

COURT FILE NUMBER KBG-SA-00204-2023

COURT OF KING'S BENCH FOR SASKATCHEWAN
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE SASKATOON

IN THE MATTER OF THE RECEIVERSHIP OF THE LIGHTHOUSE SUPPORTED LIVING INC.

-AND-

COURT FILE NUMBER BKY-RG-00164-2023

COURT OF KING'S BENCH FOR SASKATCHEWAN
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE REGINA

IN THE MATTER OF THE BANKRUPTCY OF BLUE MOUNTAIN ADVENTURE PARK INC.

THIRD REPORT OF THE RECEIVER, MNP LTD., DATED AUGUST 8, 2023

Introduction and Purpose of the Report

1. MNP Ltd. was appointed interim receiver (the "**Interim Receiver**") of The Lighthouse Supported Living Inc. (the "**Lighthouse**") and Blue Mountain Adventure Park Inc. ("**BMAP**"; together with the Lighthouse, the "**Corporations**") by the Court of King's Bench for Saskatchewan (the "**Court**") pursuant to an Order granted by the Honourable Madam Justice A.R. Rothery on February 24, 2023 (the "**Interim Receivership Order**").
2. MNP Ltd. was appointed as Receiver (the "**Receiver**") of the Lighthouse by the Court pursuant to an Order granted by the Honourable Madam Justice A.R. Rothery on April 13, 2023 (the "**Receivership Order**"). No further Order was issued in relation to BMAP. (References in this Second Report to the "Receiver" include MNP's role as Interim Receiver where applicable.)
3. In accordance with the Sales Process Order (Blue Mountain Lands) granted by the Honourable Madam Justice A.R. Rothery on April 28, 2023 (the "**Blue Mountain SPO**"), the Receiver assigned BMAP into bankruptcy on July 6, 2023 with MNP Ltd. appointed as Licensed Insolvency Trustee (the "**Trustee**"). A copy of the Certificate of Appointment is attached as **Schedule 1**.
4. The Lighthouse is a charitable corporation under *The Non-Profit Corporations Act, 2022* (Saskatchewan) and is a registered charity for tax purposes. The Lighthouse provides affordable housing, supportive living services, and programming for the vulnerable populations of Saskatchewan. The programs are funded through contracts with government agencies, rents received from low-income housing projects, and private donations.
5. BMAP is a non-profit corporation under *The Non-Profit Corporations Act, 2022* (Saskatchewan) which operates an outdoor adventure park near North Battleford, Saskatchewan. The real property used by BMAP is owned by the Lighthouse.
6. This is the Receiver's Third Report to Court (the "**Third Report**") and it should be read in conjunction with the:
 - Interim Receiver's First Report to Court dated April 5, 2023 (the "**Interim Receiver's First Report**");

- Receiver's First Report to Court dated April 21, 2023 (the "**First Report**"); and
 - Receiver's Second Report to Court dated June 8, 2023 (the "**Second Report**").
7. The purpose of this Third Report is to advise that Court with respect to the following matters in relation to the Corporations:
- the activities of the Receiver since the filing of the Second Report;
 - the activities of the Receiver relating to the properties owned by the Lighthouse in the City of North Battleford, Saskatchewan (the "**North Battleford Properties**");
 - the status of the Receiver's Sales Process and proposed sale of the BMAP assets;
 - the status of the Receiver's Sales Process for the Saskatoon Properties;
 - the Receiver's proposed distribution of proceeds;
 - the Receiver's Interim Statement of Receipts and Disbursements and Receiver's Borrowings; and
 - the Professional Fees
8. Capitalized terms not defined in this Third Report are as defined in the Interim Receiver's First Report, the First Report, and the Second Report. All references to currency are in Canadian dollars unless otherwise stated.
9. In preparing the Third 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 Corporations, the Corporations' 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.
10. Further information relating to the receivership proceedings can be located on the Receiver's website at <https://mnpdebt.ca/en/corporate/corporate-engagements/lighthouse-and-blue-mountain>.

Activities of the Receiver

11. Following the filing of the Second Report, the Receiver has:
- continued to monitor and manage the day-to-day operations of the Lighthouse;
 - monitored and reviewed staffing levels in accordance with information provided by Twila Redekopp;
 - communicated with community stakeholders in Saskatoon including the Saskatoon Police Department, the Saskatoon Fire Department, and the City of Saskatoon;
 - initiated the sales process for the Saskatoon Properties;
 - continued discussions with Saskatchewan Health Authority ("**SHA**"), Saskatchewan Housing Corporation ("**SHC**") and Saskatchewan's Ministry of Social Services ("**MSS**") with regard to the clients of the Towers and relocation of those requiring assistance;

- continued to work with the listing real estate agent with respect to the North Battleford Properties; and
 - completed the distribution of the net sale proceeds from the property located at 1322 - 103 Street, North Battleford, Saskatchewan (the "**103 Street Property**").
12. Canada Revenue Agency ("**CRA**") conducted a Trust Examination of the payroll source deduction account for the Lighthouse the week of May 11, 2023 (the "**CRA Trust Exam**") and on June 20, 2023 submitted a claim for a total amount of \$510,564.42 of which \$381,665.73 is represented as a Deemed Trust Claim.
 13. The Receiver has authorized further repairs to the HVAC system at the Towers.
 14. Employees of the Lighthouse complete security checks on a regular basis including a perimeter walk of the Towers property to check on those individuals who choose to sleep or gather outside the property over night. These individuals are not typically clients of the Lighthouse. The Receiver, in tandem with Saskatoon Police Service and Saskatoon Fire Department, has been working to direct the individuals gathering outside the Towers property to other service providers and shelters.
 15. In addition to checking on the individuals who reside outside the Towers property, employees of the Lighthouse continue to assist in tidying up the exterior where garbage has been left behind.
 16. Occupancy at the Towers has remained consistent with the information reported in the Second Report.

Activities of the Receiver relating to the North Battleford Properties

17. The net sale proceeds of approximately \$290,000 (net of a closing adjustment in favour of the purchaser for property taxes) from the sale of the 103 Street Property (the "**Net Sale Proceeds**") were distributed in accordance with the June 15 Order as follows:
 - to MLT Aikins LLP, the sum of \$24,644.87, in payment of the legal fees, disbursements and taxes approved by the Court on April 13, 2023 and secured by the Receiver's Charge;
 - to Saskatchewan Housing Corporation ("**SHC**"), the sum of \$82,316.40, being the amount outstanding pursuant to the SHC Mortgage;
 - to the Canada Revenue Agency, the sum of \$92,911.32 as partial payment towards a Deemed Trust Claim for payroll source deductions; and
 - to Court to the credit of this cause, the sum of \$77,941.72 without prejudice to the ability of any party to claim priority or entitlement to the same.
18. On June 1, 2023, Battlefords Agency Tribal Council ("**BATC**") submitted an offer to purchase the 102 Street Property and on June 4, 2023 the Receiver submitted a further counter-offer.
19. On June 7, 2023 the Receiver and BATC agreed on a form of offer to purchase for the 102 Street Property, further information is contained in the Confidential Supplement to this Third Report of the Receiver (the "**Confidential Supplement**"). A copy of the purchase agreement between the Receiver and BATC, with business terms redacted, is attached to this Third Report as **Schedule 2**.
20. As at July 24, 2023 the Receiver has not received any offers to purchase the Lighthouse's property located at 1671 – 104 Street, North Battleford, Saskatchewan.

Status of the Receiver's Sales Process for BMAP Assets

21. In accordance with the Blue Mountain SPO, the Receiver initiated the sales process contemplated therein on May 10, 2023 (the "**BMAP Sales Process**").
22. An Information Summary was distributed to commercial real estate agents, third parties who have previously expressed an interest in the BMAP assets, MNP partners in Saskatchewan and the Receiver's contact list of individuals interested in distressed assets.
23. Information relating to the BMAP Sales Process was advertised on LinkedIn where the posting was viewed over 10,500 times with 210 direct views of the linked website.
24. The deadline for Offers to Purchase to be submitted to the Receiver was June 23, 2023 (45 days after the process was initiated).
25. In response to the BMAP Sales Process six (6) Offers to Purchase were submitted to the Receiver (the "**BMAP Offers**").
26. Upon review of the BMAP Offers the Receiver sought clarity on the terms and conditions of an Offer to Purchase submitted by Raptor Enterprises Inc. (the "**Raptor Offer**"). A copy of the Raptor Offer is attached to the Confidential Addendum.
27. Upon confirming the terms and conditions the Receiver advised Raptor Enterprises Inc. that it would be accepting its offer subject to Court approval.
28. On July 12, 2023 an Asset Purchase Agreement was executed by both the Receiver and Raptor Enterprises Inc. (the "**APA**"). A copy of the APA, with purchase price and other business terms redacted, is attached to this Third Report as **Schedule 3**, and an unredacted copy of the APA is attached to the Confidential Addendum.
29. The real property, building, equipment and assets included in the BMAP Sales Process are owned by the Lighthouse (with the exception of certain equipment assets) and the Receiver seeks the Court's approval to complete the sale of the assets in accordance with the APA.
30. Certain personal property and equipment ("**PP&E**") assets included in the BMAP Sales Process are identified as being owned by BMAP (the "**BMAP Equipment**") and the Trustee seeks the Court's approval to complete the sale of those PP&E assets in accordance with the APA. Further information relating to the allocation of purchase price as between asset classes is contained within the Confidential Addendum.
31. The books and records of BMAP are incomplete, however, the Trustee has relied on the internal financial records to identify the BMAP Equipment included in the BMAP Sales Process which has a net book value of approximately \$45,000 and is comprised of a Kubota Side by Side RTV X1140 Serial Number 27833 and Kubota Tractor B2650 Model LA534A Serial Number A7943. The remaining PP&E assets appear to be owned by the Lighthouse based upon draft audited financial statements for 2021 and internal financial records. Due to the inaccuracy of the BMAP financial records the Receiver proposes to allocate all of the purchase price allocation to PP&E to BMAP for the benefit of its creditors.
32. The Inspector of the bankrupt estate of BMAP has approved of the sale of the BMAP Equipment and the allocation of purchase price in accordance with the Raptor Offer. A copy of the Minutes of the First Meeting of Inspectors (with commercial terms redacted) is attached as **Schedule 4**.

33. The Receiver is aware of inventory claimed to be owned by a local biathlon club (skis and related equipment) where an individual has physically attended to the location to mark the equipment. These assets are not believed to be material in value.
34. Father Kevin McGee has advised the Receiver that he claims ownership to a Hermitage and Chapel located on the real property being sold in the BMAP Sales Process. The property appears to have been constructed with the permission of the Lighthouse and/or the previous owner of the property; however, as at July 26, 2023 the Receiver has not been provided with any documentation in terms of a formal signed agreement as to the ownership of the assets constructed and access to the property, and it appears likely that no such documentation exists. This potential third party ownership of assets was disclosed in the sales process by way of documentation contained within the online data room. Attached as **Schedule 5** are copies of the information provided to potential purchasers. The APA references the claim of ownership to these buildings and expressly provides that Raptor Enterprises Inc. will take title to the purchased assets subject to any claims of Fr. McGee.

Status of the Sales Process for the Saskatoon Properties

35. In accordance with the Order (Saskatoon Sales Process) granted by the Honourable Madam Justice A.R. Rothery on June 15, 2023 (the "**Saskatoon SPO**") the Receiver initiated a sales process for the properties owned by the Lighthouse in the City of Saskatoon (the "**Saskatoon Properties**") on July 4, 2023 (the "**Lighthouse Sales Process**").
36. An Information Summary (attached as **Schedule 6**) was distributed to commercial realtors, non-profit entities and third parties who had expressed an interest in the Saskatoon Properties.
37. In addition to the direct distribution of the Information Summary, details relating to the Lighthouse Sales Process have been advertised on social media.
38. As of July 24, 2023 a total of six (6) interested parties have signed Confidentiality Agreements to access the on-line data room.
39. In accordance with the terms and conditions of the Saskatoon SPO, prospective purchasers in the non-profit and public sector will have the exclusive right for 90 days (that is, until October 2, 2023) to submit offers to purchase for the Receiver's consideration, following which the process may be opened to bids from for-profit entities.

Proposed Distribution of Sale Proceeds

40. In the event that the Court authorizes the Receiver to complete the sale of the 102 Street Property and the BMAP assets the Receiver proposes to distribute the net sale proceeds therefrom as follows:
 - a) \$288,754.41 to CRA representing the balance remaining under the payroll source deduction Deemed Trust Claim (total Deemed Trust Claim of \$381,665.73 less interim distribution of \$92,911.32);
 - b) \$77,941.72 to the Saskatchewan Workers' Compensation Board;
 - c) \$480,000 (plus any additional borrowings) to Affinity Credit Union representing repayment of the Receiver's Borrowings (and Interim Receiver's Borrowings) plus interest;
 - d) \$61,542.87 inclusive of tax to MLT Aikins LLP as payment for outstanding legal fees as counsel to the Receiver;

- e) \$136,372.27 inclusive of tax to MNP Ltd. as payment for outstanding professional fees in its capacity as Interim Receiver; and
 - f) \$111,396.99 inclusive of tax to MNP Ltd. as payment for outstanding professional fees in its capacity as Receiver.
41. Upon payment of the priority claims referenced in paragraph 40, the Receiver requests that the \$77,941.72 paid into Court from the sale of the 103 Street Property be returned to the Receivership estate.

Receiver's Interim Statement of Receipts and Disbursements

42. Attached as **Schedule 7** to this report is the Receiver's Interim Statement of Receipts and Disbursements for the period ending June 30, 2023.
43. As at July 27, 2023 the Receiver has borrowed a total of \$480,000 (including the \$100,000 advanced during the Interim Receivership) to cover the operating losses incurred by continuing the operations of the Lighthouse.
44. The Receiver has borrowed on average \$70,000 per month to subsidize the ongoing losses of the Lighthouse and anticipates having to borrow at minimum an additional \$75,000 prior to August 31, 2023. The Receiver requests to the Court's approval to increase the Receiver's Borrowing Charge limit established in the Receivership Order as \$500,000 to a limit of \$575,000. As referenced in the Third Report the Receiver anticipates repayment of the Receiver's Borrowings upon closure of the sale of assets.

Professional Fees

45. Attached as **Schedule 8** is a summary and detailed listing of the Receiver's Fees and Disbursements to July 4, 2023.
46. Attached as **Schedule 9** is a summary of the Receiver's Legal Fees and Disbursements.

Conclusion

47. The Receiver submits this Third Report in support of an application for the following:
- a) approval of this Third Report and the Receiver's activities and conduct to date as outlined herein and in the Confidential Supplement;
 - b) approval to complete the Asset Purchase Agreement for the 102 Street Property;
 - c) approval of the Asset Purchase Agreement for the BMAP assets;
 - d) approval to complete the interim distribution in accordance with paragraph 40;
 - e) approval of the Receiver's Interim Statement of Receipts and Disbursements for the period ending June 30, 2023;
 - f) approval of the increase in the Receiver's Borrowing Charge to \$575,000; and

g) approval of the professional fees and disbursements of the Receiver and its legal counsel.

DATED at the City of Edmonton, in the Province of Alberta, this 8th day of August, 2023.

MNP Ltd., in its capacity as Receiver of
the Lighthouse Supported Living Inc.
and not in its personal capacity



Per: Eric Sirrs, CIRP, Licensed Insolvency Trustee
Senior Vice President

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

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