

COURT FILE NUMBER: 2003 11578

COURT: COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE: EDMONTON

PLAINTIFF: **SERVUS CREDIT UNION LTD.**

DEFENDANTS: **BLACKKNIGHT INN LTD.,  
BKI HOLDINGS LTD.,  
MANWOOD HOLDINGS LTD. and KENNETH  
RONALD MANDRUSIAK**

DOCUMENT: **FIRST REPORT OF THE INTERIM  
RECEIVER, MNP LTD., DATED August 6,  
2020**

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#### **Introduction and Purpose of the Report**

1. MNP Ltd. was appointed as Interim Receiver (the "Receiver") of BlackKnight Inn Ltd., BKI Holdings Ltd. and Manwood Holdings Ltd. (hereinafter referred to collectively as the "Company") pursuant to a Court of Queen's Bench of Alberta Order dated July 31, 2020 (the "Interim Receivership Order").
2. The Company operates a 98-room hotel property located at 2929 – 50<sup>th</sup> Ave, Red Deer, Alberta (the "Hotel").
3. The purpose of the Receiver's First Report to Court (the "First Report") is to provide the Court with an update, in accordance with paragraph 12 of the Interim Receivership Order, on such matters as the Receiver deems appropriate, including the following:
  1. Activities of the Receiver; and
  2. Status of the Hotel.
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.

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

5. On July 31, 2020 the Receiver attended to the Hotel to meet with the employees and verify the status of the property. Mr. Mandrusiak (Director of the Company) was not present at the location on July 31, 2020. The Receiver was advised that he was attending an appointment in Calgary.
6. The Receiver met with Mr. Bob Desrosiers ("Management"), as well as four staff members, including a maintenance employee, to discuss the terms of the Interim Receivership Order and coordinate a viewing of the Hotel.
7. The Receiver viewed each of the individual guest rooms within the Hotel as well as the amenity spaces including the lounge, kitchen, pool and banquet hall.
8. Management confirmed that as at July 31, 2020 the Company employed eleven employees including Mr. and Mrs. Mandrusiak.
9. Management further confirmed that while the Hotel had been operating (defined as renting out guest rooms) since the COVID quarantine period was initiated, all of the amenities had been closed and had not re-opened. The Receiver was advised that no further guest rooms had been rented past July 31, 2020.
10. Management advised that after July 31, 2020 six of the eleven employees would be terminated resulting in five remaining staff. The remaining employees would comprise of:
  - 1 maintenance;
  - 3 accounting; and
  - 1 front desk
11. The Receiver was further advised that in March 2020, in response to the COVID quarantine process, approximately eighty-five employees were temporarily laid off. Management advised that holiday and termination pay has not been remitted to these eighty-five employees.
12. Management provided the Receiver with documents supporting the status of the insurance, utilities and Canada Revenue Agency ("CRA") accounts as well as some historical financial information.
13. Based upon the Receiver's review the payroll source deduction account appears to be current and the last Goods and Services Tax ("GST") return filed was for March 2020 with a balance of approximately \$12,000 outstanding. The GST arrears are likely to increase once the outstanding returns are filed.
14. The Receiver requested a copy of the BMO operating account statements for BlackKnight Inn and as at August 5, 2020 Management has advised they will not provide them.
15. Management advised that the Company had approximately \$23,000 in its operating account (net of cheques issued and not yet cleared) and was expecting an additional approximate

\$30,000 in federal government subsidies in the next 30 days. These funds were intended to be used to cover the ongoing payroll expense and other small expenses. The Receiver has not been able to verify the balance of funds in the operating account at this time.

16. The Receiver has continued with periodic attendances at the Hotel to confirm the property is being monitored.

**Status of the Hotel**

17. Based upon the Receiver's physical inspection of the Hotel there were no obvious signs of delayed maintenance or immediate repairs required.
18. Management provided the Receiver with copies of recent utility statements confirming that the natural gas and power utilities were approximately 3 months in arrears. The 3 month arrears totalled approximately \$54,000 for power (Enmax) and \$15,000 for natural gas (Gas Albert Energy).
19. Management advises no notices of disconnection of utilities have been received to date.
20. Management provided a copy of the monthly insurance premium schedule and a copy of the cheque issued July 30, 2020 for the upcoming August premium.
21. The remaining employees continue to attend to the Hotel to complete accounting and maintenance functions.
22. The Receiver submits the First Report to the Court to provide the Court with an update of the Receiver's activities in accordance with paragraph 12 of the Interim Receivership Order.

All of which is respectfully submitted this 6<sup>th</sup> day of August, 2020.

**MNP Ltd.**

In its capacity as Interim Receiver of  
**BlackKnight Inn Ltd., BKI Holdings Ltd. and Manwood Holdings Ltd.**  
And not in its personal or corporate capacity



Per: Eric Sirrs, CIRP, LIT  
Senior Vice President