

**BUSINESS DEVELOPMENT BANK OF CANADA**

**FIRST REPORT TO THE BUSINESS DEVELOPMENT BANK OF CANADA**

**SUBMITTED BY BDO CANADA LIMITED  
IN ITS CAPACITY AS PRIVATE RECEIVER OF**

**SPORTS VILLAS RESORT, INC.  
and  
TWIN RIVERS GOLF INC.**

**March 8, 2019**

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## **1.0 INTRODUCTION**

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### **1.0 Introduction**

- 1.0.1 Sports Villas Resorts, Inc. (“Sports Villas”), Twin Rivers Golf Inc. (“Twin Rivers”) (referred to herein collectively as the “Companies”), and Terra Nova Resort Condominium Corporation (“TNCC”) were incorporated under the laws of the Province of Newfoundland & Labrador. The Companies, and TNCC, have various roles in the business operations of the Terra Nova Golf Resort, Twin Rivers Golf Course, and Eagle Creek Golf Course, located at 5 - 9 Muddy Brook Road, and a residential real estate development, all located in Port Blandford, Newfoundland and Labrador.**

Collectively, the Companies and TNCC operate what is commonly known as the Terra Nova Golf Resort and Terra Nova Estates located in Port Blanford, NL.

- 1.0.2 The roles of each of the corporate entities is described below:**

#### **Sports Villas Resort, Inc.**

Sports Villas is the operating entity of what is known commonly as Terra Nova Golf Resort and Terra Nova Estates. The business consists of the Terra Nova Resort, the 9 hole Eagle Creek golf course, and an adjacent residential real estate development. Two other entities, Terra Nova Golf Estates Management Inc. and Northwest Arm Development Inc., were previously amalgamated into Sports Villas.

Sports Villas acquired the assets on February 1, 1993, from Coopers & Lybrand Limited, as Receiver and Manager for St. Christopher’s Resort Inc. (“SCRI”), the former owner. At that time, the resort property consisted of an 82 room hotel building with restaurant, meeting rooms, and other resort amenities, located on approximately 103 acres of land. Construction of the original hotel building was completed in 1989; the addition of an east wing occurred in 1993, however this expansion was only partially completed.

In the years 1999 and 2000, Sports Villas undertook a further project consisting of the construction of a nine-hole golf course, Eagle Creek, the construction of a golf cart storage shed, and completion of the previously unfinished east wing of the hotel building.

Sports Villas is 100% owned by Anthony Capital Corporation, which in turn is 100% owned by Rex Anthony.

Sports Villas is the owner of much of the real property known as the Terra Nova Golf Resort, including the Eagle Creek golf course, a property with a home on it formerly used for golf pros and other course guests, and over 80% of the “hotel” which is actually a condominium corporation.

As reviewed in greater detail under heading TNCC, the hotel is actually a condominium corporation. Sports Villas transferred its ownership of the hotel building and the parcel on which the building sits to TNCC on June 26, 2011. Sports Villas retains ownership of over 80% of the units in TNCC, is also the property manager of TNCC, and is the manager of the rental pool. Unit owners of the TNCC were required to enter into a lease arrangement with Sports Villas so that the units could be “rented” to hotel guests and the underlying profits shared.

Sports Villas is also the owner/developer of a residential development known as “Terra Nova Estates”. Terra Nova Estates consists of 10 vacant building lots, and undeveloped land known as “Phase 2”. This real estate development is located on land adjacent to the entrance of Terra Nova Resort.

Finally, Sports Villas is an owner in certain artwork, and accounts receivable, advances and loans to various related parties.

Further summary information on the assets and liabilities of Sports Villas can be obtained by reviewing the Receiver’s Form 87 - Notice of Receiver or Receiver/Manager issued pursuant to the *Bankruptcy and Insolvency Act* (“BIA”). That notice is attached as Appendix “A”.

#### Twin Rivers Golf Inc.

Twin Rivers is the operating entity with respect to the golf operations of Twin Rivers Golf Course. Twin Rivers Golf Course is located in Terra Nova National Park and is the subject of a lease as between Twin Rivers and Parks Canada Agency (“Parks Canada”). By way of an assignment of lease dated March 31, 1993, Twin Rivers acquired the leasehold interest of SCRI in the Twin Rivers Golf Course from Coopers & Lybrand Limited, as Receiver and Manager for SCRI. This lease expires on October 31, 2031.

Twin Rivers is 100% owned by Sports Villas.

In addition to the lease described above, Twin Rivers assets are comprised of equipment typical to the operation of a golf course. This generally consists of power carts and accessories, grass mowers and accessories, tractors and related attachments, small tools, and rental equipment.

Twin Rivers and Sports Villas shared all aspects of management including accounting, finance, human resources, information technology, and had shared senior leadership.

Further summary information on the assets and liabilities of Twin Rivers can be obtained by reviewing the original and amended Receiver’s Form 87 - Notice of Receiver or Receiver/Manager issued pursuant to the BIA. That notice is attached hereto as Appendix “B” and Appendix “B.1” respectively.

## **Terra Nova Resort Condominium Corporation**

TNCC became the owner of the hotel building by Declaration made by Sports Villas, on June 26, 2011, pursuant to the *Condominium Act*, being Chapter C-29 of the Revised Statutes of Newfoundland and Labrador, 1990, as amended (the "Declaration"). The Declaration and Amendment #1, is attached hereto as Appendix "C", the By-Laws and Amendment #1 is attached hereto as Appendix "D". The Declaration was registered at the Registry of Deeds on July 22, 2011, under Registration No. 112.

TNCC is the owner of real property at 5 - 9 Muddy Brook Road, Port Blandford, Newfoundland and Labrador, and is comprised of a building containing 34 residential condominium units ("Residential Units"), and 20 commercial condominium units ("Commercial Units"), and common areas.

Of the 34 Residential Units, 25 units are owned by Sports Villas and are finished in a range of styles from a typical hotel room to an upscale hotel room. The remaining 9 units are owned by private individuals/companies and have upgraded finishes which are reflective of a private residence. Although required, not all the residential units were included in the rental pool managed by Sports Villas.

The 20 Commercial Units are owned by Sports Villas and consist of areas used by Sports Villas pertaining to the operations of a golf resort. These areas include kitchens, a dining room, a pub, pro-shop, fitness facilities, meeting rooms, and offices.

The common areas are defined in the Declaration as "*the areas of the Building which are not Units and are designated as Common Areas on the Plan.*" These areas are thought to include the lobby, hallways, stairwells, sitting areas, and certain washrooms.

The TNCC has no known cash reserves, operating fund, reserve fund, or contingency fund, and has relied primarily on funding from Sports Villas for operations.

TNCC is not currently subject to any known insolvency proceedings.

**1.0.3** The Business Development Bank of Canada ("BDC") has provided financing to the Companies for renovations, upgrades, and business operations, by way of several loans. As at the date of Receivership these loans have an outstanding balance of approximately \$3,228,664. In consideration of the funds advanced, the Companies granted to BDC, jointly and severally, and without limiting the descriptions contained in the specific loan agreements, the following security:

- a) A General Security Agreement in favour of BDC as against Sports Villas present and after acquired personal property, and all proceeds thereof. This security interest was registered by BDC pursuant to the *Personal Property Security Act* (Newfoundland & Labrador) on October 21, 2015, by way of registration number 13417050;

- b) Re-advanceable first position mortgages on approximately 104 acres of real property in Port Blandford, Newfoundland & Labrador;
- c) First mortgage on a Crown lease on approximately 260 acres of real property located in Terra Nova National Park used for Twin Rivers Golf Course;
- d) Corporate guarantees as between the Companies and BDC;
- e) Guarantees from Anthony Capital Corporation, a company that is subject to a bankruptcy and private receivership proceedings. PwC Inc. is both trustee in bankruptcy and privately appointed receiver; and
- f) Guarantees from Rex Campbell Anthony, the Companies director and shareholder. Mr. Anthony has filed for bankruptcy and Noel R. Andrews & Associates Inc. have been appointed Trustee.

**1.0.4** Further details on the BDC security are contained in its application to have BDO Canada Limited appointed Court Appointed Receiver over certain assets of the Companies. That application is attached hereto as Appendix "E".

**1.0.5** On October 29, 2018, BDC presented a notice of default to the Companies and guarantors. At that time BDC also presented Form 86, *Notice of Intention to Enforce Security*, pursuant to subsection 244(1) of the BIA.

## **2.0 APPOINTMENT OF A RECEIVER AND PURPOSE OF THIS REPORT**

### **2.0 Appointment of Receiver**

- 2.0.1** The Companies and the guarantors did not satisfy the debts as set out in the demand letters and Notice of Intention to Enforce Security issued by BDC on October 29, 2018.
- 2.0.2** As a result, on November 12, 2018, BDO Canada Limited was privately appointed Receiver of Sports Villa. A copy of the Office of the Superintendent of Bankruptcy Notice of Filing of Receivership and Reporting Duties of the Receiver is attached hereto as Appendix "F".
- 2.0.3** On December 12, 2018, BDO Canada Limited was privately appointed Receiver of Twin Rivers. A copy of the Office of the Superintendent of Bankruptcy Notice of Filing of Receivership and Reporting Duties of the Receiver is attached hereto as Appendix "G".
- 2.0.4** A Notice of Appointment of a Receiver/Receiver Manager was issued pursuant to section 245 and 246 of the *Bankruptcy & Insolvency Act*, and filed with the Office of the Superintendent of Bankruptcy. Those notices are attached hereto as Appendix "A", Appendix "B" and Appendix "B.1".
- 2.0.5** Notice of the Appointment of the Receiver was sent by regular mail or fax to all known creditors of the Companies in accordance with the BIA.
- 2.0.6** The Receiver took possession and control of the property, including the books and records of the Companies, on November 12, 2018.
- 2.0.7** The Receiver has not retained independent counsel or completed an independent security review.
- 2.0.8** BDC has made an application to the Supreme Court of Newfoundland and Labrador ("Court") to have BDO Canada Limited Court Appointed Receiver over certain assets of the Companies. At the date of this report the Court has not issued a decision.

### **2.1 Purpose of this Report**

**2.1.1** This constitutes the Receiver's First report to BDC in this matter and it is filed to:

- report on the private Receiver's activities in these receivership proceedings;



- further to an application by BDC to appoint BDO Canada Limited as Court Appointed Receiver of the Companies, provide an update to the Court and stakeholders in the Estate;

## **2.2 Scope and Terms of Reference**

- 2.2.1** The First Report has been prepared for the use of BDC, to provide general information to the stakeholders of the Companies, and to provide an update to the Court on the Receiver's activities.
- 2.2.2** In preparing this First Report, the Receiver has relied upon the records of the Companies, and TNCC, as available to the Receiver. While the Receiver has reviewed certain records of the Companies, such review does not constitute an audit or verification of such information for accuracy, completeness, or compliance with Generally Accepted Accounting Principles or International Financial Reporting Standards. Accordingly, the Receiver expresses no opinion or other form of assurances with respect to such information except as expressly stated herein.
- 2.2.3** This First Report, and all Court materials and Orders issued and filed in these receivership proceedings are available on the Receiver's website at: <http://www.extranets.bdo.ca/terranova> and will remain available on the website for a period of six (6) months following the Receiver's discharge.

## **3.0 RECEIVER'S ACTIVITIES**

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### **3.0 Taking Possession**

- 3.0.1** The Receiver took possession and control of the real and personal property of the Companies, including the leasehold interest in Twin Rivers golf course, on November 12, 2018.
- 3.0.2** The Receiver arranged for the exterior locks of the hotel, golf cart storage shed, maintenance buildings, residential home, and access gates to be changed to secure the assets of the Companies.
- 3.0.3** The Companies, prior to the appointment of the Receiver, had ceased operation in the normal course. The Terra Nova Golf Resort had historically operated from May to October during the year, with the hosting of events outside this period on an exception basis.
- 3.0.4** Prior to the appointment, it is the Receiver's understanding that the Companies had already completed the required maintenance and winterization of the two golf courses, and all the required maintenance and winterization of the equipment and golf carts. The equipment and golf carts were stored for the winter in the ordinary course.
- 3.0.5** The final clean up, and winterization, of the TNCC was outstanding on appointment.

### **3.1 Notices**

- 3.1.1** The Receiver has issued the statutory notices required under the BIA, in accordance with the BIA. Those notices are attached hereto as Appendix "A", Appendix "B" and Appendix "B.1".
- 3.1.2** The Receiver also issued Receiver's Form 87 - Notice of Receiver or Receiver/Manager for Sports Villas to the creditors of TNCC, TNCC unit holders, and third party owners of Terra Nova Estates. Although not required, the notice was given out of an abundance of caution given the two entities operations are inextricably linked through agreements, guarantees, and operations. That notice is attached hereto as Appendix "H".
- 3.1.3** BDC has also issued the Notice of Demand Pursuant to the Conveyancing Act (NL). That notice, dated January 21, 2019. The amounts demanded remain unpaid and the thirty (30) day notice period has expired. These notices are attached hereto as Appendix "I".

3.1.4 The Receiver has also registered the private appointments in the Personal Property Security Registry on January 17, 2019. A copy of the registration is attached a Appendix "J".

## 3.2 Property Management

3.2.1 On appointment, there was an urgent need to begin winterization of the TNCC property as that activity has not yet commenced and it was already mid-November. The Receiver immediately retained certain former employees on a contract basis to begin the winterization process. Those services ceased on retention of a permanent professional property management firm.

3.2.2 The Receiver has retained Richmond Advisory Services ("Richmond") as property manager for the purpose of carrying out regular property inspections, to identify and arrange for repairs as needed, to provide snow clearing, and to provide other services pertaining to the maintenance and control of the property as required.

3.2.3 To supplement the services of Richmond, the Receiver has retained, on a contract basis, the services of the former long time maintenance manager of the Terra Nova Golf Resort. The Receiver determined that the depth of knowledge this resource would provide would be valuable to maintaining the assets, minimizing costs, and therefore assist in maximizing returns to creditors. The contract maintenance manager inspects the property with Richmond on a bi-weekly basis, and supports inspections and repairs on an as needed basis.

3.2.4 The Receiver has also retained the services, on a contract basis, of the former golf course manager to carry out regular inspections of the golf course, and to identify and arrange for repairs as needed.

3.2.5 Richmond remains in place and reports to the Receiver on a regular basis.

3.2.6 The Receiver has arranged to the continued service and payment of utilities.

## 3.3 Insurance Coverage

3.3.1 On appointment, the Receiver determined that the Companies had not made a payment on the insurance policies that had been renewed effective June 30, 2018. Insurance premiums were approximately \$69,000 in arrears.

3.3.2 The existing insurance broker advised the Receiver that the premium arrears would have to be paid in order for coverage to continue.

3.3.3 The Receiver sought two (2) additional quotes for insurance coverage receiving quotes of \$3,239 /month and \$22,825/month.

- 3.3.4 The Receiver arranged for the least costly real property, personal property, and commercial general liability insurance through Arthur J. Gallagher Canada Limited. The underwriter of the policy is Burns & Wilcox Canada. The real and personal property is insured for a total actual cash value of \$9,000,000. The commercial general liability policy has a limit of \$2,000,000.
- 3.3.5 The insurance coverage property values are significantly less than those previously used by the Companies. The Receiver has insured the assets at values sufficient to pay out the estimated total liabilities of the Companies according to the general ledger and will adjust those values on receipt of updated appraisals.
- 3.3.6 Conditions of insurance include periodic inspections at a minimum of every 72 hours, and the requirement to maintain access to the property for emergency services. The Receiver initially had arranged for inspections every 48 hours, and has since adjusted inspections to occur every 72 hours.

#### **3.4 Stakeholder Communication**

- 3.4.1 The Receiver has created a website at [www.extranets.bdo.ca/terranova](http://www.extranets.bdo.ca/terranova) in order to provide updates and share key documents with stakeholders. That website will be maintained until six (6) months after the Receiver's discharge.
- 3.4.2 The Receiver has responded to queries from employees, creditors and suppliers of the Companies promptly, and using the most current information available at the time.
- 3.4.3 The Receiver has responded to queries from owners and stakeholders associated with the TNCC promptly, and using the most current information available at the time.
- 3.4.4 The Receiver has responded to queries from other stakeholders, including possible interested parties promptly, and using the most current information available at the time.
- 3.4.5 The Receiver has responded to queries from customers promptly, and using the most current information available at the time.

#### **3.5 Property Management of TNCC**

- 3.5.1 The Receiver has maintained the property management agreement, the lease agreement, and the rental pool agreements between Sports Villa and TNCC. The Receiver is not aware of any termination notices issued pursuant to those agreements.

### **3.6 Status of Property on Receivership Appointment**

**3.6.1** On appointment, the Receiver, or service providers retained by the Receiver, identified the following issues:

- a) **Utilities** - The Receiver, on taking possession, determined electrical service to be in arrears to the extent of approximately \$26,000. The Receiver arranged with Newfoundland Power Inc. to have accounts opened in its name.
- b) **Winterization of the TNCC** - The Receiver, through various contractors including Richmond and the former property manager, has winterized the building. This included draining the water boiler, draining water pipes within the building, lowering the water level in the pool, putting antifreeze in plumbing fixtures, cleaning the kitchen and other food preparation areas, cleaning out freezers and other storage areas, and disposing of garbage and perishables.
- c) **Resort Building** - The Receiver, on taking possession, noted a general lack of maintenance and upkeep, particularly with respect to the poor condition of the roof. The Receiver has identified, and is monitoring the following issues:
  - **Roof leaks** - There are numerous leaks in the roof throughout the property. The property manager has marked the areas that are, or had, leaks and is monitoring. The Receiver, through the property manager, engaged a roofing company to inspect the leaks. The roofing company has completed that inspection and has made recommendations for temporary repair(s), given the constraints imposed by winter conditions. Those repairs have been completed.
  - **When the new part of the building was constructed, the plumbing vents (and other vents) were not attached to either the existing, or new, venting in the attic. The result is that warm moist air is venting into the attic. The roofing company has completed the recommended repairs to the attic vents.**
  - **The attic had exposed wiring and boxes. Given the possible fire hazard and safety issue the Receiver authorized its repair. Those repairs have been complete.**
  - **An inspection of the attic identified some limited mold, concentrated over and around the venting into the attic. It is not throughout the attic. It is thought that fixing the venting, coupled with repairs to the roof to address the leaking, will stop any further mold development. The attic will be monitored to confirm that assessment.**
  - **There are large sections of the attic that either have no, or very poor, levels of insulation. The poor insulations is at least partially**

contributing to the high cost of heating the building. The Receiver intends to revisit this issue only after confirmation that the repairs have addressed the leaks and venting issues.

- d) **The Tee House** - A building known as “The Tee House” is located on the Twin Rivers golf course and is subject to the lease agreement as between Twin Rivers and Parks Canada. In the summer of 2018 this building incurred significant damage as a result the failure of the septic system. As a result, the basement of the building, which included the washrooms, have been stripped to wooden wall studs. There is a dispute between Twin Rivers and Parks Canada with respect to which party is responsible for payment of the costs associated with the cleanup and repair of the building and septic system. The books and records of Twin Rivers reflect an account receivable due from Parks Canada of an amount in excess of \$300,000 in relation to this matter.
- e) **Terra Nova Estates Sewage System** - The sewage system installed at Terra Nova Estates is a gravity based system that flows down from the development, to a pump house located on property owned by Sports Villa, and is located near the TNCC. It is then pumped up to the municipal sewage system. The costs to operate this system are being incurred by Sports Villa with no mechanism or agreement to recover those costs from the third party owners in the Terra nova Estates. The Receiver has maintained, and intends to maintain, the provision of service until such time as a resolution can be identified.

**3.6.2 All buildings are being monitored, including the golf courses, with no other significant issues to note.**

## **4.0 ASSETS**

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### **4.0 Sports Villa and Twin Rivers**

#### **4.0.1 The Receiver has completed a preliminary review of the assets of Sports Villa and Twin Rivers and has identified the following:**

- a) Accounts Receivable - \$383,445 - On appointment the books and records indicated accounts receivable of \$383,445, comprised of \$107,320 which represents cash sales for which the corresponding receipt entry has yet to be made; \$213,324 due from Parks Canada Agency which is subject to dispute; and \$1,245 due from the TNCC;
- b) Rental Pool Receivable from TNCC - \$25,962 - The books and records indicate that rental pool amounts are due from the TNCC;
- c) Notes Receivable - \$1,002,709 - The books and records indicate an amount due from Heather MacKay in the amount of \$14,709 and \$988,000 due from a yet unidentified party;
- d) Inventory - \$102,266 - Consists of food and beverage inventory of approximately \$56,000, Pro Shop inventory of \$11,000 and other misc. inventory of approximately \$35,000. The Receiver has already disposed of the majority of the food and beverage inventory;
- e) Guaranteed Investment Certificate - \$40,000 - On appointment, the Receiver advised the operating lender, The Bank of Montreal ("BMO"), to freeze the Sports Villa accounts and remit any net funds to the Receiver. BMO has advised that, after, set off, there are no funds available.
- f) Shareholder Loan - 68861 NL Inc. ("68861") - \$386,373 - 68861 NL Inc. is a related company to Sports Villas that is 100% owned by Rex Anthony. It is the Receiver's understanding that 68861 primarily owns four (4) condominiums in TNCC- Unit 109 (1.27%); Unit 208 (1.77%); Unit 209 (1.27%); and Unit 309 (1.27%); and which are fully encumbered to Clarke Inc.;
- g) Investments/Advances to TNCC - \$174,505 - Sports Villas had been providing TNCC operating financing and at the date of appointment it appears the net amount owing is \$174,505;
- h) Prepaid Expenses - \$43,225 - The Receiver continues the investigation;
- i) Artwork - \$97,224 - The TNCC building contained a significant amount of artwork subject to ownership claims from multiple parties. This asset is discussed in further detail below. The Receiver has yet to locate a definitive listing of the art work and the corresponding owner;

- j) **Capital Assets - \$1,107,931** - This asset class consists of capital assets such as equipment, furniture, vehicles with a net book value of \$459,793; leased equipment with a net book value of \$341,631; and furniture and equipment held for resale of \$306,507; and
- k) **Real Property - \$5,536,750** - This asset class encompassed the book value of the real property known as the Terra Nova Golf Resort and Terra Nova Estates.

**4.0.2** The assets of Sports Villas and Twin Rivers are not segregated as the Companies did not maintain a perpetual set of accounting records for Twin Rivers. All transactions were records in Sports Villas during the year, and at year end, certain types of assets and transactions were transferred to Twin Rivers for financial reporting and statutory filing purposes. The transfer for 2018 was not yet complete when the Receiver was appointed.

#### **4.1 Appraisals**

**4.1.1** The Receiver arranged for an appraisal of the personal property of the Companies by Castle Appraisals Limited. An on-site inspection of the assets took place during the week of November 19 to 23, 2018, and a valuation report was provided to the Receiver on November 27, 2018. A copy of this report has been provided to BDC.

**4.1.2** BDC has arranged for an appraisal of the real property of the Companies by the Altus Group Limited. As of the date of this report the real property appraisal is outstanding.

#### **4.2 Third Party Assets**

**4.2.1** The Receiver has arranged for the return of third party assets on receipt of a properly completed property claim. The Receiver has returned the assets owned by the Atlantic Lottery Corporation and Ice Block Limited. It continues to evaluate property claims in the ordinary course of the estate administration.



## **5.0 KEY CREDITORS/PRIORITY CHARGES**

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### **5.0 Property Taxes - Town of Port Blandford**

**5.0.1** The Receiver has received information from the Town of Port Blandford which indicate outstanding balances related to Sports Villas, TNCC, and Twin Rivers, as at December 31, 2018, is as follows:

Property Tax	\$28,790
Business Occupancy Tax	\$45,886
Water and Sewer	\$3,556
<b>Total</b>	<b>\$78,232</b>

A copy of that statement is attached hereto as Appendix "K".

**5.0.2** The Receiver believes that certain of the above noted property taxes and charges are in priority to the real property mortgage held by BDC and will paid as a closing adjustment on sale, as is customary.

### **5.1 Canada Revenue Agency**

**5.1.1** Notice of the Receivership appointment has been sent to the Canada Revenue Agency ("CRA"). A review of the Companies records reflects the following balances due:

Corporate Income Tax	\$125,116
HST	\$88,070
Source Deductions	\$100,000

**5.1.2** CRA contacted the Receiver and arranged a trust audit of the payroll accounts. That audit has been completed.

**5.1.3** Further to the CRA payroll trust audit, CRA has filed a proof of claim in the estate, related to the payroll account. That proof of claim is attached hereto as Appendix "L". The proof of claim is for the following:

Unsecured claim	\$59,877.72
Deemed Trust claim	\$85,165.57

**5.1.4** The deem trust claim is a priority charge in the estate, ranking ahead of the secured creditors.

- 5.1.5** The Receiver has also received a property claim in the amount of \$85,424.19 related to outstanding HST. That proof of claim is attached hereto as Appendix "M".
- 5.1.6** CRA has also issued Requirement to Pay notices dated February 4, 2019 to the Bank of Montreal, Scotiabank, and the Terra Nova Condominium Corporation.
- 5.2 Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador**
- 5.2.1** The Receiver has completed the reporting to the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador. The final balance owing by Sports Villas is \$5,564.
- 5.3 Employees**
- 5.3.1** The majority of employees of Sports Villas were laid off by management of the Companies, in the ordinary course, prior to the appointment of the Receiver. Twin Rivers had no known employees. The Receiver terminated those employees who had not previously been laid off in the normal course.
- 5.3.2** The Receiver is in the process of notifying all employees of their rights under the *Wage Earner Protection Program Act*. The Receiver is in the process of issuing the T4's based on amounts as determined by CRA in the payroll trust audit.
- 5.4 Litigation**
- 5.4.1** The Receiver is aware of a possible dispute over the ownership of the art work physically located within the TNCC. Sports Villas has, listed on its general ledger approximately \$97,000 in an asset titled art with no detailed transactions available. Anthony Capital Corporation, the parent company to Sports Villas, has \$870,000 in an asset titled art with no detailed transactions available. In addition, there is an unrecorded transfer of art valued at \$200,000 transferred to Sports Villas by Rex Anthony dated March 6, 2018. TNCC has no asset listed on its general ledger with the description of art.
- 5.4.2** The Receiver is aware of the following possible property claims to the art:
- a) PwC Inc., in its capacity as Receiver and Trustee of Anthony Capital Corporation;
  - b) Noel Andrews & Associates, in its capacity as Trustee in Bankruptcy of Mr. Rex Anthony;
  - c) Superintendent of Pensions for Newfoundland and Labrador, in relation to a pension claim in the estate of Anthony Capital Corporation; and
  - d) BDO Canada Limited, in its capacity as Receiver of the Companies

- 5.4.3** The Receiver arranged for an inventory of the art work located within the TNCC. That list is attached as Appendix "N". This listing and information currently available to the Receiver has been shared with parties with possible claims.
- 5.4.4** The Receiver has arranged for the art to be relocated to a third party storage facility that is climate controlled, has 24 hours security, and video monitoring. In addition the Receiver has arranged for insurance coverage.
- 5.4.5** The Receiver anticipates running a property claims process to assist in determining the ownership of the art. It will work with other claimants and if required, seek the direction of the Supreme Court of Newfoundland and Labrador - in Bankruptcy.

## **6.0 RECEIVER'S SALES PROCESS**

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### **6.0 Receiver's Sales Process**

**6.0.1** Receiver intends to sell the assets of the Companies such that the ultimate successful purchaser gets title to the economic interest known as the Terra Nova Golf Resort and Terra Nova Estates.

**6.0.2** This will require the following:

- a) Conveying the Receiver's interest in the assets of the Companies subject to BDC's security;
- b) Conveying 100% interest in the TNCC;
- c) Conveying the Receiver's interest in the Twin Rivers Golf Course land lease with Park Canada; and
- d) Royal Bank of Canada and De Lage Landen's interest in lease golf carts and maintenance equipment.

**6.0.3** The Receiver has offered for sale certain property of the Companies for sale through a tender process.

**6.0.4** The marketing and advertising of the tender will be focused on known interested parties, and Atlantic Canadian hotel and tourism operators and industry associations, more specifically as follows:

- a) Targeting Marketing with parties who have expressed interest in participating in the process, professional services organization who engage in mergers and acquisitions, Hoteliers in the Atlantic region, and private equity investors;
- b) Industry Associations - various tourism and industry association across Newfoundland and Labrador, PEI, New Brunswick and Nova Scotia;
- c) Advertising in allnovascotia.com and allnewfoundland.com from March 11 to April 3, advertising on Huddle.com the week of March 11 and March 25, newspaper advertising on Thursday and Saturday the weeks of March 11 and March 25, and on Insolvency Insider; and
- d) Any other possible party or industry association as identified.

**6.0.5** The Receiver is of the opinion that this robust marketing and advertising program will provide significant exposure of this investment opportunity to the market and provide the best chance to maximize recovery to creditors.

**6.0.6** The proposed tender period is March 8, 2019 through to April 8, 2019, approximately 32 days. Bids are due 12:00pm ADT on April 8, 2019.

- 6.0.7** Attached hereto as Appendix “N” is a copy of the teaser document being circulated as part of the tender process.
- 6.0.8** Interested parties can access documents related to the tender process, and the administration of the estate at [www.extranets.bdo.ca/terranova](http://www.extranets.bdo.ca/terranova).
- 6.0.9** The Receiver has also prepared a data room with certain financial, operational, and information related to the assets. Access to the data room, and site visits, are being arranged on request to the Receiver.

## **6.1 Receiver’s Approval Process**

- 6.1.1** The Receiver’s process is intended to comply with the Conveyancing Act (NL), the Bankruptcy and Insolvency Act, the Condominium Act of Newfoundland and Labrador, the TNCC By-Laws, and the common law expectations of a court appointed receiver.
- 6.1.2** The Receiver anticipates that following will be the required approval process to effect the sale of the economic entity know as the Terra Nova Gold Resort and Terra Nova Estates:
  - a) Private Receiver is converted into a Court Appointed Receiver;
  - b) Tender closes April 8, 2019;
  - c) Court Appointed Receiver accepts on offer;
  - d) Consents from other secured parties are obtained;
  - e) Receiver complies with the Condominium Act (NL) regarding the sale of property;
  - f) Court approval of the sale; and
  - g) Closing and effecting various registrations on closing.
- 6.1.3** The Receiver anticipates that following will be the required approval process to effect the sale of the TNCC assets in accordance with the Condominium Act (NL) as noted in (e) above:
  - a) Section 61 of the Condominium Act provides in Section 61(1) that the sale of the property or a part of the common elements may be authorized by the consent of a) 80% of the owners of the common elements; and b) the persons having registered claims against the property or the part of the common elements created after the acceptance for registration of the declaration and description;
  - b) The Receiver must obtain the consent of 80% of the owners to the sale of the Units and Common Elements. On acceptance of an offer, the Receiver will arrange a properly constituted TNCC meeting for approving the sale to the successful bidder, subject to court approval;

- c) To call a meeting, the Receiver will send a written demand to the TNCC for a meeting to vote on the sale of units and common elements. The Board must hold a meeting of members within 30 days, and at least 10 days before the meeting it must send notice of the meeting to all members, AND to any mortgagee of a Unit that has previously sent the condominium corporation voting notice;
- d) Quorum is 50% of the membership AND also not fewer than 3 persons entitled to vote;
- e) The TNCC comprises 34 residential units and 20 commercial units. The remaining hotel rooms would be considered common elements as defined in the TNCC declaration. All units, except 9, are owned by Sports Villas which accounts for 82.74% of the TNCC;
- f) The Receiver is required to obtain consent for the sale from the following registered claims over common elements and units - Eastern Ready Mix, Clarke Inc. Master Trust, and RBC Investor Services Trust. The Eastern Ready mix claim is a mechanic lien that was not properly perfected;
- g) The Receiver intends to make application to the court to have the Eastern Ready Mix lien vacated, and the Receiver has begun discussions with Clarke Inc. Master Trust and RBC Investor Services Trust to obtain consent;
- h) All owners will be required to sign the Deed of Conveyance, and any registered claims will be required to provide signed releases so that appropriate statutory declarations can be prepared and registered;

6.1.4 The Receiver (Court Appointed Receiver assuming the Court grants the appointment) would be open to entering into a management agreement with the successful bidder pending completion of the approval process so that they could take advantage of the 2019 season if so desired.

## **7.0 RECEIVER'S ACTIVITIES**

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### **7.0 Receiver's Activities Since its Appointment**

**7.0.1** The Receiver continues to administer the estate in good faith and with due diligence by completing the following activities (including but not limited to):

- The Receiver has taken custody and control of the assets of the Companies and has endeavoured to protect the assets for the benefit of the creditors;
- The Receiver has retained experienced and competent services providers to protect and maintain the assets of the estate, holding periodic update meetings to address issues and concerns as they arise;
- The Receiver has opened, or maintained, utility accounts where required;
- The Receiver, through its service providers, has continued to protect and maintain the Property;
- The Receiver has maintained appropriate insurance coverage over the estate assets in conjunction with the support of a qualified broker;
- The Receiver has continued to pay utilities, insurance, and property management costs, through the estate's banking process;
- The Receiver has, and continues to, respond to stakeholder (creditors, suppliers, government agencies, TNCC and chalet owners, etc.) inquiries in an open, transparent and timely fashion;
- The Receiver has participated in numerous calls with BDC, Parks Canada, and other secured creditors and their legal advisors to address and discuss issues related to the administration of the estate, property management as well as to discuss the terms of a sale process;
- The Receiver has prepared and issued statutory notices in accordance with the BIA, Personal Property Security Act, Conveyancing Act, and any other notices as required;
- The Receiver has calculated and reviewed possible priority claims in the estate;
- The Receiver has coordinated the completion of a payroll trust audit with the Canada Revenue Agency;

- The Receiver has engaged with the appraisal companies in order to have appraisals over the Companies assets completed, including participating in various meeting, sourcing information , and responding to queries in a timely fashion;
- The Receiver, together with legal counsel, have drafted a sales process for the Companies assets, including an advertising and marketing plan, developing a target list, drafting and issuing documents associated with a tender sales process, etc.;
- The Receiver has begun to manage the sales process and interact with interested parties, responding to queries in a timely fashion; and
- The Receiver has prepared reporting to BDC and the Court.



## ***8.0 RECOMMENDATIONS***

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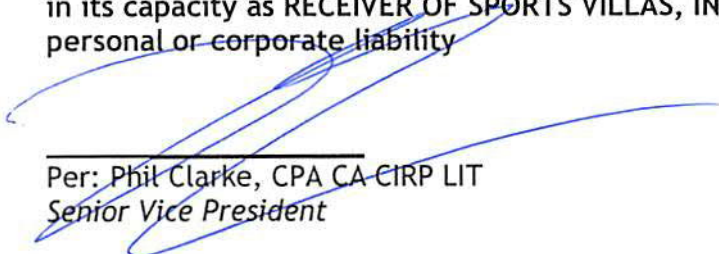
### **8.0 Recommendations:**

#### **8.0.1 The Receiver respectfully submits this First Report:**

- to BDC to report on the private Receiver's activities in these receivership proceedings;
- to the Court to provide an update on the status of the receivership;
- to the stakeholders in the estate;

All of which is respectfully submitted this 8th day of March, 2019.

**BDO CANADA LIMITED,**  
in its capacity as RECEIVER OF SPORTS VILLAS, INC., AND TWIN RIVERS GOLF INC., without  
personal or corporate liability

  
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Per: Phil Clarke, CPA CA CIRP LIT  
*Senior Vice President*