

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	SECOND REPORT OF THE RECEIVER, MNP LTD., DATED September 13, 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 Second Report to Court (the "Second Report") is to provide the Court with an update with respect to the following:
 - a) Activities of the Receiver;
 - b) Priority and Secured Creditors;
 - c) Status of the Sales Process;
 - d) Receiver's Interim Statement of Receipts and Disbursements; and
 - e) Professional Fees

4. The Receiver's Second Report should be read in conjunction with the Interim Receiver's First Report to Court dated August 6, 2020 and the Receiver's First Report to Court dated June 15, 2021 (the "First Report").
5. In preparing the Second 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>

Activities of the Receiver

7. Subsequent to filing the First Report the Receiver has:
 - Continued to monitor the Property and address any maintenance and/or repair requirements;
 - Continued to work with Akoa Investments Ltd. ("Akoa") to provide information to complete their due diligence;
 - Continued to insure the property; and
 - Completed an appeal of the current years assessed property tax.

Priority and Secured Creditors

Canada Revenue Agency ("CRA")

8. CRA has not completed a trust exam on any of the 3 corporate entities, however, it has provided notices of the following balances outstanding:
 - Manwood Holdings Ltd. – Payroll Source Deductions of \$4,470;
 - Black Knight Inn Ltd. – Payroll Source Deductions of \$107.93; and
 - BKI Holdings Ltd. – no balances outstanding

Property Taxes

9. The City of Red Deer has provided the following balances outstanding on the two parcels of land owned by BKI Holdings Ltd:
 - The Hotel, legally described as: Plan 4436TR; Block 14; Lot 5 - \$12,160.65 refund (the Receiver completed a property tax appeal); and
 - Surplus Land, legally described as: Plan 0123609; Block 14; Lot 12 - \$18,074.75 balance owing.

Service Canada

10. The Trustee completed the administration of the Wage Earner Protection Program Act ("WEPPA") for 97 employees and Service Canada has filed a total claim for \$240,406.13 which includes a claim for \$47,217.59 for priority under Section 81.4 of the *Bankruptcy and Insolvency Act*. WEPPA was administered for both the Black Knight Inn Ltd. and Manwood Holdings Ltd. as both were operating entities with employees. The priority under Section 81.4 of the BIA applies to the current assets of the debtor which currently total \$7,941.74 comprised of accounts receivable and a Goods and Services Tax refund.

Servus Credit Union Ltd. ("Servus")

11. Servus has registered a mortgage security interest (together with an Assignment of Rents) as against the Hotel on December 15, 2011 as well as a General Security Agreement as against all three corporate entities. Counsel for the Receiver has reviewed the Servus security and has provided an opinion that Servus holds a valid first position security interest as against the Hotel and all present and after acquired property. Servus advises it is owed \$2,979,116.38 as at September 7, 2021.
12. Servus has registered an Agreement Charging Lands interest as against the Surplus Lands on July 30, 2020. Counsel for the Receiver has provided a security opinion advising that Servus holds a valid second position security interest as against the Surplus Lands.

Ernie Mandrusiak and Iris Mandrusiak ("Mandrusiak")

13. Mandrusiak has registered a mortgage security interest as against the Surplus Lands in the amount of \$1,500,000 on November 17, 2011. Counsel for the Receiver has provided a security opinion advising that Mandrusiak holds a valid first position security interest on the Surplus Lands and a valid second position security interest in the Hotel.
14. The Receiver has not been provided with an accounting of the current balance of the debt outstanding to Mandrusiak. The Receiver understands the balance owing to Mandrusiak to be in excess of the gross realization value of the Surplus Lands.

Receiver's Borrowings

15. In accordance with the Receivership Order and a June 29, 2021 Court Order the Receiver has borrowed the total sum of \$545,000 (plus accrued interest) under Receiver's Certificates.

Status of the Sales Process

16. As referenced in the First Report, on June 3, 2021 the Receiver instructed the listing realtor CBRE Limited ("CBRE") to bring the Hotel back to market and solicit additional offers to purchase. On June 10, 2021 Akoa Investments Ltd. ("Akoa") submitted a Letter of Intention ("LOI") and after some negotiation the Receiver and Akoa agreed on a final form of LOI (the "Akoa LOI").
17. On June 30, 2021, Akoa and the Receiver executed an Asset Purchase Agreement (the "Akoa APA") that provided for certain purchaser's conditions to be removed within 45 days. The Receiver and Akoa signed an Amendment to the Akoa APA on July 27, 2021 amending the condition removal date to August 31, 2021.
18. On August 17, 2021 Akoa and the Receiver entered into a final form of Amended Asset Purchase Agreement (the "Amended Akoa APA"). The Amended Akoa APA is unconditional with the last remaining vendor condition being Court approval.
19. Copies of the Akoa LOI, Akoa APA and Amended Akoa APA are attached as the Receiver's Confidential Addendum to the Second Report (the "Confidential Addendum").
20. The Receiver is advised that Servus does not object to the Receiver's application to approve the acceptance of the Amended Akoa APA.

Receiver's Interim Statement of Receipts and Disbursements

21. Attached as **Schedule 1** is a copy of the Receiver's Interim Statement of Receipts and Disbursements to August 31, 2021.

Professional Fees

22. Attached as **Schedule 2** is a copy of a summary of the Receiver's Fees and Disbursements to August 31, 2021.
23. Attached as **Schedule 3** is a copy of the summary of Receiver's Legal Fees and Disbursements.

Conclusion

24. The Receiver is of the opinion that the Amended Akoa APA represents a fair and reasonable realization value for the Hotel and Surplus Lands. Market feedback provided during the listing and sales process suggests there is a surplus amount of hotel rooms in the Red Deer, Alberta area resulting in downward pressure on the sale value of hotel properties. As noted in the Confidential Addendum the Amended Akoa APA sale price is consistent with the market feedback received during the listing process.
25. The Receiver requests the Court's approval for the following:
- a) The Receiver's entry into the Amended Akoa APA; and
 - b) Authorizing the Receiver's activities as outlined in the Second Report.

All of which is respectfully submitted this 13th day of September, 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"

Black Knight Inn Ltd., BKI Holdings Ltd. and Manwood Holdings Ltd.
Statement of Receipts and Disbursements
For the Period of August 7, 2020 to August 31, 2021

	August 7, 2020 to August 6, 2021	Variance	August 7, 2020 to August 31, 2021
RECEIPTS:			
Receiver's Borrowings	545,000.00	-	545,000.00
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	\$ 595,096.83	\$ -	\$ 595,096.83
DISBURSEMENTS:			
Filing Fees Paid to Official Receiver	70.00	-	70.00
GST paid on disbursements exclusive of fees	3,914.39	132.50	4,046.89
GST on Legal Fees	739.07	-	739.07
Insurance	67,170.80	5,950.00	73,120.80
Legal Fees	14,802.25	-	14,802.25
Change of Locks	819.50	-	819.50
Security	6,396.95	-	6,396.95
Utilities	166,946.09	8,969.25	175,915.34
Property Tax	215,476.10	-	215,476.10
Operating Expenses (2)	80,682.07	2,650.00	83,332.07
Total Disbursements	\$ 557,017.22	\$ 17,701.75	\$ 574,718.97
Excess of Receipts over Disbursements	\$ 38,079.61	-\$ 17,701.75	\$ 20,377.86

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 "2"

Black Knight Inn et al - Receiver's Fees and Disbursements

FEE SUMMARY

Cameron Carpenter	3.50	504.00
Carolina Bautista	0.30	105.60
Eric Sirrs	46.90	29,722.00
Karen Aylward	20.00	9,250.00
Kristen Rauh	0.20	41.20
Rebecca Namiiro	0.90	166.20
Reina Ainsworth	70.90	12,922.40
Lane Congdon	2.50	360.00
Joleen Collier	10.30	2,575.00
Megan Schafer	0.20	21.00
Sandra Landry	0.20	114.00
Shannon Massa	0.20	36.20
Jaden Purves-Schwabe	201.15	34,400.60
Rylan Gallant	88.05	15,931.70
Maha Shah	201.20	41,472.40
Devon McNamara	0.50	111.50
Shelly Gamma	0.20	41.20
Kristine Morrow	1.00	124.00
Jillian Anderson	0.80	340.00
Stacey Goodwin	8.70	2,314.20
Patrick Wigmore	2.00	910.00
Patrick Moore	0.25	101.25
	659.95	151,564.45

Total Hours

659.95

TOTAL FEES

151,564.45

DISBURSEMENT SUMMARY

Travel		287.08
		<u>287.08</u>

TOTAL DISBURSEMENTS

287.08

TOTAL FEES AND DISBURSEMENTS

151,851.53

Less Discount

(15,000.00)

NET FEES AND DISBURSEMENTS

136,851.53

SCHEDULE "3"

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	762620	17-Aug-20	6,263.75	312.14	6,575.89
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	2,038.50	98.43	2,136.93
Parlee McLaws LLP	779967	30-Jun-21	10,988.00	545.65	11,533.65
			38,587.50	1,921.59	47,084.98