



Telephone: (902) 425-3100
Fax: (902) 425-3777
Toll Free: (800) 337-5764
debtsolutions-halifax.ca

BDO Canada Limited
255 Lacewood Drive
Suite 201
Halifax NS B3M 4G2 Canada

District of: Nova Scotia
Division No.: Halifax
Estate No: 51-2808321, 51-2808320, 51-2807835
Court No: 45130

NOVA SCOTIA BANKRUPTCY COURT

IN THE MATTER OF THE PROPOSAL OF:

COCHRAN LANDING LIMITED PARTNERSHIP, COCHRAN LANDING GP INC., and CL DEVELOPMENT LTD.

Report of the Proposal Trustee on the Proposal

SECTION A - BACKGROUND & TERMS OF REFERENCE

Cochran Landing Limited Partnership (“Cochran LP”) is a limited partnership formed under the laws of Nova Scotia on August 8, 2018. Cochran Landing GP Inc. (“Cochran GP”) is a limited company incorporated in Nova Scotia on June 5, 2018. Cochran GP is the sole general partner corporation of Cochran LP, and as such, Cochran GP has power and authority to transact the business of Cochran LP.

Cochran LP was established for the purpose of acquiring and selling the Property (as defined herein) with the view of making a profit. Furthermore, the Limited Partnership Agreement dated August 8, 2018 in respect of Cochran LP (the “Cochran LP Agreement”) provides that the business might also include the construction and management of a planned condominium development referred to as the “Cochran Landing Lakeside Village” (the “Planned Condominium Development”) on an 11.5-hectare parcel of land located on Eagle View Drive, Ardoise, East Hants County, Nova Scotia (the “Property”). As general partner, Cochran GP held legal title to the Property for and on behalf of Cochran LP.

The Planned Condominium Development was to include two multi-unit buildings with a total of 92 condo-style units. The intention was that the condominium units would be constructed and sold to investors for personal use and or rented as income properties. The Property and Planned Condominium Development lie adjacent to other properties being developed by Terra Firma Development Corporation Limited (“Terra Firma”) as the “Forest Lake Country Club”, a planned premium, four-season residential resort style community centered around the development of a Nicklaus Design Golf Course (the “Champion Golf Course”).

CL Development Ltd. (“CL Development”, and together with Cochran LP and Cochran GP, the “Cochran Group” or the “Entities”) is a limited company incorporated in Nova Scotia on November 20, 2018. CL Development currently holds title to the Property and has assumed the obligations of Cochran GP. The Property was originally acquired by Cochran GP, on behalf of Cochran LP, on August 17, 2018. Subsequently, Cochran GP conveyed title of the Property to CL Development in January 2020 for \$320,000, estimated to be the fair market value at the time of transfer.

To finance construction, Cochran GP sought investment capital in the form of advance condominium unit sales. Purchase and Sale Agreements (“Sales Agreements”) were entered into with investors for units of the Planned Condominium Development, with the purchase price to be paid in installments. The Sales Agreements also allowed for a credit against the purchase price in consideration for the transfer of certain land units to Cochran GP, or its nominee, on the closing of the transaction.

Investors who executed Sales Agreements with Cochran GP were also eligible to invest in the VIP Real Estate Golf Rental & Membership Program (the “Golf Membership Program”) with CL Development.

To date, the Cochran Group has attracted pledged investments of approximately \$6.6 million through the sale of condo units, of which approximately \$3.5 million of installment payments have been collected. Pledged investment of \$1.2 million was attracted through the Golf Membership Program, of which approximately \$1.0 million of installment payments have been collected.

Management of the Cochran Group (“Management”) has advised that each of the Entities have the same creditors and debt, with the liabilities of Cochran GP, incurred on behalf of Cochran LP, being assumed by CL Development. The terms of the Sales Agreements allow Cochran GP to assign its interest under the Sales Agreements to another party at its sole discretion. The assignment of the Sales Agreements by Cochran GP to CL Development does not appear to have been documented by a formal written agreement.

On February 25, 2022, each of the Entities filed a Notice of Intention to Make a Proposal (“NOI”) pursuant to section 50.4 of the Bankruptcy and Insolvency Act (Canada) (“BIA”). BDO Canada Limited (“BDO” or the “Proposal Trustee”) was appointed as the Licensed Insolvency Trustee under each NOI.

On March 22, 2022, the Proposal Trustee filed a report (the “First Report”) with the Nova Scotia Bankruptcy Court (the “Court”) pertaining to the Entities’ application for an order extending the amount of time for the Entities to file its proposal to creditors.

On March 25, 2022, the Court issued an order to extend the time for the Entities to file a proposal pursuant to section 50.4(9) of the BIA to and including May 9, 2022.

On May 5, 2022, the Entities filed a joint proposal for the general benefit of their creditors (the “Proposal”).

In preparing this report (the “Report”), BDO has relied upon financial information of the Cochran Group, and discussions with Management, and its financial and legal advisors. Creditors of the Entities are encouraged to read this Report in conjunction with the First Report of the Proposal Trustee.

The financial information of the Cochran Group has not been audited, reviewed, or otherwise verified by the Proposal Trustee as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that the Report may not disclose all significant matters about the Companies. Additionally, none of our procedures were intended to disclose defalcations or other irregularities. Accordingly, the Proposal Trustee does not express an opinion or provide any other form of assurance on the financial or other information presented herein. The Proposal Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of the Report.

The Proposal Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of the Report. Any use which any party makes of the Report, or any reliance or decisions to be made on the Report, is the sole responsibility of such party.

All dollar amounts identified in the Report are expressed in or converted to Canadian dollars.

Capitalized terms used in this Report shall bear the meanings ascribed to them in the Proposal, unless otherwise noted.

SECTION B - SUMMARY OF PROPOSAL

The Proposal filed by the Entities with the Proposal Trustee is a holding proposal whereby the business and affairs of the Entities will be restructured by permitting a period of time to attract investment in order to finance the completion of the Planned Condominium Development, in the expectation that all creditors will derive a greater benefit from the continued operation of the business and affairs of the Entities than would result from a forced liquidation of their assets.

In summary, the terms of the Proposal are as follows:

- i. All Unsecured Creditors, including Investors in the Planned Condominium Development who entered into Sales Agreements and participated in the Golf Membership Program, will be grouped in one creditor class, the Unsecured Creditor Class. No payments will be made by the Entities to the Unsecured Creditor Class during the term of the Proposal other than payments referred to in section vi. below;
- ii. The term of the Proposal, the Standstill Period, will end at the earlier of 48 months from the Court Approval Date or the occurrence of an Event of Default. All Unsecured Creditors will be subject to stay of proceedings pursuant to Section 69.1 of the BIA during the Standstill Period;
- iii. During the Standstill Period, the Entities shall market and solicit investors to obtain the necessary funds to complete the Planned Condominium Development within the timeline ascribed in the Proposal prior to the Date of Restructuring. The Entities believe that within this timeframe it will be able to obtain the necessary funds to complete the Planned Condominium Development;
- iv. During the Standstill Period, the Related Party shall:
 - a. pay Professional Fees on a timely basis;
 - b. continue funding expenses to maintain the Property, such as property taxes, and other essential charges;
 - c. continue to work towards completion of the development of the Championship Golf Course (which, for the sake of clarity, includes seeking out the required additional investment needed to advance the golf course toward completion); and
 - d. fund efforts to market and solicit new investment in the Planned Condominium Development, until such a time that the investment attracted allows the Entities to fund their own operations, including an investment solicitation process.
- v. During the Standstill Period, the Entities shall complete and file all CRA information and requirements within the prescribed timeframes and shall remit all amounts owing for the period subsequent to the Filing Date. Wherein the Entities are entitled to a reimbursement from CRA for filings made subsequent to the Filing Date, such amounts shall be applied in full to amounts owing to CRA for the period prior to the Filing Date. Specifically, all amounts applied by CRA to balances owing from the period prior to the Filing Date shall be applied in the following order: employee remittance balances, principal HST balances, interest and penalties, and corporate tax balances;
- vi. All Unsecured Creditors, who are deemed to be Investors in the Planned Condominium Development, shall have the rights to the completion of the Sales Agreements. Where an Investor has residual amounts to be paid under a Sales Agreement, the Investor shall pay all funds due within 30 days of the issuance of formal notice by CL Development to complete such Sales Agreement. Where the Investor elects not to complete the Sales Agreement, CL Development shall have the right to terminate the Sales Agreement and pay the amounts due as acknowledged in the accepted Proof of Claim by the Trustee under the Proposal to the Investor; and
- vii. The Date of Restructuring will occur at the date at which a 48-month period lapses from the date of the Court Approval Order, or if earlier, the latter of the following with respect to the Planned Condominium Development:
 - a. the receipt of a Declaration pursuant to the Condominium Act from the Nova Scotia Registrar of Condominiums; or
 - b. the receipt of an Occupancy Permit from the appropriate municipal authority.

The terms of the Proposal are conditional on being accepted by the Required Majority of the Unsecured Creditor Class and approval by the Court.

SECTION C - FINANCIAL POSITION AND CAUSES OF FINANCIAL DIFFICULTY

The Proposal Trustee understands that since the beginning of 2020, the Cochran Group's operations have effectively stalled. Management was unable to attract sufficient investment through the sale of condominium units and the Entities effectively ran out of funds to finance the Planned Condominium Development.

Cochran Group Management attributes the causes of financial difficulty primarily to:

- i. The negative impact the Covid-19 pandemic had on Management's ability to market the Planned Condominium Development to attract international investors; and
- ii. The bankruptcy of Terra Firma, the developer of the "Forest Lakes Country Club", a planned premium, four-season residential resort style community to be located adjacent to the Planned Condominium Development. Terra Firma was adjudged bankrupt on September 22, 2020 and remains under the administration of a Licensed Insolvency Trustee. The insolvency of Terra Firma increased the uncertainty associated with the entire development, including the Planned Condominium Development.

Each of the above events impacted the ability of Management to attract sufficient investment to finance the completion of the Planned Condominium Development within the planned schedule pursuant to the Sales Agreements.

Since the date of the First Report of the Proposal Trustee during the NOI period, Management provided the Proposal Trustee with draft external financial statements of Cochran LP and CL Development. Cochran GP, in its capacity as general partner of Cochran LP, has power and authority to transact the business of Cochran LP and therefore does not have independent financial statements. Following a review of the draft external financial statements that were provided, the Proposal Trustee is of the view that the following financial summary materially reflects the Entities' sources and uses of cash since inception:

Financial Summary		
In CAD (\$)		
Receipts		Under Contract
Condominium Sales	3,520,769	6,586,794
Golf Membership Packages	1,048,354	1,215,000
Held in Escrow	(68,660)	
	<u>4,500,463</u>	<u>7,801,794</u>
Disbursements		
Golf Memberships	2,400,000	
Project Management	772,500	
Marketing	720,000	
Sales Commission	526,944	
Legal	50,673	
Infrastructure and Landscaping	39,500	
Architect	22,876	
Accounting	20,870	
Master Planning	6,050	
Advertising and Promotion	1,542	
Other	2,704	
	<u>4,563,659</u>	
Surplus (Deficit)	<u>(63,196)</u>	

SECTION D - IDENTIFICATION AND EVALUATION OF ASSETS

According to the internal financial statements as at December 31, 2021, the Entities' assets and estimated realizable value (in liquidation) is summarized below:

Estimated Realizable Value In CAD (\$)	Estimated Realization Range		
	Book Value	Low	High
Assets:			
Miscellaneous Receivables	167,843	-	-
Inventory	2,400,000	-	-
Land	1,921,568	300,000	500,000
	<u>4,489,411</u>	<u>300,000</u>	<u>500,000</u>
Less:			
Real Estate Commission		18,000	30,000
Secured Claims (Property Tax)		14,000	11,000
		<u>32,000</u>	<u>41,000</u>
Estimated Net Realizations		<u>268,000</u>	<u>459,000</u>

The estimated realizations contained in this report are based on the assumption that the financial position of the Entities will not materially change between December 31, 2021 and June 15, 2022, the date of deemed bankruptcy if the Proposal is not accepted by the Unsecured Creditors and approved by the Court. The assets are discussed in greater detail below.

Miscellaneous receivables primarily consist of balances owing from Investors. In a liquidation scenario, Investors may claim offsets against the Entities' failure to deliver completed condominium units pursuant to the Sales Agreements. As a result, the Proposal Trustee estimates that in a liquidation scenario, the realizable value of the miscellaneous receivables would be nil.

Inventory consists of deposits paid for golf memberships for the Championship Golf Course. Due to the development of the Championship Golf Course being partially complete, the Proposal Trustee estimates that in a liquidation scenario the realizable value of the inventory would be nil.

Land consists of the Property, which is the 11.5-hectare parcel of land purchased by CL Development for \$320,000 plus applicable taxes, together with capitalized costs pertaining to project management, marketing, infrastructure and landscaping, architectural, master planning and development expenses. However, the Proposal Trustee understands that the Property is effectively an undeveloped land parcel, the value of which may be negatively impacted by the ongoing bankruptcy proceedings of Terra Firma. The Proposal Trustee estimates the net realizable value of the Property would range between \$268,000 and \$459,000 in a liquidation scenario, after considering real estate commissions and outstanding property taxes which would have priority claim status.

SECTION E - CONDUCT OF THE DEBTORS

In the Proposal Trustee's view, the Cochran Group has acted and continues to act in good faith and with due diligence. The Proposal Trustee is not aware of any offences under the BIA having been committed during the NOI Period.

SECTION F - CREDITOR CLAIMS

According to the draft internal financial statements provided to the Proposal Trustee by Management, the Entities' Creditors as at December 31, 2021 are comprised of:

Creditor Summary		
In CAD (\$)	Approx. No.	Balance
Secured Creditors	2	156,989
Preferred Creditors	-	-
Unsecured Creditors	28	4,525,494
	<u>30</u>	<u>4,682,482</u>

The Proposal Trustee is not aware of any material discrepancies between the amounts contained within the books and records of the Entities and the expected claims to be filed by Creditors. Any discrepancies will be investigated by the Proposal Trustee.

SECTION G - PREVIOUS DEALINGS WITH THE DEBTORS

BDO Canada Limited has had no previous dealings with Cochran LP, Cochran GP and CL Development prior to providing its consent to act as the Proposal Trustee on February 25, 2022.

BDO confirms that it does not have any knowledge of any conflict of interest situation arising from the acceptance of this appointment as Proposal Trustee.

SECTION H - INFORMAL MEETINGS WITH CREDITORS

Not applicable as there were no informal meetings held with creditors during the NOI period.

SECTION I - REMUNERATION OF THE PROPOSAL TRUSTEE

The Proposal Trustee's professional fees during the NOI period are being funded by Resort Invest International GmbH, a related entity to the Cochran Group.

SECTION J - STATEMENT OF ESTIMATED REALIZATION

The Proposal Trustee estimates the net distribution to Unsecured Creditors under a potential bankruptcy scenario as follows:

Estimated Distribution to Unsecured Creditors In CAD (\$)	Estimated Realization Range		
	Book Value	Low	High
Assets:			
Miscellaneous Receivables	167,843	-	-
Inventory	2,400,000	-	-
Land	1,921,568	300,000	500,000
	<u>4,489,411</u>	<u>300,000</u>	<u>500,000</u>
Less:			
Real Estate Commission		18,000	30,000
Secured Claims (Property Tax)		14,000	11,000
		<u>32,000</u>	<u>41,000</u>
Estimated Net Realizations		<u>268,000</u>	<u>459,000</u>
Less Priority Claims:			
Professional Fees		25,000	15,000
Available for Distribution		<u>243,000</u>	<u>444,000</u>
Levy to OSB		12,150	22,200
Available for Distribution to Unsecured Creditors		<u>230,850</u>	<u>421,800</u>
Total Unsecured Claims		4,525,494	4,525,494
Dividend Yield		5.1%	9.3%

With the Proposal being in the form of a holding proposal, the Proposal Trustee is unable to perform a direct comparison of estimated distributions to Unsecured Creditors in the event the Proposal was approved by the Required Majority and a Court Approval Order was granted versus the bankruptcy scenario estimates above. However, the Proposal provides Unsecured Creditors with the following advantages:

- i. Investors maintain their rights to the completion of their respective Sales Agreements, to receive built condominium units for their use or enjoyment;
- ii. In the event the Planned Condominium Development is completed and Investors elect not to complete their respective Sales Agreements, payment is to be received by the Investor in the amount due as acknowledged in the accepted Proof of Claim by the Trustee under the Proposal to the Investor; and
- iii. During the Standstill Period, the Related Party shall:
 - a. continue funding expenses to maintain the Property, such as property taxes, and other essential charges;

- b. continue to work towards completion of the development of the Championship Golf Course (which, for the sake of clarity, includes seeking out the required additional investment needed to advance the golf course toward completion); and
- c. fund efforts to market and solicit new investment in the Planned Condominium Development, until such a time that the investment attracted allows the Entities to fund their own operations, including an investment solicitation process.

Further, if an Event of Default were to occur, the value of the Entities' only realizable asset, the Property, is not anticipated to deteriorate over time.

In its preparation of the above analysis, the Proposal Trustee assumes that the financial position of the Entities as at June 15, 2022, the date of a potential bankruptcy, will not be materially different than the financial position as at December 31, 2021, the date of the most recent financial information available to the Proposal Trustee.

SECTION K - RECOMMENDATIONS

It is the opinion of the Proposal Trustee that the Proposal is in the best interests of the Unsecured Creditors. If the Proposal is rejected and the Entities are deemed bankrupt, the Proposal Trustee has estimated that the Unsecured Creditors would receive a distribution of less than 10% of their proven claims.

If the Proposal is accepted, the Entities will be permitted a period of time to attempt to attract investment in order to finance the completion of the Planned Condominium Development with the anticipation that all creditors will derive a greater benefit from the continued operation of the business and affairs of the Entities than would result from a forced liquidation of assets. Further, the primary asset of the Entities is not anticipated to deteriorate in value over time if the restructuring of the Entities is ultimately unsuccessful.

Accordingly, the Proposal Trustee recommends that the Unsecured Creditors support the Entities' Proposal. Furthermore, the Proposal Trustee intends to vote proxies received, naming the Proposal Trustee as the proxy holder, in favour of the Proposal.

Dated at Halifax, Nova Scotia, the 1st day of June, 2022.

BDO CANADA LIMITED

Acting in its capacity as Licensed Insolvency Trustee under the Proposal of the Cochran Landing Limited Partnership, Cochran Landing GP Inc. and CL Development Ltd. and not in its personal capacity

Per:



Neil Jones, CPA, CA, CIRP, LIT
Senior Vice-President