

**COURT FILE NUMBER** Q.B. 572 of 202  
**COURT OF KING'S BENCH FOR SASKATCHEWAN**  
**JUDICIAL CENTRE** SASKATOON  
**APPLICANT** AFFINITY CREDIT UNION 2013  
**RESPONDENTS** RITCHIE INDUSTRIES INC. and DUCK  
MOUNTAIN ENVIRONMENTAL LTD.

**IN THE MATTER OF THE RECEIVERSHIP OF RITCHIE INDUSTRIES INC. and DUCK MOUNTAIN  
ENVIRONMENTAL LTD.**

**AND IN THE MATTER OF THE BANKRUPTCY OF RITCHIE INDUSTRIES INC. and DUCK  
MOUNTAIN ENVIRONMENTAL LTD.**

**THIRD REPORT OF THE RECEIVER, MNP LTD.,  
IN RELATION TO DUCK MOUNTAIN ENVIRONMENTAL LTD. DATED SEPTEMBER 15, 2022**

**Introduction and Purpose of the Report (Duck Mountain Environmental Ltd.)**

1. MNP Ltd. was appointed interim receiver of Duck Mountain Environmental Ltd. (hereinafter "**DME**" or the "**Company**") by the Court of King's Bench for Saskatchewan (the "**Court**") by order dated May 31, 2021.
2. Concurrently, DME filed a Notice of Intention to Make a Proposal pursuant to the *Bankruptcy and Insolvency Act* on May 31, 2021. The Bowra Group Inc. was appointed as proposal trustee. The period for making a proposal pursuant to the Notice of Intention dated May 31, 2021 was terminated by Court order dated June 29, 2021, resulting in the deemed bankruptcy of Duck Mountain Environmental Ltd. effective June 29, 2021.
3. MNP Ltd. was substituted as Trustee in lieu of The Bowra Group Inc. by consent order dated June 29, 2021.
4. MNP Ltd. was appointed as Receiver of DME. by the Court order dated June 29, 2021.
5. MNP Ltd. is acting in a dual capacity as Court appointed Receiver and Licensed Insolvency Trustee of DME in its bankruptcy proceedings.
6. MNP Ltd. is also acting in a dual capacity as Court appointed Receiver and Licensed Insolvency Trustee of Ritchie Industries Inc. (hereinafter "**Ritchie**") pursuant to the above process. Ritchie is considered to be a related entity by way of common shareholder.

7. DME operated a septic, portable water delivery and hydrovac excavation services company located in Kamsack, Saskatchewan.

8. This is the Receiver's Third Report to Court in relation to DME (the "DME Third Report") and it should be read in conjunction with the following Receiver's reports:

- Receiver's First Report to Court in relation to Ritchie Industries Inc. dated October 29, 2021 (the "Ritchie First Report");
- Receiver's First Report to Court in relation to Duck Mountain Environmental Ltd. dated October 31, 2021 (the "DME First Report");
- Receiver's Confidential Addendum to the Ritchie First Report dated October 29, 2021 ("First Ritchie Confidential Addendum");
- Receiver's Confidential Addendum to the DME First Report dated October 31, 2021 ("First DME Confidential Addendum");
- Receiver's Supplemental Report in relation to the DME First Report dated November 4, 2021;
- Receiver's Supplemental Report in relation to the Ritchie First Report dated November 9, 2021;
- Receiver's Second Report in relation to Ritchie Industries Inc. dated February 22, 2022 (the "Ritchie Second Report"); and
- Receiver's Second Report in relation to Duck Mountain Environmental Ltd. dated March 3, 2022 (the "DME Second Report").

9. Capitalized terms not defined in this report are defined in the DME First Report, the First Supplement to the DME First Report, and the DME Second Report.

10. The Purpose of the DME Third Report is to advise the Court with respect to the following matters in relation to DME:

- Activities of the Receiver;
- Assets;
- Third Party Ownership Claim;
- Priority Creditors and Secured Creditors;
- Interim Statement of Receipts and Disbursements and Professional Fees; and
- Allocation of the DME Property Sale Proceeds and Proposed Interim Distribution

11. In preparing the DME 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 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

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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.

12. Further information relating to the receivership proceedings can be located on the Receiver's website at <https://mnpdebt.ca/en/corporate/corporate-engagements/ritchie-industries-inc>.

### **Activities of Receiver**

13. Subsequent to filing the DME First Report, the First Supplemental to the DME First Report, and the DME Second Report the Receiver has:

- Continued to insure and monitor the DME Property and address any maintenance and/or repair requirements until title to the DME Property was transferred to the new owner on March 23, 2022;
- Arranged for the Receiver's counsel to prepare an Assignment and Assumption of Lease Agreement effective the closing date between the Receiver and Purchaser in relation to the assignment of DME's interest in a lease dated November 20, 2017, between Saskatchewan Association of Rehabilitation Centres, operating as SARCAN Recycling division, as tenant and DME, as landlord;
- Effected the discharge of personal property lien registrations against the 2005 Kenworth and 2008 Western Star to facilitate clear transfer of title;
- Cancelled insurance on the DME property effective March 23, 2022;
- Cancelled utility services effective March 23, 2022; and
- Completed distributions in accordance with the Approval and Distribution Order issued March 16, 2022 (the "**March 16, 2022 Order**").

### **Assets**

14. The Company assets are comprised of the following:

- Real property located in Kamsack, Saskatchewan (DME Property and Vacant Lot);
- Equipment and Chattels; and
- Accounts Receivable.

#### *Real Property*

15. Pursuant to the terms of the Sale Approval and Vesting Order granted March 10, 2022, and issued March 16, 2022 ("**Vesting Order**"), the Vesting Order and Receiver's Certificate was submitted to ISC for registration on behalf of the Purchaser. Title to the DME Property and Vacant Lot was transferred effective March 23, 2022.

### *Equipment and Chattels*

16. The majority of the Company's equipment and chattel assets were sold in accordance with a sale agreement as outlined in the DME First Report and authorized by the Court.

17. The Receiver has determined there to be equity in the Bennington Financial Lease #20003723 in relation to the Branson Mini 2 Linear vibration plastic welding machine (the "Mini Welder"). The value of the equity is based on a comparable received from Bennington Financial of \$61,000.00, less the debt as at the date of the receivership, being \$44,018.59 for a total equity of \$16,981.41.

18. The Mini Welder is currently in the possession of DOPPL Inc. ("**DOPPL**") and is located at 235 – 103 Street East, Saskatoon, Saskatchewan.

19. On April 27, 2022, the Receiver issued a demand to DOPPL for payment of \$16,981.41 on or before May 26, 2022. In the event payment is not received, the Receiver will be looking to take possession of the Mini Welder for the benefit of the creditors of DME. DOPPL responded (via its counsel) disputing the Receiver's value of the Mini Welder. A copy of the correspondence as between the Receiver and DOPPL is attached as **Schedule 1**.

### *Accounts Receivable ("**AR**") and Loans Receivable*

20. The Receiver has collected approximately \$89,000.00 (or 75%) of the AR of DME.

21. The Receiver has not collected any further AR since the DME Second Report and does not intend to continue collection attempts of the remaining outstanding balances as the likelihood of collection has been determined to be low.

22. In accordance with the books and records of DME, DME has loaned a total of \$126,785.01 to DOPPL from May 20, 2020. The Receiver's counsel filed and served a Statement of Claim for the balances outstanding against DOPPL in June 2022.

### **Third Party Ownership Claims**

23. The Receiver has continued discussions with Frederick Perepiolkin, the current minority shareholder of Madge Lake Developments Inc. ("**Madge Lake**"), and his counsel regarding the ownership issue of the 2013 Magnum MMG25 Generator and the 2013 Load Trail Dump box trailer as part of the intercompany transactions as between Madge Lake and DME. The Receiver has requested proof of the ownership claim and expects to resolve this issue without litigation.

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**Priority Creditors and Secured Creditors**

24. Based on a trust exam of the payroll source deductions and a Notice of Assessment issued June 8, 2022, the balance outstanding to Canada Revenue Agency ("CRA") for payroll source deductions up to December 31, 2020 is \$254,148.02. The books and records of DME support an additional balance of \$94,676.97 payable to CRA for payroll source deductions for the period of January 1, 2021 to May 31, 2021 for a total balance owing of \$348,824.99. On July 5, 2022 CRA filed a Deemed Trust Claim for \$245,258.05.
25. CRA has filed a Notice of Assessment for Goods and Services Taxes totalling \$43,120.93 for pre receivership periods. The bankruptcy of DME results in this debt ranking as unsecured.
26. The Receiver completed the administration of the WEPPA for 2 employees and Service Canada has filed a total claim of \$10,924.27 which includes a claim for \$4,000.00 for priority under Section 81.4 of the *Bankruptcy and Insolvency Act*. The priority under Section 81.4 of the BIA applies to the current assets of the debtor.
27. Affinity holds security by way of a mortgage registered on title to land owned by DME on March 9, 2015 and by way of a General Security Agreement ("GSA") registered on March 2, 2015 over all present and after-acquired property of the Bankrupt. The estimated balance owed to Affinity is \$769,237.63 plus accrued interest and costs as of May 2022.
28. TD holds security by way of a General Security Agreement ("GSA") registered on November 10, 2015 over all present and after-acquired personal property of the Bankrupt. The amount owed to TD is estimated to be \$28,800.00 as of June 29, 2021.
29. The Receiver has received confirmation that Caterpillar Financial Services Limited has removed its registration in the PPR in relation to the 2012 Non-Cat M2 Steamer Truck.
30. Kempenfelt, (a division of Bennington Financial Corp.), held a secured interest in a 2005 Kenworth T300 Vac Truck and Vac Pump owned by DME (the "2005 Kenworth") and an asset owned by a related party registered on July 8, 2019.
31. The Receiver obtained Kempenfelt's approval to sell the 2005 Kenworth in the Straight Purchase Proposal by 623452 Saskatchewan Ltd. (doing business as "Grasswood Auction"). On March 2, 2022, the Receiver's counsel effected a discharge of Kempenfelt's lien registration against the 2005 Kenworth to facilitate transfer of clear title.
32. The Receiver has remitted payment to Kempenfelt in accordance with the March 16, 2022 Order.

33. Kempenfelt also holds a secured interest in a Branson Mini 2 Linear Vibration Plastic Welding Machine and all attachments accessories (the "Mini Welder") registered on July 20, 2020. The Receiver continues to explore options on this asset and corresponding liability with DOPPL.

34. Wells Fargo Equipment Finance Company ("Wells Fargo") held a secured interest in a 2008 Western Star 4900 Vacuum Truck (the "2008 Western Star") registered on April 13, 2021. The balance owed to Wells Fargo as of October 21, 2021 was \$98,862.16.

35. The Receiver obtained Wells Fargo's approval to sell the 2008 Western Star as part of the Straight Purchase Proposal by Grasswood. On March 2, 2022, the Receiver's counsel effected a discharge of Wells Fargo's lien registration against the 2008 Western Star to facilitate transfer of clear title.

36. The Receiver has remitted payment to Wells Fargo in accordance with the March 16, 2022 Order.

37. 101198359 Saskatchewan Ltd. holds security by way of a Collateral Mortgage registered on March 6, 2020 over real property owned by DME. The estimated balance owed to 101198359 Saskatchewan Ltd. is \$922,500 as of June 29, 2021 (plus accrued interest and costs).

38. Kam-Crete Ltd. holds a builder's lien interest in the sale proceeds from the Vacant Lot property for a value of \$19,333.60. Counsel for the Receiver has reviewed the supporting documents in relation to the builder's lien and determined it to be valid.

39. The Receiver has borrowed \$90,010.37 in Receiver's Borrowings in relation to the administration of the DME estate to pay Receiver's Fees and Disbursements and the Interim Receiver's Fees and Disbursements.

#### **Interim Statement of Receipts and Disbursements**

40. Attached as **Schedule 2** to this report is the Receiver's Interim Statement of Receipts and Disbursements for the period ending September 14, 2022.

#### **Professional Fees**

41. Attached as **Schedule 3** to this report is a summary of the Receiver's Fees and Disbursements as at September 14, 2022.

42. Attached as **Schedule 4** to this report is a summary of the Interim Receiver's Fees and Disbursements relating to both the DME and Ritchie interim receivership estate. MNP has allocated 20% of the Interim Receiver's Fees and Disbursements to activities related to DME which totals \$9,368.84 plus applicable taxes (\$46,844.18 x 20%). The Interim Receiver's Fees and Disbursements were paid through the Receiver's Borrowings.

43. Attached as **Schedule 5** to this report is a summary of the Interim Receiver's and the Receiver's Legal Fees for both the DME and Ritchie receivership estates. MNP has allocated 20% of the Interim Receiver's and the Receiver's legal fees to activities related to DME totalling \$26,837.70.

**Allocation of Sale Proceeds and Proposed Interim Distributions**

44. The Receiver has completed the sale of the DME assets, distributed funds in accordance with the March 16, 2022 Order and seeks the Court approval to complete an interim distribution of the remaining net proceeds.

45. The remaining net sales proceeds from each asset category are:

- Personal Property - \$251,851.14; and
- Real Property – \$695,516.57

46. In accordance with the terms of the en-bloc sale the total sum of \$121,832.29 (\$55,796.88 + \$66,035.41) was paid to Kempenfelt and Wells Fargo from the Personal Property net sale proceeds leaving \$251,851.14 (\$373,683.43 - \$121,832.29) available to the priority and secured creditors.

47. The CRA deemed trust claim for payroll source deduction arrears of \$245,258.05 is to be paid from the Personal Property net sale proceeds.

48. Service Canada has a priority claim for \$4,000 for amounts distributed under WEPPA to be paid from the Personal Property net sale proceeds.

49. The total Receiver's borrowings and Receiver's legal fees of \$126,216.91 (\$90,010.37+\$36,206.54) will be satisfied from the Real Property and remaining Personal Property net sale proceeds.

50. TD Bank holds GSA security in first position (behind the lease creditor interests and CRA priority claim) and will not receive any distributions from the DME assets.

51. Kam-Crete Ltd. holds a builder's lien claim for \$19,333.60 will be satisfied from the net sales proceeds of the Vacant Lot. The Receiver has no indication that there are other lien claimants and proposes direct payment to Kam-Crete Ltd.

52. Affinity holds a secured interest in both classes of assets (second position GSA over the Personal Property assets and first position mortgage security over the Real Property assets). The Personal Property net sale proceeds will be distributed in full to creditors in priority to Affinity resulting in a proposed interim distribution of \$470,000 from the Real Property net sales proceeds to Affinity.

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53. In summary the Receiver proposes to distribute the following amounts as an interim distribution from the sale of the DME assets:

- a) Payment in the amount of \$90,010.37 plus accrued interest to Affinity as repayment of Receiver's Borrowings;
- b) Payment in the amount of \$36,206.54 in relation to the Receiver's legal fees;
- c) Payment in the amount of \$245,258.05 to CRA for balances owing under a deemed trust priority interest for payroll source deductions;
- d) Payment in the amount of \$4,000.00 to Service Canada in relation to its priority claim under Section 81.4 of the *Bankruptcy and Insolvency Act*;
- e) Payment to Kam-Crete Ltd. in the amount of \$19,333.60 in relation to its builders' lien;
- f) Payment in the amount of \$450,000 to Affinity as the primary secured lender (in relation to its mortgage financing on the real property assets).

54. The Receiver estimates retaining a balance of approximately \$80,000 in the estate to complete administration prior to the final distribution.

**Amend Order to Fix Typographical Errors**

55. Attached as **Schedule 6** to this report is the Sale Approval and Vesting Order (DME Equipment Sale) issued by the Court on November 18, 2021. The Receiver seeks to amend this Order to rectify the typographical errors as follows:

- a) in paragraph 19 of the Order, replace "Ritchie" with "DME" to reflect approval of the DME Receiver's Report as this Order relates to DME not Ritchie;
- b) in Schedule "B" to the Order, being the list of "Purchased Assets", correct the year and serial number of the 2011 Freightliner and the year of the 2012 Freightliner. Registrations verifying the years and corresponding serial numbers of the 2011 and 2012 Freightliners are attached as **Schedule 7** to this report. The Bill of Sale included the correct years and serial numbers; and
- c) in Schedule "D", add the 2011 Freightliner as specific property to be released and partially discharged from the Saskatchewan Personal Property Registry, which should have previously been included in the Order.



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**Conclusion**

56. The Receiver submits this DME Third Report in support of an application for the following:
- a) Approval of the Receiver's Activities to date as outlined in the DME Third Report;
  - b) Authorization to complete an Interim Distribution on the net sale proceeds from the sale of the DME assets as outlined in paragraph 53 of this report; and
  - c) An Amended Sale Approval and Vesting Order (DME Equipment Sale).

DATED at the City of Edmonton, in the Province of Alberta, this 15th day of September, 2022.

**MNP Ltd.**

In its capacity as Receiver of  
**Duck Mountain Environmental Ltd.**  
And not in its personal capacity



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

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