

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

B E T W E E N:

ROYAL BANK OF CANADA

Applicant

– and –

PEACE BRIDGE DUTY FREE INC.

Respondent

**APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND
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**

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

JUNE 23, 2025

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I. INTRODUCTION

1. This report is supplemental to the first report of the Receiver dated June 10, 2024 (the “**First Report**”). Capitalized terms used herein and not defined in this supplemental report shall have the meaning ascribed to them in the First Report. The Receiver continues to rely on the information provided in the First Report. The purpose of this supplemental report is to provide additional evidence to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) and to respond to issues raised in the *Aide Memoire* of Peace Bridge Duty Free Inc. (the “**Debtor**”) dated June 16, 2025.

II. FINANCIAL STATUS

Restrictions and Disclaimer

2. In preparing this Supplement to the First Report (the “**Supplement**”), the Monitor has relied upon certain information provided to it by the Debtor’s management (“**Management**”). The Monitor 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 Monitor expresses no opinion or other form of assurance with respect to such information.
3. Parties using this Supplement, 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.
4. All references to dollars in this Supplement are in Canadian currency unless otherwise noted.

Financial History

5. The following chart contains a summary of the Statements of Operations of the Debtor for 2021-2024 (the “**Review Period**”). The Statements of Operations for 2021-2023 of the Debtor have been re-produced from the audited financial statements prepared by the

external accountant and the 2024 Statement of Operations has been re-produced from the draft financial statements prepared by the external accountant.

Income Statement	Peace Bridge Duty Free Inc.							
	31-Dec-24		31-Dec-23		31-Dec-22		31-Dec-21	
Revenue	\$ 15,727,740		\$ 15,992,613		\$ 11,783,548		\$ 1,897,214	
COST OF SALES	7,434,395	47%	7,422,290	46%	5,688,563	48%	912,976	48%
Gross Profit (Loss)	8,293,345	53%	8,570,323	54%	6,094,985	52%	984,238	52%
EXPENSES								
Store expenses								
Rent-Buffalo and Fort Erie Public Bridge Authority	4,000,000	25%	4,000,000	25%	4,000,000	34%	4,000,000	211%
Rent - Hamilton International Airport	59,855	0%	110,796	1%	59,864	1%	20,027	1%
Marketing	106,202	1%	108,581	1%	55,675	0%	53,670	3%
Professional fees	343,559	2%	899,810	6%	537,136	5%	169,724	9%
Store and administrative expenses	3,314,662	21%	3,093,015	19%	2,393,077	20%	1,430,011	75%
Amortization	440,224	3%	456,832	3%	485,009	4%	511,954	27%
	8,264,502	53%	8,669,034	54%	7,530,761	64%	6,185,386	326%
Earnings (loss) before other income (item) and income taxes recovery	\$ 28,843	0%	\$ (98,711)	-1%	\$ (1,435,776)	-12%	\$ (5,201,148)	-274%
Long-term debt and capital lease interest	\$ (126,211)	-1%	\$ (159,546)	-1%	\$ (196,160)	-2%	\$ 191,940	-10%
Government subsidies		0%		0%	\$ 652,888	6%	\$ 760,200	40%
Other income	\$ 271,678	2%	\$ 329,992	2%	\$ 207,768	2%	\$ 16,982	1%
Loss before income taxes recovery	\$ 174,310	1%	\$ 71,735	0%	\$ (771,280)	-7%	\$ (4,615,906)	-243%
Income taxes recovery								
Income taxes	\$ 72,200	0%	\$ 20,500	0%	\$ -	0%	\$ (865,474)	-46%
Future		0%		0%	\$ (202,800)	-2%	\$ (220,400)	-12%
	\$ -		\$ -					
Earnings/Loss From Operations Before Taxes	\$ 102,110	1%	\$ 51,235	0%	\$ (568,480)	-5%	\$ (3,530,032)	-186%

6. A review of the historical financial information indicates the following:

- a) the Debtor reported a net profit of \$102,110 on revenue of \$15,727,740 in 2024 as compared to:
 - i. the net profit of \$51,235 on revenue of \$15,992,613 in 2023;
 - ii. the net loss of (\$568,480) on revenue of \$11,783,548 in 2022; and
 - iii. the net loss of (\$3,530,032) on revenue of \$1,897,214 in 2021;
- b) the Debtor recorded marketing expenses of \$106,202, \$108,581, \$55,675 and \$53,670 in 2024, 2023, 2022 and 2021, respectively. Pursuant to the terms of its lease, the Debtor, among other things, is required to spend a minimum of \$1.0 million on marketing and sales expenses annually (the “Marketing/Sales Spend”).

The Debtor did not meet this provision of the lease in any of years in the Review Period. In addition, the Receiver notes that had the Debtor complied with this provision of the lease, it would have incurred a loss in years 2024 and 2023 as opposed to nominal net profit;

- c) the Debtor incurred total expenses of approximately \$8.4 million in 2024 not including the Marketing/Sales Spend that was not met;
- d) the Debtor's rent expense was \$4,000,000 during the Review Period. Although, the rent expense was recorded as \$4,000,000, the Receiver understands that the Debtor paid less rent than contractually obligated commencing in 2020 and resumed payment of full rent on June 1, 2023 in accordance with the Endorsement of Justice Kimmel dated May 17, 2023;
- e) pursuant to the terms of the lease, the Debtor was required to spend at least \$1.25 million in capital refurbishments in 2022. The Receiver understands that this provision of the lease was not adhered to by the Debtor as the financial statements for years 2022, 2023 and 2024 do not indicate any capital expenditures; and
- f) the Debtor's professional fees expenses were \$169,724, \$537,136, \$899,810 and \$343,559 respectively between the Review Period totalling \$1,950,229. Pursuant to the Monitor Appointment Order, the Debtor was required to pay the fees of the Monitor and its counsel totaling \$305,526.98. The Receiver understands that a significant portion of the remaining amount of \$1,644,702.02 in professional fees were incurred in respect of these proceedings which included the dispute with the Landlord.

Current Financial Status

7. The following chart is a summary of the Statement of Operations of the Debtor as of May 31, 2025. The Statement of Operations has been re-produced from the internal financial statements provided by Management:

Peace Bridge Duty Free Inc. Income Statement Year-to-Date May 31, 2025 ('000s)	
Sales	3,124
Cost of Sales	1,370
Gross Margin	1,754
Store Expenses	
Rent-Percentage	625
Professional Fees	234
Store and Administrative Expenses	1,144
	2,002
Other Income	
Hamilton Int'l Airport (net)	(38)
Currency Exchange	79
	41
Operating Income	(207)
RBC Lease Interest	22
HASCAP Interest	10
EBITA	(239)
Amortization	170
Corporate Taxes	0
Net Income	(409)

8. A review of the current income statement for the period from January 1, 2025 to May 31, 2025 indicates that the Debtor:
- a) generated sales of \$3,124,000 which translates into average sales of approximately \$624,000 per month. Based on this, it appears that the Debtor might generate sales of approximately \$7.5 million for fiscal 2025 which is significantly lower than the sales of approximately \$15 million achieved by the Debtor in 2024. The Receiver has not been provided with the Debtor's sales numbers as at May 31, 2024 as a comparison but can advise that as of April 30, 2024, sales totalled approximately \$3.4 million and as at June 30, 2024, the Debtor's sales were approximately \$6.1 million;
 - b) incurred a loss of approximately \$409,000;
 - c) incurred rent expense of \$625,000 (although the Landlord has advised that the full amount of the base rent was paid throughout 2025);

- d) incurred marketing expenses of approximately \$19,000; and
 - e) incurred professional fees of approximately \$234,000.
9. The following chart is a summary of the Balance Sheet of the Debtor as at May 31, 2025. The Balance Sheet has been re-produced from the internal financials provided by Management.

Peace Bridge Duty Free Inc. Balance Sheet As at May 31, 2025 ('000s)	
Assets	
Current	
Cash	638
RBC-Locked-in GIC	626
Misc receivables	109
Inventory	1,108
Prepaid expenses	157
	2,637
Long-term	
Lease security deposit	50
Equipment and leaseholds	7,602
Less Accumulated depreciation	(3,359)
	4,243
Future income taxes	395
	7,326
Liabilities	
Current	
Accounts payables	610
Rent payable	8,147
Accruals	59
	8,816
Long-term	
RBC Capital Lease	682
HASCAP Loan	498
Shareholders' equity	
Common Stock	21
Dividends	0
Current earnings	(409)
Retained earnings	(2,281)
	(2,669)
	7,326

10. A review of the current balance sheet as at May 31, 2025 indicates the following:
- a) the debtor reported a total of \$1,373,000 in existing cash as follows:

- i. cash balance of \$638,000 in the general unrestricted account, however the cash balance was approximately \$500,000 as of June 18, 2025;
 - ii. RBC is holding cash totalling \$626,000 in a Guaranteed Investment Certificate (“**GIC**”) as collateral against the exposure of outstanding letters of credit and a Visa facility; and
 - iii. miscellaneous receivables of \$109,000 consisting of approximately \$77,568 in HST refunds;
- b) in addition to the cash balance, the Debtor reported a float balance of \$26,566.45 and US\$89,908.10 as well as ATM balances of \$5,900 and US\$1,000 as of June 18, 2025;
- c) inventory totaling \$1,108,00. The Debtor provided an updated inventory listing as of June 18, 2025 indicating a value of \$1,053,85 consisting of wine and liquor valued at \$623,121, cigarettes and cigars valued at \$77,423 and all other items valued at \$353,308:

Department	Units	Cost
D Beer	2,836	30,539
D Liquor	7,127	70,257
D Wine	2,531	28,916
I Liquor	16,878	478,266
I Wine	1,443	15,143
D Cigarettes	553	29,768
I Cigarettes/ Duty Paid	589	30,659
I Cigars	626	16,995
Other Items	31,904	353,308

- d) prepaid expenses of \$157,000 consisting of the following:

Prepaid Expenses	
Prepaid Insurance	21
Prepaid Commercial Taxes	4
Prepaid Marketing	7
Prepaid Store Supplies	38
Prepaid Professional Fees	75
Prepaid Membersip Fees	8
Prepaid Misc	4
Total	157

- e) future income taxes recoverable of approximately \$395,000;
- f) accounts payable of \$610,000. The Debtor provided an updated accounts payable listing dated June 18, 2025 indicating that payables total \$632,526.05 and consist of \$387,774.00 owing to liquor and wine suppliers, \$43,471.40 owing to tobacco suppliers and \$197,544.25 owing to all other suppliers:

Payables Report	
LIQUOR CONTROL BOARD ONTARIO	359,350.66
MOLSON BREWERIES CANADA	11,164.80
ANDREW PELLER LIMITED	7,307.03
LABATT BREWING COMPANY LTD.	6,060.39
SLEEMAN BREWING & MALTING CO.	3,891.12
IMPERIAL TOBACCO LIMITED	25,289.85
ROTHMANS BENSON & HEDGES INC	18,181.55
JTI MACDONALD CORP	3,736.40
OTHER PAYABLES	197,544.25
Total	632,526.05

- g) an amount outstanding to the Landlord with respect to the rental arrears in the amount of approximately \$8,147,000.
11. In summary, the Debtor's assets that are available for realization, as at June 18, 2025, are as follows:
- a) cash of approximately \$500,000;
 - b) cash float of approximately \$160,000;
 - c) GIC with RBC of approximately \$626,000;
 - d) miscellaneous receivables of approximately \$110,000;
 - e) inventory valued at approximately \$1.05 million; and
 - f) prepaid expenses of approximately \$157,000.
12. Assuming 100% recovery on each of the items noted above, including the miscellaneous receivables, inventory and prepaid expenses, the total realization, before costs, from these assets are anticipated to be approximately \$2.6 million.

13. The Receiver has not included future income taxes recoverable in the above list of recoverable assets as they can only be realized against future earnings. It appears from the historical financial analysis outlined above, that if the Debtor complies with all of the provisions of its lease, unless sales significantly increase, it will be unable to generate a profit.

Indebtedness of RBC

14. On June 18, 2025, the Receiver received payout numbers from RBC indicating that the Debtor was indebted to RBC in the amount of \$1,919,973.30 (the “**RBC Indebtedness**”) as follows:

PEACE BRIDGE DUTY FREE INC					
Balances as of June 18, 2025					
Borrower	Facility	Principal	Accrued Interest	Fees	Total
PEACE BRIDGE DUTY FREE INC	Lease Facility	n.a.	n.a.	n.a.	\$634,706.16
PEACE BRIDGE DUTY FREE INC	Visa Facility	\$22,607.18	\$0.00	\$0.00	\$22,607.18
PEACE BRIDGE DUTY FREE INC	HASCAP Loan	\$681,958.14	\$4,801.82	\$0.00	\$686,759.96
PEACE BRIDGE DUTY FREE INC	LC/LG Facility	n.a.	n.a.	n.a.	\$575,900.00
					\$1,919,973.30

15. Documents in support of the RBC Indebtedness were attached to the Fourth Report of the Monitor dated March 19, 2025 (the “**Fourth Report**”). Notwithstanding the assertions of the Debtor, the Receiver does not foresee a repayment of the RBC Indebtedness in July without a significant capital injection or refinancing.

Indebtedness of the Landlord

16. The books and records of the Debtor indicate that the Debtor owes approximately \$8,147,000 to the Landlord on account of the rental arrears. The Receiver was advised by the Landlord that, as of March 31, 2025, the Landlord was owed \$8,963,374.34 for rental arrears and \$8,076,842.85 for interest associated with the rental arrears.

Shareholders

17. The shareholders of the Debtor have not guaranteed the RBC Indebtedness or the lease to the Landlord. Based on the Receiver’s review of the financial statements of the Debtor, there were no shareholder loans advanced to the Debtor during the Review Period and outstanding unpaid shareholder loans.

Employees

18. The Receiver understands that the Debtor employs approximately 35 employees. The average tenure with the Debtor is 20 years. There are no tangible amounts outstanding to the employees. The Debtor continues to operate in the ordinary course as monitored by the Receiver and intends to continue to do so throughout the Landlord RFP process as long as the License has not been terminated. The Receiver will work with the Debtor to seek an extension of the Cancellation Notice to allow for the continued operation of the Business until a new operator can be installed.

Summary of debt

19. In summary, as at June 18, 2025, the Debtor is indebted between \$10,699,499.05 and 19,592,716.24 (depending on the amount owed to the Landlord) as follows:
- a) \$1,919,973 to RBC;
 - b) between \$8,147,000 and \$17,040,217.19 to the Landlord; and
 - c) \$632,526.05 on account of trade payables.
20. As discussed above, the maximum recoverable assets of the Debtor total approximately \$2.6 million leaving a deficit of at least more than \$8 million.

III. FURTHER ACTIVITIES OF THE RECEIVER

21. Since the issuance of the First Report, the Receiver directly or through TGF:
- a) attended the Business premises and met with the senior Management to discuss, among other things, the financial position of the Debtor;
 - b) communicated with CBSA and the Landlord in respect of the proposed method of sale of the Debtor's assets and the License; and
 - c) reviewed the historical and current financial position of the Debtor.

IV. METHODS OF SALE

22. The Receiver has proposed the sale of the Debtor's assets through the Landlord RFP. It has been suggested that the Receiver should further consider a sale through an asset purchase agreement or a reverse vesting order ("**RVO**") structure.

Asset Purchase Agreement

23. The Debtor has limited assets: the License, its lease with the Landlord and its inventory. As set out in Memorandum D4-3-2 of the CBSA dated October 21, 2014, a copy of which was cited in the responding materials filed in opposition to the receivership application and is attached as **Appendix "A"**, the License held by the Debtor is non-transferable.
24. The lease with the Landlord may be assigned by a Receiver to a purchaser with the consent of the Landlord or order of the Court and upon the payment of cure costs to bring the lease current. By letter dated June 19, 2015 (the "**Landlord Letter**"), a copy of which is attached as **Appendix "B"**, the Receiver has been advised by the Landlord that it would not consent to any assignment of its lease without (i) the payment of cure costs and resolution of any non-monetary defaults; and (ii) evidence that the proposed assignee would be able to obtain the appropriate license from CBSA.
25. 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 generally available to the Receiver. It is the Receiver's view that, during a typical receiver's sale process, offers to buy inventory are at a discount unless the inventory is of a type that is not readily available such that a premium is warranted. The Debtor's inventory and cost structure is not unusual or unique to the Debtor and, as such, the Receiver does not anticipate that any potential bidder for the Business would offer to pay a premium for inventory that they could otherwise purchase at cost.
26. The other method to recover upon the inventory of the Debtor is to return it to the vendor. As indicated in this report, the Debtor has accounts payable of approximately \$635,000, accordingly it is anticipated that the vendors may attempt to exercise their rights of setoff if the inventory is returned to them. Normally, the vendors would also charge a restocking

fee to accept a return which in turn will result in lower realizations in respect of the inventory.

Reverse Vesting Order Structure

27. In certain circumstances, non-transferrable assets may be transferred through an RVO. It has been suggested that the License could be transferred to a purchaser of the Business through such a structure. It is the Receiver's position that, even if the circumstances warranted the Court's approval of an RVO (which is not assumed), the License is subject to the Cancellation Notice. The Cancellation Notice makes it unlikely that a potential purchaser would want to acquire the current License.
28. It is more likely that a potential purchaser would either (i) have an existing license with CBSA potentially negating the need for a new license; or (ii) apply for a new license from CBSA. In order to apply for a new license, the potential operator is required to first have secured a lease or the right to occupy the duty free shop location. In other words, any potential purchaser must first secure a lease with the Landlord prior to applying for a CBSA license allowing it to operate.
29. Given the historical financial analysis provided in this Supplement, it is apparent that the current lease with the Landlord has been, at best, nominally profitable since 2021, without adhering to all of the provisions of the lease including the Marketing/Sales Spend. There has been a significant accrual of rental arrears, the Debtor has not adhered to the Marketing/Sales Spend or the capital refurbishment which was required to be done in 2022 and every six years thereafter. It is unlikely that a potential purchaser would want to assume the current lease given the inability of the Debtor to fulfill the terms of this lease during the Review Period. The current lease with the Landlord expires on October 31, 2031.

Potential Purchasers of the Business

30. Contrary to the *Aide Memoire* of the Debtor, the Receiver was advised by the Debtor on June 19, 2025 that only one party has contacted it in respect of the potential acquisition of the Business. A further party has contacted the Receiver in respect of the Business inquiring as to the process to be implemented to become the new operator. As noted in the Landlord

Letter, none of the parties who have contacted the Landlord about becoming the new operator have indicated that they were willing to take an assignment of the current lease or cure the rental arrears and/or other defaults under the lease.

31. It is the Receiver's position that the Landlord RFP will flush out any potential new operators just like it did when the Debtor was the successful bidder in 2016. Notwithstanding that the Debtor has been the operator of this duty free location since 1986, it was required to submit a bid through a similar request for proposal process run by the Landlord.
32. The Debtor and its counsel are aware that the Receiver did consult with the CBSA in respect of the Landlord RFP on May 26, 2025. The CBSA indicated that it had no issue with the proposed process as long as the CBSA Regulations are adhered to. The Receiver provided a courtesy copy of the First Report to the CBSA and intends to do the same with this Supplement.

Landlord RFP vs Other Proposed Structures

33. The Landlord RFP is substantially the same as the process previously run by the Landlord to secure the Debtor as a tenant. The Receiver has further analyzed the options available to market the assets of the Debtor and the issues raised by the Debtor and continues to support the Landlord RFP as the best available method to market the assets and maximize recoveries for the stakeholders for the following reasons:
 - a) in order to secure CBSA approval, an operator must first secure a lease for the duty free shop location;
 - b) the current terms of the lease have not allowed the Debtor to regain post-COVID profitability;
 - c) the Landlord has advised that it is not prepared to consent to the assignment of the lease without the rectification of the current defaults, including more than \$8 million of rental arrears;
 - d) the inventory would be purchased at cost;
 - e) CBSA is aware of the Landlord RFP and had no objection; and

f) the License is subject to the Cancellation Notice

34. Given the unique regulatory structure of the Business, it is logical that any potential new operator would need to secure a new lease with the Landlord as a starting point to the continuation of the Business. They cannot obtain CBSA approval without a lease for the location. The Receiver believes that the Landlord is best positioned to negotiate such new lease terms and has agreed to require that the successful bidder purchase the inventory at cost.
35. The License could be terminated by CBSA at any time. Although the Receiver and the Debtor intend to request an extension of the cancellation of the License, there is not guarantee that it will be granted. Any further delay in implementing the Landlord RFP process could cause delirious effects if it is not completed before the License is cancelled.

V. HAMILTON AIRPORT LOCATION

36. The Debtor has a small secondary location at the John C. Munro Hamilton International Airport. The lease for this location (the “**Hamilton Lease**”) is between the Debtor and Hamilton International Airport Limited. The Hamilton Lease is due to expire on April 30, 2027, with no further rights to extend or renew the term thereafter and is based on percentage rent. The Receiver understands that the Hamilton Lease is not in default.
37. The Debtor advised the Receiver that there are no international flights scheduled from the Hamilton airport until October 2025 and accordingly, this location will have very limited sales of only domestic products. The Debtor advised the Receiver on May 27, 2025 and confirmed on June 19, 2025, that it intends to relocate the inventory at this location to the Fort Erie location and is awaiting approval from CBSA. The cost of the inventory located at the Hamilton premises is estimated to be approximately \$30,000.

VI. MOTION BROUGHT BY DEBTOR ON EVE OF RECEIVERSHIP

38. On April 22, 2025, the day before the Receivership Appointment Order became effective, the Debtor served a Motion Record seeking an Order, among other things:
 - a) declaring that the tariffs caused a material adverse effect triggering section 18.07 of its lease with the Landlord;

- b) declaring that the Landlord breached its obligations under section 18.07 of the lease;
 - c) declaring that the Landlord had a duty to consult with the Debtor and damages for its failure to do so;
 - d) directing a reference to determine damages; and
 - e) declaring that the term of the lease is extended.
39. As noted by counsel for the Debtor at the initial return of the Receiver's motion, the relief sought is fundamentally the same as that previously sought by the Debtor against the Landlord which resulted in the Court of Appeal finding against the Debtor and awarding costs to the Landlord in the amount of \$20,000. This is in addition to the cost award granted by Justice Kimmel pursuant to the Order dated January 17, 2024, in the amount of \$259,997.19. Neither cost award has been satisfied.
40. As noted above, the Receiver does not have sufficient resources to continue operations without the support of the Landlord pursuant to a rent reduction as the Debtor is in a net loss position. As stated in the First Report, this rent reduction has been made available to the Landlord on a month-to-month basis and can be revoked at any time. From 2021-2024, the Debtor spent in excess of \$1.9 million in professional fees which was solely and unwittingly funded by the creditors of the Debtor. The Receiver does not have excess cash or funding to undertake litigation of the nature sought by the Debtor that was previously unsuccessful. The shareholders of the Debtor have not proposed any funding to pursue the proposed litigation against the Landlord.

VII. RECOMMENDATIONS

41. For the reasons set out in the First Report and the Supplement, the Receiver respectfully requests that this Honourable Court grant the relief set out in the First Report and approve the activities described in this Supplement.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated at Toronto this 23rd 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:

A handwritten signature in black ink, appearing to read 'Mukul', written over a horizontal line.

Mukul Manchanda, CPA, CIRP, LIT

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AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED**

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Court File No.: CV-21-00673084-00CL

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(COMMERCIAL LIST)**

Proceedings commenced at Toronto

**SUPPLEMENT TO THE FIRST REPORT OF
MSI SPERGEL INC.**

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