

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

THIRD 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 was a limited partnership set up for the purpose of owning, managing and operating real estate properties located in Magog and Sherbrooke, Quebec.
3. 9058 was the general partner of SEC and was owned by Paul Kanwal.
4. On July 5, 2022, both SEC and 9058 filed assignments in bankruptcy pursuant to the Approval and Vesting Order (the “AVO”) rendered by the Honourable Gaétan Dumas, J.S.C. on February 18, 2022.
5. On September 27, 2021, the Receiver has filed an interim report on its administration (Appendix A) and on March 25, 2022, the Receiver has filed a second interim report on its administration (Appendix B). For more background information, please refer to these reports.
6. The purpose of the third report is to update the creditors as to what the Receiver has done since the last report.

B. RESTRICTIONS AND LIMITATIONS

7. In preparing this Report, the Receiver has relied upon unaudited financial information obtained from the Debtors' books and records and public records.
8. MNP has not audited, reviewed or attempted to verify the completeness and accuracy of the information in accordance with the recognized principles of the Canadian Institute of Chartered Professional Accountants, and as such MNP is not providing any opinion on the financial information of the Debtors.
9. Currency is in Canadian dollars except if otherwise noted.

C. ASSET REALIZATION

10. Further to the granting of the AVO on February 18, 2022, the Receiver completed the sale of the five properties of SEC (the "Properties") as per the Agreement of Purchase and Sale, as more fully described in the *Application for Authorization to Proceed with a Distribution* dated August 3, 2022.
11. The net realization proceeds of the five Properties are as follows:

#	Address of Property	Date of Sale	Market Value as at April 29, 2020 ¹	Net Realization (in CAD \$) ²	Note
1	Garlock Lot 1 395 055 Property	Feb. 25, 2022	1,215,000	1,257,066	
2.1 & 2.2	Garlock Lot 1 395 054 Property	Mar. 18, 2022	2,330,000	2,731,619	3
3	Industrial Sherbrooke Property	Jun. 1, 2022	2,625,000	2,740,242	
4	Industrial Magog Property	Jun. 1, 2022	2,555,000	3,327,883	
			\$8,725,000	\$10,056,810	

Note:

1. The values are from a commissioned appraisals report of the immovables as at April 29, 2020, and as appears from the Court record.
 2. All priority taxes were paid from the sale proceeds at the time of closing by the notary, subject to certain post-closing adjustments.
 3. Garlock Lot 1 395 054 consists of two properties: 4221-4249 Garlock Steet, Sherbrooke & 4253-4283 Garlock Street, Sherbrooke.
12. Further information on the sale process is available in the *Report of the Receiver in Conjunction with the Application for the Issuance of an Approval, Vesting and Assignment Order and Other Ancillary Relief* filed on February 14, 2022, filed in the Court record.

D. LIABILITIES

13. The known liabilities, as of September 9, 2022, are as follows:

	Estimated liabilities	Note
	(\$)	
Secured creditors		
9286-2929 Québec inc.	0	1
Consolidated Capital G.P.	0	2
FWCU Capital Corp.	11,373,236	3
Unsecured creditors		
BMO – Banque de Montréal	4,661,466	5
GST - Canada Revenue Agency	4,365	
QST - Revenu Québec	11,064	
Other	70,830	

Note:

1. A full and final payment of \$5,118,316 was made to 9286-2929 Québec Inc. on August 9, 2022. See Section G.
2. A full and final payment of \$1,581,353 was made to Consolidated Capital G.P. on August 9, 2022. See Section G.
3. As per the proof of claim received in both SEC and 9058's bankruptcies. Estimate excludes interest accrued as of today. and the interim payment of \$1,000,000 that was made on August 9, 2022. See Section G.
4. No distribution will be made to the unsecured creditors since the secured creditors will not be paid in full.
5. As a result of the Kanwal receivership process, Bank of Montreal will have a shortfall and has filed a proof of claim of \$4,661,446 in both SEC and 9058's bankruptcies.

14. The following creditors have had or still have security on the Debtors' assets:

- a. 9286 had a hypothec on all five Properties and a hypothec on SEC's and 9058's movable property.
- b. Consolidated had a hypothec on the Industrial Magog Property, and a hypothec on SEC's and 9058's movable property.
- c. FWCU Capital has a hypothec on all five Properties and a hypothec on SEC's and 9058's movable properties.

15. The Receiver obtained a legal opinion from independent counsel, Fishman Flanz Meland Paquin represented by Me Nicolas Brochu, confirming the validity and enforceability of the security affecting the assets.

E. OTHER ASSETS

16. Paul Kanwal, ex-director of 9058 owes approximately an amount of \$48,211.92 to SEC. The debt consists of an advance receivable in the amount of \$22,652.92, as per the limited books and records obtained from the Debtors and a further amount of \$26,569, including interest, consisting of rental revenues (\$200 per month from an undisclosed tenant) that Paul Kanwal personally collected from such tenant from October 2012 to February 2021.
17. EKIP, the tenant at the Industrial Magog Property, pursuant to the assignment of lease obtained on August 23, 2021, in the Kanwal receivership and becoming effective on October 1, 2021, owed the estate of SEC \$29,940.45 for unpaid water taxes for the period of October 1, 2021, to May 16, 2022, while the Receiver was in possession of the Industrial Magog Property. EKIP is further responsible for the water taxes for the period of May 17 to May 31, 2022, the time at which the Industrial Magog Property was sold. The Receiver has not yet received the water tax bill from the city of Magog for this period.
18. Despite many attempts by the Receiver to collect the unpaid water taxes and Ekip's refusal to pay same, the Receiver filed an application with the Superior Court to recover from EKIP the unpaid water taxes and for other ancillary relief on July 28, 2022, as the EKIP lease requires the tenant to pay all water taxes as part of the rent. Considering that EKIP paid the water taxes from October 1, 2021, to May 16, 2022, just prior to the hearing and that the City of Magog has not yet produced the invoice from May 17 to June 1, 2022, the Application was adjourned *sine die*.

F. DISTRIBUTION

19. On August 8, 2022, a Court order was issued authorizing the distribution of the capital and interest to Consolidated Capital G.P. and 9286-2929 Québec Inc. in full satisfaction of their secured claims in these receivership proceedings.
20. The Court also authorized an interim distribution to FWCU Capital Corp. in partial payment of its secured claim in these receivership proceedings.
21. One of the issues still to be determined is the ultimate allocation of the administration charge that was granted during the *Companies' Creditors Arrangement Act* proceedings. The receiver in the Kanwal receivership filed an application the « *Demande pour directives et pour l'émission d'une ordonnance approuvant une distribution aux créanciers garantis* » in file number 450-11-000097-208 which is scheduled to be heard on October 24, 2022, to resolve said issue.
22. The Court, as recommended by the Receiver, ordered the Receiver to keep in its trust account, a minimum reserve of \$300,000 to guarantee the payment of any and all amounts which could be allocated to the assets of SEC and/or 9058 on account of the administration charge in the CCAA proceedings, as well as, an additional \$245,000 for other priority charges.

G. INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

23. An interim statement of receipts and disbursements has been produced for the period from March 26, 2021, to August 31, 2022, and is included as **Appendix C**.

H. ANTICIPATED COMPLETION OF THE RECEIVERSHIP

24. As of the date of this report, the Receiver expects to complete the realization of the Debtors' assets within the next three (3) months and, considering some of the issues that must be presented to the Court, six (6) to nine (9) months to complete the administration.

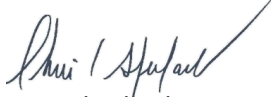
Dated in Montréal, Québec, this 23rd day of September 2022.

MNP LTD

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

CANADA
 PROVINCE OF QUEBEC
 DISTRICT OF QUEBEC
 DIVISION NO: SAINT-FRANÇOIS-04
 COURT NO: 450-11-000012-215
 FILE NO: 42-045484/42-045485

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, 2022

RECEIPTS	(\$)	(\$)
Realisation of assets		
Sale of properties		
Garlock Lot 1 395 055		1,257,066.04
Garlock Lot 1 395 054		2,731,619.34
Industriel Sherbrooke		2,740,242.75
Industriel Magog		3,327,883.83
Miscellaneous		
Rental Income		910,755.28
Settlement		100,000.00
Interest allocation		36,395.75
Cash in bank		5,207.02
Miscellaneous refunds:		
Property Tax refund		56,088.82
Taxes:		
GST collected		50,607.81
QST collected		100,963.85
Refund of CTI		13,565.45
Refund of RTI		27,057.37
TOTAL RECEIPTS		<u>11,357,453.31</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

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For the period of March 26, 2021 to August 31, 2022

Notice and Statement of Interim Report:

To 25 creditors	75.00	
Postage	47.50	122.50

Premium:

Insurance		62,002.69
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Miscellaneous disbursements:

Utilities	97,221.73	
Transfer to Trustee (Bankruptcy)	45,990.00	
Appraisal fees	32,675.59	
Maintenance, supervision & Repair	29,536.67	
Property Management	21,576.24	
Land surveyor	13,072.00	
School Taxes	10,099.36	
Messenger, photocopies, faxes, communications	4,817.63	
Storage	950.00	
Computer services	170.00	
Bank charges	3.00	256,112.22

Sub-Total of Disbursements 318,502.99

Receiver fees

429,646.45

Legal fees/disbursements

250,155.89

Taxes:

GST charged on Receiver remuneration	21,499.86	
QST charged on Receiver remuneration	42,892.13	64,391.99
GST on legal fees	12,495.86	
QST on legal fees	24,929.22	37,425.08

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GST paid on disbursements exclusive of fees	6,513.39	
QST paid on disbursements exclusive of fees	<u>12,993.98</u>	19,507.37
Payment of excise taxes :		
GST remitted	26,332.57	
QST remitted	<u>52,547.03</u>	78,879.60
TOTAL DISBURSEMENTS		<u>1,198,509.37</u>
PAYMENTS		
Secured Creditors		
9286-2929 Québec inc.	5,118,316.53	
Consolidated Capital GP	1,581,353.24	
FWCU Capital Corp.	<u>1,000,000.00</u>	7,699,669.77
TOTAL PAYMENTS		<u>7,699,669.77</u>
AMOUNT HELD IN TRUST BEFORE PRIORITY CHARGES		<u>2,459,274.17</u>
Reserves For Priority Charges		
CCAA Administration Charge	300,000.00	
Receiver's Administration Charge	200,000.00	
Post Closing Adjustments (Estimate)	<u>45,000.00</u>	545,000.00
AMOUNT HELD IN TRUST AFTER PRIORITY CHARGES		<u>1,914,274.17</u>