

COURT FILE NUMBER Q.B. 572 of 2021

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

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 RITCHIE INDUSTRIES INC. DATED SEPTEMBER 14, 2022**

Introduction and Purpose of the Report (Ritchie Industries Inc.)

1. MNP Ltd. was appointed interim receiver of Ritchie Industries Inc. ("**Ritchie**" or the "**Company**") by the Court of King's Bench for Saskatchewan (the "**Court**") by order dated May 31, 2021.
2. Concurrently, Ritchie 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 Ritchie 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 Ritchie by the Receivership Order of this Court dated June 29, 2021.
5. MNP Ltd. is acting in a dual capacity as Court appointed Receiver and Licensed Insolvency Trustee of Ritchie in its bankruptcy proceedings.
6. MNP Ltd. is also acting in a dual capacity as Court appointed Receiver and Licensed Insolvency Trustee of Duck Mountain Environmental Ltd. ("**DME**") pursuant to the above process. DME is considered to be a related entity by way of common shareholder.

7. Ritchie operated the following businesses as at June 29, 2021:

- A Petro Canada service station in Kamsack, SK (the "**Petro Can**");
- A liquor store in Kamsack, SK (the "**Liquor Store**"); and
- The finance and management office for DME.

8. In accordance with a Corporate Registry Search dated May 18, 2021, the sole director and shareholder of Ritchie is Robert Ritchie (the "Shareholder/Director"). Robert Ritchie is also the sole director and shareholder of DME.

9. This is the Receiver's Third Report to Court in relation to Ritchie (the "**Ritchie Third Report**") and it should be read in conjunction with:

- Receiver's First Report to Court in relation to Ritchie dated October 29, 2021 (the "Ritchie First Report");
- Receiver's First Report to Court in relation to DME 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 dated February 22, 2022 (the "Ritchie Second Report"); and
- Receiver's Second Report in relation to DME dated March 3, 2022 (the "DME Second Report").

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

- Activities of the Receiver;
- Remaining Assets of Ritchie;

- Priority Creditors and Secured Creditors;
- Offer to Purchase the Liquor Store; and
- Interim Statement of Receipts and Disbursements and Professional Fees.

11. In preparing the Ritchie 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 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 Ritchie Second Report the Receiver has:
- Continued to oversee management of the Liquor Store;
 - Continued to market the Administration Property for sale;
 - Continued to analyse options to realize on the remaining assets;
 - Continued to file required statutory returns; and
 - Completed the interim distribution of the Petro Can Sale Proceeds.

Remaining Assets

14. The remaining Company assets are comprised of the following:
- The Administration Property located in Kamsack, Saskatchewan;
 - Real property, equipment and chattels and inventory for the Liquor Store;
 - Shares in private companies;
 - Loans to private companies; and
 - Funds on Deposit.

Administration Property

15. The Administration Property consists of an office building located within the Town of Kamsack, SK and is currently listed with a commercial realtor. The listing price was reduced on May 20, 2022 to \$274,900.00. An offer to purchase has not been submitted on this property at this time.

Liquor Store Assets

16. The Liquor Store assets are comprised of real property, equipment and chattels and inventory.

17. The Receiver and the principal of G.C.O. Investments Ltd. ("**GCO**") have agreed on the terms of sale transaction for the Liquor Store assets and an Asset Purchase Agreement is being negotiated by the parties (subject to Court approval). Further information relating to the sale of the Liquor Store Assets is provided in paragraphs 37 - 40 of the Ritchie Third Report.

*Private Company Shares – Madge Lake Developments Inc. ("**MLD**")*

18. Ritchie holds 51% of the Class A voting share in MLD, a privately held corporation involved with the development and operation of a resort facility near Madge Lake, Saskatchewan. Fred Perepiolkin ("Perepiolkin") owns the remaining 49% of Class A voting shares in MLD.

19. On June 25, 2021 MLD commenced an action against Ritchie, DME and Robert Ritchie (personally) alleging the sum of \$968,000 was misappropriated from MLD.

20. The Receiver, Perepiolkin, and Robert Ritchie entered into a Stand Still Agreement in relation to the commenced action and have continued to remain compliant with the terms of the Stand Still Agreement.

21. The Receiver has reviewed the internal financial records of DME and Ritchie as well as information provided by Perepiolkin to determine the status of intercompany accounts as between MLD and Ritchie and MLD and DME. Based upon the information available it is the Receiver's opinion that there are no material balances owed by MLD to either Ritchie or DME.

22. The Receiver has reviewed the available financial statements of MLD for the purposes of determining whether or not the Class A voting shares hold any realizable value for the receivership estate and, based upon the information available, MLD is currently in a negative equity position and the Class A voting shares hold no material realizable value.

23. The Receiver has negotiated a share purchase agreement (the “SPA”) to sell the Class A voting shares of MLD to Perepiolkin for the sum of \$10,000. Based upon the Receiver’s review of the current financial position of MLD, it is the Receiver’s opinion that a third party not associated with MLD would not value the Class A voting shares at any material value. A copy of the SPA is attached as **Schedule 1**.

24. The Receiver views the SPA as reasonable as the purchase price will offset the professional fees required to negotiate the transaction (including Court approval) with the potential to leave a small value in the estate for the stakeholders. The sale of the Class A voting shares to Perepiolkin includes a release for all of the parties as well as a discontinuance of all litigation limiting the expense of further professional fees to address the action commenced by Perepiolkin. The Receiver is advised that the primary secured creditor (Affinity Credit Union) supports the terms of the SPA.

25. The Receiver seeks the Court’s approval in acceptance of the SPA.

Private Company Shares – Doppl Inc. (“Doppl”) and 102103953 Saskatchewan Ltd. (“102”)

26. Ritchie owns 1,000,000 Class A Common Voting shares in Doppl and 1,000 Class A Common Voting shares in 102.

27. In accordance with a December 31, 2020 internal financial statement provided by Doppl, in addition to Ritchie’s ownership of Class A voting shares, Doppl owes Ritchie \$937,043.29. Attached as **Schedule 2** is a copy of the December 31, 2020 internal financial statement.

28. The Receiver has made requests for updated financial and operating information in relation to Doppl and 102 to properly assess the value of the shares and balances owed to Ritchie as shareholder loans. As at the date of this report, Doppl has not provided the financial and operating information requested. Counsel for Doppl has advised that the December 31, 2020 and December 31, 2021 year end financial statements would be available in early July 2022, however, as of August 29, 2022 no financial statements have been provided. A copy of the June 3, 2022 Receiver’s request for updated financial information and response from Doppl’s counsel is attached as **Schedule 3**.

29. The Receiver has recently become aware that intellectual property believed to be owned by Doppl has been marketed under company called Wiot Inc. (“Wiot”). A June 9, 2022 corporate registry search of Wiot shows common directors with Doppl, being Pranay Ramash and Seth Glasner (a copy of the June 9, 2022 Corporate Registry Search is attached as **Schedule 4**).

30. The receivership estate of Ritchie is both a shareholder and creditor of Doppl and, in accordance with paragraphs 4 and 5 of the Receivership Order, the Receiver requests that the Court grant an order compelling Doppl and 102 to provide the following information:

- Year End Accountant Prepared Financial statements dated December 31, 2021;
- Internal balance sheet and year to date income statements dated June 30, 2022;
- Listing of any assets transferred or sold by Doppl and/or 102 in the past 2 years; and
- Listing and copies of any licensing agreements in relation to the intellectual property owned by Doppl and/or 102.

Legal Action Commenced

31. On March 28, 2022 the Receiver's counsel issued a Statement of Claim naming MNP Ltd. as Receiver and Manager of Ritchie as plaintiff and Doppl as defendant claiming outstanding debts in the aggregate sum of \$1.5 million owed from Doppl to Ritchie.

32. On March 29, 2022 the Receiver's counsel issued a Statement of Claim naming MNP Ltd. as Trustee of Ritchie as plaintiff and Doppl as defendant alleging the transfer of monies in the aggregate sum of \$1.5 million by Ritchie to Doppl were for little or no consideration with the intent to defeat, hinder, delay or defraud the creditors of Ritchie.

33. On March 28, 2022 the Receiver's counsel issued a Statement of Claim naming MNP Ltd. as Receiver and Manager of Ritchie as plaintiff and Valerie Ritchie Yoga Ltd. as defendant in relation to monies advanced or payments of invoices by Ritchie to third parties for goods and services provided to Valerie Ritchie Yoga Ltd. The claim alleges that monies remain unpaid or that Valerie Ritchie Yoga Ltd. was unjustly enriched by the transactions to the detriment of the creditors of Ritchie.

34. On March 29, 2022 the Receiver's counsel issued a Statement of Claim naming MNP Ltd. as Trustee of Ritchie as plaintiff and Valerie Ritchie Yoga Ltd. as defendant alleging the transfer of monies by Ritchie to Valerie Ritchie Yoga Ltd. were for little or no consideration, the transfers were used to enhance the land owned by Valerie Ritchie Yoga Ltd., the transactions were non-arm's length and that the transactions were done with the intent to defeat, hinder, delay or defraud the creditors of Ritchie.

35. On June 10, 2022, the Receiver's counsel issued a Statement of Claim naming MNP Ltd. as Receiver and Manager of Ritchie and of DME as plaintiff and Doppl as defendant in relation to monies advanced or payments made by DME to third parties for goods and services provided to Doppl. These

advances included lease payments pursuant to a lease agreement between Ritchie, DME, the Kamsack Liquor Store and MLD for the lease of equipment which Doppl has had exclusive possession and use of for the duration of the lease. The equipment lease is secured against the Administration Property owned by Ritchie. The claim alleges that monies remain unpaid or that Doppl was unjustly enriched by the transactions to the detriment of the creditors of Ritchie and DME.

36. The Statements of Claim referred to in the paragraphs above were issued to preserve the Receiver/Trustee's interest and to avoid limitations issues. The issued Statements of Claim naming Doppl as defendant have been served on Doppl's counsel. As at the date of this report, the Statements of Claim have not been served upon Valerie Ritchie Yoga Ltd. as the Receiver considers its options and likelihood of recoveries for the receivership estate.

Offer to Purchase Liquor Store

37. The Receiver has negotiated a sale of Ritchie's interest in the Liquor Store and has finalized a draft form of the Asset Purchase Agreement (the "**Liquor Store Offer**").

38. The Receiver has not initiated a public sales process for the Liquor Store as the purchase price represents a realization value equal to the market value based upon the Liquor Store Property Appraisal and Ritchie's internal books and records.

39. Counsel for the Receiver and counsel for GCO are finalizing the terms surrounding the transfer of the liquor license issued by Saskatchewan Liquor and Gaming Authority and, once a process is determined to address the liquor license an application will be brought to Court for approval of the Liquor Store Offer and Settlement (as described below).

40. The Receiver was advised by its counsel that the limited partnership agreement between Ritchie and GCO dated July 1, 2017 which was intended to form a limited partnership under the name "*Kamsack Liquor Store Limited Partnership*" was never registered as required by *The Partnership Act*, RSS 1978, c P-3, and if a general partnership was inadvertently created, it is not clear whether the Liquor Store business was created within the partnership. Counsel for the Receiver and counsel for GCO have finalized a draft form of a settlement agreement (the "**Settlement**") to resolve the issue of what entity was operating the Liquor Store business instead of expending additional resources attempting to resolve the issue.

Priority Creditors and Secured Creditors

41. Ritchie has two active CRA accounts related to payroll source deductions with arrears accrued prior to the appointment of the Receiver. CRA completed a trust exam and remitted a claim on July 5, 2022 for the following amounts:

- (a) CRA account Petro Can - \$103,452.97; and
- (b) CRA account Ritchie (administration) - \$51,062.62

42. In accordance with the February 28, 2022 Court Order the Receiver has remitted the sum of \$83,010.28 to CRA in relation to the Petro Can asset sale leaving a remaining balance outstanding of \$20,442.69.

43. The Receiver borrowed the sum of \$174,176.54 under Receiver's Certificates (in relation to Ritchie) for the purposes of paying its professional fees which has since been fully repaid with Court approval from the sale of assets. Subsequent to repayment of the original borrowings the Receiver has borrowed a further \$61,082.52 for payment of its outstanding accounts.

44. In relation to the Ritchie assets, Affinity holds security by way of a mortgage registered on title of the Ritchie Property on September 25, 2014 and by way of a General Security Agreement ("GSA") registered on September 19, 2014 over all present and after-acquired personal property of the Bankrupt. In accordance with the February 28, 2022 Court Order, the Receiver distributed \$2.911 million to Affinity in relation to the sale of the Petro Can Real Property and \$764,000 in relation to the sale of the Petro Can Personal Property.

45. In relation to the Liquor Store assets, Affinity holds security by way of two mortgages registered on title of the Liquor Store Property on November 14, 2017 and by way of a General Security Agreement ("GSA") registered on October 30, 2017 over all present and after-acquired personal property of the Bankrupt. The estimated balance owed to Affinity is \$849,625 plus accrued interest and costs as of February 15, 2022.

46. 394633 Alberta Ltd. ("394") holds security by way of a mortgage registered on title of the Petro Can Property on June 16, 2020 and a General Security Agreement registered on June 12, 2020. The estimated balance owed to 394 is \$722,630 plus accrued interest and costs.

47. CV Smart Structures Inc. ("**CV Smart**") has registered a builder's lien on title as against the Liquor Store Property on April 27, 2018. The estimated balance owed to CV Smart based on the registration is \$862,819.
48. 101198359 Saskatchewan Ltd. ("**101**") holds security by way of a General Security Agreement registered on March 26, 2020. The estimated balance owed to 101 is \$922,500 as of June 29, 2021.
49. Crossroads Credit Union ("**Crossroads**") holds security by way of a General Security Agreement registered on February 2, 2021. The estimated balance owing to Crossroads is \$800,000.
50. Equirex, a Division of Bennington Financial Corp. registered a General Security Agreement and interest in specific serial numbered items on June 6, 2019. The Receiver does not have updated balances owing to Equirex, however, the serial numbered assets referenced on the Personal Property Search are not owned by Ritchie.

Amend Order to Fix a Typographical Error

51. Attached as **Schedule 5** to this report is the Approval and Distribution Order (PetroCan Proceeds) issued by the Court on March 7, 2022. Counsel for the Receiver indicated there was a typographical error in the Order submitted to the Court. The Receiver seeks an Amended Order to rectify this error. The amount to be distributed to Affinity Credit Union 2013 as provided in paragraph 2(c) of the Order should be amended from \$2.991 million to \$2.911 million to reflect the amount stated in paragraph 62 of the Ritchie Second Report, previously filed with this Court.

Interim Statement of Receipts and Disbursements and Professional Fees

52. Attached as **Schedule 6** to this report is the Receiver's Interim Statement of Receipts and Disbursements for Ritchie for the period ending September 14, 2022.
53. Attached as **Schedule 7** to this report is the Receiver's Interim Statement of Receipts and Disbursements for the Liquor Store for the period ending September 14, 2022.
54. Attached as **Schedule 8** to this report is a summary of the Receiver's Fees and Disbursements in relation to the Ritchie Receivership estate.
55. Attached as **Schedule 9** to this report is a summary of the Receiver's Legal Fees and Disbursements.

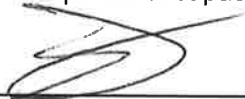
Conclusion

56. The Receiver submits this Ritchie Third Report in support of an application for the following:
- a) Approval of the Receiver's Activities to date as outlined in the Ritchie Third Report;
 - b) Authorization to accept the MLD Share Purchase Agreement;
 - c) An order compelling Doppl and 102 to provide the financial and operating information as set out in paragraph 30 herein, together with confirmation of the debt owing to Ritchie; and
 - d) An Amended Approval and Distribution Order (PetroCan Proceeds).

DATED at the City of Edmonton, in the Province of Alberta, this 14th day of September 2022.

MNP Ltd.

In its capacity as Receiver of
Ritchie Industries Inc.
And not in its personal capacity



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

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