

COURT FILE NUMBER	QB 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	<b>MATERIAL ADVERSE CHANGE REPORT FILED BY THE TRUSTEE, MNP LTD., DATED JUNE 8, 2022</b>
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	W Law LLP Attention: Mike Russell Suite 300, 110 21 <sup>st</sup> St. E Saskatoon, SK S7K 0B6 Phone: 306.244.2242 Counsel to the 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 ("**OSB**") 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. The Cash Flows for the period of December 2021 through March 2022 were amended by Management and filed with the OSB on December 20, 2021. Updated cash flow statements over an extended period have been prepared by Management and are in the process of being reviewed by the Trustee.

### **Purpose**

4. The Trustee submits this Material Adverse Change Report on with respect specifically to the Division I Proposal of 114 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...".

5. The Trustee is of the opinion that the variances to the Cash Flows outlined below represent a material adverse change to the cash flow projections of 114 and Oak and Ash.

#### **Variance to Projected Cashflow Statement**

114

6. Attached as **Schedule "A"** is the variance analysis as it relates to 114's projected versus actual cashflow statement for the months of January 2022 to March 2022.
7. In accordance with the projected cashflow statement, 114 was projected to sell fractional shares from January 2022 to March 2022 totalling \$400,000. 114 has not closed the sale of any fractional shares during this time period.
8. In accordance with the projected cashflow statement 114 projected to obtain construction financing in the amount of \$300,000 during this time period. 114 has not provided support for confirmed construction financing.
9. In accordance with the projected cashflow statement 114 projected to sell the Heritage Cabin with estimated net proceeds (after payment of secured financing) of \$100,000. The sale of the Heritage Cabin has not materialized during this time period.
10. The changes in the projected cash flow have not had a material effect on the financial position of the 114 insofar as the total cash position variance is approximately \$38,000 at the end of March 2022. However, as 114's underlying business model is structured around the sale of fractional shares, given that it has consistently been unable to meet its sales projections this materially affects 114's overall business viability.

*Oak and Ash*

11. The primary secured creditor (ATB Financial) of Oak and Ash has advanced its foreclosure proceedings including issuing notice of a Court application on June 15, 2022 to accept an offer to purchase submitted through the foreclosure action the Oak and Ash property.
12. The liquidation of the Oak and Ash property through the foreclosure action is not contemplated in the Cash Flows and is viewed as a Material Adverse Change.
13. Additionally, the Oak and Ash property was subject to a purchase and sale agreement (the "**Sale Agreement**") with a third party, the substance of which was approved by Court order on January 27, 2022. Since obtaining Court approval, the purchasers have indicated that the purchase price previously agreed upon in the Sale Agreement was higher than the forced sale value contemplated by the foreclosure proceedings and as such, the purchaser communicated that it no longer intended to close the sale in accordance with the Sale Agreement.
14. Management has advised the Trustee that any equity that would have been available from the closing of the Sale Agreement has been depleted (or fully negated) as a result of the sale not closing which materially affects the ability of Oak and Ash to make a proposal to its creditors and also depletes any surplus equity which would have been available to fund the restructuring proceedings of the FireSong Group as a whole. Management has not provided the Trustee with any financial or other supporting information to support the anticipated depletion of equity at this time and the Trustee is relying solely on its representations.

**MNP Ltd.**

in its capacity as Trustee in the Division I Proposal of  
**1143402 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"

1143402 Alberta Ltd.									
Amended Projected Cash Flow									
	Jan 22 - Projected	Jan 2022 - Actual	Jan 2022 - Variance	Feb- 22 - Projected	Feb 2022 - Actual	Feb 2022 - Variance	Mar - 22 - Projected	Mar 2022- Actual	Mar 2022- Variance
<b>Opening Balance</b>	<b>7,646.00</b>	<b>1,892.61</b>		<b>5,896.00</b>				13,000.95	
<b>Cash In</b>									
Fractional Sales:	100,000.00	-	-	100,000.00	-	100,000.00	200,000.00	-	200,000.00
CRO payments for cabin use	10,000.00	5,500.00	4,500.00	10,000.00	20,895.14	30,895.14	10,000.00	1,670.00	8,330.00
Cash Injection from Related Entity :									
Oak									
2061778									
Cranbrook									
CERS	15,000.00		-	15,000.00	12,500.00	27,500.00		28,438.48	28,438.48
sell heritage				1,500,000.00	-	1,500,000.00		-	-
Construction financing	100,000.00		100,000.00	100,000.00	-	100,000.00	100,000.00	-	100,000.00
sell waterfront									
<b>Subtotal (Cash In)</b>	<b>225,000.00</b>	<b>5,500.00</b>	<b>219,500.00</b>	<b>1,725,000.00</b>	<b>33,395.14</b>	<b>1,691,604.86</b>	<b>310,000.00</b>	30,108.48	279,891.52
MORTGAGE PAYOUT				1,400,000.00	1,412.49	1,398,587.51		2,824.98	2,824.98
<b>Construction Expenses</b>									
Material									
Subcontractor Labour	50,000.00	-	50,000.00	100,000.00	-	100,000.00	100,000.00	-	100,000.00
Equipment Rental	10,000.00	1,000.00	9,000.00						
Consultants	40,000.00	-	40,000.00						
<b>Subtotal Construction Expenses</b>	<b>100,000.00</b>	<b>1,000.00</b>	<b>99,000.00</b>	<b>100,000.00</b>	<b>-</b>	<b>100,000.00</b>	<b>100,000.00</b>	<b>-</b>	<b>100,000.00</b>
<b>Operating Expenses</b>									
Professional Fees (Acctg/Legal/Sales)	50,000.00	-	50,000.00	50,000.00	2,362.50	47,637.50	100,000.00	-	100,000.00
Marketing	25,000.00	-	25,000.00	50,000.00	-	50,000.00	75,000.00	-	75,000.00
Bank Fees and Interest /disbursements	150.00	107.30	42.70	150.00	28.25	121.75		74.20	74.20
Property Taxes				40,000.00		40,000.00			
GST / PST	10,000.00	-	10,000.00				5,000.00	-	5,000.00
Payroll Source Deductions									
Payroll									
Insurance	1,600.00	2,855.20	1,255.20	1,600.00	856.32	743.68	1,600.00	17,375.41	15,775.41
Office Supplies	300.00	-	300.00	300.00	-	300.00			
Permits/Licenses									
Other loans	1,700.00	-	1,700.00	1,700.00	-	1,700.00	1,700.00	1,000.00	700.00
Utilities	8,000.00	130.42	8,000.00	7,000.00	830.42	6,169.58	8,000.00	130.42	7,869.58
wages	5,000.00	-	5,000.00	5,000.00	3,005.50	1,994.50	5,000.00	203.00	4,797.00
taxes									
Other Miscellaneous		418.78	418.78		5,229.23	5,229.23		837.58	837.58
cabin leases	25,000.00	-	25,000.00	25,000.00	8,009.50	16,990.50	25,000.00	20,600.00	4,400.00
<b>Subtotal (Cash Out)</b>	<b>226,750.00</b>	<b>4,511.70</b>	<b>222,238.30</b>	<b>1,680,750.00</b>	<b>21,734.21</b>	<b>1,659,015.79</b>	<b>321,300.00</b>	43,045.59	278,254.41
<b>Net Cash Position</b>	<b>- 1,750.00</b>			<b>44,250.00</b>			<b>- 11,300.00</b>	<b>- 12,937.11</b>	<b>1,637.11</b>
Opening Cash Balance	7,646.00			5,896.00			50,146.00	13,000.95	37,145.05
Net Cash Position	- 1,750.00			44,250.00			- 11,300.00	- 12,937.11	1,637.11
Closing Cash Balance	5,896.00			50,146.00			38,846.00	63.84	38,782.16