



**FORCE FILED**

No. S-237489  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF THE RECEIVERSHIP OF  
QRD (WILLOUGHBY) HOLDINGS INC., QRD (WILLOUGHBY) LIMITED PARTNERSHIP,  
AND QRD (WILLOUGHBY) GP INC.  
PURSUANT TO SECTION 234(1) OF THE  
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985 c.B-3, AS AMENDED  
AND SECTION 39 OF THE LAW AND EQUITY ACT, R.S.B.C. 1996 c.253 AS AMENDED**

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**Supplemental Report to Receiver's Fourth Report to Court**

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**August 28, 2024**

**IN THE MATTER OF THE RECEIVERSHIP OF  
QRD (WILLOUGHBY) HOLDINGS INC., QRD (WILLOUGHBY) LIMITED PARTNERSHIP,  
AND QRD (WILLOUGHBY) GP INC.**

**Supplemental Report to Receiver's Fourth Report to Court**

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Nil

## I. PURPOSE OF REPORT

### Purpose of report

1. The purpose of this supplemental report is to provide the Court with further detail and commentary on the following:
  - i. The approximate value of the Intangible Assets;
  - ii. Transferability of the Intangible Assets; and
  - iii. Whether prospective purchasers (other than Redekop) knew about the possibility to acquire the Project and the Lands by share sale and RVO, and the Receiver's consideration of that sale structure during the marketing and sales process.
2. This is a supplemental report and should be read in conjunction with the Receiver's Fourth Report ("**Receiver's Fourth Report**") dated August 12, 2024.
3. Unless otherwise stated, capitalized terms in this Report have the same meaning given to them in the Receiver's Fourth Report.

## II. IMPORTANCE OF TAX SAVINGS AND INCREASED RECOVERY BY CMSC

4. As described in greater detail in the Receiver's Fourth Report, the primary reason the Receiver recommends approval of the Redekop RVO Offer is because it will generate approximately \$842,000 (less certain costs and professional fees) more for CMSC than would the original Redekop Offer.
5. The primary benefit to Redekop under the Redekop RVO Offer, as compared to the original Redekop Offer, is the fact that PTT will not be payable in connection with the proposed share sale. The Receiver understands this to be the predominant reason why Redekop is prepared to pay an increased purchase price if the transaction is converted from an asset sale. The increase in purchase price under the Redekop RVO Offer was specifically negotiated to provide for a split between Redekop and CMSC of the PTT that is otherwise payable under the original Redekop Offer. With the Receiver's express

support, Redekop and CMSC negotiated and agreed to an approximately equal sharing of the PTT savings between them, if the Court approves the proposed transaction.

6. As described further below, the increased purchase price under the Redekop RVO Offer is only minimally attributable to the other benefits to Redekop of proceeding by way of share sale/RVO.

### III. APPROXIMATE VALUE OF INTANGIBLE ASSETS

7. The Redekop RVO Offer contemplates that Redekop will purchase the Companies' beneficial interest in the Project via share sale. Under that transaction, by stepping into the shoes of the Companies vis-à-vis the Project, Redekop will assume the Companies' right, title and interest in the Intangible Assets. However, as set out below, the Receiver views the value of the Intangible Assets as immaterial to the transaction.
8. The Intangible Assets identified in the Receiver's Fourth Report consist of the following:
  - i. Development and building permits (the "**Permits**");
  - ii. Agreements with the Township of Langley including the Servicing Agreement and Erosion and Sediment Control Agreement (the "**Township Agreements**"); and
  - iii. Three letters of credit currently posted with the Township of Langley in connection with the Project (the "**LOCs**").
9. Despite the Companies having spent significant sums to obtain the Permits (possibly in excess of \$2.5 million), it is almost a certainty that any purchaser of the lands or of the Companies' assets could apply to have these Permits re-issued to that Purchaser with only a minimal administrative cost.
10. The Permits are tied to the Project and will survive even if Redekop acquires the Project by asset sale under the original Redekop Offer. If Redekop acquires the Project by asset sale, Redekop will not need to restart the development process and re-apply for the Permits, or incur the same extent of costs as did the Companies in obtaining the Permits. Instead, Redekop will need to have the Permits assigned or re-issued in their

favour by the Township of Langley, which may delay the start of construction and completion of the Project and result in additional costs to Redekop.

11. The Receiver understands that the costs of applying to have the Permits assigned or re-issued would be relatively immaterial, consisting of fees paid to the Township of Langley and administrative and professional costs of an application for assignment/re-issuance. Further, while there is some risk that the Township of Langley might not agree to assign or re-issue the Permits, or may impose conditions and/or additional costs as part of such assignment or re-issuance (separate from the necessary administrative costs of following the necessary assignment/re-issuance process), the Receiver believes that risk is minimal. For those reasons, the Receiver and Redekop attributed nominal value to Redekop's ability to retain the Permits in negotiating the purchase price under the Redekop RVO Offer.
12. The Companies' performance of the Township Agreements is secured by the LOCs and tied to the Permits. The Township Agreements have no standalone monetary value other than an amount equivalent to the administrative and professional costs to re-negotiate such agreements, including architect and engineering fees for revising estimates for required work and potential changes to the estimated security. As with the Permits, the Receiver understands that the costs associated with re-negotiating the Township Agreements are likely to be minimal. Again, therefore, the Receiver and Redekop attributed no meaningful value to Redekop's retention of the Township Agreements under the Redekop RVO Offer.
13. The Redekop RVO Offer offers some benefit in that the Permits and Township Agreements can be transferred more easily to the purchaser, which may save them time and administrative costs. The value attributed to the above is minimal, however, for the reasons identified above, and the increase in purchase price under the Redekop RVO Offer is primarily attributed to the savings in PTT.

#### **IV. REPLACEMENT OF LOCs**

14. The LOCs have a value of \$1,991,248 and are tied to the conditions of the Township Agreements and Permits. Pursuant to the terms of the Redekop RVO Offer (and under the original Redekop Offer), Redekop is required to replace the LOCs. In effect, this requires Redekop to put forward \$1,991,248 in addition to the Purchase Price.
15. The LOCs were issued at the request of MCAP and those amounts form part of the MCAP debt. With the replacement of the LOCs under the original Redekop Offer or the Redekop RVO Offer the MCAP debt will be reduced by the equivalent amount.
16. Because of the requirement to replace the LOCs, Redekop will not benefit from its retention of the LOCs under the share sale/RVO structure, and neither Redekop nor any other prospective purchaser would have paid a greater purchase price in connection with the requirement to replace the LOCs.

#### **V. ABILITY TO TRANSFER THE INTANGIBLE ASSETS**

17. The Receiver has periodically updated the Township of Langley on the status of the administration of the receivership, but has not engaged in specific discussions regarding the assignment or re-issuance of the Intangible Assets.
18. The Receiver believes the Township of Langley would be cooperative in working with the Receiver and Redekop to assign or re-issue the Permits and re-negotiate the Township Agreements, if required. However, the Township of Langley retains the right to cancel, withhold or impose additional terms in connection with the Intangible Assets.
19. The Receiver notes that the following risks are associated with a re-issuance or assignment of the Intangible Assets, which risks will be reduced or eliminated if the Court approves the Redekop RVO Offer:
  - i. The Township of Langley may not agree to assign or re-issue the Permits to Redekop or another purchaser entity;

- ii. The Permits may be subject to new fees, costs or requirements upon re-issuance or assignment;
  - iii. The Township of Langley may ask for additional security or wish to impose new terms for the assignment and re-issuance of the Permits, or in the course of re-negotiating the Township Agreements; and
  - iv. The process of having the Permits assigned or re-issued, and/or of re-negotiating the Township Agreements, could cause delay for Redekop in completing the Project, and for the Receiver in completing its administration, insofar as the Receiver is required to cooperate in those processes, in its court-appointed capacity on behalf of the Companies.
20. As noted above, the Receiver considers the foregoing risks to be minimal, but recommends approval of the Redekop RVO Offer as a means of addressing such issues, in addition to the other (more significant) benefits that transaction will provide.

## **VI. TAX LOSSES**

21. In addition to the Intangible Assets, the RVO allows Redekop to retain potential tax loss attributes that would be unavailable in an asset sale. The Receiver has not specifically assessed the Companies' tax loss attributes or the purchaser's ability to take advantage of such attributes.
22. Although the Receiver has not conducted a full assessment of the Companies' tax loss attributes and cannot provide an estimate of the amount or probability that the purchaser can effectively utilize such attributes, the Receiver notes that the Companies operate under a Limited Partnership structure, which generally complicates and adds risk to the purchaser's ability to effectively utilize any tax loss attributes.
23. While the Companies' tax loss attributes reflect a potential benefit to the purchaser under a share sale structure, the Receiver and Redekop do not attribute significant value to the potential tax loss attributes of the Company given the risk and difficulty utilizing these losses and as evidenced by the increase in purchase price of the Redekop RVO Offer being mainly attributed to PTT savings.

## VII. POTENTIAL PURCHASERS' KNOWLEDGE OF RVO OPTION

24. The Receiver has confirmed with Colliers that all potential purchasers were notified during the marketing process about the potential to structure a purchase of the Project as a share sale, to be effected by RVO (subject to Court approval).
25. The marketing and sales process conducted by Colliers initially produced only the Redekop Offer with two competing bids submitted at the application to approve the Redekop Offer.
26. The Supplemental Report to the Receiver's Third Report dated July 6, 2024 (the "**Supplemental Report**"), which was provided to all bidders at the July 9, 2024 hearing of the Receiver's application to approve the original Redekop Offer (the "**July 9 Hearing**"), also discusses the Receiver's intention to seek to convert the original Redekop Offer, or winning bid if approved by Court, to an RVO.
27. In addition to distributing the Supplemental Report, at or around the time of the July 9 Hearing, the Receiver and its counsel discussed with all competing bidders the possible use of a share sale/RVO structure and the benefits thereof. The Receiver told competing bidders that Redekop was prepared to convert the original Redekop Offer to an RVO structure, and to split the PTT savings under such a transaction with CMSC, which the Receiver explained was a critical aspect of the Redekop Offer, informing the Receiver's recommendation that it be approved. The Receiver sought the competing bidders' confirmation that they would likewise be prepared to discuss and pursue an RVO conversion if their bid was ultimately successful, and to share the PTT savings with CMSC to an extent equal or greater than contemplated under Redekop's proposal. The Receiver told competing bidders that this was important if they wanted the Receiver to recommend approval of their bid. Neither of the competing bidders was willing to propose a converted sale by RVO that would result in increased recovery for CMSC equal to or greater than under the Redekop RVO Offer.



## VIII. CONCLUSION

28. The increase in purchase price under the Redekop RVO Offer (as compared to the original Redekop Offer) is almost entirely attributable to the PTT savings to Redekop under the share sale structure.
29. The value of the Intangible Assets to Redekop, or any other purchaser, is most accurately assessed based on the estimated costs of and risks associated with having the Permits assigned or re-issued by the Township of Langley, and re-negotiating the Township Agreements. Those concerns would be reduced or eliminated by an RVO, but are projected to be relatively nominal in any event. As a result, very little (if any) of the increased purchase price under the Redekop RVO Offer is attributable to the Intangible Assets.
30. All potentially interested parties and parties who submitted an offer in the receivership proceedings were made aware of the possibility of an RVO transaction. Following discussions between Colliers, the Receiver, and those other interested parties, Redekop prevailed as the prospective purchaser with the best offer in the Receiver's view, and as the prospective purchaser willing to offer the greatest benefit to CMSC under a share sale/RVO structure.

All of which is respectfully submitted to this Honourable Court this 28<sup>th</sup> day of August 2024.

### **MNP Ltd.**

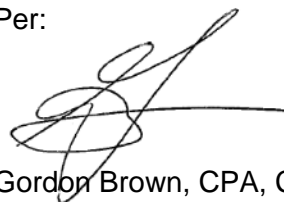
In its capacity as Receiver and Manager of QRD (Willoughby) Holdings Inc., QRD (Willoughby) Limited Partnership and QRD (Willoughby) GP Inc.

Per:



Mario Mainella, CPA, CA, CIRP

Per:



Gordon Brown, CPA, CA, CIRP