

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.

NOTICE OF APPLICATION

(Saskatoon Sales Process and Distribution of Proceeds)

NOTICE TO RESPONDENTS: All recipients on the attached Service List

This application is made against you. You are a respondent. You have the right to state your side of this matter before the Court.

To do so, you must be in Court when the application is heard as shown below:

| | |
|-------|---|
| Where | Court House, 520 Spadina Crescent East Saskatoon, Saskatchewan |
| Date | Thursday, June 15, 2023 |
| Time | 10:00 a.m. |

(Read the Notice at the end of this document to see what else you can do and when you must do it.)

Remedy claimed or sought:

1. MNP Ltd. (the "**Receiver**"), the Court-appointed Receiver of The Lighthouse Supported Living Inc. (the "**Lighthouse**") pursuant to the Order granted in these proceedings by the Honourable Madam Justice A.R. Rothery on April 13, 2023 (the "**Receivership Order**") applies to this Honourable Court for an Order:
 - (a) approving the Receiver's proposed process for the marketing and potential sale of the Lighthouse's lands in the City of Saskatoon (the "**Proposed Saskatoon Sales Process**");
 - (b) providing directions to the Receiver regarding the distribution of the proceeds from the Receiver's sale of 1322 – 103 Street, North Battleford, Saskatchewan (the "**103 Street Property**") and protecting the purchaser of the 103 Street Property from claims against the Lighthouse; and
 - (c) approving the Second Report of the Receiver (the "**Second Report**"), the activities of the Receiver, the Receiver's Interim Statement of Receipts and Disbursements, and the professional fees and disbursements of the Receiver and its legal counsel; and
 - (d) such further and other relief as counsel may request and this Honourable Court may allow.

Grounds for making this application:

Approval of the Proposed Saskatoon Sales Process

2. As a result of the ongoing cash requirements of the Lighthouse's operations, the Receiver is not in a position to continue to operate the Lighthouse indefinitely. Some combination of non-profit, public sector, and/or private sector individuals or organizations will need to purchase the properties currently owned by the Lighthouse in the City of Saskatoon.
3. The Proposed Saskatoon Sales Process takes proper account of the Lighthouse's role in the community by establishing a minimum 90-day exclusivity period within which offers to purchase any one or more of the Lighthouse's Saskatoon properties will only be accepted from non-profit and public sector bidders (the "**Exclusivity Period**"). Although private sector bidders will be permitted to complete due diligence within the Exclusivity Period, offers will not be accepted from such bidders until after the end of the Exclusivity Period.
4. As more particularly described in the Second Report, the Proposed Saskatoon Sales Process contemplates direct marketing (including online marketing as well as direct marketing to commercial real estate agents) as well as an online dataroom for the use of interested parties in completing their due diligence.

Distribution of Net Sale Proceeds from 103 Street Property

5. The Court approved the sale of the 103 Street Property by means of a Sale Approval and Vesting Order granted by the Honourable Madam Justice A.R. Rothery on April 28, 2023 (the "**103 Street SAVO**"). The 103 Street SAVO did not contain directions as to how the net proceeds from the sale (referred to therein as the "**Net Sale Proceeds**") would be distributed. The Net Sale Proceeds total \$277,814.31.
6. To the best of the Receiver's knowledge, all of the Lighthouse's assets are encumbered by a deemed trust in favour of Canada Revenue Agency ("**CRA**") resulting from arrears in remittances of employee source deductions (the "**CRA Deemed Trust**"). The amount of the CRA Deemed Trust is not currently known with certainty, but it is expected to exceed the amount of the Net Sale Proceeds.
7. After the date of the 103 Street SAVO, in the days leading up to the closing of the sale of the 103 Street Property, counsel for the Receiver discovered that the property tax roll for the 103 Street Property is encumbered by a levy in favour of the Saskatchewan Workers' Compensation Board ("**WCB**") in the amount of \$77,941.72 (the "**WCB Levy**").

8. The Receiver is proposing that the Net Sale Proceeds be distributed as follows:
- (a) to MLT Aikins LLP, the Receiver's legal counsel, the sum of **\$24,644.87**, on account of legal fees approved pursuant to the Order of the Honourable Madam Justice A.R. Rothery dated April 13, 2023, and secured by the Receiver's Charge (as that term is defined in the Receivership Order);
 - (b) to Saskatchewan Housing Corporation ("**SHC**"), **\$82,316.40**, on account of its first-charge mortgage which was registered against title to the 103 Street Property at the time of closing; and
 - (c) to CRA, all of the remaining Net Sale Proceeds, in the amount of **\$170,853.04**.
9. The Receiver does not propose to expend the limited resources of the receivership estate on a detailed analysis of the respective priorities of the Receiver's Charge, SHC, CRA, and WCB. However, regardless of the priority analysis and distribution which is ultimately approved by the Court, one thing is absolutely required: the WCB Levy must be removed from the City of North Battleford property tax roll, and the purchaser of the 103 Street Property protected from any and all claims against the Lighthouse. Purchasers who take title to assets pursuant to vesting orders granted in the course of insolvency proceedings have a right to quiet enjoyment, free and clear of all claims against the debtor. Holding otherwise would place all sales of property in insolvency proceedings in jeopardy.

Other Relief Sought

10. The Receiver seeks the usual approvals of its reports, its activities and conduct to date, its Interim Statement of Receipts and Disbursements, and the fees and disbursements of the Receiver and its legal counsel. As more particularly described in the Second Report, the Receiver's mandate has at all times been carried out with efficiency and integrity and with due regard for the interests of all parties, and the professional fees and disbursements of the Receiver and its legal counsel are fair and reasonable.

Material or evidence to be relied on:

- 11. This Notice of Application, with proof of service;
- 12. Second Report of the Receiver dated June 8, 2023;
- 13. Affidavit of Vanessa Warkentin sworn on June 8, 2023;
- 14. Draft Order (Saskatoon Sales Process and Distribution of Proceeds); and

15. Such further and other relief as counsel may advise and this Honourable Court may allow.

Applicable Acts and regulations:

- 16. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3.
- 17. *The Personal Property Security Act, 1993*, SS 1993, c P-6.2.
- 18. *The Queen's Bench Act, 1998*, SS 1998, c Q-1.01.
- 19. *The Non-profit Corporations Act, 2022*, SS 2022, c 25.

DATED at Saskatoon, Saskatchewan, this 8th day of June, 2023.

MLT AIKINS LLP

Per: 

Jeffrey M. Lee, K.C. and Paul Olfert counsel for the Interim Receiver, MNP Ltd.

NOTICE

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.

CONTACT INFORMATION AND ADDRESS FOR SERVICE:

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