District of Ontario
Division No. 09 - Toronto
Court File No. CV-22-00691422-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERICIAL LIST)

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF THE BANKRUPTCYAND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED, AND SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED

BETWEEN:

NATIONAL BANK OF CANADA

Applicant

- and –

RATNAS GAS INC. & RATNAS PROPERTY INVESTMENT INC.

Respondents

FIRST REPORT OF GRANT THORNTON LIMITED THE PROPOSED RECEIVER

December 14, 2022

Grant Thornton Limited
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Toronto, Ontario
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BETWEEN:

NATIONAL BANK OF CANADA

Applicant

\- and -

RATNAS GAS INC. & RATNAS PROPERTY INVESTMENT INC.

Respondents

PRE-FILING REPORT OF GRANT THORNTON LIMITED
THE PROPOSED RECEIVER

December 14, 2022

INTRODUCTION

1. Grant Thornton Limited ("**GTL**" or the "**Proposed Receiver**") understands that an application will be made before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") by National Bank of Canada. ("**NBC**" or the "**Applicant**") for an order (the "**Appointment Order**"), *inter alia,* appointing GTL as receiver and manager (in such capacity, the "**Receiver**") of all of the assets, undertakings and properties of Ratnas Gas Inc. and Ratnas Property Investment Inc. (collectively, "**Ratnas**" or the "**Company**"), substantially in the form included in NBC's application record.

2. This pre-filing report (the "**Report**") has been prepared by the Proposed Receiver, should this Court grant the Appointment Order, to provide information to the Court for its consideration in respect of NBC's receivership application.

PURPOSE OF REPORT

3. The purpose of this Report is to:

    a. Provide background information on the Company;

    b. Demonstrate GTL's qualifications to act as Receiver pursuant to the proposed Appointment Order; and

    c. Seek approval of a sale process should the Appointment Order be granted.

SCOPE AND TERMS OF REFERENCE

4. Certain information contained in this Report has been obtained from the records of the Company, publicly available information, and/or is based upon discussions with, and representations made by, other creditors of the Company or professional advisors retained in this matter. The information has not been audited by the Proposed Receiver as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally acceptable accounting principles and the reader is, therefore, cautioned that this Report may not disclose all significant matters about the Company.

5. This Report has been prepared for the use of this Court as general information relating to the Company and to assist the Court in making a determination of whether to approve the relief sought. Accordingly, the reader is cautioned that this Report may not be appropriate for any

other purpose. The Proposed Receiver assumes no responsibility or liability for any loss or damage occasioned by any party because of the circulation, publication, reproduction or use of this Report. Any use that a party makes of this Report, or any reliance on or decisions to be made based on it, is the responsibility of such party.

6. The Proposed Receiver has prepared this Report in connection with the application of NBC to be heard on December 21, 2022. This Report should not be relied on for other purposes.

7. Capitalized terms not otherwise defined herein are as defined in the Applicants' application materials, including the Affidavit of Alexandre Cyr sworn December 7, 2022 (the "**Cyr Affidavit**"). This Report should be read in conjunction with the Cyr Affidavit as certain information has not been included herein to avoid unnecessary duplication.

8. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

BACKGROUND

9. Ratnas operates a Shell-branded gas station located at 369 Ontario St., Port Hope, ON (the "**Premises**"). The Premises includes a Select Convenience store along with a Tim Hortons franchise which rents space on the Premises.

10. The Principals of Ratnas are Kalasius Anthonipillai and Mary Kalasius (the "**Principals**").

11. NBC made available to Ratnas Property Investment Inc. ("**Property**") the following credit facilities:

    a. an operating line of Credit in the maximum principal amount of $100,000

b. a term loan in the maximum principal amount of $2,630,000.00; and

c. a MasterCard facility in the maximum principal amount of $10,000.00.

(collectively, known as the “**Property Facilities**”)

12. In addition, NBC made available to Ratnas Gas Inc. (“**Gas**”) the following credit facilities:

    a. an operating line of credit in the maximum principal amount of $100,000.00; and

    b. a MasterCard facility in the maximum principal amount of $10,000.00.

(collectively, known as the “**Gas Facilities**”)

13. Each of Property and Gas has provided an unlimited guarantee of the obligations of the other party to NBC, each dated January 8, 2018.

14. Finally, the Principals provided personal guarantees as follows:

    a. with respect to Property, a limited guarantee dated January 8, 2018, in the principal amount of CAD $685,000.00 plus interest thereon from the date of demand; and

    b. with respect to Gas, a limited guarantee dated February 20, 2018, in the principal amount of CAD $120,000.00 plus interest thereon from the date of demand

    (collectively, the “**Personal Guarantees**”)

15. As outlined in the Cyr Affidavit, the Gas Facilities have been repaid in full and canceled. Since March 2020, the Property Facilities have been in default, in spite of extensive the accommodations afforded by NBC. As a result, on July 27, 2022, pursuant to section 244 of

the *Bankruptcy and Insolvency Act,* the Bank delivered demands and Notices of Intention to Enforce Security to Ratnas.

16. The Proposed Receiver, if appointed, would seek to implement an immediate sales process so as to reduce the amount of time before a sale transaction could be completed and reduce the overall administrative costs of a receivership proceeding.

GTL'S QUALIFICATIONS TO ACT AS RECEIVER

17. GTL's qualifications to act as Receiver in these proceedings include:

    a. experience in Court-appointed mandates (including acting as Court-appointed receiver and manager);

    b. experience in acting as receiver of a gas station; and

    c. GTL is a trustee within the meaning of section 2(1) of the BIA and has provided its consent to act as receiver, attached as an exhibit to the Cyr Affidavit in these proceedings should the Court grant the Appointment Order.

18. Should the Court grant the Applicant's request to make the Appointment Order, the Proposed Receiver intends to engage the Applicant's counsel, Thornton Grout Finnigan LLP ("**TGF**"), as its counsel in these proceedings. The Proposed Receiver will obtain an independent legal opinion on the validity and enforceability of the Applicant's security, and any other security interests.

PROPOSED SALE PROCESS

19. Pursuant to the Appointment Order, the Proposed Receiver would be authorized to, among other things, market and sell the Assets (as defined herein) of the Company. In an effort to manage time and costs, the Proposed Receiver is seeking approval of its proposed sale process (“**Sale Process**”) at the same time as the Appointment Order, if granted.

20. The proposed Sale Process has been designed to market the Company's right, title and interest, if any, in the Premises including any inventory, real property, books and records, and customer lists belonging to the Company (collectively, the "**Assets**"). The Proposed Receiver's objective would be to find a buyer of the Premises – the Proposed Receiver anticipates the highest and best use of the Premises is in its current use and that such buyer would continue to operate a gas station with tenanted space.

<u>Phase 1: Preparation - Time Frame: 2-3 weeks</u>

21. During Phase 1 of the Sales Process the Proposed Receiver will:

   a. Finalize its review and assessment of the Assets for the purposes of preparing a confidential information memorandum for prospective purchasers.

   b. Prepare a teaser letter summarizing the Sale Process and soliciting parties to express their interest in same.

   c. Prepare a form of non-disclosure agreement (the "**NDA**") to be executed in order to obtain information that is not included in the teaser and to further participate in the Sale Process.

d. Prepare a data room, if deemed appropriate, (the "**Data Room**") containing, among other things, financial information, any relevant agreements, customer information, real property information, and any other information to be shared with prospective purchasers subsequent to receiving an executed NDA.

e. Identify and prepare a list of potential purchasers for the Assets ("**Potential Purchasers**").

<u>Phase 2: Marketing - Time Frame: 8-12 weeks</u>

22. During Phase 2 of the Sales Process the Proposed Receiver will:

a. Circulate the teaser letter and NDA to the Potential Purchasers where such Potential Purchasers will include both regional and national buyers;

b. Directly communicate with industry participants who have expressed an interest in, or who the Proposed Receiver believes may have an interest in, the Assets;

c. Advertise the sale of the Assets in a Canadian national newspaper;

d. Allow any Potential Purchasers who execute the NDA to access the Data Room;

e. Coordinate site visits for Potential Purchasers to inspect the Assets and facilitate Potential Purchaser's due diligence generally;

f. Maintain the Data Room; and

g. Collect offers from Potential Purchasers by a bid deadline date (which will be set upon the completion of Phase I and will provide for at least a 60-day due diligence period from when the first solicitation letters are sent to Potential Purchasers).

Phase 3: Entering into APA - Time Frame: 2-4 weeks

23. During Phase 3 of the Sale Process the Proposed Receiver will:

a. Review all offers submitted in Phase 2 and, where appropriate, discuss the results of the initial sale process with NBC;

b. Potentially ask some or all of the offerors to re-submit offers for subsequent rounds of offers – in such a case, the Proposed Receiver will, where appropriate, discuss the results of the sale process with NBC;

c. Select the offer that represents the best offer and negotiate the terms of a final sale agreement which will be subject to Court approval; and

d. Work to efficiently close the transaction as soon shortly after Court approval based on the terms of the sale agreement.

24. It is likely that the Proposed Receiver will not be operating the Company's business. The Proposed Receiver will adjust the above noted timelines as necessary to maximize the net recovery to the Company's creditors.

25. The Proposed Receiver has shared its proposed Sale Process with NBC which is supportive of the Sale Process steps and timeline.

26. The proposed Sale Process would include the following conditions:

a. The Property will be marketed for sale on an "as is, where is" basis.

b. The Proposed Receiver shall be under no obligation to accept the highest offer and the acceptance of any offer shall be in the discretion of the Proposed Receiver, however, the Proposed Receiver may consult with NBC.

c. The Proposed Receiver may, in its discretion, extend the deadline for offers if it considers it to be appropriate or necessary in the circumstances.

d. Offers must be accompanied with a deposit equal to at least 5% of the offer price.

e. If deemed appropriate, the Proposed Receiver may prepare a form of an agreement of purchase and sale (the "**APS**") to be used by all prospective bidders. Bidders will then be able to submit their offers in the form of the APS and be able to provide a blackline to the APS with any proposed changes or conditions.

f. The final sale agreement will be subject to Court approval.

CONCLUSION AND RECOMMENDATION

27. The Proposed Receiver respectfully recommends that the Court grant the relief being sought.

All of which is respectfully submitted,

GRANT THORNTON LIMITED
As Proposed Receiver of Ratnas Gas Inc.
and Ratnas Property Investment Inc.
and not in its personal or corporate capacity.

Rob Stelzer, CA, CPA, CIRP, LIT
Senior Vice President