



ROSEN GOLDBERG
INSOLVENCY & RESTRUCTURING

Court File No. CV-21-00660056-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]

BETWEEN:

**DORR CAPITAL CORPORATION,
COMMUNITY TRUST COMPANY and
2098535 ALBERTA LTD.**

Applicants

-and-

MILL STREET VENTURES GP LTD.

Respondent

**APPLICATION UNDER Section 47 of the *Bankruptcy and Insolvency Act*
R.S.C.1985 c. B-3, as amended**

SUPPLEMENTAL REPORT TO THE SEVENTH REPORT OF ROSEN GOLDBERG INC.

February 28, 2022

I INTRODUCTION

1. This report is supplemental to the Seventh Report of Rosen Goldberg Inc. (the “**Receiver**” or “**RGI**”) dated February 16, 2022 (the “**Seventh Report**”). It is being filed to set out the basis for the Receiver’s advice that the terms of the letters of intent (the “**Parkland LOIs**”) with Parkland Corporation (“**Parkland**”), described in paragraphs 31 to 36 of the Seventh Report, are commercially favourable.



2. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Seventh Report.
3. The Receiver’s recommendation that the terms of the Parkland LOIs be approved is based on RGI’s prior experience acting as Court-appointed receiver of distressed gas stations in southern Ontario and was developed with input from Rescom Capital (“Rescom”) and Muhammad Latif. Rescom is the Receiver’s lender in this administration. Prior to its appointment as interim receiver, RGI introduced Rescom to the Applicants as a funding source to complete the Debtor’s project while in receivership. RGI’s introduction of Rescom was predicated upon Rescom’s experience and familiarity with underwriting gas station and convenience store loans in Ontario, including construction loans to build, renovate and modernize gas stations and convenience stores and convert them from distressed to profitable operations.
4. Mr. Latif is an experienced owner and developer of and investor in gas station and convenience store properties for whom Rescom frequently arranges financing. Mr. Latif has working relationships with major Canadian fuel suppliers, including Parkland.

II THE DEBTOR’S PLAN FOR THE GAS STATION AND CONVENIENCE STORE

5. Prior to RGI’s appointment as Interim Receiver, the Debtor was negotiating to lease the gas station land to Parkland for a 15 year term as follows:

Period	Annual Rent	Monthly Rent
Years 1 to 5	██████████	██████████
Years 6 to 10	██████████	██████████
Years 11 to 15	██████████	██████████



6. Although no lease with Parkland was concluded, and after RGI's appointment as Interim Receiver Parkland expressly disavowed any interest in reaching agreement with the Debtor's principal Blake Larsen, the Debtor's pre-filing negotiations with Parkland contemplated that:
- the Debtor would be responsible, at its expense, for constructing a building shell of not less than 2,400 square feet to house the gas station and convenience store and applying for and obtaining necessary zoning, site plan, water/septic system and approvals (the "**Landlord's Work**");
 - the Debtor would complete the Landlord's Work on or before July 21, 2021
 - Parkland would be responsible for completing underground storage tanks and lines and related concrete for tank nest, pump islands and aprons, dispensing equipment, pump island canopy, convenience store finishings, retail fixtures, shelving, point of sale equipment, signage and related permits and approvals (the "**Tenant's Work**");
 - the Debtor would pay Parkland a tenant inducement of [REDACTED] upon completion of the Tenant's Work;
 - the lease would otherwise be a triple net lease;
 - Parkland would have up to two options to extend to the lease, each for a term of five years.
7. Following its appointment as Interim Receiver, RGI evaluated the economics of the proposed lease with Parkland relative to prevailing cap rates of between 4.5% and 5.5% applicable to gas stations in southern Ontario.¹
8. Using the median annual rent of [REDACTED] payable during the second five year term of the proposed lease and applying a median cap rate of 5%, the Receiver estimated that the market

¹ Rescom and Mr. Latif agreed with the Receiver's assessment that a cap rate of between 4.5% and 5.5% was appropriate.



value of the gas station would be [REDACTED].² To establish the net realization that the gas station would likely fetch if leased, RGI subtracted from the figure of [REDACTED], [REDACTED] for the tenant inducement and \$100K representing the costs that remain to be spent to complete the Landlord's Work. As such, the Receiver estimated that net recovery on the sale of the gas station, if leased, would be in the range of [REDACTED].

III RECEIVER'S PLAN FOR THE GAS STATION AND CONVENIENCE STORE

9. With input from Rescom and Mr. Latif, RGI engaged with Parkland to consider an alternative approach to monetizing the gas station by opening and selling it as a branded owner-operated consignment station. Unlike tenanted gas stations that buy fuel inventory from wholesalers, consignment stations require less operating capital, compete on price and earn a guaranteed margin on litres sold.
10. Branded consignment gas stations and convenience stores are typically valued on their annualized trailing 12 month fuel sales volume, subject to adjustment for their location, size, brand and the quality and size of their convenience store.
11. Parkland's consignment gas station brands, Ultramar and Pioneer, compete with other stations on volume and price. Whereas the Ultramar brand is favoured in Eastern Ontario, Pioneer is stronger in Southern and Southwestern Ontario. The Parkland LOI pertaining to the gas station contemplates that it will be a Pioneer station.
12. The subject site is well located along a major access route to Stayner, Collingwood and Wasaga Beach, on the north side of Highway 90, immediately to the east of the turn off to Highway 10. It is expected to attract significant traffic with the A &W, KFC, Much Burrito

² At a cap rate of 5.5%, it would be [REDACTED]. At a cap rate of 4.5%, it would be [REDACTED].



and Starbucks restaurants located on the same pad.

13. The gas station will have four fuel dispensers and eight nozzles, unlike the Mobil gas station across the street which has three fuel dispensers and six nozzles. The Receiver expects that with its competitive pricing the subject gas station will draw consumers away from the Mobil station, with its less competitive pricing. Moreover, unlike the convenience store at the Mobil station, which is approximately 500 square feet, the convenience store on the subject site will be approximately 3,000 square feet.
14. Before initiating a marketing and sale process for the gas station and convenience store, the Receiver intends to operate the business for a sufficient period to enable prospective buyers to impute a sales volume for the site.
15. With input from Mr. Latif, the Receiver's conservative expectation is that the subject gas station will achieve an annualized trailing 12 month fuel sales volume of [REDACTED] litres at an adjusted sale price between [REDACTED] and [REDACTED] per litre. Assuming a mid-point of [REDACTED] per litre, the market value of the station should be [REDACTED]. The anticipated cost of completing the gas station is expected to be \$1.2M and the cost of completing the convenience store will be \$425K. A [REDACTED] litre fuel sales volume will trigger forgiveness of the \$300K loan from Parkland. Therefore, the Receiver's conservative estimate is that the net realization for the gas station and convenience store will be [REDACTED].
16. The Receiver has prepared projected financial results for the first three years of the gas station and convenience store's operations. The projection is attached **Confidential Appendix 1**. The projection estimates that there will be significant increase in volume of litres sold and a corresponding significant increase of operating income based on relatively static year-over-year overhead.

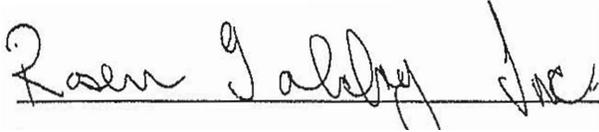


ROSEN GOLDBERG
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All of which is respectfully submitted.

Dated at Toronto, Ontario, this 28th day of February 2022.

**ROSEN GOLDBERG INC., SOLELY IN ITS CAPACITY AS
COURT-APPOINTED RECEIVER OF
THE PROPERTY, AND NOT IN A PERSONAL OR CORPORATE CAPACITY**



Confidential Appendix 1

Subject to Sealing Request