

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

*IN THE MATTER OF Section 101 of the Courts of Justice Act, R.S.O. 1990 c.C.43,
as amended, and in the matter of Section 243(1) of the Bankruptcy and Insolvency Act,
R.S.C. 1985, c. B-3, as amended*

B E T W E E N:

ROYAL BANK OF CANADA

Applicant

- and -

PEACE BRIDGE DUTY FREE INC.

Respondent

**FIRST REPORT OF MSI SPERGEL INC.
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER OF
PEACE BRIDGE DUTY FREE INC.**

JUNE 10, 2025

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(to be filed with the Court and sealed from public record pending further Order of the Court)

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I. RECEIVERSHIP APPOINTMENT

1. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated April 17, 2025 (the “**Receivership Appointment Order**”), msi Spergel inc. (“**Spergel**”) was appointed as receiver (the “**Receiver**”), without security, of all of the assets, undertakings and properties of Peace Bridge Duty Free Inc. (the “**Debtor**”) acquired for, or used in relation to a business carried on by the Debtor (“**Business**”) and all proceeds thereof (collectively, the “**Property**”). A copy of the Receivership Appointment Order is attached as **Appendix “A”**.
2. The Receivership Appointment Order was made upon the application of the Debtor’s general secured creditor, Royal Bank of Canada (“**RBC**”). RBC initially brought the application for the Receivership Appointment Order in December 2021. The Receivership Appointment Order was granted on April 17, 2023 and became effective on April 23, 2025. In the intervening period, Spergel was appointed as the Monitor of the Debtor pursuant to the Order of Justice Pattillo dated December 14, 2021, as amended (the “**Monitor Appointment Order**”).

II. BACKGROUND TO PROCEEDINGS

3. The Debtor is a privately-owned Ontario corporation, operating a duty-free shop from a location on the Ontario side of the Peace Bridge, which location it leases from the Buffalo and Fort Erie Public Bridge Authority (the “**Landlord**”).
4. The Landlord is an international compact entity created pursuant to a compact entered into by the State of New York, with the consent of the United States Congress, and by the Government of Canada. The Landlord is the owner and operator of the Peace Bridge in Fort Erie, Ontario.
5. The Debtor was formed on March 1, 2012 by way of amalgamation of a company by the same name (which was also previously known as Fort Erie Duty Free Shoppe Ltd. and Fort Erie Duty Free Shoppe Inc.) and Giving Gallery Inc.
6. As a result of the defaults of the Debtor’s obligations to RBC, including unpaid rental arrears, RBC brought a receivership application in December of 2021.

7. On the consent of the parties, the receivership application was adjourned and Spergel was appointed as the monitor (in such capacity, the “**Monitor**”), without security, of the Debtor pursuant to the Monitor Appointment Order. A copy of the Monitor Appointment Order is attached as **Appendix “B”**. The Monitor Appointment Order was granted to preserve the rights of RBC pending the return of the receivership application while the Debtor attempted to negotiate a resolution to the dispute over the proper rent owing to the Landlord. The Receiver understands that it is the position of the Landlord that the Debtor has not paid rent in accordance with its lease before and after the issuance of the Monitor Appointment Order.
8. Spergel, in its capacities as the Monitor and the Receiver retained Thornton Grout Finnigan LLP (“**TGF**”) as its independent legal counsel.
9. After subsequent adjournments of the receivership application, the Monitor Appointment Order was amended by Order dated January 17, 2022 (the “**January 2022 Order**”) that, other things, required the Debtor to satisfy certain operating and financial conditions under the supervision of the Monitor. A copy of the January 2022 Order is attached hereto as **Appendix “C”**.
10. Upon the subsequent return of the receivership application, the Court granted an order (the “**March 2022 Order**”) that, among other things, (i) approved the activities and conduct of the Monitor set out in the First Report of the Monitor dated January 14, 2022 and the Second Report of the Monitor dated March 21, 2022 (the “**Second Monitor Report**”), (ii) approved the fees of the Monitor and its counsel, TGF, up to January 31, 2022, (iii) adjourned the receivership application to a date to be set by the Court, and (iv) amended certain of the terms of the Monitor Appointment Order. A copy of the March 2022 Order is attached as **Appendix “D”**.
11. Pursuant to the Third Report of the Monitor dated January 3, 2023 (the “**Third Monitor Report**”), a copy of which is attached (without appendices) as **Appendix “E”**, the Monitor, among other things, provided the Court with information in respect to the activities of the Monitor and the Debtor since the Second Monitor Report.

12. Pursuant to the Fourth Report of the Monitor dated March 19, 2025 and the supplement thereto dated March 26, 2025 (collectively, the **“Fourth Monitor Report”**), copies of which are attached (each without appendices) as **Appendix “F” and “G”** respectively, the Monitor provided the Court with information with respect to the activities of the Monitor and the Debtor since the Third Monitor Report and in respect of the amounts owed by the Debtor to RBC and the Landlord.
13. Throughout this period, the Monitor continued to review the activities and financial performance of the Debtor in accordance with the Monitor Appointment Order (as amended) while the dispute between the Debtor and the Landlord was litigated. The Debtor ultimately lost the litigation and the subsequent appeal. After the Debtor’s appeal rights were exhausted, RBC sought to have the receivership application heard.

III. PURPOSE OF THIS FIRST REPORT AND DISCLAIMER

14. The purpose of this First Report is to advise the Court as to the steps taken by the Receiver to date in these proceedings and to seek an Order from the Court that, among other things:
 - a) approves the Third Monitor Report, the Fourth Monitor Report, and all the actions and activities of the Monitor taken and described therein;
 - b) approves the fees and disbursements of Spergel as the Monitor for the period from February 1, 2022 to April 23, 2025, in the total amounts of \$136,188.42;
 - c) approves the fees and disbursements of TGF as counsel for the Monitor for the period from February 1, 2022 to April 23, 2025, in the total amounts of \$120,899.19;
 - d) discharges the Monitor and terminates the Monitor’s Charge as defined in the Monitor Appointment Order;
 - e) approves this First Report and the actions and activities of the Receiver described herein;
 - f) authorizes the method of sale of the inventory located at the Debtor’s Business as set out in the Landlord’s RFP (as defined herein); and
 - g) seals the Confidential Appendix (as defined herein) to this First Report.

Restrictions and Disclaimer

15. In preparing this First Report, the Receiver has relied upon certain information provided to it by the Debtor's management. The Receiver has not performed an audit or verification of such information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises or International Financial Reporting Standards. Accordingly, the Receiver expresses no opinion or other form of assurance with respect to such information.
16. Parties using this First Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes and consequently should not be used for any other purpose.
17. All references to dollars in this First Report are in Canadian currency unless otherwise noted.

IV. TERMINATION OF THE MONITOR

18. Upon the appointment of Spergel as Receiver, its duties as Monitor were no longer required. As a result, the Receiver proposes that its mandate as Monitor be terminated.
19. Pursuant to paragraph 14 of the Monitor Appointment Order, the Monitor and its counsel were granted a charge on the property of the Debtor (the "**Monitor's Charge**") and are required to have their accounts passed by the Court. The Receiver proposes that the Monitor's Charge be terminated and requests the Court's approval of the final accounts of the Monitor and TGF.
20. Attached to this First Report as **Appendix "H"** is the Affidavit of Mukul Manchanda sworn June 10, 2025, which incorporates by reference a copy of Spergel's time dockets pertaining to the Monitor Appointment Order for the period from February 1, 2022 to April 23, 2025, in the amount of \$136,188.41 inclusive of disbursements and *Harmonized Sales Tax* ("**HST**"). This represents a total of 303.3 hours at an average rate of \$397.27 per hour before HST.
21. Attached to this First Report as **Appendix "I"** is the Affidavit of Leanne Williams sworn June 10, 2025, which incorporates by reference a copy of TGF's time dockets pertaining to the Monitor Order for the period from February 1, 2022 to April 23, 2025, in the amount

of \$120,899.19 inclusive of disbursements and HST. This represents a total of 190.5 hours at an average rate of \$547.30 per hour before HST.

V. ACTIVITIES OF THE RECEIVER

22. Since the issuance of the Receivership Appointment Order, the Receiver directly or through TGF attended to the following:
- a) attended the Business premises and met with the senior management to discuss ongoing operations;
 - b) obtained an inventory count and determined the cost of the inventory as at the date of the Receivership Appointment Order;
 - c) monitored receipts and disbursements on a regular basis;
 - d) communicated with the Debtor directly or through counsel in relation to, among other things, obtaining the books and records of the Debtor;
 - e) opened a dedicated trust account for the receivership proceedings;
 - f) arranged to provide access to the agent(s) of the Landlord to the Debtor's premises for inspection purposes;
 - g) communicated with Canada Border Services Agency ("CBSA") and the Department of Justice regarding the operation of the Business as discussed in greater detail in this First Report;
 - h) notified the office of the Superintendent of Bankruptcy of its appointment as Receiver; and
 - i) communicated with the Landlord and RBC regarding the operation of the Business, a concession in rent and sale of inventory as discussed in greater detail in this First Report.

VI. CANADA BORDER SERVICES AGENCY

23. The Receiver is unable to operate the Business without the prior approval of CBSA. Immediately upon its appointment, the Receiver contacted CBSA in order to discuss the operation of the Debtor's Business. As the Receiver does not have the consent of CBSA to

operate, the Receiver has not taken possession and control of the Business of the Debtor. The Debtor continues to operate the Business in the ordinary course under the supervision of the Receiver and is cooperating with the Receiver.

24. On May 20, 2025, the Debtor, with a copy to the Receiver, received a Notice of Cancellation (the “**Cancellation Notice**”) from CBSA informing the Debtor that CBSA intends to cancel the Debtor’s license (the “**License**”) in 90 days under the authority of section 9(1)(a) of the *Duty Free Shop Regulations*. The Cancellation Notice provides that the Debtor may make representations to the Minister as to why the License should not be canceled. Attached as **Appendix “J”** is a copy of the Cancellation Notice.
25. Subsequently, the Receiver and the Debtor participated in a conference call with representatives of CBSA who advised as follows:
 - a) CBSA does not have any issue with the Debtor continuing to operate the duty-free shop during the 90-day period under the supervision of the Receiver;
 - b) The Debtor and the Receiver are entitled to put forward a plan to the CBSA for the continuation of the License beyond the 90-day period;
 - c) The CBSA takes no issue with the involvement of the Receiver in the financial affairs of the Debtor as long as compliance with the Regulations is maintained;
 - d) CBSA will conduct multiple spot audits to ensure that the Regulations are being complied with and will require, in the normal course, that any deficiencies identified during the audits be rectified quickly;
 - e) CBSA has the discretion to revoke the cancellation of the License and/or suspend/cancel the License at any given time for, among other things, non-compliance with the Regulations; and
 - f) The License is non-transferable, accordingly the Receiver does not have the ability to sell or convey the License to another party.
26. As a result of the position taken by CBSA and the cooperation of the Debtor, the Receiver determined that it would be prudent to continue the status quo and not take possession of the Debtor’s Business. It is the Receiver’s position that the Business is operating in the

normal course and no immediate intervention by the Receiver is required. Notwithstanding the foregoing, the Receiver continues to monitor the receipts and disbursements of the Debtor and to conduct site visits for inspection of the assets of the Business.

27. The Receiver will work with the Debtor to address any concerns that CBSA may have during the course of the receivership. In addition, should time beyond August 18, 2025, being 90 days from the issuance of the Cancellation Notice, become required for the Landlord to complete the Landlord RFP (as defined below), the Receiver will work with the Debtor to seek an extension of the Cancellation Notice from CBSA.

VII. SALE OF INVENTORY AND THE LANDLORD

28. Pursuant to the terms of the Receivership Order, the Receiver is authorized to market any or all of the Property, including advertising and soliciting offers in respect of the Property, or any part or parts thereof, and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate.
29. As indicated above, the License is non-transferable such that the Receiver does not have the ability to realize on or otherwise sell the License. Given the significant rental arrears owed by the Debtor to the Landlord, it is also not practical for the Receiver to try to sell or assign the lease between the Debtor and the Landlord. The Receiver has been in discussions with the Landlord and RBC as to the best way to maximize value for the stakeholders of the Debtor given the constraints imposed by the federal regulations governing the Debtor.
30. The Receiver was advised by the Landlord that the Landlord wanted to conduct a Request for Proposals (the “**Landlord RFP**”) process to find a new tenant and operator of the duty-free store. As a result, the Receiver entered into discussions with the Landlord and obtained the following arrangements:
 - a) a temporary accommodation (to be reviewed on a month-over-month basis) to reduce the rent payable to the Landlord to 20% of the sales of the previous month; and
 - b) a requirement for the successful bidder in the Landlord RFP process to purchase the Debtor’s inventory, available at the time of closing, at cost.

31. The inventory of the Debtor consists primarily of products, such as tobacco and alcohol, that are not capable of being sold to the general public without adhering to special regulatory requirements not available to the Receiver. As a result, the Receiver is of the view that the arrangement with the Landlord to require the successful bidder in the Landlord RFP process to buy the inventory at cost would net the highest realization for the stakeholders and is commercially reasonable in the circumstances.
32. Pursuant to paragraph 3(k) of the Receivership Order, the Receiver is authorized to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - a) Without the approval of this Court in respect of any transaction not exceeding \$75,000, provided that the aggregate consideration for all such transactions does not exceed \$250,000 (collectively, the “**Sale Threshold**”); and
 - b) With the approval of this court in respect of any transaction in which the purchase price or aggregate purchase price exceeds the Sale Threshold.
33. The estimated realizable value of the Debtor’s inventory is anticipated to be in excess of the Sale Threshold, accordingly, the Receiver is seeking approval of the inclusion of the condition to buy the Debtor’s inventory in the Landlord RFP process to be undertaken by the Landlord. The Receiver anticipates returning to Court for approval of the sale of inventory once a successful bidder is identified by the Landlord.

VIII. SEALING ORDER

34. The Landlord RFP, attached as **Confidential Appendix “1”** (the “**Confidential Appendix**”), contains commercially sensitive information that could be detrimental to the bidding process and create unfairness if disclosed prior to the commencement of the Landlord RFP. The Receiver understands that the Landlord intends to immediately commence the Landlord RFP process if the Court is inclined to grant the requested order. As a result, the Receiver is seeking a sealing order in respect of the Confidential Appendix until the issuance of the proposed order.

IX. RECOMMENDATIONS

35. The Receiver respectfully requests that this Honourable Court grant the relief sought in this First Report.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated at Toronto this 10th day of June 2025

msi Spergel inc.,
solely in its capacity as Court-appointed Receiver
of Peace Bridge Duty Free Inc. and not in its personal or corporate capacity

Per:



Mukul Manchanda, CPA, CIRP, LIT