

ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY AND INSOLVENCY)
**IN THE MATTER OF THE PROPOSAL OF CANOE BAY DEVELOPMENT INC. AND MOONEY'S BAY
(OTTAWA) SENIORS COMMUNITY REAL ESTATE LIMITED PARTNERSHIP**

Of the City of Ottawa

In the Province of Ontario

TRUSTEE'S REPORT ON THE PROPOSAL

To the Creditors of Canoe Bay Development Inc. and Mooney's Bay (Ottawa) Seniors Community Real Estate Limited Partnership, collectively (the "Debtor")

The Debtor did file on June 30, 2022, a Proposal (the "Proposal") with the Official Receiver. The Proposal has been developed for the overall settlement of the Debtor's obligations to its creditors (the "Creditors"). We enclose the following documents:

- A Notice of Proposal to Creditors (form 92);
- The Proposal;
- The Statement of Affairs including the list of creditors;
- A proof of claim form and general proxy; and
- A voting letter in the event you wish to vote in advance of the meeting of creditors.

A Meeting of the Creditors to consider the Proposal will be held at the offices of MNP Ltd. on, the 21st day of July 2022 at 11:00 a.m. at 1600 Carling Avenue, Suite 800, Ottawa, Ontario. Details on the filing of claims and documents prior to the Meeting of Creditors are included later in this report.

In order to be eligible to vote, either at or before the meeting, the Proposal Trustee must receive prior to the meeting a properly executed proof of claim, together with an attached statement of account. If you intend to have an individual represent you at the meeting of creditors, you must properly complete the proxy form attached to the proof of claim, and therein name the individual representing you. All companies must name a proxy. For your convenience, you may vote in advance of the meeting by returning to us the attached voting letter with your completed proof of claim.

Please send any documents you are forwarding to the Proposal Trustee to the attention of:

John Haralovich

Fax: 613-726-9009

E-mail: john.haralovich@mnp.ca

If the Proposal is accepted by the statutory majority of creditors, and approved by the Court, the Proposal will become legally binding on the Debtors and all of the Claims other than Secured Creditors as defined in the Proposal.

The purpose of this report is to provide Creditors with the necessary information required to make a well-informed decision on the acceptance or refusal of the Proposal.

For reference purposes, any capitalized terms not otherwise defined in this report shall have the meanings ascribed to them in the Proposal.

BACKGROUND AND CAUSES OF DIFFICULTY

The Debtors reached a point where the Canoe Project was ready to break ground in March 2020. With COVID-19 restrictions, the Debtor's elected to suspend launch of the project. The first and second ranking secured creditors have advised the Debtors they are no longer willing to support the project and as a result the property has been listed sale.

SUMMARY OF THE PROPOSAL

The Debtor has submitted the attached Proposal. The significant terms of the Proposal are outlined below however readers are referred to the Proposal for the specific binding terms that will apply to them if the Proposal is approved:

PART V

PROPOSAL FUND

5.3 Payment funding of Proposal and Third Mortgage

The minimum Unsecured Creditors Cash Pool will be \$100,000.00 funded from the sale proceeds of the Property pursuant to the Sale Agreement and shall be deducted from any amounts due to the Third Mortgage/DIP Lender in the event that the sale proceeds net of the Secured Creditors claims and Administrative Fees and Expenses do not provide for the minimum Unsecured Creditors Cash Pool. In addition:

- a) In the event the sale price of the Property is below \$27,600,000, the maximum cash pool will be \$100,000 less Administrative Fees and Expenses; and
- b) In the event the sale price is greater than \$27,600,000 and the Third Mortgage has been paid in full, the amount of fund will be the remaining proceeds net of the Secured Creditors claims, Administrative Fees and Expenses, to the maximum cash pool where proven Unsecured Creditors are paid in full.

PART VI

PAYMENT OF CREDITOR CLAIMS AND OTHER ITEMS

Payment of Secured Claims

2.2 Secured Creditor

Subject to Article 2.1, the Claim of the Third Mortgage Creditor and any Creditor with an interest ranking in priority to the Third Mortgage (which shall include without limiting the generality of the foregoing: (i) any municipal taxes owed, (ii) any amounts owing to First and Second Mortgage, (iii) amounts owing to the Restructuring Professionals within the meaning of the Court Order dated May 20, 2022, (iv) amounts owing to the DIP Lender within the meaning of the Court Order dated June 15, 2022, and (v) any valid and enforceable trust claims as against the estate of the Debtor) shall be paid by the Debtor in accordance with agreements between the Debtors and the Secured Creditors or as otherwise agreed between the Secured Creditors and the Debtor from the proceeds of sale of the Property pursuant to the Sale Agreement. For greater clarity, the Claims of the Third Mortgage Creditor any Creditor with an interest ranking in priority to the Third Mortgage are unaffected by this Proposal except as provided for herein.

Payment of Administrative Fees and Expenses

2.3 Administrative Fees and Expenses

The Administrative Fees and Expenses will be paid from the Unsecured Creditors Cash Pool to a maximum of \$50,000 plus applicable taxes.

Payment of Preferred Claims

There are no Preferred Claim

Payment of Crown Claims

- ee) "**Source Deduction Creditors**" means Her Majesty in Right of Canada or a Province for all amounts that were outstanding at the time of the Filing Date and are of a kind that could be subject to a demand under,
- a. subsection 224(1.2) of the *Income Tax Act*;
 - b. any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to **subsection 224(1.2)** of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties, or other amounts; or
 - c. any provision of provincial legislation that has a similar purpose to **subsection 224(1.2)** of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties, or other amounts, where the sum;

- i. has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
- ii. is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in **subsection 3(1)** of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection;

Payment of Unsecured Claims

5.4 Payment of Unsecured Creditors

On the later of (i) the Implementation Date or (ii) the receipt of proceeds of the sale of the Property pursuant to the Sale Agreement, the Debtor shall pay to the Trustee the Unsecured Creditor Cash Pool. The Trustee shall make the payments from the Unsecured Creditor Cash Pool to the Unsecured Creditors with a Proven Claim as soon as reasonably practicable.

Acceptance of the Proposal will release all Claims against the Debtors for obligations due as of April 28th, 2022, and any subsequent actions against the Debtors relating to events prior to April 28th, 2022.

FINANCIAL POSITION AND EVALUATION OF ASSETS

A summary of the book values of the Debtors assets and liabilities as reported on the Debtor's statement of affairs is outlined below.

Cash on Hand

These funds are the operating bank account balance for the Debtors business. The Debtor requires this balance to cover operating expenses as he will no longer have a floating line of credit.

Property:

3071 Riverside Drive, Ottawa, Ontario: The value of the property is based on the capitalized costs of the property as reported by the Debtor to develop the site. In the case of a bankruptcy the estimated value could be substantially lower if the Trustee were forced to sell the property. The Trustee reviewed the Mortgage as well as the current mortgage balance.

The registered mortgages against title have been included in the secured claims of creditors. The Debtor and the various secured creditors have planned to settle the mortgages from the sale proceeds of the property. These proceeds to satisfy the mortgages in full will not form part of the Proposal.

MISCELLANEOUS FACTORS POSSIBLY AFFECTING PROPOSAL RECOVERY

Secured creditors:

Fiera FP Real Estate Financing Fund LP/Fiera FP Real Estate Financing Fund Inc. and registered on title on June 27, 2019, to the Property as instrument number OC2113565.

Echelon Wealth Partners c/o Computershare Trust Company of Canada and registered on title to the Property as instrument number OC1873122 dated March 9, 2017.

Suske Capital Inc. (also referred to as "DIP Lender") and registered on title to the Property on June 21, 2022, as instrument number OC2504372, having the priorities set out in the said Court Order.

The unsecured creditors will receive the remaining net sale proceeds, if any, when the above registered secured creditors are satisfied in full (except for the provision for Suske Capital Inc. to provide a minimum payment of \$100,000.00).

Defects in security agreements:

The Trustee is not aware of any defects in security agreements which could affect the recovery to the creditors.

Unsecured liabilities: (Contingent/ Co-Signed/ Guaranteed/ Unliquidated Claims/ Claims from Related Parties):

The Trustee is not aware of the existence of any unsecured liabilities falling in the aforementioned categories.

Gifts, transfers, conveyances or transactions at undervalue that may be subject to challenge by the Trustee:

The Trustee has not conducted a detailed review of the Debtor's books and records. To date, we are not aware of any such transactions.

CONDUCT OF THE DEBTOR

The Proposal Trustee attempts, to the best of their ability, to identify any preferential payments and transfers at under value that the Debtor may have been a party to and reports these to the Creditors. The Proposal Trustee has detailed any transactions where the Debtor has disposed of any assets and the Proposal Trustee is not aware of any preferential payments or transfers at under value.

CREDITORS CLAIMS

The Trustee is not aware of any issues regarding the outstanding Claims of the Debtor.

The Debtor advises that he is not aware of any government priority claims or Preferred Claims, which would be paid in priority to the Unsecured Creditors. All proofs of claims are subject to review by the Proposal Trustee and will only be eligible for voting purposes or to share in any distribution if accepted by the Proposal Trustee in accordance with the Act and the Proposal.

PREVIOUS DEALINGS WITH THE DEBTORS

The Proposal Trustee has not acted in any capacity on behalf of the Debtor prior to the Proposal Trustee consenting to act. Accordingly, other than the initial payment pursuant to Section 6.3(a) of the Proposal, the Proposal Trustee has received no other remuneration.

INFORMAL MEETINGS WITH MAJOR CREDITORS

The Trustee is not aware of any informal or formal meetings held with Creditors.

REMUNERATION OF THE TRUSTEE

The Trustee's administrative fees and expenses for this Proposal shall be paid pursuant to the terms of the Proposal. Creditors are directed to paragraph 2.4 of the Proposal and shall be paid in priority to all Claims. The Proposal Trustee fees and expenses will be subject to final taxation by the Court.

STATEMENT OF ESTIMATED REALIZATION

Attached as **Schedule "A"** is an Estimated Statement of Net Realization and Distribution to Creditors. The estimate assumes that there are no government claims or Preferred Claims, and the estimated realization is based on the amounts owed to creditors pursuant to the records of the Debtor.

Assuming the Proposal Fund is satisfied, and the Debtors are not bankrupt, the Unsecured Creditors will receive an estimated between **7% to 100%** recovery should the Proposal be accepted. Alternatively, there would be a recovery of **0% to 7%** should the Debtor file an assignment in Bankruptcy, or the Unsecured Creditors reject the Proposal.

CLAIM AND VOTING PROCEDURES

In order to approve the Proposal at the July 21st, 2022, meeting, a majority of unsecured creditors in numbers and 66.67% in value of unsecured creditors with proven Claims present and voting in person, by Voting Letter, or by Proxy, must approve the motion adopting the Proposal.

Should the motion and subsequent vote by unsecured creditors for the resolution approving the Proposal fail, the Debtors will automatically be deemed bankrupt and the First Meeting of Creditors for the bankruptcy will be conducted forthwith.

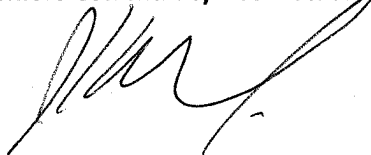
RECOMMENDATION OF THE TRUSTEE

The Proposal Trustee recommends that the creditors accept this Proposal as it provides for an overall greater recovery for the Unsecured Creditors that what would otherwise be achieved through a bankruptcy.

Dated at Ottawa, Ontario, this 30th day of June 2022.

MNP Ltd.

**Trustee re the Proposal of
Canoe Bay Development Inc. and Mooney's Bay (Ottawa)
Seniors Community Real Estate Limited Partnership**



John P. Haralovich, CPA, CA, CMA, CIRP, LIT
Senior Vice President
Enclosures

PROPOSAL VS. BANKRUPTCY RECOVERY ANALYSIS

Canoe Bank Development Inc. and Mooney's Bay (Ottawa) Seniors Community Real Estate Limited Partnership

	Note	PROPOSAL		BANKRUPTCY	
		Low	High	Low	High
Estimated Realizations					
Sale of Property	1	\$ 26,888,745	\$ 35,000,000	\$ 23,000,000	\$ 26,888,745
Payments to secured creditors	2	\$ (27,600,000)	\$ (27,600,000)	\$ (27,600,000)	\$ (27,600,000)
Other assets	3	\$ 811,255	\$ 811,255	\$ 811,255	\$ 811,255
Net assets available (deficiency)		<u>\$ 100,000</u>	<u>\$ 8,211,255</u>	<u>\$ (3,788,745)</u>	<u>\$ 100,000</u>
Less: Trustee's Fees, Disbursements & HST	4	\$ 28,250	\$ 56,500	\$ -	\$ 28,250
Available for Distribution		<u>\$ 71,750</u>	<u>\$ 8,154,755</u>	<u>\$ -</u>	<u>\$ 71,750</u>
Unsecured Claims	5	<u>\$ 1,001,393</u>	<u>\$ 1,001,393</u>	<u>\$ 1,001,393</u>	<u>\$ 1,001,393</u>
Maximum Dividend - Unsecured Creditors		<u>7.17%</u>	<u>100.00%</u>	<u>0.00%</u>	<u>7.17%</u>

Notes:

- 1 The value in the proposal is as reported on the statement of affairs. Should the sales process not be successful or should the City of Ottawa elect to repurchased the property, the values in the bankruptcy scenario are more representative of the expected realization.
- 2 Amounts reported on the statement of affairs are subject plus additional costs and ongoing interest to the date of closing.
- 3 Represents the funds on the deposit at the Bank of Montreal, subject to the City of Ottawa requirement to post funds to hold the site plan approval.
- 4 Trustee's fees in the Proposal are as set out in section 2.4 of the Proposal and include HST of 13%.
- 5 Excludes claims of related party and equity investors