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COURT FILE NUMBER 2301-13913

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT SEQUENT AI LTD.

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY*
ACT, RSC 1985 c B-3, AS AMENDED

AND IN THE MATTER OF GENESIS INTEGRATION INC.

DOCUMENT

**BENCH BRIEF OF APPLICANT IN SUPPORT OF
APPLICATION FOR BANKRUPTCY ORDER**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF PARTY
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I. INTRODUCTION

1. This bench brief is submitted on behalf of Sequent AI Ltd. (the “**Applicant**”) in support of its application (the “**Application**”) for, among other things, an order adjudging Genesis Integration Inc. (“**Genesis**”) bankrupt and appointing KSV Restructuring Inc. (“**KSV**”) as trustee in bankruptcy (the “**Bankruptcy Order**”).
2. The test for the granting of a bankruptcy order under section 43(1) of the *Bankruptcy and Insolvency Act*, RSC 1985 c B-3 (the “**BIA**”) is satisfied. The Applicant is a secured creditor of Genesis owed in excess of \$8.2 million as of October 2023, plus interest and costs which continue to accrue. The value of the Applicant’s security is estimated to be \$157,000, which is not sufficient to satisfy the amounts owing to the Applicant. The Applicant is thus an unsecured creditor of Genesis, in respect of the Applicant’s deficiency claim. Genesis has committed an act of bankruptcy within the six months preceding the date of the filing of this Application, namely, by ceasing to meet its liabilities generally as they become due.
3. There is no factual or legal basis for any objection to this Court granting the Bankruptcy Order.
4. Capitalized terms used herein and not otherwise defined have the meaning ascribed to such terms in the Supplemental Affidavit of Kyle Lanzinger sworn October 11, 2024 (the “**Supplemental Affidavit**”), in support of this Application.

II. BRIEF SUMMARY OF THE FACTS

5. Cortland Credit Lending Corporation (“**Cortland**”) advanced a revolving line of credit facility to the borrower, 965591 Alberta Ltd., pursuant to a credit agreement dated as of December 15, 2020 (as amended between December 16, 2020 to December 22, 2022) (the “**Credit Agreement**”).¹ The Credit Agreement was guaranteed by, among others, Genesis and secured by, among other things, a general security agreement dated December 15, 2020 from Genesis to Cortland.²

¹ Supplemental Affidavit at para 13.

² Supplemental Affidavit at paras 15-16.

6. Pursuant to an Assignment of Debt and Security dated October 6, 2023, Cortland assigned all of its rights, title and interests in the Credit Agreement and the associated security to the Applicant.³
7. As of October 2023, the Applicant is owed approximately \$8.2 million pursuant to the Credit Agreement, plus interest and costs which continue to accrue (the “**Outstanding Indebtedness**”).⁴
8. Pursuant to an order of this Court made on October 24, 2023 (the “**Receivership Order**”), KSV was appointed as receiver and manager of the property, assets and undertaking of Genesis (with such proceedings under Action No. 2301-13913, the “**Receivership Proceedings**”).⁵
9. Immediately following its appointment and in accordance with the Receivership Order, the Receiver commenced a planned liquidation of Genesis’ assets. Following the liquidation of accounts receivables, inventory and other owned assets, there was approximately \$207,000 in the receivership account as of August 2024.⁶
10. The Receiver expects that approximately \$157,000 of the \$207,000 is available to be disbursed to the Applicant.⁷ As a result, the Applicant estimates the value of its security to be \$157,000.⁸
11. Pursuant to a Notice and Statement of the Receiver dated November 2, 2023, it was estimated that Genesis owes over 90 unsecured creditors a cumulative amount of more than \$3.4 million. No payments have been made to reduce such unsecured obligations.⁹
12. Genesis also owes certain goods and services taxes to the Canada Revenue Agency in the aggregate amount of \$175,365.67, plus interest and penalties of \$12,074.87 as of June 18, 2024 (the “**CRA Claim**”).¹⁰

³ Supplemental Affidavit at para 18.

⁴ Supplemental Affidavit at para 22.

⁵ Supplemental Affidavit at para 19.

⁶ Supplemental Affidavit at para 20.

⁷ *Ibid.*

⁸ Supplemental Affidavit at para 24.

⁹ Supplemental Affidavit at para 27.

¹⁰ Supplemental Affidavit at para 28.

13. At the time of this Application, the receivership process is spent and Genesis no longer has operations or material assets, other than the proceeds of liquidation derived from the Receivership Proceedings.¹¹

14. Neither the Receiver nor Genesis oppose the relief sought by the Applicant.¹²

III. ISSUE

15. The legal issue before this Court is whether Genesis should be ordered into bankruptcy.

IV. LAW AND ARGUMENT

A. The Bankruptcy Order should be granted.

16. The Applicant has satisfied the requirements for filing an application for a bankruptcy order under section 43(1) of the BIA:

- a. The Outstanding Indebtedness owed to the Applicant by Genesis is greater than \$1,000.
- b. Genesis has ceased meeting its liabilities generally as they become due, thereby committing an act of bankruptcy under section 42(1)(j) of the BIA.

17. As of the date of the filing of this Application, (i) Genesis has failed to pay the Outstanding Indebtedness, together with other liabilities, and (ii) Genesis cannot show that it is able to meet its liabilities generally as they fall due.¹³

18. The other liabilities that remain unpaid by Genesis include:

- a. the CRA Claim, which is in excess of \$187,000, and
- b. the claims of approximately 90 unsecured creditors, totaling more than \$3.4 million.

19. The Applicant should be granted access to the process and remedies of the BIA given that the requirements for filing this Application are satisfied.¹⁴

¹¹ Supplemental Affidavit at para 29.

¹² Supplemental Affidavit at paras 21 and 26.

¹³ *Sultan Management Group (Re)*, [2022 ABQB 262](#) at paras 64, 108-109.

¹⁴ *Mastronardi (In Bankruptcy) (Re)*, [2000 CanLII 17002](#), 195 DLR (4th) 631 (ONCA) at para 28.

The Application has a meaningful and proper purpose

20. There is no sufficient cause for this Court to deny this Application pursuant to section 43(7) of the BIA. There is no improper purpose in seeking the Bankruptcy Order and, to the contrary, there is a meaningful purpose to be served by Genesis' bankruptcy.¹⁵
21. Courts have dismissed a bankruptcy application if it is shown that an application was brought for an improper purpose, such as out of spite or vengeance or to obtain a business advantage, like the elimination of a competitor or the termination of a contract.¹⁶ None of these circumstances are present in this case.
22. Genesis is an insolvent shell and its business life has been exhausted. The bankruptcy framework is the appropriate one in the circumstances. The bankruptcy process will serve as the framework and provide certainty for the distribution of Genesis' funds realized under the Receivership Proceedings. Any priority claims to those funds also will be distributed in accordance with the statutory scheme set out in the BIA.
23. Ordering Genesis into bankruptcy will have the effect of reversing the priority of the CRA Claim and will improve the Applicant's prospects of recovering a portion of its Outstanding Indebtedness. The effect of reversing priorities is statutorily permitted and courts have held that it is a proper use of the bankruptcy process:

“While, in the ordinary course outside of at bankruptcy, unremitted HST may result in a deemed trust claim by the Crown pursuant to section 222(1) of the *Excise Tax Act*, I note that such deemed trust would not survive in a bankruptcy, which is proposed and intended here in any event. The Court of Appeal for Ontario has held that a bankruptcy order may be sought with the express purpose of affecting priorities.”¹⁷

¹⁵ *Ivaco Inc, Re*, [2005 CanLII 27605](#), 12 CBR (5th) 213 (ONSC) [*Ivaco*], aff'd [2006 CanLII 34551](#), 275 DLR (4th) 132 (ONCA), at para 14.

¹⁶ *Ivaco* at para 14.

¹⁷ *American General Life Insurance Company et al v Victoria Avenue North Holdings Inc et al*, [2023 ONSC 3322](#) at para 17, citing *Grant Forest Products Inc v The Toronto Dominion Bank*, 2015 ONCA 570; see also *CIBC Mortgages Inc (Firstline Mortgages) v Chartrand*, [2010 ONCA 456](#) at para 8.

24. The proposition from these authorities have been accepted by Alberta courts in granting the requested relief.¹⁸

25. In consideration of all of the above, the Applicant respectfully submits that the statutory requirements for the granting of the Bankruptcy Order have been satisfied and there is no sufficient cause for this Court to deny this Application.

V. REQUESTED RELIEF

26. The Applicant respectfully requests that this Honourable Court grant the Bankruptcy Order substantially in the form attached to this Application.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 15th day of October, 2024.

Per: 

Linc Rogers / Kevin (Xin Yuan) Wu
BLAKE, CASSELS & GRAYDON LLP
Counsel for Sequent AI Ltd., as the Applicant

¹⁸ See [Brief of the Applicant](#) at para 30 in support of the bankruptcy of *RBee Aggregate Consulting Ltd* (Court File Number: [2201-02948](#)) and the corresponding [Bankruptcy Order](#) granted on May 18, 2022; see also [Brief of the Receiver](#) at para 17 in support of the bankruptcy of *Trident Exploration (WX) Corp* (Court File Number: [1901-06244](#)).

TABLE OF AUTHORITIES

TAB	AUTHORITY
1	<i>Bankruptcy and Insolvency Act</i> , RSC 1985 c B-3
2	<i>Sultan Management Group (Re)</i> , 2022 ABQB 262
3	<i>Mastronardi (In Bankruptcy) (Re)</i> , 2000 CanLII 17002 , 195 DLR (4th) 631 (ONCA)
4	<i>Ivaco Inc, Re</i> , 2005 CanLII 27605 , 12 CBR (5th) 213 (ONSC), aff'd 2006 CanLII 34551 , 275 DLR (4th) 132 (ONCA)
5	<i>American General Life Insurance Company et al v Victoria Avenue North Holdings Inc et al</i> , 2023 ONSC 3322
6	<i>CIBC Mortgages Inc (Firstline Mortgages) v Chartrand</i> , 2010 ONCA 456
7	<i>In the matter of the Bankruptcy of RBee Aggregate Consulting Ltd</i> (Case File Number: 2201-02948)
8	<i>In the matter of the Bankruptcy of Trident Exploration (WX) Corp</i> (Case File Number: 1901-06244)