

COURT FILE NUMBER **2301 -**

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 **PRE-FILING REPORT OF THE PROPOSED RECEIVER**

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT **PROPOSED RECEIVER'S COUNSEL
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1.0 Introduction

1. This pre-filing report ("**Report**") is filed by KSV Restructuring Inc. ("**KSV**") as proposed receiver and manager (the "**Receiver**")¹ of the current and future assets, undertakings and properties of Genesis Integration Inc. ("**Genesis**") and its wholly-owned subsidiary, Fusion Cine Sales & Rentals Inc. ("**Fusion**", and together with Genesis, the "**Companies**").
2. KSV understands that Sequent AI Ltd. ("**Sequent**"), in its capacity as collateral and administrative agent (in such capacity, the "**Agent**") for the lenders party to the Credit Agreement (as defined below), being the Companies' principal secured creditor, intends to bring a receivership application before the Court of King's Bench of Alberta (the "**Court**") for a consent receivership order (the "**Receivership Order**"), *inter alia*, placing the Companies in receivership and appointing KSV as Receiver of the Companies' current and future assets, undertakings and properties (the "**Receivership Proceedings**").
3. KSV has consented to act as Receiver should the Court see fit to grant the Receivership Order. A copy of KSV's consent is attached as **Appendix "A"**.
4. Cortland Lending Corporation ("**Cortland**"), the Agent, Genesis, Genesis' wholly-owned subsidiary, Fusion, and certain other non-operating entities, as guarantors (collectively, the "**Guarantors**" and together with the Companies, the "**Debtors**") are party to a Credit Agreement dated December 15, 2020 (as amended, restated, replaced supplemented or otherwise from time to time, the "**Credit Agreement**"). Pursuant to an Assignment of Debt and Security dated October 6, 2023, Cortland assigned all of its right, title and interest in the Credit Agreement and the associated security to Sequent. Currently, Sequent is the only lender under the Credit Agreement. As of October 6, 2023, the amount outstanding under the Credit Agreement was \$8,208,075.05, plus fees, interest and costs which continue to accrue (the "**Sequent Debt**"). In addition to being the agent and only lender under the Credit Agreement, Sequent is also an affiliate of Sequent AI Exchangeco Ltd., the sole shareholder of Genesis.

¹ For the purposes of this Report, the term Receiver is used, as applicable, to reference KSV Restructuring Inc. in its capacity as proposed receiver of the Companies or as court-appointed receiver of the Companies, when and if appointed.

5. The Companies have substantially ceased operations. The principal purpose of the proposed Receivership Proceedings is to conduct a liquidation of the Companies' assets under the supervision of the Receiver.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Companies and their financial position;
 - b) summarize the previous receivership of Genesis, which resulted in a going-concern transaction that was completed in September, 2022;
 - c) set out the proposed Receiver's anticipated next steps, if appointed; and
 - d) recommend that the Court grant the Receivership Order, including appointing KSV as Receiver.

1.2 Restrictions

1. In preparing this Report, KSV has relied upon the Companies' unaudited financial information. KSV has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook.
2. KSV expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by KSV in preparing this Report. Reliance by any third party on the financial information in this Report for investment or credit purposes shall not be considered sufficient and such parties are strongly advised to perform their own due diligence. KSV shall have no responsibility for any reliance placed on the financial information presented in this Report by any present or future investor, creditor or other stakeholder of the Companies.

1.3 Currency

1. Unless otherwise noted, all currency references in this Report are in Canadian dollars.

2.0 Background

1. Genesis, headquartered in Edmonton, Alberta, was in the business of designing and integrating audiovisual collaboration systems for both public sector and corporate clients. Genesis operated from leased premises in Edmonton, Mississauga, Ottawa and Montreal.
2. Genesis provided a full range of services to its customers, including equipment sales and consulting, design and implementation of complex integrated audiovisual systems which require taking off-the-shelf components and configuring, programing and installing them at the customers' sites. Genesis did this work for both public sector and corporate clients.
3. Fusion, headquartered in Vancouver, British Columbia, and purchased by Genesis in 2007, was a national production partner that provided sales, rentals and servicing of audio, video, photography and lighting equipment to Canadian broadcast companies, film production companies and digital content creators.
4. Although there was some strategic overlap and consolidation of back-office functions, Fusion operated as a separate standalone business from Genesis.
5. Prior to recently substantially discontinuing its operations, Fusion sold "out of the box" solutions or engineering end-to-end solutions for larger projects, including supplying the requisite equipment, design, testing and training to its customers. Fusion maintained various exclusive reseller dealerships in Canada for some of the industry's most prestigious product lines of cameras, lenses, production lighting and other production equipment.
6. As at the date of this Report, Genesis and Fusion have eight and fourteen employees, respectively. The Genesis and Fusion workforces are not unionized and neither Genesis nor Fusion maintain any registered pension plans.

2.1 Previous Receivership Transaction

1. In early September 2022, Cortland made an application to the Court seeking the appointment of a receiver over the current and future assets, undertakings and properties (the "**Assets**") of Genesis and its then parent company, 965591 Alberta Ltd ("**965 AB Ltd.**").

2. On September 13, 2022, the Court granted a consent receivership order (the "**Previous Receivership Order**") which, among other things, appointed KSV as the receiver of the Assets of Genesis and 965 AB Ltd. Fusion's assets were not subject to the receivership or any other insolvency proceedings. As it was a wholly owned subsidiary of Genesis, all of the shares issued by Fusion constituted property that was subject to the receivership.
3. The primary purpose of the previous receivership proceedings was to facilitate the purchase and sale of all issued and outstanding shares of Genesis (then owned by 965 Alberta) to Sequent AI Exchangeco Ltd. (the "**Purchaser**"), an affiliate of Sequent, pursuant to a share purchase agreement dated July 25, 2022 (the "**SPA**") (the "**Transaction**").
4. The Transaction contemplated by the SPA was consummated by way of an Approval and Reverse Vesting Order, which provided for the vesting of any excluded liabilities from Genesis in a "ResidualCo", which subsequently made an assignment in bankruptcy following closing of the Transaction.
5. The Transaction facilitated the continued operations of the Genesis and Fusion businesses on a going concern basis, the opportunity for continued employment for substantially all of their employees and the retention by Genesis of the secured debt owing to Cortland and a significant portion of Genesis' unsecured trade debt. The Transaction also facilitated the Purchaser's acquisition of Genesis' ownership interest in Fusion without any affect on Fusion's creditor obligations.
6. On September 29, 2022, the Court granted a discharge order which, among other things, discharged KSV as the receiver of the Assets of Genesis.
7. Notwithstanding the benefits of the Transaction, Genesis and Fusion both continued to incur material operating losses and have been in default for some time under the Credit Agreement.

3.0 Secured Creditors

1. As at October 6, 2023, the Agent is owed approximately \$8.21 million under the Credit Agreement. The details of the indebtedness owing to the Agent under the Credit Agreement and the Companies' defaults thereunder are detailed in the affidavit filed by the Agent in support of its receivership application (the "**Affidavit**"), and accordingly, that information is not repeated in this Report.

2. Other than the Agent, creditors with registered security interests in certain of the Companies' assets, which is more fully described in the Affidavit, are reflected in the table below.

Creditor	Security
Crestron Electronics Inc.	Certain inventory of electronic goods and merchandise.
Longbow Sales Inc.	Writ of enforcement in connection with a small claims judgement. The stated value is \$10,444.87.
Government of Alberta – Employment Standards Collection Unit	Writs of enforcement registered against certain serial numbered goods in connection with various claims of former employees. The collective value of the writs of enforcement totals \$22,457.60.
Meridian Onecap Credit Corp.	Certain inventory of audio and visual equipment, including photography and film equipment.
His Majesty in Right of Ontario Represented by the Minister of Finance	This registration appears to relate to the Companies' employee health tax arrears.

3. The Receiver understands that Sequent, as lender, is not prepared to extend any further credit to the Companies under the Credit Agreement or provide the Companies with any waiver of its rights under the Credit Agreement and corresponding security documents.

4.0 Financial Position

1. The Companies' most recent available borrowing base certificate (the "BBC") dated September 15, 2023, a copy of which is attached as **Appendix "B"**, reflects the book value of the Companies' working capital (and only realizable) assets, being accounts receivable and inventory, as follows:

Assets	(\$000's)	
	Genesis	Fusion
Accounts Receivable	4,551	220
Inventory	2,410	3,274
Total	6,961	3,494

2. The BBC and its supporting schedules reflect that:
- a) almost all of the Companies' accounts receivable is significantly aged. As a result, there were nominal receivables available for borrowing purposes according to the lending formula set out in the Credit Agreement; and
 - b) the advance rate² against the book value of inventory is 25%.

² The advance rate is meant to be a proxy for liquidation value.

3. Based on the BBC, it appears that the Sequent Debt is significantly impaired, and accordingly, the Agent is projected to incur a substantial shortfall on its advances to the Companies.

5.0 Anticipated Next Steps

1. If appointed, the Receiver's next steps will be to:
 - a) solicit liquidation proposals for the Companies' inventory;
 - b) seek Court approval of a Liquidation Services Agreement in order to complete a liquidation of the Companies' inventory as expeditiously and efficiently as possible in the circumstances;
 - c) take steps to collect accounts receivable;
 - d) retain, on the Companies' behalf and in accordance with the Receivership Order, the employees required to assist with the realization process;
 - e) commence its statutory requirements to administer an employee claims process pursuant to the *Wage Earner Protection Program Act*; and
 - f) obtain an independent legal opinion on the validity of the Agent's security.

6.0 Conclusion and Recommendation

1. The Receiver respectfully recommends that the Court grant the proposed Receivership Order.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS THE PROPOSED RECEIVER 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 -
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT SEQUENT AI LTD.
RESPONDENTS GENESIS INTEGRATION INC. and
FUSION CINE SALES & RENTALS INC.
DOCUMENT **CONSENT TO ACT**

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

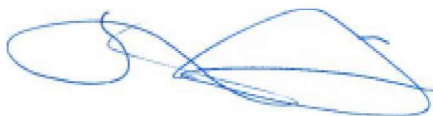
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KSV Restructuring Inc., a licensed insolvency trustee, hereby consents to be appointed as receiver of the respondents, Genesis Integration Inc. and Fusion Cine Sales & Rentals Inc.

DATED at the City of Toronto, in the Province of Ontario, this 18th day of October, 2023.

KSV Restructuring Inc.



Per:

Name: David Sieradzki
Title: Managing Director

Appendix “B”

ACCOUNTS RECEIVABLE

		Genesis AR	Genesis PO	Genesis Box Sales	Fusion AR	Fusion Box Sales	Combined
		CAD	CAD	CAD	CAD	CAD	CAD
ACCOUNTS RECEIVABLE							
Gross Accounts Receivable	(Gross AR per listing provided)	1,600,492	2,334,195	-	25,316		3,960,004
less: intercompany				-	-		-
Box sales				615,895		194,365	810,260
Net Accounts Receivable		1,600,492	2,334,195	615,895	25,316	194,365	4,770,264
Less:							
>90 days past invoice date	(>90 days from invoice date)	1,600,492			(12,812)		1,587,680
Past due credits	(>90 days from invoice date)	35,807			18,246		54,053
Crossaging rule @50%	(>90 days from invoice date)	-			1,993		1,993
Unqualified AR - flowthrough not greater than 90 days	This is Convergent and Alberta Health Serv	-					-
Box Sales Over 90 Days			2,334,195	615,895		194,365	3,144,455
Projects over 4 months to completion	(> 4 months to end of projects)						-
Projects not active	(Status: ACCNTREV, DEFICIENCY, PENDING)		-	-			-
Total Ineligible		1,636,299	2,334,195	615,895	7,427	194,365	4,788,181
Total Eligible Accounts Receivable		(35,807)	0	-	17,889	-	(17,917)
Rate of advance		85%	50%	80%	85%	80%	
Total Accounts Receivable Available		(30,436)	0	-	15,206	-	(15,230)
					Genesis	Fusion	Combined
					2,409,877	3,313,691	5,723,568
INVENTORY							
less:							
Inventory available to lease contracts	(lease contracts with vendors)						39,690
Total Ineligible							39,690
Total Eligible Inventory							3,683,878
Rate of cost							25.5%
Total available from inventory							3,723,568
Total Available Collateral							1,434,159
Less:							
Legal priority claims	(past due taxes payable)						
WEPPA							
Total priority payables							
Net Available Collateral							