

COURT FILE NUMBER	2003 11578
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
PLAINTIFF	SERVUS CREDIT UNION LTD.
DEFENDANTS	BLACK KNIGHT INN LTD., BKI HOLDINGS LTD., MANWOOD HOLDINGS LTD. and KENNETH RONALD MANDRUSIAK.
DOCUMENT	FIRST REPORT OF THE RECEIVER, MNP LTD., DATED June 17, 2021
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Parlee McLaws LLP Enbridge Centre 10175 – 101 Street NW Edmonton, AB T5J 0H3 Attention: Jeremy Hockin, Q.C. Phone: (780)423.8532 Facsimile: (780)423.2870 Email: jhockin@parlee.com Solicitors for the Receiver, MNP Ltd.

Introduction and Purpose of the Report

1. MNP Ltd. was appointed as Interim Receiver of Black Knight 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 (the "Court") Order dated July 31, 2020 (the "Interim Receivership Order") and subsequently appointed as the Receiver pursuant to a Court Order dated August 7, 2020 (the "Receivership Order").
2. The Company operates a 98-room hotel property located at 2929 – 50th 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 with respect to the following:
 - a) Activities of the Receiver;
 - b) Status of the Sales Process for the Hotel;
 - c) Receiver's Interim Statement of Receipts and Disbursements;
 - d) Professional Fees; and
 - e) Receiver's Borrowing Charge

4. The Receiver's First Report should be read in conjunction with the Interim Receiver's First Report to Court dated August 6, 2020.
5. 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.
6. Further information relating to the receivership proceedings can be located on the Receiver's website at <https://mnpdebt.ca/en/corporate/corporate-engagements/black-knight-inn>

Initial Activities of the Receiver

7. On August 7, 2020 the Receiver attended to the Hotel property to take possession of the assets.
8. In taking possession of the Company assets the Receiver:
 - changed the locks to the exterior entrances;
 - retained certain books and records required to administer the estate;
 - retained the existing maintenance employee to continue site checks and required maintenance to the boiler system;
 - retained electronic copies of available accounting records;
 - retained information required to administer the Wage Earner Protection Program Act ("WEPPA");
 - contacted the utility service providers to confirm continuation of services; and
 - placed insurance on the property to replace an expiring policy.
9. The Hotel had minimal operations as at the date of the Receiver's appointment with no bookings for hotel rooms and as such the Receiver elected to cease operations.
10. The Receiver completed the outstanding T4's, Records of Employment and administered WEPPA providing the employees and Service Canada with the required information.
11. The Receiver has completed site checks regularly at the Hotel, however, due to a series of break-ins and vandalism the Receiver had a security system installed and took further measures to safeguard the property.
12. The Receiver has since retained an agent to complete site checks and small repairs to the property as required.
13. The Receiver filed an insurance claim in relation to one of the break-ins where certain chattels and books and records were vandalised and/or stolen.
14. The Receiver has filed statutory returns as required.
15. The Receiver has applied for relevant federal government subsidy programs related to the COVID 19 Pandemic and is expecting to collect approximately \$8,000.

Status of the Sales Process

16. On August 17, 2020 the Receiver issued a request for proposals to commercial realtors with experience in selling hotel properties.
17. Based upon the 5 listing proposals received, and with the support of the primary secured creditor, the Receiver entered into a listing agreement with CBRE Limited ("CBRE") on September 9, 2020.
18. CBRE initiated a sales process the first week of October 2020 including direct mail/contact with an existing network and public advertising with a due date of November 25, 2020 for Letters of Intention ("LOI"). A copy of the marketing material distributed is attached as **Schedule 1**.
19. On November 26, 2020 CBRE provided the Receiver with a summary of the sales process and resulting response from the market which resulted in one LOI.
20. On December 4, 2020, after some negotiation on pricing and terms, the Receiver accepted an LOI submitted by River City Imperium Developments Corporation ("River City").
21. On January 28, 2021 the Receiver and River City entered into an Asset and Real Estate Purchase Agreement (the "River City APA"), subject to Court Approval, that contained certain conditions including a 60 day due diligence condition.
22. River City requested and was granted multiple extensions in time to satisfy its conditions and due diligence as it had demonstrated a willingness to complete the transaction and investment in the due diligence process.
23. On May 7, 2021 River City advised it was in a position to waive its final conditions and sought an amendment to the River City APA with respect to the purchase price and quantum of the second deposit and timing for payment.
24. The Receiver and River City were able to reach agreement on an amended purchase price, however, were not able to reach agreement on the requested amendments to the timing and quantum of the second deposit.
25. On June 3, 2021 the Receiver instructed CBRE to bring the Hotel back to market and solicit additional LOIs. On June 10, 2021 Akoa Investments Ltd. ("Akoa") submitted an LOI and after some negotiation the Receiver and Akoa agreed on a final form of LOI (the "Akoa LOI").
26. The Receiver continues to work with Akoa to satisfy its conditions including the completion and execution of an Asset and Real Estate Purchase Agreement.

Receiver's Interim Statement of Receipts and Disbursements

27. Attached as **Schedule 2** is a copy of the Receiver's Interim Statement of Receipts and Disbursements.

Professional Fees

28. Attached as **Schedule 3** is a copy of a summary of the Receiver's Fees and Disbursements to June 14, 2021.
29. Attached as **Schedule 4** is a copy of the Receiver's Legal Fees and Disbursements.

Receiver's Borrowing Charge

30. In accordance with the Receivership Order the Receiver was authorized to borrow up to a maximum of \$350,000. To date the Receiver has borrowed \$345,000.
31. As the River City APA has been terminated and the potential sale of the hotel is no longer expected to be completed within 45 – 60 days the Receiver is seeking to increase the Receiver's Borrowing Charge to cover the following costs:
- 2021 Property Taxes estimated at \$92,000 due July 1, 2021;
 - On-going preservation costs including insurance, utilities and agent fees of approximately \$15,000 per month; and
 - Accrued but not yet paid Receiver's legal fees of approximately \$29,000.
32. The Receiver seeks an increased borrowing charge to \$600,000 (an additional \$250,000) to cover the accrued and ongoing costs required to administer the Receivership estate.

All of which is respectfully submitted this 17th day of June, 2021.

MNP Ltd.

In its capacity as Receiver of

Black Knight 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

SCHEDULE 1

INVESTMENT OPPORTUNITY



Black Knight Inn

98 keys / Red Deer, AB

CBRE Hotels ("CBRE"), has been retained as the exclusive advisor and agent to MNP Ltd. (the "Receiver"), in its capacity as Court appointed receiver and manager of Black Knight Inn Ltd., BKI Holdings Ltd., and Manwood Holdings Ltd., is pleased to present for sale the **Black Knight Inn** (the "Hotel" or "Property") in Red Deer, Alberta.

The Hotel is well-appointed with 98 guestrooms, including 9 spacious suites, in addition to offering expansive meeting spaces totaling 12,000 square feet. The Hotel offers excellent visibility, directly accessible from Gaetz Avenue (50th Avenue), a major north-south thoroughfare in Red Deer, and is conveniently located near Highway 11. The Hotel is being offered unencumbered by both brand and management. The Receiver reserves the right to alter the sales process at its sole discretion. The sale of the Property is subject to obtaining the approval of the Court of Queen's Bench of Alberta.

INVESTMENT HIGHLIGHTS

- **Convenient location with easy access to major demand drivers**
The Hotel is easily accessed from 50th Avenue and highly visible from street level. Major demand drivers such as Red Deer College, business and government offices in Downtown Red Deer and Bower Place, central Alberta's largest mall, are all located within a five minute drive of the Property.
- **Owner flexibility and upside to be realized**
There is excellent flexibility to explore alternate management strategies and to streamline operations yielding efficiencies across the Hotel. With no new hotels under construction or anticipated in Red Deer, competitive supply will remain stable, positioning the Hotel well to participate in the recovery.
- **Value-add opportunities**
Given the complementary mix of facilities, there is a great branding opportunity with a national flag. The size of the Property, including up to 12,000 square feet of meeting space, is well suited for social distancing protocols and excess land onsite is available to expand operations if necessary.

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SCHEDULE 2

Black Knight Inn Ltd., BKI Holdings Ltd. and Manwood Holdings Ltd.
Statement of Receipts and Disbursements
For the Period of August 7, 2020 to June 14, 2021

	August 7, 2020 to May 1, 2021	Variance	August 7, 2020 to June 14, 2021
RECEIPTS:			
Receiver's Borrowings	345,000.00	-	345,000.00
Accounts Receivable	3,584.19	-	3,584.19
GST Refund	3,828.60	-	3,828.60
Insurance Claim	-	30,912.96	30,912.96
Miscellaneous Income (1)	11,771.08	-	11,771.08
Total Receipts	\$ 364,183.87	\$ 30,912.96	\$ 395,096.83
DISBURSEMENTS:			
Filing Fees Paid to Official Receiver	70.00	-	70.00
GST paid on disbursements exclusive of fees	3,534.80	145.25	3,680.05
GST on Legal Fees	312.14	-	312.14
Insurance	49,320.80	5,950.00	55,270.80
Legal Fees	6,263.75	-	6,263.75
Change of Locks	819.50	-	819.50
Security	6,396.95	-	6,396.95
Utilities	147,114.64	1,467.93	148,582.57
Property Tax	120,398.83	-	120,398.83
Operating Expenses (2)	49,016.05	3,142.56	52,158.61
Total Disbursements	\$ 383,247.46	\$ 10,705.74	\$ 393,953.20
Excess of Receipts over Disbursements	-\$ 19,063.59	\$ 20,207.22	\$ 1,143.63

Notes:

(1) Miscellaneous Income includes insurance premium refund, cash on hand and small refunds.

(2) Operating expenses includes costs to repair damages caused by vandalism, security and site checks.

SCHEDULE 3

Black Knight Inn et al - Summary of Receiver's Fees

FEE SUMMARY

Patrick Moore	0.25	101.25
Carolina Bautista	0.20	70.40
Eric Sirrs	39.90	25,137.00
Patrick Wigmore	2.00	910.00
Karen Aylward	17.50	8,050.00
Stacey Goodwin	8.70	2,314.20
Kristen Rauh	0.20	41.20
Jillian Anderson	0.80	340.00
Kristine Morrow	1.00	124.00
Rebecca Namiiro	0.80	144.80
Reina Ainsworth	67.20	12,173.10
Shelly Gamma	0.20	41.20
Cameron Carpenter	3.50	504.00
Devon McNamara	0.50	111.50
Maha Shah	188.80	33,818.80
Rylan Gallant	88.05	15,931.70
Jaden Purves-Schwabe	201.15	34,400.60
Shannon Massa	0.20	36.20
Megan Schafer	0.20	21.00
Lane Congdon	2.50	360.00
Joleen Collier	10.30	2,575.00
	633.95	142,205.95

Total Hours

633.95

TOTAL FEES

142,205.95

DISBURSEMENT SUMMARY

Travel		287.08
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TOTAL DISBURSEMENTS

287.08

TOTAL FEES AND DISBURSEMENTS

142,493.03

Less Interim Billings (accrued but not yet paid)

(128,010.25)

NET FEES AND DISBURSEMENTS

14,482.78

SCHEDULE 4

SUMMARY OF RECEIVER'S LEGAL FEES - BLACK KNIGHT INN LTD. et al

Law Firm	Invoice Number	Date	Fees and Disbursements (\$)	GST (\$)	Total (\$)
Parlee McLaws LLP	762943	31-Aug-20	3,957.00	197.65	4,154.65
Parlee McLaws LLP	769205	16-Dec-20	4,585.50	229.28	4,814.78
Parlee McLaws LLP	770556	31-Dec-20	8,306.00	414.95	8,720.95
Parlee McLaws LLP	772297	16-Feb-21	8,712.50	435.63	9,148.13
Parlee McLaws LLP	776514	30-Apr-21	2038.50	98.43	2,136.93
			27,599.50	1,375.94	28,975.44