

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	<b>SIXTH REPORT OF THE PROPOSAL TRUSTEE, MNP LTD., DATED OCTOBER 24, 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 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 Sixth Report to Court (the "**Sixth Report**") in response to the Runzers' application for approval of the sale of their property located at 438 Estate Drive, Sherwood Park, Alberta (the "**Property**").

### **Comments Surrounding Proposed Sale of the Property**

4. On October 20<sup>th</sup>, 2022, the Trustee was contacted by counsel for the Runzers advising that an application to approve the sale of the Property had been scheduled for October 27, 2022.
5. The Trustee was not aware of and did not approve the process leading up to the proposed sale of the Property. The Trustee is not aware of whether and to what extent the creditors of the Runzers were consulted in regard to the proposed sale other than as stated in the application materials filed on behalf of the Runzers.

6. Upon being made aware of the intended sale, the Trustee requested certain materials from the Runzers and its counsel and has since reviewed the materials supplied and hereby provides the following comments and observations:
  - a. It appears that there has been no updated appraisal performed on the Property since 2013, so the Trustee is unable to comment on whether the purchase price as set out in the offer to purchase from Barry Roberts and Cynthia Roberts (the "**Offer**") is a fair reflection of the current market value of the Property;
  - b. The Property was originally listed with a realtor and advertised through traditional means (MLS, signage direct marketing, etc.) from May 2022 through August 2022, which is traditionally slower than the typical higher-volume season from March through May;
  - c. The relisting of the Property took place on or around September 23, 2022, and the Property was listed until the Offer was accepted on or around October 7<sup>th</sup> (a total of 14 days). In that time there was clear interest in the Property resulting in three showings. The first and only offer to purchase received was ultimately accepted;
  - d. The Runzers, sometime in or around May 2022, while insolvent, hired a third party to install new flooring in the Property at an estimated cost of \$56,700, which has resulted in a post-proposal Builders' Lien being registered against the Property;
  - e. At the time of securing the flooring services, the Runzers had very limited income (based on the financial documents provided to the Trustee) and therefore would have had no reasonable expectation that the flooring services could be paid for;
  - f. Neither the authorization of the flooring services nor the registration of the Builders' Lien was disclosed to the Trustee but rather subsequently discovered by the Trustee upon reviewing title to the Property;
  - g. The Trustee has not been provided with or reviewed any material with respect to the Builders' Lien and, as the assets of the Runzers do not vest with the Trustee, the Trustee has no authority to opine on this claim; and,
  - h. The Runzers Fifth Affidavit, filed in support of its application for a Sale Approval and Vesting Order ("**SAVO**"), speaks to impending foreclosure action by Alberta Treasury Branches ("**ATB**"), the primary secured lender of the Property. The Trustee was not advised of impending foreclosure action by ATB nor has any information been supplied to the Trustee to substantiate it.
7. Despite the concerns and lack of information provided to the Trustee in relation to the concerns set out above, it appears that the Property was listed with a reputable realtor and that the Property was marketed by traditional means. The resulting Offer on the Property may well be the appropriate market value of the Property based on the marketing efforts undertaken and the resulting interest shown.

#### **Implications on Runzers' Proposal to Creditors**

8. The Runzers filed a joint Division I Proposal (the "**Runzer Proposal**") which was voted on and accepted by the requisite majority of creditors on September 15, 2022. The Runzer Proposal has not yet been brought forward for this Court's approval pending further review required on the related corporations which are also in insolvency proceedings.
9. The Runzer Proposal accepted by the creditors represented to the creditors an estimated realization of net equity from the sale of the Property of \$192,000 (before proposal costs and the superintendent's levy). This amount was based on the estimated value of the Property, less estimated secured interests (e.g., mortgages and property taxes), as set out by the

Runzers in their Statements of Affairs. The Builders' Lien had been registered prior to the vote being held; however, the Trustee was not made aware of it at that time.

10. The sale of the Property at the current price will result in a NIL return to the creditors in the Runzer Proposal, which is materially different than what was represented to the creditors at the creditors' meeting and at the time the Runzer Proposal documents were finalized.

### **Conclusion**

11. Based on the information set out above, the Trustee is unable to comment on the fairness or reasonableness of the purchase price set out in the Offer, including due to lack of a current appraisal or other market evaluation of the property. However, the Trustee recognizes that the Property was marketed with a reputable realtor through the typical standard means for the sale of residential properties.
12. Additionally, the net benefit to the estate resulting from the approval of the Offer is unlikely to be greater in a foreclosure or bankruptcy scenario, given the added costs of such foreclosure or bankruptcy proceedings and daily interest accruing.
13. The Runzer Proposal does not include a clause whereby a minimum sum is to be paid from the proceeds of the Property (including in the circumstance where there is no net equity available).
14. Based on the information contained herein, the Trustee ultimately takes no position on the Runzers' application for a SAVO in respect of the Property.

All of which is respectfully submitted on this 24<sup>th</sup> day of October 2022.

### **MNP Ltd.**

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