



COURT FILE NUMBER

24-2770186

COURT

COURT OF QUEEN'S BENCH OF
SASKATCHEWAN IN BANKRUPTCY AND
INSOLVENCY

JUDICIAL CENTRE

SASKATOON

IN THE MATTER OF THE DIVISION I
PROPOSAL OF

CANADIAN DEVELOPMENT
STRATEGIES INC., 1143402 ALBERTA
LTD., CROSSROADS ONE INC., 1216699
ALBERTA LTD., OAK AND ASH FARM
LTD., 2061778 ALBERTA LTD., LORI
RUNZER AND DEAN RUNZER

DOCUMENT

**MATERIAL ADVERSE CHANGE
REPORT FILED BY THE TRUSTEE, MNP
LTD., DATED DECEMBER 1, 2021**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

MNP Ltd.
10235 – 101 Street
Edmonton, AB T5J 3G1
Attention: Eric Sirrs/Karen Aylward
Telephone: (780) 455-1155
Proposal Trustee, MNP Ltd.

Introduction

1. Canadian Development Strategies Inc. ("**CDSI**"), 1143402 Alberta Ltd. ("**114**"), Crossroads ONE Inc. ("**Crossroads**"), 1216699 Alberta Ltd. ("**121**"), Oak and Ash Farm Ltd. ("**Oak and Ash**"), and 2061778 Alberta Ltd. ("**206**") (collectively referred to as the "**FireSong Group**") each filed a Notice of Intention to Make a Proposal ("**NOI**") on September 29, 2021 and MNP Ltd. consented to act as proposal Trustee. The Trustee issued a copy of the NOI to all known creditors on October 1, 2021.
2. Lori and Dean Runzer, both of whom are directors and shareholders of the FireSong Group (hereinafter referred to in this capacity as "**Management**"), also filed NOI's in their personal capacities on September 30, 2021 and MNP Ltd. consented to act as proposal Trustee. The Trustee issued a copy of the NOI to all known creditors on October 1, 2021.
3. The Projected Cash Flow Statements (the "**Cash Flows**") in relation to the FireSong Group and Lori Runzer and Dean Runzer were prepared and filed with the Office of the Superintendent of Bankruptcy on October 8, 2021 together with the Trustee's Report on Projected Cash Flow Statement and the Report on Projected Cash Flow Statement by the Person Making the Proposal.
4. At a prior application heard on October 28, 2021, counsel for the FireSong Group brought an application to the court to transfer the NOI proceedings of 206 and Oak and Ash from the Alberta jurisdiction to the Saskatchewan jurisdiction so that all of these proceedings could be maintained in one jurisdiction as components of one integrated corporate restructuring. The Court approved the debtor's request for the transfer.

Purpose

5. The Trustee submits this Material Adverse Change Report on with respect specifically to the Division I Proposal of 114, 206 and Oak and Ash pursuant to Section 50(10)(a)(i) of the *Bankruptcy and Insolvency Act*, whereby the Trustee is directed to “file a report on the state of the insolvent person’s business and financial affairs, . . . with the official receiver forthwith after ascertaining any material adverse change in the insolvent person’s projected cash-flow or financial circumstance...”.
6. The Trustee is of the opinion that the variances to the projected cash flow statements outlined below represent a material adverse change in the business and/or financial affairs in relation to each of 114, 206 and Oak and Ash.
7. The Trustee notes that as of the date of this report it has not received the required financial reporting from Management for the period of November 22 through November 30th and so the variance analysis includes only those transactions from November 1, 2021 through 21, 2021.

Variance to Projected Cashflow Statement

Oak and Ash

8. Attached as **Schedule “A”** is the variance analysis as it relates to Oak and Ash’s projected versus actual cashflow for the month of November 2021.
9. In accordance with the projected cashflow statement, Oak and Ash’s projections assumed that would have closed the sale on the lands owned by it which would result in the retirement, in full, of the debt of its secured lender and also provide a source of capital to fund the ongoing operations to the related companies held in the FireSong Group by way of Debtor in Possession (“DIP”) Financing.
10. As the closing of the sale did not materialize in November, and as there is no known or impending closing date, there is a significant variance in the projected cash-in and projected cash outlay for the period. The Trustee has determined that the failure of the sale to close as projected has had a material effect on Oak and Ash’s largest creditor as well as an adverse effect on the ability of Oak and Ash to provide the DIP financing to related entities to further the overall restructuring plans of the FireSong Group.

206

11. Attached as **Schedule “B”** is the variance analysis as it relates to 206’s projected versus actual cashflow for the month of November 2021.
12. In accordance with the projected cashflow statement, 206’s projections assumed that it would have closed the sale on the lands owned by it which would result in the retirement, in full, of the debt of its secured lender and also provide a source of capital to fund the ongoing operations to the related companies held in the FireSong Group by way of DIP Financing.
13. As the closing of the sale did not materialize in November and there is currently no known amended closing date, there is a significant variance in the projected cash-in and projected cash outlay. The Trustee has determined that the failure of the sale to close as projected has had a material effect on 206’s largest secured lender as well as an adverse effect on the ability of 206 to provide the DIP financing to further the overall restructuring plans of the FireSong Group.

114

14. Attached as **Schedule "C"** is the variance analysis as it relates to 114's projected versus actual cash-flow for the month of November 2021.
15. In accordance with the projected cash flow statement, 114's projections assumed that it would have secured refinancing on certain of the lands owned by it which would result in the retirement, in full, of the debt of its current secured lender. 114 also projected to receive funds by way of borrowings from 206 through DIP financing, however, as the closing of the 206 land sale did not materialize, there is no funding available to 114 which leaves it with minimal cash to fund ongoing operating and restructuring expenses.

Conclusion

16. Based on the above, while the variances to the cash flow projections are material, they may not, on their own, necessarily impair 206, 114 and Oak and Ash's abilities to successfully restructure provided that an alternate source of DIP financing can be secured. However, at this time the Trustee is not aware of any additional funding having been secured and, in absence of same, has determined that this will adversely affect the overall restructuring efforts of the FireSong Group.

MNP Ltd.

in its capacity as Trustee in the Division I Proposal of
1143402 Alberta Ltd., 2061778 Alberta Ltd. and Oak and Ash Farm Ltd.
and not in its personal capacity



Per: Karen Aylward, CIRP, Licensed Insolvency Trustee
Vice President

SCHEDULE A

Oak And Ash Farm Ltd.
Projected Vs. Actual - November 2021

	Projected - Nov 21	Actual - Nov 21	Variance - Nov 21
Opening Balance	174.77	3,849.32	
Cash In			
Canadian Emergency Rent Subsidy	3,174.77	-	3,174.77
Proceeds from Sale	1,190,000.00	-	1,190,000.00
Subtotal (Cash In)	1,193,174.77	-	1,193,174.77
Cash Out			
Appraisal			-
Advance of Funds to Related Parties	130,000.00	3,000.00	127,000.00
Bank Fees		12.90	12.90
Mortgage Payout	1,000,000.00	-	1,000,000.00
Legal Fees		268.75	268.75
Utilities			-
Realtor Fees	62,500.00	-	62,500.00
Insurance			-
Miscellaneous/Personal Expenses		4.75	4.75
Maintenance			-
Subtotal (Cash Out)	1,192,500.00	3,286.40	1,189,213.60
Net Cash Position	674.77 -	3,286.40 -	3,961.17
Opening Cash Balance	174.77	3,849.32	
Net Cash Position	674.77 -	3,286.40	
Closing Cash Balance	849.54	562.92	

SCHEDULE B

2061778 Alberta Ltd.

Projected Vs. Actual - November 2021

	Projected - Nov 21	Actual - Nov 21	Variance - Nov 21
Opening Balance	700.00	2,137.04	
Cash In			
Advance from related co		3,000.00	3,000.00
Canadian Emergency Rent Subsidy	3,700.00	-	3,700.00
Proceeds from Sale of Real Property	1,960,000.00	-	1,960,000.00
Horse Boarding		4,310.13	4,310.13
Other Revenue		-	-
Subtotal (Cash In)	1,963,700.00	7,310.13	- 1,956,389.87
Cash Out			
Bank Fees and Interest		-	-
Advance of Funds to Related Parties	50,000.00	-	50,000.00
Professional Fees		-	-
Business Software		144.85	144.85
Utilities		-	-
Mortgage Payout	1,700,000.00	-	1,700,000.00
Insurance		1,208.68	1,208.68
Payroll		4,193.82	4,193.82
Realtor Fees and Disbursements	210,000.00	-	210,000.00
Other Misc		500.00	500.00
Subtotal (Cash Out)	1,960,000.00	5,547.35	- 1,954,452.65
Net Cash Position	3,700.00	1,762.78	- 1,937.22
Opening Cash Balance	700.00	2,137.04	
Net Cash Position	3,700.00	1,762.78	
Closing Cash Balance	4,400.00	3,899.82	

SCHEDULE C

1143402 Alberta Ltd.

Projected Vs. Actual - November 2021

	Projected - Nov 21	Actual - Nov 21	Variance - Nov 21
Opening Balance	1,750.00	13,971.05	
Cash In			
Due to/from Related Party	50,000.00	6,000.00	- 44,000.00
Re Financing	1,200,000.00	-	- 1,200,000.00
Deposit on Land Sale		-	-
Other Revenue		-	-
Subtotal (Cash In)	1,250,000.00	6,000.00	- 1,244,000.00
Cash Out			
Mortgage Payout from Land Sale	1,200,000.00	-	- 1,200,000.00
Operating Expenses			
Professional Fees (Acctg/Legal)	-	-	-
Due to/From Related Entity		3,000.00	3,000.00
Marketing	-	-	-
Bank Fees and Interest	50.00	60.50	10.50
Mortgage Payment		-	-
Property Taxes	45,000.00	-	- 45,000.00
Utilities		4,892.92	4,892.92
GST / PST	-	-	-
Payroll Source Deductions	-	-	-
Payroll	-	-	-
Insurance	1,500.00	5,593.21	4,093.21
Office Supplies		-	-
Permits/Licenses		-	-
Other Expenses	1,700.00	6,000.00	4,300.00
Subtotal (Cash Out)	1,248,250.00	19,546.63	- 1,228,703.37
Net Cash Position	1,750.00 -	13,546.63 -	15,296.63
Opening Cash Balance	1,750.00	13,971.05	
Net Cash Position	1,750.00 -	13,546.63	
Closing Cash Balance	3,500.00	424.42	