



COURT FILE NUMBER **2301 - 13912**

COURT **COURT OF KING’S BENCH OF ALBERTA**

JUDICIAL CENTRE **CALGARY**

APPLICANT **SEQUENT AI LTD.**

RESPONDENTS **GENESIS INTEGRATION INC. and
FUSION CINE SALES AND RENTALS INC.**

DOCUMENT **SUPPLEMENT TO THE SECOND REPORT OF THE RECEIVER
NOVEMBER 19, 2024**



ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER’S COUNSEL
McMillan LLP

Attention: Adam Maerov/Preet Saini
Telephone: 403.215.2752/403.531.4716
Facsimile: 403.531.4720
Email: adam.maerov@mcmillan.ca/preet.saini@mcmillan.ca

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1.0 Introduction

1. This report (the “Supplemental Report”) supplements the Receiver’s Second Report to Court dated August 6, 2024 and filed August 7, 2024 (the “Second Report”).
2. The Second Report was filed in connection with the Receiver’s application for its discharge and authority to distribute the remaining funds to Sequent, the Companies’ principal secured creditor (the “Discharge Hearing”). On August 15, 2024, the Discharge Hearing was adjourned as a result of a deemed trust claim filed by Canada Revenue Agency (“CRA”) against Genesis in the amount of approximately \$175,000 (the “Deemed Trust Claim”), which was brought to the Receiver’s attention immediately prior to the hearing.
3. Defined terms in this Supplemental Report have the meaning provided to them in the Second Report, unless otherwise defined herein. This Supplemental Report is subject to the same scope and terms of reference as set out in the Second Report.

1.1 Purposes of this Supplemental Report

1. The purposes of this Supplemental Report are to provide:
 - a) an update on developments since the adjournment of the Discharge Hearing; and
 - b) the Receiver’s recommendation that this Honourable Court make an order granting the relief set out in the Second Report.

2.0 Bankruptcy of Genesis

1. Following the adjournment of the Discharge Hearing:
 - a) on October 16, 2024, an Application for Bankruptcy Order against Genesis was filed by Sequent;
 - b) on October 24, 2024, the Court granted the Bankruptcy Order against Genesis, a copy of which is attached as Appendix “A”. Pursuant to the Bankruptcy Order, KSV was appointed as Licensed Insolvency Trustee (“Trustee”) of Genesis’ bankrupt estate, subject to affirmation at the first meeting of creditors; and
 - c) on November 19, 2024, KSV’s appointment as Trustee was affirmed at the first meeting of creditors.

2. CRA's legal counsel attended the hearing on October 24, 2024 and did not oppose the Bankruptcy Order, which, *inter alia*, has the effect of reversing the priority of the Deemed Trust Claim.

3.0 Proposed Distributions

1. Under the proposed Discharge Order, the Receiver seeks authorization to make distributions to Sequent after paying or providing for all of the Receiver's and its legal counsel's existing and final fees and disbursements.
2. Since the filing of the Second Report, the Receiver has paid: (a) all professional fees outstanding for the period ended October 31, 2024; and (b) advanced \$20,000 to the Trustee to fund the costs of the bankruptcy proceedings pursuant to a Third-Party Guarantee Agreement between the Receiver and the Trustee.
3. As at the date of this Supplemental Report, there is approximately \$131,000 in the Receiver's account. Subject to Court approval, the Receiver intends to distribute approximately \$110,000 to Sequent, which will leave approximately \$21,000 to cover the Receiver's final costs in these proceedings, including those of its legal counsel.
4. The Second Report included an interim statement of receipts and disbursements ("R&D") for the period ended August 2, 2024. Attached as Appendix "B" is an updated R&D for the period ended November 15, 2024.

4.0 Professional Fees

1. The Second Report included fee information for the Receiver and McMillan from the commencement of these proceedings to June 30, 2024.
2. The fees (excluding disbursements and applicable sales tax) of the Receiver and McMillan from the commencement of these proceedings to October 31, 2024 total approximately \$219,000 and \$52,000, respectively.
3. Detailed invoices in respect of the fees and disbursements of the Receiver and McMillan can be made available to the Court upon request. A summary of the fees and disbursements included on each invoice of KSV and McMillan for the referenced billing periods is attached as Appendix "C".

4. The Receiver is of the view that the hourly rates charged by McMillan are consistent with the rates charged by corporate law firms practicing in the areas of corporate insolvency and restructuring in the Alberta market, and that the overall fees charged by McMillan and the Receiver are reasonable and appropriate in the circumstances.
5. As noted above, the Receiver will retain approximately \$21,000, which in the Receiver's view is sufficient and necessary to cover its fees and the fees of McMillan from November 1, 2024 to the completion of these proceedings. Those fees have principally been, or will be, incurred in connection with preparing for the hearing of the Receiver's application returnable December 3, 2024. Any surplus from this holdback will be distributed to Sequent.

5.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that this Court grant the Discharge Order.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS COURT APPOINTED RECEIVER AND MANAGER OF
GENESIS INTEGRATION INC. AND FUSION CINE SALES & RENTALS INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

Clerk's stamp:



COURT FILE NUMBER 2301-13913
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE BANKRUPTCY OF
GENESIS INTEGRATION INC.

APPLICANT SEQUENT AI LTD.

RESPONDENT GENESIS INTEGRATION INC.

DOCUMENT **BANKRUPTCY ORDER**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT BLAKE, CASSELS & GRAYDON LLP
3500, 855 – 2nd Street S.W.
Calgary, AB T2P 4J8

Attention: Linc Rogers /
Kevin (Xin Yuan) Wu
Telephone: 416-863-4168 /
416-863-2586
Facsimile: 403-260-9700
Email: linc.rogers@blakes.com /
kevin.wu@blakes.com

DATE ON WHICH ORDER WAS PRONOUNCED: October 24, 2024

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary Courts Centre

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice Johnston

UPON the application (the "**Application**") of Sequent AI Ltd., a creditor, of Genesis Integration Inc., in the Province of Alberta, filed on the 15th day of October, 2024; **AND UPON** having read the Affidavit of Truth of Statements sworn October 11, 2024, filed and the Supplemental Affidavit of Kyle Lanzinger sworn October 11, 2024; **AND UPON** being satisfied that Genesis Integration Inc., the proposed trustee named in the Application, the Office of the Superintendent in Bankruptcy and all other interested and affected parties have been served with notice of the within Application;

AND UPON being satisfied that Genesis Integration Inc. has committed an act of bankruptcy in the six months preceding the filing of the within Application, specifically that Genesis Integration Inc. has ceased to meet its liabilities generally as they become due;

AND UPON noting the consent of KSV Restructuring Inc. ("**KSV**") to be appointed as trustee of the bankrupt estate of Genesis Integration Inc. and being satisfied that it is a person qualified to act;

AND UPON hearing from counsel for Sequent AI Ltd. and any other interested party appearing at the Application,

IT IS HEREBY ORDERED AND DECLARED THAT:

1. Service of notice of the Application and materials filed in support thereof, is hereby validated and deemed good, timely, and sufficient.
2. Genesis Integration Inc., a corporation registered in the Province of Alberta, is hereby adjudged bankrupt by virtue of this Order being made on this date.
3. KSV is appointed as trustee of the estate of Genesis Integration Inc. (the "**Trustee**") without the requirement to give security under the *Bankruptcy and Insolvency Act*, and the Trustee is authorized to take all necessary steps to take possession of the deeds, books, records and documents and all property of the bankrupt and to administer the bankrupt estate of Genesis Integration Inc.
4. The costs of and incidental to the Application and this Bankruptcy Order shall be paid to Sequent AI Ltd. out of the assets of the bankrupt's estate after taxation of the accounts.

BB Johnston

J.C.K.B.A

Appendix “B”

Genesis Integration Inc. & Fusion Cine Sales & Rentals Inc.

Interim Statement of Receipts and Disbursements

For the Period Ending November 15, 2024

(\$; unaudited)

Description	Amount
<i>Receipts</i>	
Accounts Receivable Collections	482,773
Auction Proceeds	360,517
Funding from Sequent AI Ltd.	105,223
Beginning Cash in Bank	102,548
Miscellaneous Refunds and Interest	17,701
	<u>1,068,762</u>
<i>Disbursements</i>	
Payroll	225,269
Receiver Fees	219,469
Repayment of Receivership Advances from Sequent	124,459
CRA Deemed Trust Claim	101,713
Subcontracting	56,034
Legal fees	52,259
Rent	52,246
HST	44,661
IT Administration	30,000
Transfer to Trustee re bankruptcy administration	20,000
Miscellaneous expenses	6,213
Insurance	3,991
Utilities	1,422
	<u>937,734</u>
Balance in Receivership Account	<u>131,028</u>

Appendix “C”

Genesis Integration Inc. & Fusion Cine Sales & Rentals Inc.

Summary of Professional Fees

Invoice Date	Period Ended	Fees	Disbursements	Taxes	Total
<u>KSV Restructuring Inc.</u>					
December 12, 2023	November, 2023	90,811.00	1,674.25	12,023.08	104,508.33
January 16, 2024	December 31, 2023	16,109.50	1.30	2,094.40	18,205.20
February 8, 2024	January 31, 2024	9,474.50	1,939.75	1,483.85	12,898.10
March 7, 2024	February 28, 2024	11,218.75	-	1,458.44	12,677.19
April 5, 2024	March 31, 2024	19,437.50	147.97	2,546.11	22,131.58
May 10, 2024	April 30, 2024	12,639.50	-	1,643.14	14,282.64
June 6, 2024	May 31, 2024	12,576.75	-	1,634.98	14,211.73
July 8, 2024	June 30, 2024	11,186.87	-	1,454.41	12,641.28
August 8, 2024	July 31, 2024	21,396.75	-	2,781.58	24,178.33
November 14, 2024	October 31, 2024	14,617.75	78.76	1,910.55	16,607.06
Total		219,468.87	3,842.03	29,030.54	252,341.44
<u>McMillan LLP</u>					
November 22, 2023	October 31, 2023	2,827.50	-	141.38	2,968.88
December 13, 2023	November 30, 2023	13,333.50	61.19	669.73	14,064.42
December 31, 2023	December 31, 2023	217.50	183.34	15.54	416.38
April 10, 2024	March 31, 2024	6,466.00	54.00	323.90	6,843.90
May 9, 2024	April 30, 2024	5,668.50	765.00	316.76	6,750.26
June 12, 2024	May 31, 2024	1,276.00	-	63.80	1,339.80
July 11, 2024	June 30, 2024	1,809.00	86.00	93.32	1,988.32
August 15, 2024	July 31, 2024	5,090.50	-	254.53	5,345.03
September 9, 2024	August 31, 2024	9,680.50	64.39	487.24	10,232.13
October 10, 2024	September 30, 2024	387.50	134.38	21.59	543.47
November 11, 2024	October 31, 2024	5,502.00	-	275.10	5,777.10
Total		52,258.50	1,348.30	2,662.89	56,269.69