

COURT FILE NUMBER	QBG 1076 of 2021
COURT	COURT OF QUEEN'S BENCH FOR 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	THIRD REPORT OF THE PROPOSAL TRUSTEE, MNP LTD., DATED DECEMBER 17, 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 and Purpose of the Report

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. The Trustee has prepared the Trustee's Third Report to Court (the "**Third Report**") solely to provide the Court with its opinion on the reasonableness of the proposed transfer of certain 114 lands, being those which were briefly described and defined as the Cranbrook Property in the Trustee's Second Report to Court (the "**Second Report**") which was filed with the Court on December 9, 2021.
5. The Third Report should be read in conjunction with the Second Report and the Trustee's First Report to Court dated October 21, 2021 (the "**First Report**").

Transfer of 114 Lands

6. 114 is the registered owner of lands legally described as Lot 25 District Lots 10353 and 10354 Kootenay District Plan 14398 located in or around Cranbrook, British Columbia (the "**Cranbrook Property**").
7. 114 has advised the Trustee that the Cranbrook Property is and has been held by 114 in trust for Benjamin Runzer, the son of Lori Runzer and Dean Runzer. A trust deed executed on May 16, 2008 sets out the trust arrangement and was attached as Schedule C to the second Affidavit of Lori Runzer filed in the within action on December 9, 2021 (the "**Runzer Trust Deed**").
8. The Trustee has not had any communication with Benjain Runzer or his counsel (if applicable) with respect to the Cranbrook Property.
9. The Trustee is advised that at the time of acquiring the property, Benjamin Runzer was not in a position financially to secure a conventional mortgage and 114 obtained the mortgage financing on his behalf which gave rise to the Runzer Trust Deed.
10. The Trustee has requested details on the original financing of the transaction, including who paid the initial down payment to purchase the Cranbrook Property and who has been servicing the ongoing mortgage. That information has not been made available to the Trustee at this time. The Trustee believes this information is relevant in establishing whether 114 has interest in the Cranbrook Property by way of monetary contributions to the ongoing servicing of the debt.
11. Prior to filing the NOI, a secured creditor, Yvonne Hoeller, holding security by way of a mortgage registered against the Cranbrook Property (the "**Hoeller Mortgage**") commenced foreclosure proceedings on the Cranbrook Property.
12. Based on the information provided by counsel to Yvonne Hoeller, the outstanding balance owed on the Hoeller Mortgage as of July 9, 2021 was \$379,842.54 with a per diem interest charge accruing at a rate of \$106.22. The Trustee has not reviewed the Hoeller Mortgage and has not rendered an opinion on the validity and enforceability of the Hoeller Mortgage.
13. Benjamin Runzer is seeking to have title to the Cranbrook Property transferred into his name, as the beneficial owner, and has secured financing in the sum of approximately \$600,000 against the Cranbrook Property represented by a term sheet from Pioneer West Acceptance Corporation (the "**Runzer Financing**")
14. An appraisal was commissioned in respect of the Cranbrook Property on September 22, 2021 by Bourgeois Brooke Chin Associates. Based on the results of the appraisal, the Cranbrook Property was valued at \$1,200,000 on a Fair Market Value ("**FMV**") basis.
15. The appraisal notes that at the time of the original purchase of the Cranbrook Property, construction on a freestanding shop was not completed. The land was originally purchased in 2008 for the sum of \$380,000. The Trustee has inquired with 114 as to who funded the remaining construction of the freestanding shop which appears to have been completed in 2009.
16. Based on the details outlined above, there appears to be significant equity (approximately \$820,000) in the Cranbrook Property, after payment of the Hoeller Mortgage.
17. On the assumption that the Runzer Trust Deed is valid, 114 maintains no interest in the Cranbrook Property and therefore no interest in any equity that may be available after the

payment of applicable secured and priority debts. In this case, there is no prejudice to the creditors of 114 by the transfer of the Cranbrook Property to Benjamin Runzer.

18. On the assumption that the Runzer Trust Deed is valid, the Trustee is of the opinion that the costs to transfer the Cranbrook Property, including the costs of this associated application, should be borne by Benjamin Runzer as beneficial owner of the Cranbrook Property and not be borne by the creditors of 114.
19. The Trustee has not taken steps to opine on the validity of the Runzer Trust Deed as the property of 114, including interest in the Cranbrook Property, if any) does not vest with the Trustee and the Trustee has no authority to disallow a secured claim or property claim in the assets of 114. The Trustee will engage appropriate counsel and render an opinion of the validity of the Runzer Trust Deed if directed to do so by either the Court or by the creditors of 114.
20. 114 advises that a temporary charge against the Cranbrook Property, in favour of 114, will be registered as part of the transfer of title to allow time for an opinion on the validity of the Runzer Trust Deed to be rendered.

Conclusion

21. Based on the above, the Trustee is supportive of the transfer of the Cranbrook Property to Benjamin Runzer on the following terms:
 - a. A charge in favour of 114 is registered on title to the Cranbrook Property (subordinate to the Runzer Financing) at the time of transfer to Benjamin Runzer and is to remain on title until such time that the validity of the Runzer Trust Deed has been determined by the Trustee (if applicable and directed by the creditors and/or the Court); and,
 - b. Any cash proceeds available from the Runzer Financing, after payment of registered secured interests and priority claims (e.g., property taxes) are to be held with counsel for 114 on trust conditions that the monies cannot be disbursed or otherwise used until further Order of the Court (after the validity of the Runzer Trust Deed has been determined by the Trustee).

All of which is respectfully submitted on this 17th day of December 2021.

MNP Ltd.

In its capacity as Trustee in 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. and Lori Runzer and Dean Runzer
and not in its personal capacity



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