impact a sales process and as such requests that this Honourable Court approve the sealing of this information until the SSP outlined above has been completed and a sale has closed.

LEGAL

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

PROPERTY ACTIVITIES

19. As there are tenants in the Property, the Property has been maintained since the Receiver's appointment and Ash Property Management ("Ash") has been engaged by the Receiver to provide property management services for the Property. Ash has been providing the Receiver with ongoing reporting regarding the tenants, rent collections, repair work needed in occupied tenant suites and requests for appliances needed to allow currently rented suites in the Property to continue to be rented. As of April 13, 2023, 4 sets of appliances were needed to accommodate current and incoming tenants to the Property.

20. The Receiver has incurred costs to maintain the Property since taking possession including obtaining an opinion of value for \$975, requested a contractor, through Ash to provide an estimate of the costs to complete the repairs needed for the Property, and engaging a

property manager for \$2,000/month beginning March 17, 2023. As of the date of the First Report the Receiver has not had any receipts nor paid any disbursements.

Ash has collected rents and paid direct operating expenses and have yet to provide the Receiver with a monthly update on its activities.

21. Mr. Penner has contacted the Receiver on numerous occasions to obtain approval to repair unrented units in the Property. Mr. Penner has advised that the materials needed to do the repairs are on site and installation of the materials, such as flooring, and drywall need to be completed.
22. The Receiver has asked Mr. Penner to provide a detailed, documented work plan (the "Work Plan") to complete this work, along with any associated costs that would require payment by both himself and/or the Receiver. For costs being paid by Mr. Penner regarding the Work Plan, the Receiver is concerned about Mr. Penner's ability to pay these amounts, ultimately leaving the cost burden on the Receiver and First National, so Mr. Penner has been requested to provide proof of his capacity to pay these amounts. The Receiver is also concerned as Mr. Penner has been asked to provide confirmation that work in the Work Plan will be completed by certified journeyman contractors, that he has Worker's Compensation in place.
23. As at the date of this First Report, Mr. Penner has not provided the work plan, an estimate of costs or his ability to pay these costs.

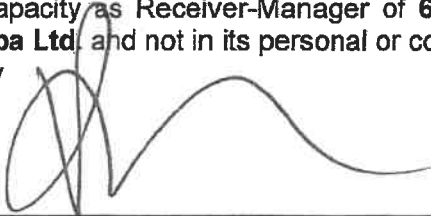
CONCLUSION

24. 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. Approval of a Sealing Order of the Confidential Supplement to the First Report; and
 - c. Approval of the Receiver initiating the SSP.

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

MNP Ltd.

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



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