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District of: Newfoundland and Labrador
Division No.: 01 - Newfoundland and Labrador
Estate No: 24549
Court No: 51-2963294

**THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
GENERAL DIVISION, IN BANKRYTCY AND INSOLVENCY**

IN THE MATTER OF THE PROPOSAL OF:

OUTDOORS BY DESIGN INC.

Report of the Proposal Trustee on the Proposal

SECTION A - BACKGROUND & TERMS OF REFERENCE

Outdoors By Design Inc. (the “Company”) was incorporated in Newfoundland and Labrador on October 29, 2008. The shares of the Company are 100% owned by Andrew Wicks, the sole director of the Company (the “Director”).

The Company was established for the purpose of providing landscaping and snow clearing services. In October of 2018, the Company acquired a 1.128-hectare parcel of land located at 18-20 Trans-Canada Highway, in Holyrood, Newfoundland and Labrador (the “Land”), for the purpose of building a landscape centre to sell soils, aggregate, plants and other landscaping products and services (the “Landscape Centre”).

According to the Director, the Landscape Centre is approximately 95% complete with a total of 7,053 square feet of commercial space consisting of”

- i. retail space totaling 2,315 square feet;
- ii. warehouse space totaling 1,504 square feet;
- iii. office space totaling 474 square feet; and
- iv. greenhouse space totaling 2,760 square feet.

The Land and the Landscape Centre (collectively, the “Property”) was listed for sale with a real estate agent in February 2023.

On July 7, 2023, the Company filed a proposal for the general benefit of its creditors (the “Proposal”) pursuant to section 62.(1) of the Bankruptcy and Insolvency Act (Canada) (“BIA”). BDO Canada Limited (“BDO” or the “Proposal Trustee”) was appointed as the Licensed Insolvency Trustee under the Proposal.

In preparing this report (the “Report”), BDO has relied upon financial information of the Company, and discussions with the Director.

The financial information of the Company 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 Company. 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 Company is a liquidation proposal whereby the Company will sell the Property and proceeds from sale will be distributed to the Company's creditors for full and final settlement of amounts owing. The Company's only other asset, a 2021 Skid Steer with a sidewalk plow attachment (the "Asset"), will be sold by the Company for purposes of funding expenses to maintain the Property while it is being marketed for sale through a real estate agent. Maintenance expenses to be funded by the Company are expected to include utilities, insurance, property taxes, and other essential charges.

Upon closing of the sale of the Property, payments to Priority Creditors and the Secured Creditor to settle Proven Claims will be made in the following order net of real estate commissions, to the extent realizations of the Property will allow:

- i. Property taxes owing with respect to the Property as at the Filing Date and amounts incurred and outstanding during the Proposal Period, if any;
- ii. Mortgage debt with respect to the Property as at the Filing Date; and
- iii. Any other registrations on the Property as at the Filing Date, if applicable.

If any, all remaining funds are to be distributed to the Trustee to be held in trust for the benefit of Preferred Creditors and Unsecured Creditors. Payments to Preferred Creditors and Unsecured Creditors for Proven Claims will be made in the following order to the extent realizations of the Property will allow:

- i. Proven Claims of Preferred Creditors as at the Filing Date, being those creditors with claims provable pursuant to Section 136 of the BIA, if applicable;
- ii. Proven Claims of Unsecured Creditors as at the Filing Date, without interest or penalty, on a pro rata basis, in full and final satisfaction of Unsecured Creditors' Proven Claims; and
- iii. Proven Claims of Deferred Creditors as at the Filing Date, without interest or penalty, on a pro rata basis, in full and final satisfaction of Deferred Creditors' Proven Claims. Deferred Creditors will not receive a distribution under the Proposal unless all Unsecured Creditors' Proven Claims are paid in full.

All payments made to the Unsecured Creditors and Deferred Creditors are subject to a levy payable to the Office of the Superintendent of Bankruptcy pursuant to the BIA.

The professional fees owing to the Proposal Trustee, and its legal counsel if applicable, are to be paid in priority to any amounts distributed to Secured Creditors, Preferred Creditors, Unsecured Creditors, and Deferred Creditors.

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

SECTION C - FINANCIAL POSITION AND CAUSES OF FINANCIAL DIFFICULTY

The Proposal Trustee understands that the Company's operations ceased in January 2023. The Company informed the Proposal Trustee that its financial difficulties resulted from:

- i. significant investment in the Property with inadequate financing. Investments in the Property pursuant to the Company's internal financials was approximately \$414,000 (before depreciation), financed by approximately \$125,000 of mortgage debt;
- ii. cash flow constraints resulting from the inability to collect accounts receivable from a significant snow clearing customer. The Company ultimately collected payment by accepting a piece of equipment, the 2021 Skid Steer with a sidewalk plow attachment (defined herein as the "Asset");
- iii. the loss of snow clearing sub-contracting revenue in 2022 related to government sector buildings; and
- iv. a period of limited financial and operational oversight by the Director due to the loss of a family member.

The Company's latest produced external unaudited financial statements was at year end September 30, 2021. The Company's latest internal financial records are as at December 31, 2022 and the Company ceased operations in January of 2023. Detailed analysis of the Company's estimated current financial position is provided in Section D below.

SECTION D - IDENTIFICATION AND EVALUATION OF ASSETS

According to the Proposal Trustee's review of the Company's internal financials, the Company's assets and estimated realizable value (in a liquidation) is summarized below:

Estimated Realizable Value	Estimated Book Value	Bankruptcy	
		Low	High
Assets:			
Equipment	15,000	5,000	10,000
Property	368,000	300,000	425,000
	383,000	305,000	435,000
Less:			
Real estate commissions		-	25,500
Priority claims (property tax)		5,000	7,500
		5,000	33,000
Estimated net realizations		300,000	402,000

The estimated realizations contained in this Report are based on the Proposal Trustee's review of the Company's internal financial records, which have not been updated since December 31, 2022, and discussions with the Director regarding transactions incurred since that date. The realization value of the Company's assets are estimated as at July 24, 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.

Following the Company's operations being ceased in January 2023, certain equipment and vehicle assets were abandoned to remove associated lease debt. According to the Director, the leased assets abandoned did not have any equity and in cases where the asset value was less than the debt owing, personal funds were used to make lease creditors whole.

The equipment consists of a 2021 Skid Steer with a sidewalk plow attachment (herein defined as the “Asset”). It is assumed that the liquidation value of Asset will be less than its estimated book value due to its condition.

The Property consists of the Land, a 1.128-hectare parcel of land parcel purchased in 2018, and the Landscape Centre, a 7,053 square feet commercial property built on the Land that is approximately 95% complete. The Proposal Trustee estimates the net realizable value of the Property would range between \$300,000 and \$402,000 in a liquidation scenario, after considering real estate commissions, if applicable, and outstanding property taxes which would have priority claim status. For the high estimated realization scenario, it is assumed a Trustee will realize upon the Property through a real estate agent over a period of approximately 6-12 months. For the low estimated realization scenario, it is assumed a Trustee will realize upon the Property through a tender sales process in order to liquate the Property quickly to limit carrying costs of the bankrupt estate.

SECTION E - CONDUCT OF THE DEBTORS

In the Proposal Trustee’s view, the Company and its Director have acted and continue 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 Proposal Period.

SECTION F - CREDITOR CLAIMS

According to the draft internal financial statements provided to the Proposal Trustee, the Company’s Creditors as at the date of the Proposal are comprised of:

Creditor Summary	Approx. No.	Balance
Secured Creditors	1	117,000
Preferred Creditors	0	-
Unsecured Creditors	16	353,500
	17	470,500

The Proposal Trustee is not aware of any material discrepancies between the amounts contained within the books and records of the Company 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 entered into an engagement to provide financial advisory services of the Company on June 22, 2023 for purposes of analyzing the Company’s financial position and assessing its strategic options. Prior to said engagement, BDO had no previous dealings with the Company.

BDO confirms that it does not have any knowledge of any conflict of interest 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 of the Company prior to the filing of the Proposal.

SECTION I - REMUNERATION OF THE PROPOSAL TRUSTEE

The Proposal Trustee's professional fees during the Proposal period are to be funded by the proceeds of realization of the Property.

SECTION J - STATEMENT OF ESTIMATED REALIZATION

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

Statement of Estimated Realizations	Estimated Book Value	Proposal		Bankruptcy	
		Low	High	Low	High
Equipment	15,000	-	-	5,000	10,000
Real Property	368,000	500,000	650,000	300,000	425,000
Realtor Commissions		(30,000)	(39,000)	-	(25,500)
	383,000	470,000	611,000	305,000	409,500
Less: Claims of Priority Creditors		2,500	2,500	5,000	7,500
Less: Claims of Preferred Creditors		-	-	-	-
Less: Claims of Secured Creditors		117,000	117,000	117,000	117,000
Less: Professional fees		30,000	30,000	30,000	25,000
Less: Maintenance costs		-	-	7,500	12,500
		149,500	149,500	159,500	162,000
Estate Balance		320,500	461,500	145,500	247,500
Levy to OSB		16,025	23,075	7,275	12,375
Available for distribution to Unsecured Creditors		304,475	438,425	138,225	235,125
Total Unsecured Creditor claims (less deferred claims)		353,500	353,500	353,500	353,500
Dividend yield		86%	100%	39%	67%
Available for distribution to Deferred Creditors		-	84,925	-	-
Total Deferred Creditor claims		96,896	96,896	96,896	96,896
Dividend yield		0%	88%	0%	0%
Available for distribution to Shareholder		-	-	-	-

In its preparation of the above analysis, the Proposal Trustee made the following assumptions:

- For the Proposal low and high estimated realization scenarios, the Property will be solicited through a real estate agent to identify a strategic buyer that will utilize the Property in its highest and best use;
- For the Bankruptcy high estimated realization scenario, a Trustee will realize upon the Property through a real estate agent, however the stigma of bankruptcy will lead to a lower sales price for the Property; and
- For the Bankruptcy low estimated realization scenario, a Trustee will realize upon the Property through a tender sales process in order to liquidate the Property quickly to limit carrying costs of the bankrupt estate.

The Proposal provides the Secured Creditor and Unsecured Creditors with the following advantages:

- i. Permits the Company a period of time to market the Property through a real estate agent, in attempt to identify a purchaser with a strategic use for purpose-built Property;
- ii. During the Proposal Period, the Company will fund maintenance costs of the Property including insurance, utilities, and property taxes; and
- iii. Avoids the stigma of bankruptcy and a potential tender sale of the Property, which would likely result in a lower sales price for the Property.

SECTION K - RECOMMENDATIONS

It is the opinion of the Proposal Trustee that the Proposal is in the best interests of the Secured Creditor and the Unsecured Creditors. If the Proposal is rejected and the Company is deemed bankrupt, the Proposal Trustee has estimated that the Unsecured Creditors would receive a distribution in the range of 39-67% of their proven claims, as compared to a range of 86-100% under the Proposal.

If the Proposal is accepted, the Company will be permitted a period of time to solicit the Property through a real estate agent with the anticipation that all creditors will derive a greater benefit from identifying a strategic buyer that will utilize the Property in its highest and best use, than would result from a forced liquidation of the Property.

Accordingly, the Proposal Trustee recommends that the Secured Creditor and the Unsecured Creditors support the Company's 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 12th day of July, 2023.

BDO CANADA LIMITED

Acting in its capacity as Licensed Insolvency Trustee under the
Proposal of the Outdoors By Design Inc.
and not in its personal capacity

Per:



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