

DIVISION NO.: 04 – SAINT-FRANÇOIS
COURT NO.: 450-11-000012-215
ESTATE NO. : 42-045484 / 42-045485

FIRST INTERIM REPORT OF THE RECEIVER
Paragraph 246 (2) of the *Bankruptcy and Insolvency Act*

SOCIETE EN COMMANDITE INDUSTRIEL-LEGER & 9058-0150 QUEBEC INC.

A. BACKGROUND

1. On March 26, 2021, MNP Ltd. was appointed as Receiver (the “Receiver”) to the assets of Société en commandite Industriel-Léger (“SEC”) & 9058-0150 Quebec Inc. (“9058”) (jointly the “Debtors”), pursuant to section 243 of the *Bankruptcy and Insolvency Act*, by an Order (the “Order”) rendered by the Honorable Justice Gaétan Dumas, of the Superior Court of Quebec for the District and the Division of Saint-François, (the “Court”). A copy of the Order as well as other documents related to the case can be consulted on our website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/sec-industriel-leger/>.
2. SEC is a limited partnership set up for the purpose of owning, managing and operating real estate properties located in Magog and Sherbrooke, Quebec.
3. 9058 is the general partner of SEC and is owned by Paul Kanwal.
4. Prior to the receivership proceedings, on January 28, 2021, Kanwal Inc. (a related company to the Debtors) and 9058 filed and Application for an Initial Order under the *Companies’ Creditors Arrangement Act* (“CCAA”). An initial order was rendered on the following day, granting a stay of proceedings in respect of 9058 for an initial delay of 10 days, which was extended subsequently until March 19, 2021. No further extension was granted.
5. Subsequent to the nomination of the Receiver, the sole director of 9058, Paul Kanwal, resigned his position.
6. Upon taking possession of the debtors’ assets, the Receiver only received a part of the books and records of the Debtors, in electronic format saved on a USB stick. There were no employees on record either as all employees worked for the affiliate company of SEC and 9058, Kanwal Inc. (“Kanwal”).

7. The Receiver was never granted access to the Debtor's computers as they were intertwined with the books and records of Kanwal, as well as other related entities.

A. ASSETS

8. The Debtor's assets include the following properties :

| Building Address | Market Value as at April 29, 2020 ¹ (in CAD \$) |
|---|---|
| 1 1426-1428 Boul. Industriel, Magog | \$2,555,000 |
| 2 4220-4248 rue de la Garlock, Sherbrooke | 1,215,000 |
| 3.1 4221-4249 rue de la Garlock, Sherbrooke | 1,165,000 |
| 3.2 4253-4283 rue de la Garlock, Sherbrooke | 1,165,000 |
| 4 4310-4364 Boul. Industriel, Sherbrooke | 2,625,000 |
| | \$8,725,000 |

9. On March 29, 2021, in virtue of the Order, the Receiver took possession of all five properties. The Receiver visited all the locations to secure the assets and communicated with all tenants advising them of the Order and directing them to pay their rent to the Receiver henceforth.
10. There are no other known assets of the Debtors.
11. All properties were properly insured prior to the appointment of the Receiver through Groupe Kanwal Inc. until October 1, 2021. The Receiver will subscribe to a new insurance policy starting October 1, 2021.

¹ The values are from a commissioned appraisals report of the immovables as at April 29, 2020.

B. CREDITORS

12. As at March 26, 2021, the known creditors of the Debtors and the estimated amount of their claims are as follow:

| Creditors | Estimated as at (in CAD \$) |
|--|---------------------------------|
| Secured Creditors | |
| 9286-2929 Québec Inc | \$4,300,000 |
| Consolidated Capital G.P. | 1,300,000 |
| FWCU Capital Inc. | 12,446,167 |
| Ville de Sherbrooke | 98,514 |
| Ville de Magog | 51,868 |
| Commission Scolaire de la Région-de-Sherbrooke | 10,591 |
| Commission Scolaire des Sommets | 2,321 |
| | \$18,209,461² |
| Unsecured Creditors | \$83,439 |

13. The following creditors hold security on the Debtors' assets:

- a. 9286-2929 Quebec Inc. ("9286") has a hypothec on all five properties and a hypothec on SEC's movable property.
- b. Consolidated Capital G.P. ("Consolidated") has a hypothec on the property located at 1426-1428 Boul. Industriel, in Magog, and a hypothec on SEC's movable property.
- c. FWCU Capital Inc. has a hypothec on all five properties and a hypothec on SEC's movable property.

C. ASSET REALIZATION

14. On or around March 31, 2021, 9286 and Consolidated served a *Notice of Withdrawal of Authorization to Collect Rentals* ("Notice") to all the tenants notwithstanding that the Court had granted the Order on March 26.

15. This Notice caused confusion amongst the tenants and a few tenants withheld the April rent until the matter was to be adjudged.

² Interest payable on secured creditors' debt has not been considered. As of August 31, 2021, the interest claimed by 9286-2929 Québec Inc. is estimated at \$222,658 and the interest claimed by Consolidated Capital G.P. is estimated at \$67,315.

-
16. On April 6, 2021, 9286 and Consolidated further filed an *Application to Revoke or Subsidiarily to Vary a Receivership Order* which hearing was heard before the Honourable Gaetan Dumas on April 20, 2021.
 17. The Receiver at this time was forced to engage legal counsel and filed its own motion entitled *Application for Directions and Other Ancillary Relief*.
 18. Following said hearing, on April 22, 2021, 9286 and Consolidated filed a *Notice of Discontinuance from their Application to Revoke or Subsidiarily and to Vary the Order*, radiated their initial Notice and sent letters to all the tenants to advise of same.
 19. Further to the above actions, the Receiver began collecting all the rents from all tenants.
 20. The property located at 4221-4249 rue de la Garlock, Sherbrooke, was vacant prior to the Receivership and remains vacant to this day.
 21. Upon taking possession of the properties, the Receiver discovered that a tenant, Granit Innovation R.K. Inc (“Granit”) who was already occupying the premises, did not have a signed lease. The Receiver was in active discussions with the tenant’s attorney about signing the lease and the unpaid rent. Granit subsequently declared bankruptcy on July 1, 2021. The Receiver negotiated with the Trustee of the bankruptcy for the occupation rent and replaced the tenant with a new tenant who currently has a month-to-month lease.
 22. The Receiver hired a property manager, Services FL, to secure and maintain the premises, to deal with issues in the course of the debtor’s operations and to protect the value of the buildings.

SALE PROCESS

23. Prior to instituting a formal sale process, the Receiver did receive multiple unsolicited offers for the purchase of the various properties. None of the offers were retained as they were not firm offers, the amounts offered were deemed to be insufficient, and in the interest of all the secured creditors required that the Receiver canvass the market prior to accepting any offer.
24. The Receiver then instituted a formal process to engage a real estate broker in order to market the properties. Four firms were selected to propose a sale process. Amongst the four, the Receiver retained the services of CBRE Limited (“CBRE”) as the exclusive real-estate broker for the sale of the properties.
25. In preparation of the sale process, the Receiver hired external firms to prepare building condition assessment reports, phase I environmental reports as well as new certificates of location for each of the properties.

26. CBRE officially launched the bidding process on May 26, 2021. A confidential information memorandum (“CIM”) was completed, and the Data Room was opened. Over 1200 targets received a flyer. Of those, 42 executed a non-disclosure agreement (“NDA”), and 14 submitted bids in the first bidding round ended August 5, 2021. There was a second round of bids until August 8, 2021, and ultimately, one bid was selected by the Receiver.
27. The Receiver and the potential buyer signed a Definitive Purchase and Sale Agreement (“PSA”) on September 21, 2021. A due diligence period of forty-five (45) days is expected for the potential buyer to complete its review of the properties and waive all conditions under the PSA.

LEASE ASSIGNMENT

28. Kanwal, a tenant and affiliate company to SEC, was also placed under receivership on March 26, 2021. As part of the sale of the assets and undertaking of Kanwal in such receivership proceedings, the buyer thereof wanted to continue to lease the premises leased by Kanwal in the property located at 1426 Boul. Industriel, in Magog. In order to consent to an assignment of the lease, the Receiver accepted a settlement amount of \$100,000 for the cure costs after a thorough investigation of the situation and many discussions and negotiations. The assignment of the lease was approved by the Court on August 23, 2021.
29. At the present time, the assignment of the lease has not yet been completed but is expected imminently according to the information received by the Receiver from the receiver of Kanwal.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

30. An interim statement of receipts and disbursements has been produced for the period from March 26, 2021, to August 31, 2021, and is included as **Appendix A**.

ANTICIPATED COMPLETION OF THE RECEIVERSHIP

31. As of the date of this report, the Receiver expects to complete the realization of the Debtors’ assets within the next six (6) months to nine (9) months.

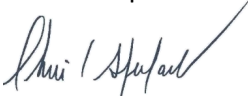
Dated in Montréal, Québec, this 27th day of September 2021.

MNP Ltée

In its capacity as Receiver to the property of:

Société en commandite Industriel-Léger & 9058-0150 Quebec Inc.

and not in its personal or corporate capacity



Sheri L. Aberback, CIRP, LIT, CFE

Senior Vice-President

IN THE MATTER OF THE RECEIVERSHIP OF
 SOCIÉTÉ EN COMMANDITE INDUSTRIEL-LÉGER & 9058-0150 QUEBEC INC.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
 for the period of March 26, 2021 to August 31, 2021

| RECEIPTS | (\$) | (\$) |
|--|-----------------------------------|--------------------------|
| Realisation of asset: | | |
| Rental Income | | 325,137.65 |
| Cash in bank | | 5,207.02 |
| Miscellaneous refunds: | | |
| Interest allocation | | 51.75 |
| Taxes: | | |
| GST collected | | 16,256.94 |
| PST collected | | 32,432.38 |
| TOTAL RECEIPTS | | <u>379,085.74</u> |
| | | |
| DISBURSEMENTS | | |
| Paid fees: | | |
| Filing fees paid to Official Receiver | <u>143.08</u> | 143.08 |
| Notice and Statement of Receiver: | | |
| To 25 creditors | 75.00 | |
| Postage | <u>47.50</u> | 122.50 |
| Premium: | | |
| Insurance | | 14,930.00 |
| Miscellaneous disbursements: | | |
| Storage | 500.00 | |
| Bank charges | 0.75 | |
| Computer services | 170.00 | |
| Maintenance, supervision & Repair | 6,572.40 | |
| Property Management | 10,223.70 | |
| Utilities | 4,818.94 | |
| Appraisal fees | 20,561.40 | |
| Land surveyor | 13,072.00 | |
| Administrative disbursements | <u>2,000.00</u> | 57,919.19 |
| | Sub-Total of Disbursements | <u>73,114.77</u> |
| | | |
| Trustee fees | | 132,668.60 |
| | | |
| Legal fees/disbursements | | 70,735.57 |

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION NO: SAINT-FRANÇOIS-04
COURT NO: 400-11-000012-215
FILE NO: 42-045484

APPENDIX A
SUPERIOR COURT
Commercial Chamber

IN THE MATTER OF THE RECEIVERSHIP OF
SOCIÉTÉ EN COMMANDITE INDUSTRIEL-LÉGER & 9058-0150 QUEBEC INC.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
for the period of March 26, 2021 to August 31, 2021

| | | |
|---|------------------|--------------------------------|
| Taxes: | | |
| GST charged on Trustee remuneration | 6,633.44 | |
| QST charged on Trustee remuneration | <u>13,233.69</u> | 19,867.13 |
| GST on legal fees | 3,535.62 | |
| QST on legal fees | <u>7,053.58</u> | 10,589.20 |
| GST paid on disbursements exclusive of fees | 2,902.07 | |
| QST paid on disbursements exclusive of fees | <u>5,789.59</u> | 8,691.66 |
| Remittance of excise taxes : | | |
| GST remitted | 3,699.83 | |
| QST remitted | <u>7,380.99</u> | 11,080.82 |
| TOTAL DISBURSEMENTS | | <u>326,747.75</u> |
| AMOUNT HELD IN TRUST BY THE RECEIVER | | <u><u>55,548.67</u></u> |