

COURT FILE NUMBER	QBG 1076 of 2021
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	SEVENTH REPORT OF THE PROPOSAL TRUSTEE, MNP LTD., DATED FEBRUARY 27, 2023
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	W Law LLP Attention: Mike Russell Suite 300, 110 21 st St. E Saskatoon, SK S7K 0B6 Phone: 306.244.2242 Counsel to the 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 Runzer and Dean Runzer (the "**Runzers**"), both of whom are directors and shareholders of the FireSong Group (hereinafter referred to in this capacity as "**Management**"), also filed NOIs in their personal capacities on September 30, 2021, and MNP Ltd. consented to act as proposal Trustee for each. The Trustee issued a copy of the NOI to all known creditors on October 1, 2021.
3. The Trustee has prepared the Trustee's Seventh Report to Court (the "**Seventh Report**") for the purposes of seeking advice and direction from the court regarding an appeal filed by a group of creditors in relation to the Trustee's decision to disallow such creditors' claims for voting purposes filed in the 114 proposal proceedings (discussed in detail below).
4. The Seventh Report should be read in conjunction with the Trustee's First Report to Court dated October 21, 2021 (the "**First Report**"), the Trustee's Second Report to Court dated December 6, 2021 (the "**Second Report**"), the Trustee's Third Report to Court (the "**Third Report**") dated December 17, 2021, the Trustee's Fourth Report to Court (the "**Fourth Report**") dated January 20, 2022, the Trustee's Fifth Report to Court dated June 30, 2022 (the "**Fifth Report**") and the Trustee's Sixth Report to Court dated October 24, 2022 (the "**Sixth Report**").
5. The Trustee has filed the following Material Adverse Change Reports in respect of 114 and the FireSong Group (collectively, the "**MAC Reports**") in these proceedings

- a. MAC Report dated December 1, 2021;
 - b. MAC Report dated January 17, 2022;
 - c. MAC Report dated June 8, 2022; and,
 - d. MAC Report dated December 21, 2022.
6. In particular, the MAC Reports pertain to the following material adverse changes respecting 114 which occurred over the course of these proceedings:
- a. significant variances to projected cashflow including inability to obtain projected financing, projected sales, etc.;
 - b. inability to provide rudimentary financial information or support in respect of the financial transactions reviewed based on the financial records that were provided; and,
 - c. failure to adhere to the Trustee's monitoring requirements.
7. The reports referenced in paragraphs 4 and 5 above are hereinafter collectively referred to as the "**Reports**".

Background

8. The original first meeting of creditors ("**Original FMC**") to vote on 114's Division I Proposal (the "**Proposal**") was held on April 1, 2022. At the request of the creditors, the meeting was adjourned to allow Management additional time to, among other things, address questions raised by the Trustee and creditors about the ownership of and/or third-party interests in various assets and certain transactions that took place prior to the NOI filing (the "**Questions**"). The Original FMC was not adjourned to a specific date.
9. The Trustee consistently and repeatedly followed up with Management to obtain the business and financial records required to satisfactorily answer the Questions. As of August 2022, the Trustee had not been provided sufficient records, documents, or information from Management to address the Questions. Issues encountered by the Trustee in obtaining fulsome and transparent records from Management in the administration of the 114 Proposal have been outlined in the Reports filed with the Court.
10. Due to the systematic failure and/or refusal of Management to provide the requisite information, the Trustee was ultimately of the opinion that information required to answer the Questions giving rise to the adjournment of the Original FMC was not forthcoming. Accordingly, the Trustee issued notice to all known creditors of 114 on August 11, 2022, that the FMC was being reconvened via teleconference on August 25, 2022 (the "**First Reconvened FMC**"), specifically for the following purposes:
- a) to provide an opportunity for the creditors of 114 to give direction to the Proposal Trustee; and
 - b) to provide an opportunity for the creditors of 114 to appoint Inspectors to the Proposal proceedings.
11. A copy of the Notice of the First Reconvened FMC is attached as **Schedule "A"**.
12. At the First Reconvened Meeting, the Trustee advised the creditors that the Questions were not satisfactorily answered by Management. Nonetheless, in order that the Proposal process could continue without further unreasonable delay, the Trustee put forward a motion seeking direction from the creditors of 114 as follows:
- a. a motion to reconvene the FMC at a date three weeks from the First Reconvened FMC meeting date, being September 15, 2022, for the purpose of voting on the original Proposal (or amended proposal, if applicable) as filed (the "**Motion**").

13. The creditors were also advised that they were entitled to vote against the Motion which would provide Management with additional time to answer the Questions.
14. The requisite number of creditors of 114 voted to approve the Motion.
15. Notice of the September 15, 2022, Reconvened Meeting (the "**Second Reconvened Meeting**") was mailed to creditors of 114 on September 6, 2022, a copy of which is attached as **Schedule "B"**.
16. Immediately prior to the start of the Second Reconvened Meeting, the Trustee received several proofs of claim from Lori Runzer, ostensibly acting as agent for numerous individual creditors of 114 (collectively, the "**Affected Parties**"). The Trustee reviewed the claims and determined that there was insufficient information provided in support of the claims to allow the claims of the Affected Parties for voting purposes (collectively, the "**Affected Party Claims**").
17. In particular, the Affected Parties are:
 - a. Arbor Vista Landscaping and/or Gerald Matheson;
 - b. Barry Swanson;
 - c. David McElheren;
 - d. Estate of Donna Enick;
 - e. Jayne Shipka;
 - f. Krokosh Family;
 - g. Orest and Marlene Krokosh;
 - h. Rob Strunk; and,
 - i. Steve Jubinville.
18. At the Second Reconvened Meeting, the Trustee confirmed that it was not allowing the Affected Party Claims for voting purposes. At the request of counsel to 114, the Trustee marked the Affected Party Claims as "objected to" in accordance with Section 108 (3) of the *Bankruptcy and Insolvency Act* (the "**BIA**").
19. Upon further assiduous review of the Affected Party Claims (in addition to additional documents supplied in support of the claims), the Trustee maintained its objection and communicated that decision to the Affected Parties on November 14, 2022. A copy of the notice of the decision is attached as **Schedule "C"**.
20. A sustained objection to the Affected Party Claims for voting purposes resulted in the Proposal being rejected for failure to obtain the requisite votes at the Second Reconvened FMC. This rejection resulted in a deemed bankruptcy assignment of 114.
21. The Trustee was advised that several the Affected Parties were in the process of obtaining counsel with the intention to file an appeal of the decision of the chair in accordance with Section 108 (1) of the BIA.
22. On December 6, 2022, counsel for a group of the Affected Parties confirmed to the Trustee that it had been retained for the purposes of appealing the decision of the chair. The Trustee agreed to extend the time to allow counsel for the Affected Parties to properly obtain records and advise its clients on the prospects of the appeal.
23. On December 29, 2022, the Trustee was served by counsel for the Affected Parties with copies of the materials filed in support of an appeal. An application to hear the appeal proceedings was scheduled in Court of King's Bench for Saskatchewan on February 7, 2023 (the "**February 7 Application**").

24. On February 1, 2023, MLT Aikins LLP, counsel to 114, communicated that it had withdrawn as counsel for 114. 114 (along with the FireSong Group and the Runzers) is now unrepresented in the Proposal proceedings.
25. Counsel for the Affected Parties subsequently adjourned the February 7 Application, indefinitely. The Trustee has not been provided a reason for the adjournment, nor has counsel for the Affected Parties confirmed when (or if) it intends to proceed with the appeal proceedings.

Advice and Direction

26. Given the various issues raised in the MAC Reports and the nature of the Proposal put forward to the creditors of 114, the Trustee has serious concerns with 114's ability to carry out the Proposal, particularly as it now lacks legal counsel to guide it through the process. Moreover, Management's inability to produce basic financial records throughout the Proposal proceedings and failure to answer the Questions, including as disclosed in the Reports, raise serious concerns with Management's ability to perform its obligations under a proposal in good faith and with due diligence.
27. Based on recent bank statements from provided by Management, 114 has approximately \$300 in its bank account. The Trustee is not aware of any additional funds available to 114 to continue operations or fund the restructuring process or the Proposal.
28. The Trustee understands that mortgage payments on the 114 real estate assets have not been paid throughout the restructuring process and that certain of the secured creditors are considering enforcement options available to them.
29. With the February 7 Application being adjourned indefinitely, the Proposal remains in an indeterminate state. Accordingly, the Trustee is seeking an order of this Honourable Court in the form of the draft Order filed herewith.

Professional Fees

30. The Trustee has expended significant fees and disbursements in the Proposal proceedings. As of the date of the Seventh Report, the Trustee's fees and disbursements total \$234,548.57. A summary of the fees and disbursements is attached as **Schedule "D"**. To date, the Trustee has been paid a sum of \$13,171.20 related to its fees and disbursements from the proceeds of a related party transaction in the 114 Proposal proceedings. None of the Trustee's fees or disbursements have otherwise been paid by the FireSong Group or the Runzers in the proceedings.
31. The fees and disbursements of the Trustee's counsel, W Law LLP, totals \$107,329.34. A summary of the fees and disbursements is attached as **Schedule "E"**. To date, W Law LLP has been paid a sum of \$36,942.99 related to its fees and disbursements from the proceeds of a related party transaction in the 114 Proposal proceedings. None of the W Law LLP fees or disbursements have otherwise been paid by the FireSong Group or the Runzers in the proceedings.
32. The Court previously granted an administrative charge to the Trustee, the Trustee's counsel and (the now former) counsel to the FireSong Group and the Runzers. The total administrative charge granted is \$275,000.
33. Given the substantial work completed to date and the substantial additional work required to carry out and finalize the Proposal proceedings for the FireSong Group and the Runzers, the Trustee is seeking to increase the administrative charge from \$275,000 to \$400,000.

All of which is respectfully submitted on this 27th day of February 2022.

MNP Ltd.p

In its capacity as Trustee in the Division I Proposal of
**Canadian Development Strategies Inc., 1143402 Alberta Ltd., Oak and Ash Farms Ltd.,
2061778 Alberta Ltd., Lori Runzer and Dean Runzer**
and not in its personal capacity



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

SCHEDULE "A"

August 11, 2022

Dear Sir/Madam:

Re: The Matter of the Division I Proposal of 1143402 Alberta Limited, Canadian Development Strategies Inc., Oak and Ash Farm Ltd., 2061778 Alberta Ltd., Lori Runzer and Dean Runzer.

1143402 Alberta Limited (“114”), Canadian Development Strategies Inc. (“CDSI”), Oak and Ash Farm Ltd. (“Oak and Ash”) and 2061778 Alberta Ltd. (“206”) (collectively referred to as “Fire Song”) filed Notices of Intention to Make a Proposal (“NOI”) under the *Bankruptcy and Insolvency Act* on October 1, 2021 and MNP Ltd. was appointed Proposal Trustee. Lori Runzer and Dean Runzer (collectively as the “Runzer’s”) filed NOIs on September 30, 2021. Division I Proposals were filed by Fire Song and the Runzer’s on March 11, 2022 and the First Meeting of Creditors were convened on March 31, 2022 and April 1, 2022 (collectively described as the “Original First Meeting of Creditors”). The Original First Meeting of Creditors were all adjourned Sine Die to allow for additional time for Fire Song and the Runzer’s to provide additional information to the Proposal Trustee in response to questions posed by various creditors.

Two related companies, Crossroads One Inc. and 1216699 Alberta Ltd., filed NOIs on September 29, 2021, however, these entities failed to file Division I Proposals within the required time frame and as such were deemed bankrupt on March 14, 2022.

Subsequent to the adjournment of the Original First Meeting of Creditors, the Trustee has requested responses from management of Fire Song and the Runzer’s to various questions posed by the creditors along with additional supporting documentation and financial records. As of August 2, 2022 a significant amount of information and/or supporting documentation remains outstanding.

The Proposal Trustee is of the opinion that the creditors of Fire Song and the Runzer’s should have an opportunity to further participate in the Division I Proposal process and is therefore reconvening the First Meeting of Creditors on August 25, 2022 at 11:00 AM for the following purposes:

- a) To provide an opportunity for the Creditors to give direction to the Proposal Trustee; and
- b) To provide an opportunity for the Creditors to appoint Inspectors.

Materials with respect to this matter, including a report of the Proposal Trustee in respect of the reconvened First Meeting of Creditors, can be found on the Trustee’s website at <https://mnpdebt.ca/en/corporate/corporate-engagements/canadian-development-strategies-inc>

To be eligible to vote at the Reconvened Meeting of Creditors on August 25, 2022, creditors must have completed and filed a proof of claim with the Proposal Trustee prior to the Original First Meeting of Creditors. Creditors who did not file proofs of claim prior to the Original First Meeting of Creditors can attend, however, they will not be permitted to vote.

For clarity, the Proposal Trustee is reconvening all of the First Meeting of Creditors simultaneously as one meeting, however, voting will be done separately for each Division 1 Proposal estate.

The Reconvened First Meetings of Creditors will be held on August 25, 2022 at 11:00 AM Mountain Standard Time and will be held by conference call at the following number:

Phone Number: 1-877-252-9279
Conference Call ID: 383453026#

If you have any questions or concerns the content of this letter, please contact our office at (780) 455-1155.

Yours truly,

MNP Ltd.

In its capacity as Trustee of the Division I Proposal of

1143402 Alberta Limited, Canadian Development Strategies Inc., 2061778 Alberta Ltd., Oak and Ash Farm Ltd., Lori Runzer and Dean Runzer

And not in its personal capacity

for:

Per:

A handwritten signature in black ink, appearing to be 'Eric Sirrs', written over a circular stamp or mark.

Eric Sirrs, CIRP, LIT
Senior Vice President

SCHEDULE "B"

September 6, 2022

Dear Sir/Madam:

Re: The Matter of the Division I Proposal of 1143402 Alberta Limited, Canadian Development Strategies Inc., Oak and Ash Farm Ltd., 2061778 Alberta Ltd., Lori Runzer and Dean Runzer.

1143402 Alberta Limited ("114"), Canadian Development Strategies Inc. ("CDSI"), Oak and Ash Farm Ltd. ("Oak and Ash") and 2061778 Alberta Ltd. ("206") (collectively referred to as "Fire Song") filed Notices of Intention to Make a Proposal ("NOI") under the *Bankruptcy and Insolvency Act* on September 29, 2021 and MNP Ltd. was appointed Proposal Trustee. Lori Runzer and Dean Runzer (collectively as the "Runzers") filed NOIs on September 30, 2021. Division I Proposals were originally filed by Fire Song and the Runzers on March 11, 2022 and the First Meeting of Creditors were convened between March 31, 2022 and April 1, 2022 (collectively described as the "Original FMC's"). The Original FMC's were each adjourned Sine Die to allow additional time for Fire Song and the Runzers to provide additional information to the Proposal Trustee in response to questions posed by various creditors. A subsequent meeting of creditors was held on August 25, 2022 which was further adjourned to September 15, 2022 at the request of the creditors.

Enclosed please find a copies of the following:

- Amended Division I Proposals supplied by Fire Song and the Runzers ("**Amended Proposals**") (in draft as signed copies were not supplied to the Trustee by the requisite deadline);
- Supplemental Trustee's Report to Creditors with respect to the Amended Proposals; and,
- Proof of Claim, Proxy Form and Voting Letter.

A meeting of creditors will be held on September 15, 2022 at 3:00 PM MST (the "**September 15th Meeting**") and will be held by conference call at the following number:

Phone Number: (877) 252-9279

Conference Call ID: 961751613#

The purpose of the September 15 Meeting will be to vote on the acceptance or rejection of the Amended Proposals.

To be eligible to vote at the September 15 Meeting, creditors must have completed and filed a valid proof of claim with the Proposal Trustee prior to the September 15 Meeting.

***Important: Any claim filed and admitted by the Trustee prior the September 15th Meeting will be allowed for voting purposes. If you have already filed a claim with the Proposal Trustee, please DO NOT re-file your claim.**

The Trustee is reconvening the First Meeting of Creditors for Fire Song and the Runzers simultaneously, however, voting will be completed separately on each Amended Proposal.

If you have any questions or concerns regarding the content of this letter, please contact our office at (780) 455-1155.

Yours truly,
MNP Ltd.

In its capacity as Trustee of the Division I Proposal of
**1143402 Alberta Limited, Canadian Development Strategies Inc., 2061778 Alberta Ltd., Oak and Ash
Farm Ltd., Lori Runzer and Dean Runzer**
And not in its personal capacity

For:  Karen Aylward, CIRP, LIT
Vice President

SCHEDULE "C"

Karen Aylward

From: Karen Aylward
Sent: November 14, 2022 4:15 PM
To: Karen Aylward
Subject: 1143402 Alberta Ltd. - Decision of Chair on Determination of Claims for Voting Purposes

Hello,

With respect to the meeting of creditors of 1143402 Alberta Ltd., held on September 15, 2022, and with respect to the proof claim filed by you (or on your behalf) relating to certain reservation agreement interests, **please take notice that:**

This is to notify you that the objection by the Trustee to the Proof of Claim filed for voting purposes in the above-captioned matter has been sustained, such that your claim has been disallowed for voting purposes.

The Proof of Claim failed to meet the mandatory requirements of section 124(4) of the Bankruptcy and Insolvency Act; that is, it did not contain or refer to a statement of account showing particulars of the claim and/or did not otherwise provide satisfactory evidence by which the claim could be substantiated.

Please note that this does not necessarily constitute a disallowance of your claim for distribution purposes, if applicable.

As indicated at the reconvened Meeting of Creditors, you may appeal this decision to the Court by filing an application on notice to the Trustee, the FireSong group and any other affected party within ten days of the date of this Notice. Should you require a copy of the Service List in these proceedings, please request it from the Trustee.

Regards,

Karen Aylward, CIRP, LIT
VICE PRESIDENT

DIRECT 780.969.1400
PH. 780.451.4406
FAX 780.454.1908
TOLL FREE 1.800.661.7778
10235 101st N.W.
Suite 1300
Edmonton, AB
T5J 3G1
karen.aylward@mnp.ca
mnpdebt.ca



SCHEDULE “D”

**Proposal of Canadian Development Strategies (All engagements, including Runzer files)
Trustee's Fees and Disbursements as at February 15, 2023**

FEE SUMMARY

	Hrs	W/ MNP Rates
Allison Destounis	7.50	3,021.00
Barbara Keylor	1.20	210.90
Carolina Bautista	1.40	501.40
Comfort Uche	163.50	32,548.20
Diane Rochon	0.20	71.80
Eric Sirrs	21.10	14,544.50
Jolene Reinhardt	0.20	37.60
Julie Kennedy	6.40	2,752.00
Karen Aylward	216.80	108,314.50
Laiza Santos	0.40	75.20
Maha Shah	188.70	60,582.60
Maria Garcia	0.20	37.60
Marina Perengliyeva	0.10	35.90
Megan Schafer	2.70	319.30
Raylene Dyck	4.20	1,188.70
Reina Patel	17.50	3,745.00
Rowena Ritzen	0.40	95.20
Ryann Cale	0.60	79.20
Sandra Landry	7.80	4,482.00
Shannon Massa	2.80	526.40
Tara Srikuruparan	0.30	40.60
	644.00	233,209.60

TOTAL FEES	Total Hours	644.00	233,209.60
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DISBURSEMENT SUMMARY

Courier & Postage	49.99
Advertising	1,764.00
Filing Fees	900.00
	<u>2,713.99</u>

TOTAL FEES AND DISBURSEMENTS	235,923.59
Less Interim Billings	(12,544.00)

TOTAL FEES AND DISBURSEMENTS	223,379.59
GST (5%)	11,168.98

NET FEES AND DISBURSEMENTS	<u>234,548.57</u>
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SCHEDULE "E"

W Law LLP ,
Billing History by Client
 by Firm by Client by Matter

From: 12/30/1899 To: 02/27/2023

Invoice Number	Invoice Date	Billing Member	Fees	Disbursements	Tax	Invoice Total	Amount Applied	Date	Unpaid Balance
(46151) MNP Ltd.									
Re: (2) In the Matter of the Proposal of Runzer									
135844	04/01/22	(13) MJR	12,152.50	4,750.43	1,774.37	18,677.30			
			2494 - Deposit Created by the system on posting Trust Cheque			P -	18,677.30	07/26/22	0.00
137476	07/05/22	(13) MJR	11,337.50	284.83	1,260.38	12,882.71			
						P -	0.00	01/01/00	12,882.71
137505	07/07/22	(13) MJR	14,937.50	1,530.69	1,797.50	18,265.69			
			2494 - Deposit Created by the system on posting Trust Cheque			P -	18,265.69	07/26/22	0.00
139196	11/15/22	(13) MJR	6,690.00	980.32	813.41	8,483.73			
						P -	0.00	01/01/00	8,483.73
139263	11/21/22	(13) MJR	14,967.50	96.25	1,650.87	16,714.62			
						P -	0.00	01/01/00	16,714.62
139307	11/23/22	(13) MJR	1,755.00	96.25	197.05	2,048.30			
						P -	0.00	01/01/00	2,048.30
139310	11/23/22	(13) MJR	2,442.50	96.25	272.68	2,811.43			
						P -	0.00	01/01/00	2,811.43
139312	11/23/22	(13) MJR	6,355.00	96.25	703.05	7,154.30			
						P -	0.00	01/01/00	7,154.30
140506	02/27/23	(13) MJR	14,567.50	50.00	1,604.93	16,222.43			
						P -	0.00	01/01/00	16,222.43
140509	02/27/23	(13) MJR	3,632.50	35.00	401.33	4,068.83			
						P -	0.00	01/01/00	4,068.83
			88,837.50	8,016.27	10,475.57	107,329.34	36,942.99		70,386.35
(46151) MNP Ltd.			88,837.50	8,016.27	10,475.57	107,329.34	36,942.99		70,386.35