

Clerk's Stamp

Estate FILE NUMBER S-1-CV-2023-000-151

COURT SUPREME COURT OF THE NORTHWEST TERRITORIES

PLAINTIFF NORTHWEST TERRITORIES BUSINESS DEVELOPMENT AND INVESTMENT CORPORATION

DEFENDANT TAIGA SPORTS FISHING LTD. O/A BLACHFORD LAKE LODGE

DOCUMENT **FIRST REPORT OF THE RECEIVER  
BDO CANADA LIMITED  
JUNE 2, 2023**

**RECEIVER**

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**FIRST REPORT OF THE RECEIVER  
BDO CANADA LIMITED  
JUNE 2, 2023**

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## INTRODUCTION

1. On May 12, 2023, Northwest Territories Business Development Investment Corporation (“**BDIC**”) sought and obtained an Order (the “**Receivership Order**”) from the Supreme Court of the Northwest Territories (the “**Court**”) appointing BDO Canada Limited as receiver and manager (the “**Receiver**”) of the current and future assets, undertakings and property of Taiga Sports Fishing Ltd. o/a Blachford Lake Lodge (“**Taiga**” or the “**Company**”).
2. On May 4, 2023, Mr. Edwin Shu filed an Affidavit (the “**Shu Affidavit**”) in support of BDIC’s application for the appointment of a Receiver.
3. The purpose of this report (the “**First Report**”) is to provide this Honourable Court with:
  - (a) Background information in respect of the material assets of Taiga, together with the financial position of the Company;
  - (b) A summary of the material activities of the Receiver since the granting of the Receivership Order;
  - (c) An overview of the proposed sales process as contemplated by the Receiver;
  - (d) The Receiver’s recommendations thereon.
4. On March 24, 2023, the Company filed an assignment in bankruptcy pursuant to which BDO Canada Limited was named as Licensed Insolvency Trustee (the “**Trustee**”) of its bankruptcy estate, which was affirmed at the first meeting of creditors held on April 13, 2023. BDO has obtained an independent legal opinion as to the validity and enforceability of BDIC’s security in order to act in a concurrent role as Licensed Insolvency Trustee and Receiver.
5. Capitalized terms not defined in the First Report are as defined in the Receivership Order or the Shu Affidavit.
6. A copy of the Shu Affidavit, the Receivership Order, the First Report and other relevant documents pertaining to these receivership proceedings will be available on the Proposed Receiver’s website at <https://www.bdo.ca/en-ca/extranets/blachford>.
7. All references to currency are in Canadian dollars unless otherwise noted.

## TERMS OF REFERENCE

8. In preparing this First Report, the Receiver has relied upon a review of publicly available information, information from the books and records of the Company, discussions and correspondence with Management (as defined below) and discussions and correspondence with representatives of BDIC. The Receiver has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information and accordingly, the Receiver expresses no opinion or other form of assurance in respect of such information contained in this report.
9. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party because of the circulation, publication, reproduction or use of the First Report.

## BACKGROUND AND FINANCIAL POSITION

10. An entity profile provided by the Corporate Registries Online System of the Government of the Northwest Territories, dated March 22, 2023 shows that the Company was incorporated on April 28, 1977 and Mr. Michael Freeland (“**Mr. Freeland**”) is listed as the sole director of the Company. A special shareholders resolution dated June 3<sup>rd</sup>, 1998 lists Mr. Freeland as the sole shareholder of the Company.
11. The Receiver understands that given the financial constraints of the Company, the Lodge (as defined below) ceased operations on, or around, May 22, 2023 given liquidity constraints and an inability to fund payroll and critical expenditures such as transportation charges to fly guests to the Lodge.
12. The Receiver understands that the Company employed approximately 23 individuals as of the date of bankruptcy, with certain individuals assisting Mr. Freeland with the management of the lodge (collectively, “**Management**”).

### Assets

13. The substantial asset of the Company is the all-season wilderness lodge commonly known as Blachford Lake Lodge (the “**Lodge**”), operating Commissioner’s lands on the western shore of Blachford Lake, leased to Taiga on the following lands through a 30-year lease, being Lease No. 95 ½-1-21 (the “**Lease**”).
14. The Lodge is located approximately 99 kilometres southeast of Yellowknife, on Chief Drygeese territory, the traditional land of Yellowknives Dene First Nation, Treaty 8 Territory.

15. The Lodge has capacity for up to 36 guests in accommodations comprising a main lodge with five guest bedrooms and five separate guest log cabins. Its website describes it as one of North America's premiere all-season Aurora Viewing eco-lodges hosting an exclusive guest list, including Prince William and Catherine, the Duchess of Cambridge.
16. In discussions with Management, former employees, as well as various tourism related officials in the Northwest Territories, the Receiver understands that the Lodge was a unique destination which had historically provided significant spin-off economic impact to other tourism related entities in the Northwest Territories.

#### Liabilities

17. As outlined in the Shu Affidavit, as of April 12, 2023, BDIC is owed approximately \$1,568,055 pursuant to four loans. In addition to BDIC, a search of the personal property registry system dated May 2, 2023 indicates the following additional registered interests:
  - (a) Bank of Montreal originally registered an interest in all present and after-acquired personal property on January 26, 2018 and last amended on November 16, 2022;
  - (b) Bank of Montreal registered a further interest in all present and after-acquired personal property on January 29 2018 as renewed on November 16, 2022;
  - (c) Air Tindi registered an interest in all present and after acquired personal property on April 26, 2022.
18. As described above, the Company had approximately 23 employees as of the date of bankruptcy, for which the Trustee had completed an initial assessment of potential entitlements under the Wage Earner Protection Program Act in an attempt to expedite getting some funds under the WEPP program paid to employees as soon as practicable. The Trustee is continuing to review the books and records of the Company with respect to amounts outstanding to employees pertaining to gratuities and an allocation of the gratuities to employees, as the calculation of this amount has historically been discretionary, requiring the Trustee to conduct an analysis of the account over an extended time period.

19. In addition to the above creditors claiming a security interest and employees, the Company has a number of unsecured creditors. However, until the Receiver has sold the Lodge and is in possession of distributable proceeds to substantiate a distribution to unsecured creditors, it does not intend on incurring the time or professional cost to complete a claims process to confirm the amount of unsecured creditor claims. The Receiver does note that the Statement of Affairs sworn in the bankruptcy proceedings contains an amount outstanding to customers with respect to prepaid deposits which is now understood to be overstated.

### **ACTIVITIES OF THE RECEIVER**

20. Subsequent to the granting of the Receivership Order, the Receiver has, *inter alia*:
- (a) Attended to the Lodge, together with representatives of BDIC, to meet with former employees and contractors to tour the property and other procedures with respect to obtaining custody and control of the Company's assets;
  - (b) Completed statutory notifications pursuant to Section 245(1) and 246(1) of the *Bankruptcy and Insolvency Act*;
  - (c) Liaised with the Lodge's insurance provider to confirm current coverage and to have the Receiver added as a named insured and loss payee;
  - (d) Liaised with Management and contractors to respond to maintenance and caretaking requirements, including responding to a land use permit inspection conducted by the Environment and Climate Change division of the Government of the Northwest Territories (formerly Environment and National Resources);
  - (e) Held initial discussions with parties potentially interested in acquiring the Lodge;
  - (f) Held discussions with the proposed listing agent Coldwell (as defined and discussed below) with respect to designing the proposed sales process;
  - (g) Provided updates to stakeholders as required, including extensive discussion and correspondence with future scheduled guests; and
  - (h) Attended to various other administrative matters as it pertains to the Receivership.

### **PROPOSED SALES PROCESS**

#### *Pre-Bankruptcy Listing Agreement*

21. The Receiver understands that on the eve of bankruptcy, the Company signed a listing agreement with Coldwell Banker Northern Bestsellers Ltd. (“Coldwell”) with a list price of \$3.9 million. This listing was subsequently taken down by Coldwell, given the bankruptcy and the cessation of operations of the business.
22. The Receiver understands that Coldwell had initial discussions with Management as to listing the property commencing in approximately November 2022 and had been working with Management for some time on preparing for the listing, including: multiple site visits to the Lodge, identification of potentially interested parties, accumulation of due diligence materials and creation of marketing materials.

#### *Proposed Listing Agreement*

23. Following discussions with BDIC and Management, the Receiver has entered into a listing agreement with Coldwell on substantially the same commercial terms as the pre-bankruptcy listing agreement, with one exception. Rather than including a list price as a going-concern business, the listing agreement has a nominal list price of \$1, indicating that the Lodge will be marketed through a tender process whereby interested parties will be required to submit their final and best offer, subject to clarification or further negotiation by the Receiver in accordance with the timelines and purchase and sale agreement terms listed below (the “Sales Process”).

#### *Proposed Sales Process milestones*

24. In acknowledgement of a potential purchaser’s desire to likely be operational in the winter months; and in consultation with Coldwell, the Receiver has designed a relatively tight sales timeline, with the following milestones:
  - (a) Prepare listing and update marketing package – Prior to June 9, 2023;
  - (b) Seek court approval and commence sales process – June 9, 2023;
  - (c) Conduct marketing process June 9 – July 21, including tours of the Lodge to be coordinated between July 10 – 14, 2023;
  - (d) Final offers submitted by July 19, 2023, with a copy to each of the Receiver and Coldwell, including, *inter alia*:
    - i. details of purchaser’s conditions (if any);
    - ii. Deposit of a minimum of 5% of the proposed sales price;
  - (e) Deadline for removal of purchaser’s conditions (if any) – August 14, 2023;

(f) Receiver to seek court approval for transaction – August 21, 2023, or so soon thereafter as the Court can accommodate;

(g) Tentative sale closing – September 5, 2023.

*Proposed purchase and sale agreement terms*

25. Consistent with sales in insolvency mandates, any sale of the Lodge will be on an “as is, where is” basis with no representations, warranties or indemnities of any kind being provided by the Receiver, its respective agents, advisors, professionals or otherwise.
26. The Receiver, in its commercial discretion, may amend or vary the above milestones and may choose to reject or choose not to accept, the highest or any bid submitted in accordance with this sales process if no bid is deemed commercially reasonable to the Receiver.
27. Any potential sale of the Lodge will be made conditional on court approval to be sought at a subsequent application before this Court, whereby the Receiver would seek a sale approval and vesting order to sell the Receiver’s right, title and interest in the Lodge, free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests (other than customary permitted encumbrances).

**RECOMMENDATIONS**

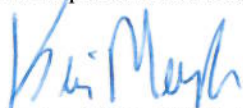
28. The Receiver respectfully recommends that this Honourable Court approve the following:
  - (a) The activities of the Receiver;
  - (b) The Proposed Listing Agreement and Proposed Sales Process

All of which is respectfully submitted this 2<sup>nd</sup> day of June, 2023.

**BDO Canada Limited**

In its capacity as Receiver of Taiga Sports Fishing Ltd. o/a Blachford Lake Lodge and not in its personal or corporate capacity.

Per:



Kevin Meyler, CPA, CIRP, LIT  
Senior Vice President



# APPENDIX "A"



**COLDWELL  
BANKER**  
NORTHERN  
BESTSELLERS

WELCOME TO  
BLACHFORD LAKE LODGE &  
WILDERNESS RESORT  
\$3,900,000



ROD STIRLING  
867.446.1046  
JIM WELLER  
867.765.8967



HEAT		INSULATION		BUILDING		LOT	
Type	PELLET BOILER	Ceiling: R		Sq.ft	Multiple Buildings	Lot Sz	10.2 Acres
Annual Cost		Walls: R		Age	1981	Taxes	
Litres Over		Floor: R				Year	
Last 12 Months		Skirting: R				Plan	Q58 1/2-1-21

**SPECIAL FEATURES /FURNISHINGS:**

Looking for a once-in-a-lifetime investment opportunity? Look no further than the incredible Blachford Lake Lodge! This North American Eco Resort is a veritable paradise for nature lovers, offering unforgettable experiences for all seasons.

Located on an 18 km long, unspoiled wilderness lake just 25 minutes by Twin Otter from Yellowknife, this isn't just any fly-in fishing lodge. The multi-faceted resort caters to a global visitor base that includes corporate and government retreats, destination weddings, tourist groups, and fisher folk alike.

The lodge boasts top-notch facilities, including a heli pad, large dining room, conference room, bar, aurora viewing lounge, and decks. With fireplaces, sauna, and hot tub, it's the perfect setting for relaxation and rejuvenation. Meanwhile, the miles of groomed hiking, snowshoeing, skiing, and snowmobile trails, along with skis, snowshoes, fat tire bikes, snowmobiles, canoes, kayaks, and motorized boats all available, make it an adventurer's paradise.

The accommodations are second to none, with five bedrooms upstairs in the main lodge, plus five individual log guest cabins, and staff quarters to accommodate up to 35 guests. With high-tech, energy-efficient, and environmentally-friendly heat, power, water treatment, and waste disposal systems, this is a place you can feel proud to invest in.

And let's not forget about the lake itself, offering walleye, whitefish, and trophy-sized lake trout and pike. The chance to spot eagles, loons, wolves, moose, wolverines, and even muskoxen is just a few steps away.

This is your opportunity to invest in a one-of-a-kind property that offers incredible potential for both personal and financial gain. For more information, check out the corporate website at <https://blachfordlakelodge.com/> or contact us for a detailed brochure. A full financial package will be made available to qualified purchasers upon signing an NDA. Don't miss out on the chance to invest in the natural beauty and adventure that only Blachford Lake Lodge can offer!

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