

Form 6-5
(Rule 6-5(1))

COURT FILE NUMBER QBG 1076 of 2021

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE SASKATOON

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANADIAN DEVELOPMENT STRATEGIES INC.

AND

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CROSSROADS ONE INC.

AND

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
OAK AND ASH FARM LTD.

AND

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
1143402 ALBERTA LTD.

AND

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
2061778 ALBERTA LTD.

AND

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
1216699 ALBERTA LTD.

AND

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
DEAN RUNZER

AND

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
LORI RUNZER

NOTICE OF APPLICATION

(Extension of Time to File Proposal)

NOTICE TO RECIPIENTS LISTED IN SERVICE LIST

This application is made against you. You are a respondent. You have the right to state your side of this matter before the Court.

To do so, you must be in Court when the application is heard as shown below:

Where	Court House, 520 Spadina Crescent East Saskatoon, Saskatchewan
Date	Thursday, January 27, 2022
Time	9:00 am

Due to the health risks posed by the COVID-19 pandemic, all chambers applications will be heard by telephone unless the presiding judge has decided otherwise. If you intend to participate in the hearing of this application by telephone, please contact the office of the local registrar at (306) 933-5135 and provide your telephone number.

Go to the end of this document to see what you can do and when you must do it.

Remedy claimed or sought:

1. An Order pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**") extending the period of time within which Canadian Development Strategies Inc., Crossroads One Inc., Oak and Ash Farm Ltd., 1143402 Alberta Ltd., 1216699 Alberta Ltd., 2061778 Alberta Ltd., Dean Runzer, and Lori Runzer (collectively, "**FireSong Group**") are required to file proposals to their creditors with the Official Receiver under Division I of Part III of the BIA by 45 days, from January 27, 2022 to and including March 13, 2022 at 5:00 p.m. (Saskatchewan time).
2. An Order approving the sale transaction (the "**Transaction**") contemplated by a Real Estate Purchase Contract (the "**Sale Agreement**") between the Applicant, Oak and Ash Farm Ltd. (as Vendor) (the "**Vendor**") and Dallas Nutt and Marie Nutt of Fort Saskatchewan, Alberta (as Purchasers) (collectively, the "**Purchaser**") dated January 20, 2022 and exhibited to the Fourth Affidavit of Lori Runzer sworn on January 20, 2022 (the "**Fourth Runzer Affidavit**") for the sale to the Purchaser of the Vendor's right, title and interest in and to the real property described in the Sale Agreement and comprising a house, shop and buildings situated on 50.66 acres of land bearing the municipal address of 54343 Range Road 222, Fort Saskatchewan, Alberta and the legal description of Plan 0324002, Lot 1, Block 1, Province of Alberta (the "**Purchased Assets**") and authorizing and directing the Vendor to take such additional steps and to execute such additional documents as may be necessary or desirable for the completion of the Transaction and the conveyance of the Purchased Assets to the Purchaser.
3. An Order authorizing and directing MNP Ltd. (the "**Proposal Trustee**") to cause its legal counsel to release from its trust account and to pay to Yvonne Hoeller ("**Ms. Hoeller**") the net remaining

proceeds of the Pioneer Financing (as that phrase is more particularly defined in the Fourth Runzer Affidavit).

4. Such further and other relief as counsel may request and this Honourable Court may allow.

Grounds for making this Application:

Background to FireSong Group & Its Restructuring

5. FireSong Group carries on the business of financing, developing, marketing, and operating a four-season luxury resort village property (the “**Resort**”) at Fowler Lake, Saskatchewan, located in the vicinity of Makwa Lake Provincial Park, approximately 60 kilometres west of the City of Meadow Lake, Saskatchewan. FireSong Group intends to develop and market fifteen cabins at FireSong Resort pursuant to a “fractional ownership” business model (five of which fifteen cabins have been completed and are currently used in the business operations of FireSong Group).
6. On September 29, 2021, the Applicants each filed Notices of Intention to make a Proposal to their Creditors under Division I of Part III of the BIA (the “**NOIs**”) with the Office of the Superintendent of Bankruptcy. MNP Ltd. was appointed Proposal Trustee in regard to the NOIs.
7. On October 28, 2021, this Honourable Court granted an order providing for a 45-day extension of the Stay of Proceedings and the period of time within which the Applicants were required to file a Proposal to their creditors under Division I of Part III of the BIA from October 29, 2021 to December 13, 2021.
8. On December 13, 2021, this Honourable Court granted an Order (the “**December 13 Order**”):
 - (a) providing for a 45-day extension of the Stay of Proceedings and the period of time within which the Applicants were required to file a Proposal to their creditors under Division I of Part III of the BIA from December 13, 2021 to January 27, 2022; and
 - (b) pursuant to section 64.1 of the BIA, providing for an Administration Charge on the assets of the Applicants in an amount totalling \$100,000 (the “**Administration Charge**”) as security for the professional fees and disbursements of the Proposal Trustee, MNP Ltd. (the “**Proposal Trustee**”), and legal counsel to the FireSong Group, MLT Aikins LLP (“**Applicants’ Counsel**”).
9. On December 22, 2021, this Honourable Court granted an Order (the “**December 22 Order**”) regarding certain property in the vicinity of Cranbrook, British Columbia legally described as Lot 25, District Lots 10353 and 10354, Kootenay District Plan 14398 (the “**Kootenay Property**”) then registered in the name of the Applicant, 1133402 Alberta Ltd. (“**114**”) and held by 114 in trust for

Benjamin Runzer (“**Benjamin**”) and Dallas Marie Runzer pursuant to a trust (the “**Trust**”) created by a Declaration of Trust dated May 16, 2008 (the “**Trust Declaration**”) whereby 114 (as trustee) agreed to hold title to the Cranbrook Property in trust for Benjamin. Further, and in particular, the December 22 Order:

- (a) directed that title to the Cranbrook Property be registered in the names of Benjamin and Dallas Marie Runzer, subject to (among other things) a proposed mortgage (the “**Pioneer Mortgage**”) in favour of Pioneer West Acceptance Corporation (“**Pioneer**”) in the amount of \$600,000;
- (b) authorized and directed Benjamin and Dallas Marie Runzer to enter into and perform their obligations under the Pioneer Mortgage, in order to facilitate proposed financing by Pioneer in the amount of \$563,000 (the “**Pioneer Financing**”);
- (c) directed that Pioneer advance the proceeds of the Pioneer Financing (the “**Pioneer Financing Proceeds**”) to legal counsel for the Proposal Trustee, with such Pioneer Financing Proceeds to be used by the Proposal Trustee (in first instance) to pay outstanding property taxes owing on the Cranbrook Property and the reasonable costs incurred by Benjamin and Dallas Marie Runzer in closing the Pioneer Financing, with the remaining amount of the Pioneer Financing Proceeds (the “**Net Pioneer Financing Proceeds**”) thereafter held in trust by legal counsel for the Proposal Trustee;
- (d) directed the Proposal Trustee to review and report to this Honourable Court regarding the validity of the Trust Declaration and whether and to what extent 114 has any financial interest in the Cranbrook Property; and
- (e) directed the Proposal Trustee to review and report to this Honourable Court regarding the validity and enforceability of the existing mortgage (the “**Hoeller Mortgage**”) in favour of Yvonne Hoeller (“**Ms. Hoeller**”) then registered against title to the Cranbrook Property, whether and to what extent Ms. Hoeller had dealt with 114 and the other entities comprising the Fire Song Group at arm’s length and whether and to what extent any facts had come to the attention of the Proposal Trustee which indicate to the Proposal Trustee that the Hoeller Mortgage may constitute a preference or transfer at undervalue in accordance with sections 95 and 96 of the BIA or equivalent provincial legislation.

The Applicants Have Acted and Are Acting in Good Faith and With Due Diligence

10. The FireSong Group has finalized a written agreement with internationally known hospitality industry consultant John Zwickel of Innventures regarding the services which he will be providing to FireSong Group to assist with its restructuring. Mr. Zwickel has identified several key objectives

for successful implementation of a fractional ownership model at the Resort, whereby purchasers will acquire a shared common partial interest in the units comprising the Resort. These objectives identified by Mr. Zwickel include:

- (a) creation of a one-eighth fractional ownership offering and a rental program, with five garden units being offered for sale at \$149,900 per 1/8 fraction, three garden units being offered for sale at \$249,900 per 1/8 fraction, and five waterfront units being offered for sale at \$249,900 per 1/8 fraction;
 - (b) creation of an updated vision for the Resort to be used for marketing purposes;
 - (c) identification of target markets for real estate sales;
 - (d) recruitment of a project marketing company with fractional sales experience to facilitate marketing and sales; and
 - (e) presenting the fractional interest real estate opportunity to the targeted markets.
11. Kâniyâsihk Culture Camps is a local First Nations program directed by Dr. Kevin Lewis (“**Dr. Lewis**”). The purpose of the kâniyâsihk Culture Camps is to provide land based healing and education to First Nations youth (the “**Camp Purpose**”). On January 4, 2022, the Government of Canada released details regarding an historic \$40 billion agreement in principle among the Federal Government and First Nations to compensate young First Nations people harmed by the discriminatory underfunding of child welfare services on reserve in Canada (the “**Federal Funding**”).
12. The Camp Purpose is directly aligned with the purpose of the Federal Funding. Further, Dr. Lewis has already obtained governmental funding to implement the Camp Purpose, and has taken steps to position the kâniyâsihk Culture Camps to receive further Federal Funding.
13. The FireSong Group is working with the kâniyâsihk Culture Camps to advance the Camp Purpose, with the objective of providing lodging to participants in the kâniyâsihk Culture Camps, the cost of which would be paid through the Federal Funding.
14. This collaboration among the FireSong Group and the kâniyâsihk Culture Camps also presents an opportunity for First Nations across Canada to participate in fractional ownership at the Resort.
15. The Applicants have continued to diligently pursue the following business opportunities with two hunting outfitters who have expressed interest in the following opportunities, given that the Resort

is situated in a remote wilderness location which is internationally recognized for the quality of its whitetail deer population:

- (a) renting the existing cabins at the Resort to hunters on an exclusive basis during the spring and fall hunting seasons;
 - (b) financing the construction of at least one new cabin at the Resort which would serve as a dedicated hunting cabin for one of the hunting outfitters during the hunting season;
 - (c) purchasing fractional interests in the cabins at the Resort, in respect of which the FireSong Group has offered three fractional ownership units for early purchase, which offer is currently being evaluated by the hunter groups; and
 - (d) purchasing some or all of the Lakefront Lots at the Resort for the purpose of developing the lots into cabins which can be marketed as premier hunting cabins.
16. The targeted hunting market presents an excellent opportunity to market fractional sales to professional hunters (the "**Hunting Market Initiative**"). The Hunting Market Initiative will be developed to appeal to the national and international professional hunting market.
17. The Applicants have secured additional rental income for the Resort throughout 2022 from bookings for weddings, general holiday bookings, an extended corporate contract with a national accounting firm and numerous training retreats (collectively the "**2022 FireSong Bookings**"). The 2022 FireSong Bookings are anticipated to generate revenue required to stabilize the Applicants' cash flow and to provide the operating funds necessary to operate the Resort through 2022.

Likelihood That The Applicants Will Develop Viable Proposals if Extension Granted

18. There is a likelihood that the Applicants will develop viable proposals if the 45-day extension of the deadline for filing the proposals to March 13, 2022 is granted.
19. The framework for the Proposal to the FireSong Group's creditors will provide for the following outcomes for creditors and investors:
- (a) Unsecured creditor claims will be compromised. The amount and terms of such compromise is still being determined, but the FireSong Group is working with West Grove Capital of Calgary, Alberta to establish same. Unsecured creditors who do not wish to have their unsecured debt claims compromised will be given the option of converting their debt claim into an equity claim which will survive these restructuring proceedings;

- (b) Equity investors in the Fire Song Group will be given the option of converting their equity to debt claims (which debt claims will be compromised). Investors who avail themselves of this option will cease to be investors in the FireSong Group and will become creditors;
 - (c) Living Waters Limited Partnership will be restructured as required in order to respond to Mr. Zwickel's recommendations regarding an optimum investment structure for sales of fractional ownership units; and
 - (d) FireSong Group is working with West Grove Capital to secure a capital injection which will be used, among other things, to pay out those creditors who elect to have their claims compromised.
20. With the assistance of the Proposal Trustee and West Grove Capital, the Fire Song Group will be working to develop and present to its creditors and investors a liquidation analysis (the "**Liquidation Analysis**") which will identify the anticipated amounts of recovery available to investors and creditors of the Fire Song Group:
- (a) under the Proposal (if it is accepted by the creditors); and
 - (b) under the bankruptcy and liquidation of the assets of the Fire Song Group (which is the necessary outcome if the Proposal is not accepted by the creditors).
21. The Liquidation Analysis will be a valuable tool to allow creditors of the Fire Song Group to make an informed decision regarding whether or not to accept the Proposal. The Fire Song Group is working toward a target date of March 1, 2022 for completion of the Liquidation Analysis.

No Creditor Will Be Materially Prejudiced If The 45-Day Extension is Granted

22. No creditor will be materially prejudiced if the 45-day extension applied for by FireSong Group is granted. Allowing FireSong Group to pursue refinancing and implement a restructuring plan will result in a better financial outcome for the stakeholders of FireSong Group than would result from its bankruptcy. There is no immediate threat of depreciation or devaluation of FireSong Group's assets.
23. The Proposal Trustee is of the opinion that granting FireSong Group the third 45-day extension to file a proposal is appropriate in the circumstances.

Approval of Sale of the Farmland

24. The Transaction contemplating the sale of the Purchased Assets has developed as a result of a process which is fair and reasonable, having previously been disclosed to the stakeholders in detail

in the First Affidavit of Lori Runzer sworn on October 21, 2021 and previously filed in these proceedings (the "**First Runzer Affidavit**").

25. The Proposal Trustee is expected to file with the Court a Report stating that, in its opinion, the Transaction will yield a result that is more beneficial to the creditors than a sale of the assets of the FireSong Group pursuant to liquidation in a bankruptcy.
26. Creditors of the Applicants have previously been informed of the proposed Transaction, which was disclosed to the stakeholders in the First Runzer Affidavit previously filed in these proceedings.
27. The proposed sale price contemplated in the Transaction is fair and reasonable, having regard to the fair market value of the Purchased Assets, such that an Order approving the Transaction is consistent with the best interests of the Applicants and their creditors.

Order Directing The Release to Ms. Hoeller of the Proceeds of the Hoeller Mortgage

28. Ms. Hoeller is not an investor of the FireSong Group. Lori Runzer of the Fire Song Group has never met with or spoken to Ms. Hoeller.
29. The Hoeller Mortgage was sourced, facilitated and placed through a mortgage broker in British Columbia. The only connection that Ms. Hoeller has to the FireSong Group is that she is the mortgagee of the Cranbrook Property.
30. At all times material, Ms. Hoeller has acted at arm's length in regard to the Fire Song Group.
31. No facts have come to the attention of the Proposal Trustee which indicate to the Proposal Trustee that the Hoeller Mortgage may constitute a preference or transfer at undervalue in accordance with sections 95 and 96 of the BIA or equivalent provincial legislation.

Material or evidence relied on:

32. This Notice of Application, with proof of service;
33. Draft Order for Extension of Time to File Proposal;
34. Affidavit of Lori Runzer sworn October 21, 2021;
35. Second Affidavit of Lori Runzer sworn December 6, 2021;
36. Third Affidavit of Lori Runzer sworn December 17, 2021;
37. Fourth Affidavit of Lori Runzer sworn January 20, 2022

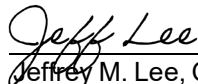
38. First Report of the Proposal Trustee, dated October 21, 2021;
39. Second Report of the Proposal Trustee dated December 6, 2021;
40. Third Report of Proposal Trustee dated December 17, 2021;
41. Fourth Report of the Proposal Trustee dated January 20, 2022;
42. Brief of Law on Behalf of the Applicant; and
43. Such further and other material as counsel may advise and this Honourable Court may allow.

Applicable Acts and regulations:

44. The *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, sections 50.4(9) and 65.13(1).

DATED at Saskatoon, Saskatchewan, this 20th day of January, 2022.

MLT AIKINS LLP

Per: 

Jeffrey M. Lee, Q.C. and Dana Nowak, Solicitors for
FireSong Group

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NOTICE

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.

If you intend to rely on an affidavit or other evidence when the originating application is heard or considered, you must serve a copy of the affidavit and other evidence on the originating applicant at least 10 days before the originating application is to be heard or considered.

CONTACT INFORMATION AND ADDRESS FOR SERVICE

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