

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	FIRST REPORT OF THE PROPOSAL TRUSTEE, MNP LTD., DATED OCTOBER 21, 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 of Companies**") 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 of Companies (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 of Companies 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. Each of the NOI's were filed in the Saskatchewan jurisdiction and the Trustee is awaiting copies of the Certificates of Appointment in relation to same with the exception of 206 and Oak and Ash which were filed in the Alberta jurisdiction. The Trustee understands that

counsel for the FireSong Group of Companies is bringing an application to the court to transfer the NOI proceedings of 206 and Oak and Ash from Alberta to Saskatchewan so that all of these proceedings can be maintained in one jurisdiction as components of one integrated corporate restructuring. The Trustee has no objections to this proposed course of action.

5. The Trustee has prepared this Trustee's First Report to Court (the "**First Report**") in order to provide the Court with the background to the FireSong Group of Companies, to provide details with respect to the FireSong Group of Companies' post filing operations and to satisfy the requirements for a Report pursuant to Section 50.4(7)(b)(ii) of the *Bankruptcy and Insolvency Act* ("**BIA**").
6. It is the Trustee's view that the FireSong Group of Companies and Lori Runzer and Dean Runzer will not be in a position to file a definitive proposal by October 29, 2021 being the thirty (30) day deadline to file a Proposal pursuant to Section 50.4(8) of the BIA.

Background

7. The FireSong Group of Companies own and operate a resort development located in Fowler Lake, Saskatchewan (hereinafter referred to as "**FireSong**") sixty miles west of the City of Meadow Lake, Saskatchewan which currently includes five (5) fully constructed and operational luxury cabins (the "**Cabins**"). Management advises that the development plan is to expand to a total of 15 Cabins, to be constructed in stages. The FireSong Group of Companies has sold and intends to further sell fractional interests in the Cabins to buyers in combination with maintaining ongoing rental operations of the cabins which will generate additional revenue and return on investments throughout the year.
8. The FireSong Group of Companies is a privately held group of corporations and the information pertinent to each entity is set out below:
 - a. CDSI, which is the General Partner of Living Waters Limited Partnership ("**LWLP**"), was incorporated on November 27, 2008 and Lori Runzer and Dean Runzer are each listed as Directors and 50% Shareholders of CDSI. CDSI raised funds for the purpose of constructing FireSong and loaned funds to 114 for the construction of FireSong;
 - b. LWLP, while not part of the FireSong Group of Companies as defined herein, is made up of approximately 50 limited partners who have invested in FireSong;
 - c. Crossroads is the operating company which manages and rents the Cabins at FireSong. Crossroads was incorporated on January 17, 2006 and Lori Runzer and Dean Runzer are each listed as Directors and 50% Shareholders of Crossroads;
 - d. 121 holds all related equipment and assets required for the maintenance and development of FireSong. 121 was incorporated on January 17, 2006 and Lori Runzer and Dean Runzer are each listed as Directors and 50% Shareholders of 121;
 - e. Oak and Ash is family farming corporation which owns land in Fort Saskatchewan, Alberta and which is not directly related to the FireSong development. Oak and Ask was incorporated on December 1, 2017 and Lori Runzer and Dean Runzer are each listed as Directors and 50% Shareholders of Oak and Ash; and,
 - f. 206 is a family farming corporation which owns land in Fort Saskatchewan, Alberta and which is not directly related to the FireSong Development. 206 was incorporated on August 10, 2017 and Lori Runzer and Dean Runzer are each listed as Directors and 50% Shareholders of 206.

9. As described above, while 206 and Oak and Ash have common shareholders and directors, these entities are not directly involved in the development of FireSong. The assets of 206 and Oak and Ash are subject to a sale agreement, details of which are set out later in the First Report.
10. The FireSing Group of Companies' financial difficulties are attributed to:
 - a. a downturn in the economy due to the COVID-19 pandemic which resulted in cancelled reservations by customers of the resort property; and,
 - b. pressure from its investors for the repayment of investments and promissory notes leading to legal collection actions in some cases.

Secured Creditors

11. Management advises that the secured creditors of the FireSong Group of Companies are made up of the following:

CDSI

12. There are currently no known secured creditors in this entity.

114

13. Edam Credit Union holds security by way of a mortgage registered against certain empty lots in the name of 114. The amount owed to Edam Credit Union is estimated to be \$136,000.
14. David Robson holds security by way of both first and second mortgages registered against all property owned by 114. The amount owed to David Robson is \$1,400,000.
15. Yvonne Hoeller holds security by way of a mortgage registered against certain lots in the name of 114. The amount owed to Yvonne Hoeller is estimated to be \$379,842. A petition to the court for a foreclosure order was filed by the representatives of Yvonne Hoeller after the NOI filings. However, the action is of no force and effect as the remedies of the creditor are stayed in accordance with subsection 69 (1) of the BIA.

Crossroads

16. There are currently no known secured creditors in this entity.

121

17. In accordance with a September 17, 2021 PPR search, Ford Credit Canada Limited has security registrations against three vehicles held in the name of 121.

206

18. Alberta Financial ("**ATB**") holds security by way of a mortgage registered against real property held in the name of 206 and legally described as Lot 3A, Plan 9920673 (the "**206 Lands**"). ATB further holds a General Security Agreement ("**GSA**") over all present and after acquired personal property of 206 which was registered on the PPR on September 13, 2017. The estimated amount owed to ATB (including in respect of the Oak and Ash Lands described below) is \$1,600,000.

Oak and Ash

19. ATB holds security by way of a mortgage registered against real property held in the name of Oak and Ash and legally described as Lot 1, Block 1, Plan 0324002 (the "**Oak and Ash Lands**"). ATB further holds a GSA over all present and after acquired personal property of Oak and Ash which was registered on the PPR on September 13, 2017. The estimated amount owed to ATB (including in respect of the 206 Lands described above) is \$1,600,000.

Lori Runzer and Dean Runzer

20. The following parties have security registrations as against title to real property held jointly in the names of Lori Runzer and Dean Runzer:
- a. Strathcona County for an estimated sum of property taxes in the amount of \$26,189;
 - b. ATB in relation to a Home Equity Line of Credit in the sum of \$779,355;
 - c. Olympia Trust Company in the sum of \$50,000; and
 - d. ATB in the sum of \$10,648
21. As of the date of the First Report, the Trustee has not reviewed any of the security held by the above-noted creditors in order to determine whether or not these encumbrances are valid and enforceable.

Post Filing Activities

22. Subsequent to filing the NOI the FireSong Group of Companies has continued its business operations.
23. Management has provided the Trustee with details on the post filing financial transactions of the Firesong Group of Companies and Lori Runzer and Dean Runzer personally. As the Cash Flows for the FireSong Group of Companies and Lori Runzer and Dean Runzer were prepared on a monthly basis, we have not completed an in-depth analysis of the actual versus projected Cash Flow for each entity as there is not enough information to complete a full months' variance analysis.
24. Based on the banking information supplied by Management, it does not appear that any pre-filing debts have been paid since filing the NOI's with the exception of a payment made to Sask Power to ensure continuation of electricity services at FireSong which, in the Trustee's opinion, is considered essential to preserving the FireSong assets in the circumstances.
25. The Trustee has not viewed and is not aware of any transactions which would constitute a material adverse change to the original Cash Flow projections of the FireSong Group of Companies or to Lori Runzer and Dean Runzer in their personal capacities.
26. The Trustee is also not aware of any steps taken by the FireSong Group of Companies or Lori Runzer or Dean Runzer that would be considered outside the normal course of business or which would include the sale or transfer of any assets.

Sale of Farmlands

27. Prior to filing the NOI's, 206 and Oak and Ash entered into a sale agreement to sell the 206 Lands and the Oak and Ash Lands to a purchaser, 2364960 Alberta Ltd. ("**236**") (the "**236 Sale Agreement**"). The 236 Sale Agreement was subject to the following conditions, which were set to be removed by September 5th, 2021:
- a. Purchaser obtaining mortgage financing; and,

- b. All relevant leases to be transferable to the new owner (purchaser).
28. The 236 Sale Agreement, if closed, will provide for adequate funds to retire the secured ATB mortgages against the 206 Lands and Oak and Ash Lands in full, with the balance of the equity from the sale being proposed by Management to be used to fund or advance the ongoing operations and restructuring of the FireSong Group of Companies.
- Management advises the Trustee that ATB previously issued notice and obtained a judicial foreclosure order in respect of the 206 Lands and Oak and Ash Lands, however, ATB subsequently agreed to suspend its foreclosure activities in order to allow time for the 236 Sale Agreement to close.
29. As of the date of the First Report, Management has advised that the 236 Sale Agreement remains conditional, and that both Management and 236 continued to work with a broker to secure financing. Management further advised that it was expecting that 236 would receive a term sheet in respect of the required financing before the end of October 2021.
30. The Trustee has not yet been provided with an updated copy of the 236 Sale Agreement which would set out a new conditional removal date or closing date.
31. Based on the current financial position of the FireSong Group and Companies and Lori and Dean Runzer and barring no other source of interim financing being obtained, the closing of the 236 Sale Agreement and the contemplated equity injection anticipated therefrom is considered critical to maintaining the operations of the FireSong Group of Companies and to the overall success of its restructuring efforts.

Conclusion

32. In relation to the NOI's of Lori Runzer and Dean Runzer in their respective personal capacities, it is the Trustee's opinion that Lori Runzer and Dean Runzer will not be in a position to file a definitive proposal by October 30, 2021. Payments to creditors in the personal proposals will ultimately flow from the funds realized through the restructuring plan of the FireSong Group of Companies.
33. The Trustee is also of the opinion that the FireSong Group of Companies will not be in a position to file a definitive Proposal by October 29, 2021.
34. The granting of a 45-day extension of the time within which the FireSong Group of Companies and Management may file a proposal to their creditors will allow time for the 236 Sale Agreement to close or, if required, allow the FireSong Group of Companies additional time to source alternate financing which will be required to maintain the FireSong operations while the details of a proposal to creditors is formulated.
35. As such, in order to provide the FireSong Group of Companies and Management with time to finalize the sale of the 206 Lands and the Oak and Ash Lands in accordance with the 236 Sale Agreement, or, if required, obtain alternate financing to maintain ongoing operations, the Trustee is of the opinion that the granting of an extension is appropriate in the circumstances and that:
- a) The FireSong Group of Companies and Lori Runzer and Dean Runzer have acted and continue to act in good faith and with due diligence in formulating a proposal;
 - b) The FireSong Group of Companies and Lori Runzer and Dean Runzer would likely be able to formulate a viable proposal if an extension were to be granted; and

- c) No creditor will be materially prejudiced if an extension is granted provided that the FireSong Group of Companies and Lori Runzer and Dean Runzer continue to act in good faith.

All of which is respectfully submitted on this 21st day of October 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