



**First Report of
KSV Restructuring Inc.
as Receiver of
965591 Alberta Ltd.**

September 22, 2022

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COURT FILE NO: 2201 - 10223

COURT OF KING'S BENCH OF ALBERTA

BETWEEN:

CORTLAND CREDIT LENDING CORPORATION

APPLICANT

- AND -

965591 ALBERTA LTD.

RESPONDENT

FIRST REPORT OF
KSV RESTRUCTURING INC.
AS RECEIVER

September 22, 2022

1.0 Introduction

1. Pursuant to an application by Cortland Credit Lending Corporation ("Cortland"), 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 principal secured creditor of 965591 Alberta Ltd. ("965 Alberta") and its wholly-owned subsidiary, Genesis Integration Inc. ("Genesis", and together with 965 Alberta, the "Companies"), the Court of King's Bench of Alberta (the "Court") issued an order on September 13, 2022 (the "Receivership Order") placing the Companies in receivership (the "Receivership Proceedings") and appointing KSV Restructuring Inc. ("KSV") as the receiver (the "Receiver") of all of the Companies' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof. A copy of the Receivership Order is attached as Appendix "A".
2. Pursuant to a Credit Agreement dated December 15, 2020 (as amended, restated, replaced, supplemented or otherwise from time to time, the "Credit Agreement") among 965 Alberta, as borrower, the Agent, Genesis and its wholly-owned subsidiary, Fusion Cine Sales & Rental Inc. ("Fusion"), and certain other non-operating entities, as guarantors (collectively, the "Guarantors" and together with the Companies, the "Debtors"), 965 Alberta entered into the Credit Agreement to fund the businesses and operations of Genesis and Fusion. As of September 1, 2022, the amount outstanding under the Credit Agreement was \$9,424,365.42, before legal fees, interest and costs (the "Cortland Debt").

3. The primary purpose of the Receivership Proceedings was to complete a going-concern transaction (the “Transaction”) between the Receiver, as vendor, and Sequent AI Exchangeco Limited or its designee (the “Purchaser”), as purchaser, for all of the issued and outstanding shares of Genesis pursuant to a Share Purchase Agreement dated as of July 25, 2022 (the “SPA”). The Transaction was approved by the Court pursuant to an order dated September 13, 2022 (the “Approval and Reverse Vesting Order”) and closed on September 15, 2022 upon delivery of the Receiver’s Certificate confirming the closing of the Transaction. Copies of the filed Approval and Reverse Vesting Order and the Receiver’s Certificate are attached as Appendices “B” and “C”, respectively.
4. The Approval and Reverse Vesting Order contemplated that upon delivery of the Receiver’s Certificate confirming the closing of the Transaction, Genesis would cease to be a respondent in the Receivership Proceedings and would be released from the scope and effect of the Receivership Order and all other orders of the Court granted in the Receivership Proceedings. The Receiver delivered the Receiver’s Certificate on September 15, 2022, thereby terminating the Receivership Proceedings as against Genesis and the style of cause of the Receivership Proceedings was amended to delete Genesis as a respondent.
5. This report (“Report”) is filed in KSV’s capacity as Receiver of 965 Alberta.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Companies and these proceedings, principally the Transaction;
 - b) provide the Receiver’s rationale for recommending that the Receivership Proceedings be terminated as against 965 Alberta and that the Receiver be discharged as Receiver of 965 Alberta; and
 - c) recommend that the Court issue an order (the “Discharge Order”):
 - i. approving this Report and the activities of the Receiver described herein;
 - ii. approving an accrual of \$50,000 for the fees incurred or to be incurred by the Receiver and its legal counsel, McMillan LLP (“McMillan”), from September 1, 2022 to the completion of these proceedings (the “Fee Accrual”);
 - iii. terminating the Receivership Proceedings and discharging KSV as Receiver of 965 Alberta;

- iv. declaring that the Receiver has satisfied its obligations under and pursuant to the terms of the Orders granted in the within proceedings up to and including the date of its discharge and that the Receiver shall not be liable for any act or omission on its part including, without limitation, any act or omission pertaining to the discharge of its duties in the within proceedings, save and except for any liability arising out of any fraud, gross negligence or willful misconduct on the part of the Receiver, or with leave of the Court; and
- v. declaring that no action or other proceedings shall be commenced against the Receiver in any way arising from or related to its capacity or conduct as Receiver, except with prior leave of the Court.

1.2 Restrictions

1. In preparing this Report, the Receiver has relied upon the Companies' unaudited financial information. The Receiver 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. The Receiver expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by the Receiver 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. The Receiver 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. 965 Alberta is an entity ultimately owned and controlled by Fulcrum AV Integration Partners Ltd. ("Fulcrum AV") and does not carry on any active business operations of its own. Prior to the closing of the Transaction, 965 Alberta was the sole shareholder of Genesis.
2. Genesis, headquartered in Edmonton, Alberta, is in the business of designing and integrating audiovisual collaboration systems for both public sector and corporate clients. Fusion, a wholly owned subsidiary of Genesis, is headquartered in Vancouver, British Columbia, and provides sales, rentals and servicing of audio, video, photography and lighting equipment to Canadian broadcast companies, film production companies and digital content creators.
3. At the commencement of the Receivership Proceedings, Genesis and Fusion had 69 and 21 employees, respectively. The Genesis and Fusion workforces were not unionized and neither Genesis nor Fusion maintained any registered pension plans.

4. Of the Debtors, the only operating entities were Genesis and Fusion, both of which are now directly and indirectly owned and controlled by the Purchaser pursuant to the Transaction. Accordingly, 965 Alberta no longer has any interest in any active operating entities, nor does it have any other known assets of any significance.

2.1 Transaction

1. KSV's report filed as proposed Receiver dated September 2, 2022 (the "Pre-Appointment Report"), which was filed in support of the Transaction, provides detailed information on the Transaction, including the basis for the Receiver's recommendation that the Court approve the Transaction. Accordingly, that information is not repeated exhaustively in this Report.
2. The Transaction was structured as a share purchase agreement to be consummated by the Receiver by way of the Approval and Reverse Vesting Order, which provides for the vesting of any excluded liabilities from Genesis in 2453115 Alberta Ltd., a corporation recently incorporated as a wholly-owned subsidiary of 965 Alberta ("Residual Co."). Residual Co. has no assets and the Purchaser has advised the Receiver that Residual Co. will soon make a voluntary assignment in bankruptcy.
3. The purchase price under the Transaction was \$1.00 plus the retention of certain Retained Liabilities (as defined in the SPA), which totalled approximately \$11 million as at the date of the receivership application, including, among other things, all amounts owing to Cortland under the Credit Agreement and amounts owing to certain of Genesis' ongoing vendors.
4. The benefits of the Transaction included facilitating the continued operations of the Genesis and Fusion businesses on a going concern basis, the opportunity for continued employment for all but 15 of Genesis' and Fusion's employees and the retention by Genesis of the Cortland Debt and a significant portion of Genesis' unsecured trade debt. The Transaction facilitated the Purchaser's acquisition of Genesis' ownership interest in Fusion without any affect on Fusion's creditor obligations.
5. In connection with the Transaction and the SPA, on September 14, 2022, the Receiver:
 - a) delivered termination letters, on Genesis' behalf, to the 15 Genesis employees that were not contemplated to remain employed post-closing of the Transaction; and
 - b) issued Notices of Disclaimer to all parties contemplated by the SPA.
6. Additional information concerning the Companies and the Transaction is provided in the Pre-Appointment Report, a copy of which is provided in Appendix "D", without appendices. Court materials filed in these proceedings are available on the Receiver's website at <https://www.ksvadvisory.com/experience/case/genesis-integration-inc>.

3.0 Receiver's Discharge

1. The Receiver believes it is appropriate for it to be discharged at this time for the following reasons:
 - a) 965 Alberta's investment in Genesis, which was its only known material asset, has been realized upon pursuant to the Court-approved Transaction;
 - b) subject to the activities described in paragraph 3 below, the Receiver has discharged its duties and obligations in accordance with the Receivership Order and other orders issued in these Receivership Proceedings;
 - c) the Receiver's administration is complete and there are no outstanding issues at this time that would require that the Receivership Proceedings continue over 965 Alberta; and
 - d) notwithstanding its discharge, the proposed Discharge Order provides that the Receiver will continue to have the protections afforded to it at law or pursuant to the Receivership Order and the other orders issued in these proceedings and the Receiver shall remain Receiver for the performance of such incidental duties as may be required to complete the administration of the receivership. These are standard provisions in the Alberta template discharge order and the Receiver believes they are appropriate in the circumstances so that the Receiver can deal with incidental issues that may arise following its discharge.
2. Based on the foregoing, the Receiver recommends that this Honourable Court terminate the Receivership Proceedings and grant the Receiver its discharge.
3. Notwithstanding that Genesis ceased to be a respondent in the Receivership Proceedings upon closing of the Transaction, Paragraph 8 of the Approval and Reverse Vesting Order provides that the Receiver shall be authorized to take all steps necessary to uphold any obligations arising from the *Wage Earner Protection Program Act*, SC 2005, c 47 ("WEPPA") in respect of the 15 Genesis employees that were terminated on September 14, 2022 (i.e. immediately prior to the closing of the Transaction). In this regard, the Receiver is working with Genesis' management to administer the WEPPA claims process.

4.0 Bankruptcy of Residual Co.

1. The proposed Discharge Order contemplates that Residual Co. may make a voluntary assignment for the general benefit of its creditors to complete the administration of its estate.
2. The Receiver believes this is appropriate in the circumstances given that Residual Co. is void of any assets and was incorporated for the sole purpose of assuming the liabilities excluded from the Transaction in accordance with the Approval and Reverse Vesting Order. It was always contemplated that Residual Co. would make an assignment in bankruptcy at the conclusion of the process.

5.0 Professional Fees

1. Pursuant to an Order of the Court dated September 13, 2022, the fees and disbursements of the Receiver, including those of its affiliate, KSV Advisory Inc. , and McMillan for the period July 1, 2022 to August 31, 2022, as described in the Pre-Appointment Report, were approved.
2. The Receiver believes that the Fee Accrual is sufficient and necessary to cover its fees and the fees of McMillan from September 1, 2022 to the completion of the Receivership Proceedings. Those fees have principally been incurred in connection with the hearing of the receivership application on September 13, 2022, the closing of the Transaction on September 15, 2022, preparing for the hearing of the Receiver's discharge motion returnable September 29, 2022 and to administer the WEPPA claims process.
3. McMillan's fees and disbursements referenced in the Pre-Appointment Report inadvertently did not include all of its time for the period ended August 31, 2022. McMillan's actual fees and disbursements were \$5,334.30 more than what was reflected in the Pre-Appointment Report.

6.0 Conclusion and Recommendation

1. The Receiver respectfully recommends that the Court make the Orders granting the relief detailed in Section 1.1(1)(c) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

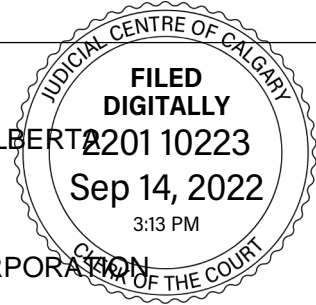
**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS THE RECEIVER OF
965591 ALBERTA LTD.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

CERTIFIED *E. Wheaton*
by the Court Clerk as a true copy of the
document digitally filed on Sep 14, 2022

Clerk's Stamp

COURT FILE NUMBER 2201 - 10223
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT CORTLAND CREDIT LENDING CORPORATION
RESPONDENTS GENESIS INTEGRATION INC., and 965591 ALBERTA LTD.



DOCUMENT

CONSENT RECEIVERSHIP ORDER

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

DENTONS CANADA LLP
BANKERS COURT
15TH FLOOR, 850 – 2ND STREET SW
ATTN: JOHN SALMAS/MARK FREAKE/JOHN REGUSH
TEL: (416) 863-4737/(416) 863-4456/(403) 268-7086
EMAIL: john.salmas@dentons.com
mark.freake@dentons.com
john.regush@dentons.com

DATE ON WHICH ORDER WAS PRONOUNCED: September 13, 2022
LOCATION OF WHERE ORDER WAS PRONOUNCED: Calgary Law Courts (via Webex)
NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Justice D.B. Nixon

UPON THE ORIGINATING APPLICATION by Cortland Credit Lending Corporation ("Cortland") in its capacity as collateral and administrative agent (in such capacity, the "**Agent**") for the lenders party to the Credit Agreement (as defined in the Originating Application) which of the current time is only Cortland (in such capacity, the "**Lender**"), in respect of Genesis Integration Inc. and 965591 Alberta Ltd. (collectively, the "**Debtors**");

AND UPON having read the Originating Application, the Affidavit of Sean Register sworn September 1, 2022, and the Pre-Appointment Report of KSV Restructuring Inc., dated September 2, 2022 (the "**Pre-Appointment Report**");

AND UPON reading the consent of KSV Restructuring Inc. ("**KSV**") to act as receiver (the "**Receiver**") of the Debtors;

AND UPON noting the consent endorsed hereon of the Debtors;

AND UPON hearing counsel for the Agent, counsel for the proposed Receiver, and any other interested parties in attendance at the Application;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the application for this Order is hereby abridged and deemed good and sufficient, if applicable, and this application is properly returnable today.

APPOINTMENT

2. Pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**"), section 13(2) of the *Judicature Act*, RSA 2000, c J-2, and 65(7) of the *Personal Property Security Act*, RSA 2000, c P-7, KSV is hereby appointed Receiver, without security, of all of the Debtors' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:
 - (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
 - (b) countersign and deliver the share purchase agreement (the "**SPA**") dated July 25, 2022, signed by Sequent AI Exchangeco Ltd., as purchaser, and once the SPA is approved by the Court, perform the obligations of the Receiver contemplated by the SPA, including without limitation:
 - (i) maintain the business and operations of Genesis during any Interim Period;
 - (ii) cause Genesis to terminate the employment of the Non-Retained Employees for, on behalf of, and in the name of, Genesis; and
 - (iii) disclaim Excluded Contracts, including Real Property Leases, pursuant to notices of disclaimer sent to such contractual parties via e-mail or courier,

with the disclaimer of the Excluded Contract effective as at such time as set out in the disclaimer notice;

- (c) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (d) to apply for any vesting order or other orders (including, without limitation, confidentiality or sealing orders) necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (e) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (f) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors; and
- (g) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations,

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

- 4. (i) The Debtors, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property (excluding Property subject to liens the validity of which is dependent on maintaining possession) to the Receiver upon the Receiver's request.

5. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors, and any computer programs, computer tapes, computer disks or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.
6. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. No proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

8. No Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property

are hereby stayed and suspended pending further Order of this Court, provided, however, that nothing in this Order shall: (i) prevent any Person from commencing a proceeding regarding a claim that might otherwise become barred by statute or an existing agreement if such proceeding is not commenced before the expiration of the stay provided by this paragraph; and (ii) affect a Regulatory Body's investigation in respect of the debtor or an action, suit or proceeding that is taken in respect of the debtor by or before the Regulatory Body, other than the enforcement of a payment order by the Regulatory Body or the Court. **"Regulatory Body"** means a person or body that has powers, duties or functions relating to the enforcement or administration of an Act of Parliament or of the legislature of a province.

NO EXERCISE OF RIGHTS OF REMEDIES

9. All rights and remedies of any Person, whether judicial or extra-judicial, statutory or non-statutory (including, without limitation, set-off rights) against or in respect of the Debtors or the Receiver or affecting the Property are hereby stayed and suspended and shall not be commenced, proceeded with or continued except with leave of this Court, provided, however, that this stay and suspension does not apply in respect of any "eligible financial contract" (as defined in the BIA), and further provided that nothing in this Order shall:
 - (a) empower the Debtors to carry on any business that the Debtors are not lawfully entitled to carry on;
 - (b) prevent the filing of any registration to preserve or perfect a security interest;
 - (c) prevent the registration of a claim for lien; or
 - (d) exempt the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment.
10. Nothing in this Order shall prevent any party from taking an action against the Debtors where such an action must be taken in order to comply with statutory time limitations in order to preserve their rights at law, provided that no further steps shall be taken by such party except in accordance with the other provisions of this Order, and notice in writing of such action be given to the Receiver at the first available opportunity.

NO INTERFERENCE WITH THE RECEIVER

11. No Person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtors, except with the written consent of the Debtors and the Receiver, or leave of this Court. Nothing in this Order shall prohibit any party

to an eligible financial contract (as defined in the BIA) from closing out and terminating such contract in accordance with its terms.

CONTINUATION OF SERVICES

12. All persons having:

- (a) statutory or regulatory mandates for the supply of goods and/or services; or
- (b) oral or written agreements or arrangements with the Debtors, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Debtors,

are hereby restrained until further order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by the Debtors or exercising any other remedy provided under such agreements or arrangements. The Debtors shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the usual prices or charges for all such goods or services received after the date of this Order are paid by the Debtors in accordance with the payment practices of the Debtors, or such other practices as may be agreed upon by the supplier or service provider and each of the Debtors and the Receiver, or as may be ordered by this Court.

EMPLOYEES

- 13. Subject to employees' rights to terminate their employment, all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*, SC 2005, c 47 ("WEPPA").
- 14. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, SC 2000, c 5, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the

Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:
- (i) before the Receiver's appointment; or
 - (ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.
- (b) Nothing in sub-paragraph (a) exempts a Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.
- (c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver is not personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,
- (i) if, within such time as is specified in the order, within 10 days after the order is made if no time is so specified, within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Receiver:
 - A. complies with the order, or

- B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;
- (ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within 10 days after the order is made or within 10 days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,
 - A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or
 - B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or
- (iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

LIMITATION ON THE RECEIVER'S LIABILITY

- 16. Except for gross negligence or wilful misconduct, as a result of its appointment or carrying out the provisions of this Order the Receiver shall incur no liability or obligation that exceeds an amount for which it may obtain full indemnity from the Property. Nothing in this Order shall derogate from any limitation on liability or other protection afforded to the Receiver under any applicable law, including, without limitation, Section 14.06, 81.4(5) or 81.6(3) of the BIA.

RECEIVER'S ACCOUNTS

- 17. The Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case, incurred at their standard rates and charges. The Receiver and counsel to the Receiver shall be entitled to the benefits of and are hereby granted a charge (the "**Receiver's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$150,000, as security for their professional fees and disbursements incurred at the normal rates and charges of the Receiver and such counsel, both before and after the making of this Order in respect of these proceedings, and the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, deemed trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person but subject to section 14.06(7), 81.4(4), 81.6(2) and 88 of the BIA. Notwithstanding the foregoing the

Receiver's Charge shall not attach to the collateral subject to the security registration in favour of The Bank of Nova Scotia against Genesis Integration Inc.

18. The Receiver and its legal counsel shall pass their accounts from time to time.

FUNDING OF THE RECEIVERSHIP

19. The Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$200,000 (or such greater amount as this Court may by further order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, deemed trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges set out in sections 14.06(7), 81.4(4), 81.6(2) and 88 of the BIA. Notwithstanding the forgoing the Receiver's Borrowings Charge shall not attach to the collateral subject to the security registration in favour of The Bank of Nova Scotia against Genesis Integration Inc.
20. Neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
21. The Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.
22. The monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.
23. The Receiver shall be allowed to repay any amounts borrowed by way of Receiver's Certificates out of the Property or any proceeds, including any proceeds from the sale of any assets without further approval of this Court.

ALLOCATION

24. Any interested party may apply to this Court on notice to any other party likely to be affected, for an order allocating the Receiver's Charge and Receiver's Borrowings Charge amongst the various assets comprising the Property.

CASH MANAGEMENT SYSTEM

25. The Debtors have the authority, subject to the oversight and direction of the Receiver, to continue to operate the Debtors' Cash Management System (as defined in the Pre-Appointment Report) and to utilize each of the Debtors' existing bank accounts.

GENERAL

26. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
27. Notwithstanding Rule 6.11 of the *Alberta Rules of Court*, unless otherwise ordered by this Court, the Receiver will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence. The Receiver's reports shall be filed by the Court Clerk notwithstanding that they do not include an original signature.
28. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.
29. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any foreign jurisdiction to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Receiver in any foreign proceeding, or to assist the Receiver and its agents in carrying out the terms of this Order.
30. The Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. The Agent, for and on behalf of the Lender, shall have its costs of this Application, up to and including entry and service of this Order, provided for by the terms of the Agent's security or, if not so provided by the Agent's security, then on a substantial indemnity basis, including legal costs on a solicitor-client full indemnity basis, to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.
32. Any interested party may apply to this Court to vary or amend this Order on not less than 7 days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

FILING

33. This Order is issued and shall be filed in Court of Queen's Bench Action No. 2201-10223_____.
34. The Receiver shall establish and maintain a website in respect of these proceedings at: : <https://www.ksvadvisory.com/experience/case/genesis-integration-inc> (the "**Receiver's Website**") and shall post there as soon as practicable:
 - (a) all materials prescribed by statute or regulation to be made publicly available; and
 - (b) all applications, reports, affidavits, orders and other materials filed in these proceedings by or on behalf of the Receiver, or served upon it, except such materials as are confidential and the subject of a sealing order or pending application for a sealing order.
35. Service of this Order shall be deemed good and sufficient by:
 - (a) serving the same on:
 - (i) the persons listed on the service list created in these proceedings or otherwise served with notice of these proceedings;
 - (ii) any other person served with notice of the application for this Order;

(iii) any other parties attending or represented at the application for this Order;
and

(b) posting a copy of this Order on the Receiver's Website.

Service on any other person is hereby dispensed with.

36. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.




Justice of the Court of Queen's Bench of Alberta

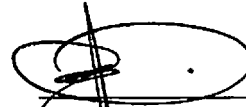
CONSENTED TO THIS ____ day of
September, 2022

CONSENTED TO THIS ____ day of September,
2022

GENESIS INTEGRATION INC.

965591 ALBERTA LTD.

By: 
Name: PATRICK K. MCCARTHY
Title: PRESIDENT

By: 
Name: PATRICK K. MCCARTHY
Title: PRESIDENT

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that KSV Restructuring Inc., the receiver (the "**Receiver**") of all of the assets, undertakings and properties of Genesis Integration Inc. and 965591 Alberta Ltd., appointed by Order of the Court of Queen's Bench of Alberta (the "**Court**") dated _____, 2022 (the "**Order**") made in action number 2201-_____, has received as such Receiver from the holder of this certificate (the "**Agent**") the principal sum of \$_____, being part of the total principal sum of \$_____ that the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Agent with interest thereon calculated and compounded [daily] [monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Agent at:

Cortland Credit Lending Corporation [●]
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____, 2022.

KSV Restructuring Inc, solely in its capacity as
Receiver of the Property (as defined in the
Order), and not in its personal or corporate
capacity

Per: _____
Name:
Title:

Appendix “B”

Clerk's Stamp

COURT FILE NUMBER 2201 - 10223

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT CORTLAND CREDIT LENDING CORPORATION

RESPONDENTS GENESIS INTEGRATION INC., and 965591 ALBERTA LTD.

DOCUMENT **APPROVAL AND REVERSE VESTING ORDER
(Sale by Receiver)**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTIES FILING THIS DOCUMENT DENTONS CANADA LLP
BANKERS COURT
15TH FLOOR, 850 – 2ND STREET SW

**ATTN: JOHN SALMAS/MARK FREAKE/JOHN
REGUSH**

TEL: (416) 863-4737/(416) 863-4456/(403) 268-7086

EMAIL: john.salmas@dentons.com
mark.freake@dentons.com
john.regush@dentons.com

DATE ON WHICH ORDER WAS PRONOUNCED: September 13, 2022

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta (via Webex)

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice D. B. Nixon

UPON THE ORIGINATING APPLICATION by Cortland Credit Lending Corporation in its capacity as collateral and administrative agent under a secured credit facility, for an Order:

(i) approving the transactions (the "**Transactions**") contemplated by a share purchase agreement (the "**SPA**") between KSV Restructuring Inc., in its capacity as receiver (the "**Receiver**") of Genesis Integration Inc. ("**Genesis**"), and 965591 Alberta Ltd. ("**965 Alberta**", and collectively the "**Debtors**"), as vendor, and Sequent AI Exchangeco Limited or its designee, Sequent AI Exchangeco Limited as purchaser (the "**Purchaser**"), dated July 25,

2022, a copy of which is appended to the Pre-Appointment Report of the Receiver, dated September 2, 2022 (the "**Pre-Appointment Report**");

(ii) vesting in Residual Co. all of Genesis' right, title and interest in and to the Excluded Assets (if any), and the Excluded Liabilities (as those terms are defined in the SPA);

(iii) vesting in the Purchaser all of the outstanding shares in the capital of Genesis (the "**Purchased Shares**") free and clear of all Claims and Encumbrances, except the Permitted Encumbrances (as defined below); and

(iv) terminating these receivership proceedings as against Genesis and discharging the Receiver as against Genesis;

AND UPON reviewing the Receivership Order in this proceeding granted September 13, 2022 (the "**Receivership Order**"), the SPA, the Affidavit of Sean Rogister sworn September 1, 2022, and the Pre-Appointment Report;

AND UPON hearing from counsel for the Receiver, the Purchaser and any other interested party appearing at the application;

IT IS HEREBY ORDERED AND DECLARED THAT:

INTERPRETATION

1. Capitalized terms used herein that are not otherwise defined have the meanings given to them in the SPA.

SERVICE

2. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this application and time for service of this application is abridged to that actually given.

APPROVAL OF TRANSACTIONS

3. The Transactions and SPA are hereby approved and the execution of the SPA by the Receiver is hereby authorized and approved, with such minor amendments as the Receiver and the Purchaser may deem necessary. The Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for

the completion of the Transactions. In the event of any conflict between the terms of the SPA and this Order, this Order shall govern.

VESTING OF ASSETS, LIABILITIES AND SHARES

4. Upon delivery of the Receiver's Certificate (the "**Receiver's Certificate**") substantially in the form attached as Schedule "**A**" hereto, to the Purchaser, the following shall occur or be deemed to occur (the "**Effective Time**"), as applicable, in the following sequence:
 - (a) All Excluded Liabilities shall be transferred to and shall be assumed by and shall vest absolutely and exclusively without recourse in Residual Co.
 - (b) All right, title, and interest of Genesis in and to the Excluded Assets (if any) shall be transferred to and shall vest absolutely and exclusively in Residual Co.
 - (c) All Excluded Liabilities shall be irrevocably and forever expunged, released and discharged as against the Purchaser, the Debtors and the Retained Assets.
 - (d) All right, title and interest in and to the Purchased Shares, shall vest absolutely in the name of the Purchaser, free and clear of and from any and all caveats, security interest, hypothecs, pledges, mortgages, liens, trusts or deemed trusts, reservations of ownership, royalties, options, rights of pre-emption, privileges, interests, assignments, actions, judgements, executions, levies, taxes, writs of enforcement, charges, or other claims, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, "**Claims**") including, without limiting the generality of the foregoing:
 - (i) any encumbrances or charges created by the Receivership Order;
 - (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or any other personal property registry system;
 - (iii) any liens or claims of lien under the *Builders' Lien Act* (Alberta); and
 - (iv) those Claims listed in Schedule "**B**" hereto (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the

permitted encumbrances, caveats, interests, easements, and restrictive covenants listed in Schedule "C" (collectively, "**Permitted Encumbrances**").

- (e) All Claims and Encumbrances, other than the Permitted Encumbrances, affecting or relating to the Purchased Shares shall be, and are hereby, expunged, discharged, and terminated as against the Purchased Shares.

5. As of the Effective Time:

- (a) Genesis shall continue to hold all right, title, and interest in and to the Retained Assets, free and clear of all Excluded Liabilities.
- (b) The Retained Liabilities and Retained Contracts shall remain with Genesis as provided for in the SPA.
- (c) Genesis shall be deemed to have disposed of the Excluded Assets (if any) and shall have no right, title or interest in or to any of the Excluded Assets.

6. For greater certainty, any person that, prior to the Effective Time:

- (a) had a Claim or Encumbrance in respect of the Excluded Liabilities (but specifically excluding the Retained Liabilities and Permitted Encumbrances) against Genesis or its assets, properties or undertakings, shall, as of the Effective Time, no longer have any such Claim or Encumbrance in respect of the Excluded Liabilities as against or in respect of Genesis or the Retained Assets, but shall have an equivalent Claim or Encumbrance, as applicable, against the Excluded Assets (if any) and Residual Co., with the same attributes, rights, security, nature and priority as such Claim or Encumbrance had immediately prior to its transfer to Residual Co. Nothing in this Order limits, lessens, modifies (other than by change in debtor) or extinguishes the Claim or Encumbrance of any person as against the Excluded Assets (if any); and
- (b) had a Claim or Encumbrance against the Purchased Shares, shall, as of the Effective Time, no longer have any such Claim or Encumbrance as against the Purchased Shares other than with respect to Permitted Encumbrances, but shall have an equivalent Claim or Encumbrance, as applicable, against the net proceeds from the sale of the Purchased Shares with the same priority as they had with respect to the Purchased Shares immediately prior to the sale, as if the Transactions had not been

consummated and the Purchased Shares remained in the possession or control of 965 Alberta.

7. From and after the Effective Time, the Purchaser and/or the Receiver shall be authorized to take all steps as may be necessary to effect the discharge and release:
 - (a) as against Genesis and the Retained Assets, all of the Excluded Liabilities that are transferred to and vested in Residual Co. pursuant to this Order; and
 - (b) as against 965 Alberta, all of Claims and Encumbrances, other than Permitted Encumbrances, with respect to the Purchased Shares.
8. From and after the Effective Time and notwithstanding Genesis ceasing to be a Respondent in this Action and/or any discharge of the Receiver, the Receiver (or any successor in interest thereto and any licensed insolvency trustee appointed in respect of Residual Co.) shall be authorized to take all steps as may be necessary to uphold any and all obligations arising from the *Wage Earner Protection Program Act*, SC 2005, c 47 ("**WEPPA**"), including: (i) working with Genesis' management to identify Non-Retained Employees; (ii) working with Genesis' management to determine the amounts owed to Non-Retained Employees; (iii) providing Service Canada and Non-Retained Employees with information necessary to establish eligibility for payment pursuant to WEPPA; and (iv) administering the WEPPA claims process generally.

REMOVAL OF GENESIS FROM THESE PROCEEDINGS AND RECEIVER'S DISCHARGE OVER GENESIS

9. As of the Effective Time, Genesis shall cease to be a Respondent in this Action and shall be released from the scope and effect of the Receivership Order and all other orders of this Court granted in these proceedings.
10. The style of cause in these proceedings shall be amended to delete Genesis Integration Inc. as Respondent.
11. On the evidence before the Court, the Receiver has satisfied its obligations under and pursuant to the terms of the Orders granted in the within proceedings up to and including the date hereof as against Genesis, and the Receiver shall not be liable for any act or omission on its part including, without limitation, any act or omission pertaining to the discharge of its duties in the within proceedings as against Genesis, save and except for any liability arising out of any

fraud, gross negligence or willful misconduct on the part of the Receiver, or with leave of the Court. Subject to the foregoing, any claims against the Receiver in connection with the performance of its duties as against Genesis are hereby stayed, extinguished and forever barred.

12. No action or other proceedings shall be commenced against the Receiver in any way arising from or related to its capacity or conduct as Receiver of Genesis, except with prior leave of this Court on notice to the Receiver, and upon such terms as this Court may direct.
13. As of the Effective Time, the Receiver shall be discharged as Receiver of Genesis, provided however, that notwithstanding its discharge herein (a) the Receiver shall remain Receiver for the performance of such incidental duties as may be required to complete the administration of the receivership of Genesis; and (b) the Receiver shall continue to have the benefit of the provisions of all Orders made in this proceeding, including all approvals, protections and stays of proceedings in favour of the Receiver in its capacity as Receiver.

RELEASES

14. Except as expressly provided for in the SPA, the Purchaser shall not, by completion of the Transactions, have liability of any kind whatsoever in respect of any Claims or Encumbrances against the Debtors.
15. Except as expressly provided for in the SPA, the Debtors shall not, by completion of the Transactions, have liability of any kind whatsoever in respect of any Excluded Liabilities.
16. Except as expressly provided for in the SPA, the Debtors shall not, by completion of the Transactions, have liability of any kind whatsoever in respect of any Excluded Contracts.
17. From and after the Effective Time, all persons shall be absolutely and forever barred, estopped, foreclosed and permanently enjoined from pursuing, asserting, exercising, enforcing, issuing, or continuing any steps or proceedings, or relying on any rights, remedies, claims or benefits in respect of or against the Receiver, the Purchaser, the Debtors, the Purchased Shares or the Retained Assets, in any way relating to, arising from or in respect of:
 - (a) other than with respect to Permitted Encumbrances, any and all Claims or Encumbrances against or relating to the Debtors existing immediately prior to the Effective Time, other than in relation to the Retained Liabilities and Retained Contracts;
 - (b) the insolvency of the Debtors prior to the Effective Time;

- (c) the commencement or existence of these receivership proceedings; or
 - (d) the completion of the Transactions.
18. Except to the extent expressly contemplated by the SPA, upon delivery of the Receiver's Certificate, all Retained Contracts will be and remain in full force and effect upon and following delivery of the Receiver's Certificate and no Person who is a party to any such Retained Contract may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set-off, dilution or other remedy) or make any demand under or in respect of any such arrangement and no automatic termination will have any validity or effect, by reason of
- (a) any event that occurred on or prior to the delivery of the Receiver's Certificate and is not continuing that would have entitled such Person to enforce those rights or remedies;
 - (b) the insolvency of any Debtor or the fact that the Debtors are or were in receivership;
 - (c) any compromises, releases, discharges, cancellations, transactions, arrangements, reorganizations or other steps taken or effected pursuant to the SPA, the Transactions or the provisions of this Order, or any other Order of the Court in these proceedings; or
 - (d) any transfer or assignment, or any change of control of the Purchased Entity arising from the implementation of the SPA, the Transactions or the provisions of this Order.

MISCELLANEOUS MATTERS

19. The Receiver is directed to file with the Court a copy of the Receiver's Certificate forthwith after delivery thereof to the Purchaser.
20. Notwithstanding:
- (a) the pendency of these proceedings;
 - (b) the pendency of any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985 c B-3, as amended (the "**BIA**"), and any bankruptcy order issued pursuant to any such applications; and
 - (c) the provisions of any federal or provincial statute:

the vesting of the Purchased Shares and the implementation of the Transactions shall be binding on any trustee in bankruptcy or receiver that may be appointed in respect of the Debtors and/or Residual Co. and shall not be void or voidable by creditors of the Debtors or Residual Co., nor shall it constitute nor be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance or other reviewable transactions under the BIA or any other applicable federal or provincial legislation or at common law, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

21. The Receiver, the Purchaser (or its nominee) and any other interested party, shall be at liberty to apply for further advice, assistance and direction as may be necessary in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Transactions.
22. This Honourable Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any of its provinces or territories or in any foreign jurisdiction, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such order and to provide such assistance to the Receiver, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
23. This Court shall retain exclusive jurisdiction to, among other things, interpret, implement, and enforce the terms and provisions of this Order, the SPA and all amendments thereto, in connection with any dispute involving the Debtors and to adjudicate, if necessary, any disputes concerning the Debtors related in any way to the Transactions.
24. Service of this Order shall be deemed good and sufficient by:
 - (a) serving the same on:
 - (i) the persons listed on the service list created in these proceedings;
 - (ii) any other person served with notice of the application for this Order;
 - (iii) any other parties attending or represented at the application for this Order;
 - (iv) the Purchaser or the Purchaser's solicitors; and

(b) Posting a copy of this Order on the Receiver's website at:
<https://www.ksvadvisory.com/experience/case/genesis-integration-inc>,

and service on any other person is hereby dispensed with.

25. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.



Justice of the Court of King's Bench of Alberta

SCHEDULE "A"

FORM OF RECEIVER'S CERTIFICATE

COURT FILE NUMBER	2201 - 10223
COURT OF KING'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY
APPLICANT	CORTLAND CREDIT LENDING CORPORATION
RESPONDENTS	GENESIS INTEGRATION INC. AND 965591 ALBERTA LTD.
DOCUMENT	RECEIVER'S CERTIFICATE
PARTY FILING THIS DOCUMENT	KSV RESTRUCTURING INC.
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTIES FILING THIS DOCUMENT	DENTONS CANADA LLP BANKERS COURT 15 TH FLOOR, 850 – 2 ND STREET SW ATTN: JOHN SALMAS/MARK FREAKE/JOHN REGUSH TEL: (416) 863-4737/(416) 863-4456/(403) 268-7086 EMAIL: john.salmas@dentons.com mark.freake@dentons.com john.regush@dentons.com

RECITALS

- A. Pursuant to an Order of The Honourable D.B. Nixon of the Court of King's Bench of Alberta (the "**Court**"), dated September 13, 2022, KSV Restructuring Inc. was appointed receiver (in such capacity, the "**Receiver**") of all current and future assets, undertakings, and properties of every nature and kind whatsoever and wherever situate of Genesis Integration Inc. and 965591 Alberta Ltd. (collectively, the "**Debtors**").
- B. Pursuant to an Approval and Reverse Vesting Order granted by The Honourable D.B. Nixon, on September 13, 2022 (the "**Order**"), the Court approved a share purchase agreement (the

"**SPA**") between the Receiver and Sequent AI Exchangeco Limited (the "**Purchaser**"), dated July 25, 2022. This Receiver's Certificate is the certificate referred to in paragraph [4] of the Order.

- C. Capitalized terms used but not otherwise defined herein shall have the meanings set out in the SPA.

THEREFORE, THE RECEIVER CERTIFIES THE FOLLOWING:

1. The Receiver has received the Purchase Price from or on behalf of the Purchaser.
2. The conditions to Closing as set out in the SPA have been satisfied or waived by the Receiver and Purchaser.
3. The style of cause in these proceedings are to be changed to the following:

COURT FILE NUMBER 2201 - 10223

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

APPLICANT CORTLAND CREDIT LENDING CORPORATION

RESPONDENTS 965591 ALBERTA LTD.

4. This Certificate was issued by the Receiver at Toronto, Ontario on [Time], [Date], 202__.

KSV RESTRUCTURING INC., solely in its capacity as court-appointed receiver of the assets, undertakings and properties of **GENESIS INTEGRATION INC.** and **965591 ALBERTA LTD.** and not in its personal or corporate capacity

Name: _____

Title:

SCHEDULE "B"

ENCUMBRANCES

Alberta Personal Property Security Act:

1. Nil.

Ontario Personal Property Security Act:

1. Nil.

British Columbia Personal Property Security Act:

1. Nil.

SCHEDULE "C"

PERMITTED ENCUMBRANCES

Alberta Personal Property Security Act:

1. The security evidenced by registration number 19031326829 in favour of The Bank of Nova Scotia against a motor vehicle owned by Genesis.
2. The security evidenced by registration number 20013004429 in favour of Crestron Electronics, Inc. against the collateral of Genesis.
3. The security evidenced by registration number 20121510597 in favour of Cortland Credit Lending Corporation against the collateral of Genesis.

Ontario Personal Property Security Act:

1. The security evidenced by registration number 20201215 0930 1862 7125 in favour of Cortland Credit Lending Corporation, as agent against the collateral of Genesis.

British Columbia Personal Property Security Act:

1. The security evidenced by registration number 654867M in favor of Cortland Credit Lending Corporation, as agent against the collateral of Genesis.
2. The security evidenced by registration number 654917M in favour Cortland Credit Lending Corporation, as agent against the collateral of 965 Alberta.
3. The security evidenced by registration number 654811M in favour of Cortland Credit Lending Corporation, as agent against the collateral of FC Canada UV Solutions Inc.
4. The security evidenced by registration numbers 294509K, 294550K, 349827K, 032065L, 798721L and 798899L in favour of Meridian Onecap Credit Corp. as agent against the collateral of Fusion Cine Sales & Rentals Inc.
5. The security evidenced by registration number 982114L in favour of De Lage Landen Financial Services Canada Inc. as agent against the collateral of Fusion Cine Sales & Rentals Inc.
6. The security evidenced by registration number 654836M in favour of Cortland Credit Lending Corporation, as agent against the collateral of Fusion Cine Sales & Rentals Inc.

Appendix “C”

COURT FILE NUMBER	2201 - 10223
COURT OF KING'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY
APPLICANT	CORTLAND CREDIT LENDING CORPORATION
RESPONDENTS	GENESIS INTEGRATION INC. AND 965591 ALBERTA LTD.
DOCUMENT	RECEIVER'S CERTIFICATE
PARTY FILING THIS DOCUMENT	KSV RESTRUCTURING INC.
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTIES FILING THIS DOCUMENT	DENTONS CANADA LLP BANKERS COURT 15 TH FLOOR, 850 – 2 ND STREET SW ATTN: JOHN SALMAS/MARK FREAKE/JOHN REGUSH TEL: (416) 863-4737/(416) 863-4456/(403) 268-7086 EMAIL: john.salmas@dentons.com mark.freake@dentons.com john.regush@dentons.com

RECITALS

- A. Pursuant to an Order of The Honourable D.B. Nixon of the Court of King's Bench of Alberta (the "**Court**"), dated September 13, 2022, KSV Restructuring Inc. was appointed receiver (in such capacity, the "**Receiver**") of all current and future assets, undertakings, and properties of every nature and kind whatsoever and wherever situate of Genesis Integration Inc. and 965591 Alberta Ltd. (collectively, the "**Debtors**").
- B. Pursuant to an Approval and Reverse Vesting Order granted by The Honourable D.B. Nixon, on September 13, 2022 (the "**Order**"), the Court approved a share purchase agreement (the

"**SPA**") between the Receiver and Sequent AI Exchangeco Limited (the "**Purchaser**"), dated July 25, 2022. This Receiver's Certificate is the certificate referred to in paragraph **4** of the Order.

- C. Capitalized terms used but not otherwise defined herein shall have the meanings set out in the SPA.

THEREFORE, THE RECEIVER CERTIFIES THE FOLLOWING:

1. The Receiver has received the Purchase Price from or on behalf of the Purchaser.
2. The conditions to Closing as set out in the SPA have been satisfied or waived by the Receiver and Purchaser.
3. The style of cause in these proceedings are to be changed to the following:

COURT FILE NUMBER 2201 - 10223

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT CORTLAND CREDIT LENDING CORPORATION

RESPONDENTS 965591 ALBERTA LTD.

4. This Certificate was issued by the Receiver at Toronto, Ontario at 1:40pm (EST) on September 15th 2022.

KSV RESTRUCTURING INC., solely in its capacity as court-appointed receiver of the assets, undertakings and properties of **GENESIS INTEGRATION INC.** and **965591 ALBERTA LTD.** and not in its personal or corporate capacity

Name: David Sieradzki
Title: Managing Director, LIT

Appendix “D”



**Report of
KSV Restructuring Inc.
as Proposed Receiver of
965591 Alberta Ltd. and
Genesis Integration Inc.**

September 2, 2022

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COURT OF QUEEN'S BENCH OF ALBERTA**BETWEEN:****CORTLAND CREDIT LENDING CORPORATION****APPLICANT****- AND -****965591 ALBERTA LTD. AND GENESIS INTEGRATION INC.****RESPONDENTS****REPORT OF KSV RESTRUCTURING INC.
AS PROPOSED RECEIVER****September 2, 2022****1.0 Introduction**

1. This report ("Report") is filed by KSV Restructuring Inc. ("KSV") as proposed receiver (the "Receiver")¹ of the current and future assets, undertakings and properties of 965591 Alberta Ltd. ("965 Alberta") and its wholly-owned subsidiary, Genesis Integration Inc. ("Genesis", and together with 965 Alberta, the "Companies").
2. KSV understands that Cortland Credit Lending Corporation ("Cortland"), 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 Queen's Bench of Alberta (the "Court") for an 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"). The Companies have consented to the Receivership Proceedings and KSV has consented to act as Receiver should the Court see fit to grant the Receivership Order.
3. Pursuant to a Credit Agreement dated December 15, 2020 (as amended, restated, replaced supplemented or otherwise from time to time, the "Credit Agreement") among 965 Alberta, as borrower, the Agent, Genesis and its wholly-owned subsidiary, Fusion Cine Sales & Rental Inc. ("Fusion"), and certain other non-operating entities, as guarantors (collectively, the "Guarantors" and together with the Companies, the "Debtors"), 965 Alberta entered into the Credit Agreement to fund the businesses and operations of Genesis and Fusion. Of the Guarantors, Genesis and Fusion are the only operating entities. Currently, Cortland is the only lender under the Credit Agreement. As of September 1, 2022, the amount outstanding under the Credit Agreement was \$9,424,365.42, plus legal fees, interest and costs which continue to accrue (the "Cortland Debt").

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.

4. The primary purpose of the Receivership Proceedings is to complete a going-concern transaction (the “Transaction”) between the Receiver, as vendor, and Sequent AI Exchangeco Limited or its designee (the “Purchaser”), as purchaser, for all of the issued and outstanding shares (the “Purchased Shares”) of Genesis pursuant to a Share Purchase Agreement dated as of July 25, 2022 (the “SPA”), which remains unsigned by the Receiver pending its appointment and the Court authorizing the Receiver to countersign the SPA. Fusion is not a respondent in the Receivership Proceedings as it is contemplated that the Purchaser would acquire Genesis’ ownership interest in Fusion under the Transaction, without any affect on Fusion’s creditor obligations.
5. The Transaction, which is discussed in more detail in Section 8 of this Report, contemplates that Genesis will retain certain of its obligations, including its obligations in respect of the Cortland Debt and amounts it owes to certain of its suppliers whose ongoing supply is, in the Purchaser’s view, critical to the preservation of Genesis’ going concern value and cannot be replaced in a commercially reasonable time and/or at a commercially reasonable cost (collectively, the “Critical Suppliers”)². It is also contemplated that the Transaction will be consummated by the Receiver pursuant to an approval and reverse vesting order substantially in the form attached as Schedule “A” to the SPA (the “Approval and Reverse Vesting Order”).

1.1 KSV Advisory’s Mandate

1. On December 1, 2021, KSV Advisory Inc. (“KSV Advisory”),³ an affiliate of KSV, the proposed Receiver, was engaged by Fulcrum AV Integration Partners Ltd. (“Fulcrum AV”), in its capacity as the Companies’ ultimate controlling shareholder, to consider strategic options for the Companies. KSV Advisory’s engagement letter contemplates that its mandate will terminate immediately upon appointment of KSV as a court officer in any insolvency proceeding involving the Companies, following which KSV’s duties and obligations would be governed by statute and by applicable court orders.
2. In carrying out its mandate, KSV Advisory obtained background information concerning the Companies’ business and operations, performed financial analyses and carried out a sale process for the Companies (the “Sale Process”), as described in this Report. KSV Advisory was cognizant throughout its mandate that the Companies are insolvent and should insolvency proceedings be commenced against the Companies, KSV Advisory’s affiliate, KSV, may be appointed as court officer in any such proceedings. The information that KSV Advisory obtained about the Companies during its mandate forms the basis for KSV’s recommendations, including concerning the contemplated Transaction.

² One of the Critical Suppliers, PJS Systems Inc. (“PJS”), is a party related to the Purchaser that provided credit support services to Genesis (i.e. it purchased goods from third parties using its own credit worthiness and then resold goods to Genesis). PJS was only prepared to perform this service on the basis that obligations owing to it be retained by Genesis. PJS did not charge a service fee or mark-up of any kind. The service is performed on a cost-recovery basis only.

³ KSV’s affiliate, KSV Advisory, was engaged for this advisory mandate. KSV is a wholly-owned subsidiary of KSV Advisory. KSV is a licensed trustee and carries out formal insolvency appointments, while KSV Advisory performs advisory mandates.

1.2 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 Companies' creditor composition and the results of an opinion on the validity and enforceability of the Agent's security delivered by McMillan LLP ("McMillan"), as independent legal counsel to KSV in its capacity as Receiver;
 - c) discuss the results of the Sale Process carried out by KSV Advisory from July 27, 2022 to August 26, 2022, being the deadline for submission of non-binding letters of intent ("LOI") under the Sale Process;
 - d) summarize the results of a liquidation analysis of the Companies' business and assets performed by KSV based on the Companies' financial position as at June 30, 2022 (the "Liquidation Analysis"), including the basis upon which it is proposed that the Liquidation Analysis be filed with the Court on a confidential basis pending closing of the Transaction;
 - e) discuss the Companies' dealings with Convergent Technologies Ltd. ("Convergent"), an unsecured creditor whose claims will constitute an excluded liability that will vest in Residual Co. (as defined below) if the Transaction is approved;
 - f) detail the terms of the Transaction;
 - g) provide the Receiver's rationale for recommending that the Court approve the Transaction, including the unique attributes of the Companies justifying the proposed reverse vesting order ("RVO") structure;
 - h) summarize the anticipated next steps in the Receivership Proceedings; and
 - i) recommend that the Court issue the following three orders:
 - i. the Receivership Order which contemplates, among other things:
 - appointing KSV as Receiver;
 - granting a stay of proceeding;
 - authorizing the Receiver to execute the SPA; and
 - subject to the SPA being approved, granting the Receiver the powers necessary to perform its obligations thereunder;

- ii. the Approval and Reverse Vesting Order which contemplates, among other things:
 - approval of the SPA and the Transaction;
 - the transfer and vesting in Residual Co. of the Companies' right, title and interest in and to the Excluded Assets (if any) and the Excluded Liabilities (as each of those terms are defined in the SPA and summarized in this Report);
 - the transfer and vesting in and to the Purchaser of the Purchased Shares, free and clear of and from any and all claims, liabilities, liens and encumbrances, other than the Permitted Encumbrances (as defined in the SPA and set out in Schedule "F" of the SPA);
 - temporarily sealing the Confidential Appendix to this Report pending closing of the Transaction;
 - the discharge of KSV as Receiver of Genesis upon the closing of the Transaction; and
 - the release of KSV Advisory from any and all liability that KSV Advisory now has or may hereafter have by reason of, or in any way arising out of, the acts or omissions of KSV Advisory in relation to the conduct of the Sale Process, save and except for its gross negligence or willful misconduct;
- iii. an order, among other things (the "Conduct and Fee Approval Order"):
 - approving this Report and the Receiver's activities described herein; and
 - approving the fees and disbursements of KSV Advisory and McMillan for the period July 1, 2022 to August 31, 2022.

1.3 Restrictions

1. In preparing this Report, KSV has relied upon the Debtors' 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.

3. Future oriented financial information relied upon in this Report is based upon assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.

1.4 Currency

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

2.0 Executive Summary

1. Genesis, headquartered in Edmonton, Alberta, is in the business of designing and integrating audiovisual collaboration systems for both public sector and corporate clients. Fusion, headquartered in Vancouver, British Columbia, provides sales, rentals and servicing of audio, video, photography and lighting equipment to Canadian broadcast companies, film production companies and digital content creators. 965 Alberta is the sole shareholder of Genesis and does not have any other material assets and does not carry on any business operations.
2. On a consolidated basis since 2019, the Debtors have generated cumulative negative EBITDA of \$12.5 million and net losses of \$9.2 million. As at June 30, 2022, the Debtors had an accumulated deficit of approximately \$3.3 million. The Debtors' losses have been funded primarily through the Cortland Debt.
3. The Credit Agreement provides that the Cortland Debt (approximately \$9.4 million as at September 1, 2022) becomes immediately due and payable on the occurrence of an Event of Default (as defined the Credit Agreement). The Receiver understands that, as at the date of this Report, the Companies are in default of the Credit Agreement and, accordingly, on September 1, 2022, the Agent issued Notices of Intention to Enforce Security pursuant to Section 244 of the BIA on both Companies.
4. The Companies have acknowledged that the Cortland Debt has been accelerated and is immediately due and payable. The Liquidation Analysis provides that, in the event of a liquidation, Cortland, as lender, would incur a substantial shortfall on its secured debt, and accordingly, there would be no recoveries for the Companies' unsecured creditors. The Receiver is of the view that the proposed Transaction, which would result in the retention by Genesis of the Cortland Debt (approximately \$9.4 million) as well as the obligations owing by Genesis to its Critical Suppliers (approximately \$1.7 million), maximizes value and preserves the business and employment for the vast majority of the Companies' employees. The Agent has consented to the Transaction and has applied for the Approval and Reverse Vesting Order for the purpose of facilitating the Transaction.
5. 965 Alberta and the Purchaser are both ultimately controlled by some of the principals that control Fulcrum AV. Accordingly, prior to the within receivership application, the Companies retained KSV Advisory to conduct a Sale Process which marketed the assets and businesses of Genesis and Fusion for sale to third-party strategic and financial buyers. The purchase price offered by the Purchaser under the SPA (valued at approximately \$11 million) was used as the stalking horse bid in the Sale Process, which was launched on July 27, 2022. The Sale Process provided that if no offer superior to the SPA was submitted on or prior to the bid deadline of August 26, 2022, the parties would

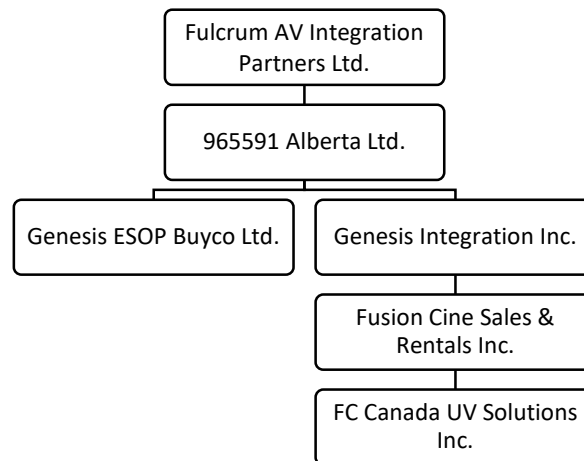
proceed to seek Court approval of the SPA and Transaction in the context of the Receivership Proceedings. In many circumstances, initial solicitation materials will refer generically to an “acquisition opportunity” in a particular industry sector. In carrying out the Sale Process, KSV Advisory placed a premium on transparency and disclosed, in its initial marketing materials, the names of the Purchaser and the target company. Potential bidders also had the flexibility to submit bids for assets or shares and to make a consolidated bid for Genesis and Fusion, or either entity independently. The Sale Process was developed and carried out in the same manner as it would have been had it been carried out in the context of a receivership proceeding. The Sale Process did not result in any qualified bids.

6. Genesis holds certain critical security clearances and other authorizations or approvals granted by the Government of Canada. These Permits and Licenses (as defined in the SPA and described in greater detail in Section 3.2 of this Report) are not assignable or cannot be transferred to the Purchaser in a commercial reasonable timeframe with the degree of certainty required by the Purchaser (or any purchaser). These Permits and Licenses are critical to Genesis’ business as they allow it to fully service its Canadian public sector clients, which represent a significant portion of its total business. Accordingly, the Transaction is structured as a share sale to be consummated by the Receiver and contemplates that the Approval and Reverse Vesting Order will be granted in order to preserve the value and continuity of the Canadian Government security clearances and other Permits and Licenses for the Purchaser. The proposed RVO structure of the Transaction will also preserve the value of the Companies’ tax losses, which are significant. The Purchaser is not prepared to consummate a sale of the business under any other alternative structure.
7. The Approval and Reverse Vesting Order provides for the vesting out of any excluded liabilities from Genesis into a corporation recently incorporated as a wholly-owned subsidiary of 965 Alberta (“Residual Co.”). The Purchaser has advised that Residual Co. will ultimately be assigned into bankruptcy after the closing of the Transaction. The Receiver is of the view that a RVO structure is appropriate in the circumstances and the assets and nature of the Companies and the Transaction support this structure and satisfy the criteria other Canadian courts have recently established for the approval of RVO transactions of this nature. The Approval and Reverse Vesting Order will not affect the liabilities of Fusion, which will be acquired by the Purchaser “as is”. The shares of Fusion held by Genesis represents an asset being acquired by the Purchaser under the Transaction.
8. As discussed in further detail in this Report, the Receiver believes that the Transaction maximizes recoveries in the circumstances. The Agent is the Companies’ operating lender and principal economic stakeholder – the Agent has consented to the Transaction. The Receiver does not believe that further time spent marketing the Companies’ business and assets will result in a superior transaction, and certainly not one that results in the assumption or repayment in full of the Cortland Debt (approximately \$9.4 million) and amounts owing to the Critical Suppliers (approximately \$1.7 million). The Receiver’s considerations include the breadth and results of the Sale Process and the liquidation value of the Companies’ business and assets.

3.0 Background

3.1 Business Overview

1. 965 Alberta is an entity ultimately owned and controlled by Fulcrum AV and does not carry on any active business operations of its own. Of the Debtors, the only operating entities are Genesis, which is a wholly owned subsidiary of 965 Alberta, and Fusion, which is a wholly owned subsidiary of Genesis. 965 Alberta does not have any material assets (other than its shares of Genesis). The Debtors' corporate organizational chart is provided below.



2. Genesis is one of Canada's largest audiovisual systems integration companies. It is headquartered from leased premises in Edmonton and operates across Canada from a total of six leased premises in Calgary, Edmonton, Toronto, Ottawa, Quebec City and Montreal.
3. Genesis provides 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 customers' sites. Genesis does this work for both public sector and corporate clients.
4. Although there is some strategic overlap and consolidation of back-office functions, Fusion operates as a separate standalone business from Genesis. Purchased by Genesis in 2007, Fusion is a national reseller and production partner servicing Canadian broadcast companies, film production companies and digital content creators. Headquartered from leased premises in Vancouver and with leased satellite offices in Toronto and Montreal, is strategically located to target Canada's main production centers.
5. Fusion sells "out of the box" solutions or engineers end-to-end solutions for larger projects, including supplying the requisite equipment, design, testing and training to its customers. Fusion maintains 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 69 and 21 employees, respectively. The Genesis and Fusion workforces are not unionized and neither Genesis nor Fusion maintain any registered pension plans.

3.2 Genesis' Permits and Licenses

1. Public sector customers represented 86% of Genesis' revenue in its fiscal year ended December 31, 2021 and 77% in the seven months ended July 31, 2022.
2. The Permits and Licenses Genesis uses in connection with the servicing of its public sector customers include, among other things:
 - a) security clearances issued by the Government of Canada (or any Ministry or subdivision thereof) or the Royal Canadian Mounted Police;
 - b) National Master Standing Offers (including an Audio Visual Master Standing Offer) granted by the Government of Canada (or a Ministry or subdivision thereof); and
 - c) other permits, licenses, Authorizations, approvals or other evidence of authority, permission or entitlement related to the Business granted by a Governmental Authority (each capitalized term as defined in the SPA).
3. Genesis routinely provides services to Government authorities which require varying degrees of vendor security clearances. Genesis holds the highest level of audiovisual vendor security clearance, allowing it to complete projects that require a high degree of discretion and sensitivity. Without its Permits and Licenses, Genesis would be unable to fully service these Government customers, which would significantly impair its business. Genesis estimates approximately a quarter of its total revenue is linked to these security clearances.
4. Genesis also has the benefit of "National Master Standing Offers" ("NMSOs") from various Government agencies. These NMSOs allow Genesis to be on a short-list of pre-approved vendors these Government agencies can procure products and services without having to commence a traditional request-for-proposal ("RFP") or tender process. These NMSOs are critical to Genesis' business as they result in a steady stream of public sector customer orders on relatively standard terms and conditions.
5. The Permits and Licenses can be both difficult and time-consuming to obtain, as they require the applicant as well as certain of its employees to meet rigorous qualification criteria as set out by the various Government authorities. Even if the applicant and its personnel are able to meet all of the criteria, certain of these Permits and Licenses can take up to 12 months to process. As the Permits and Licenses are specific to Genesis and its personnel, the Permits and Licenses are not assignable and/or cannot be transferred to the Purchaser in a commercially reasonable timeframe with the required degree of certainty.
6. Based on the foregoing, preserving the Permits and Licenses was a critical consideration in developing the RVO structure of the Transaction, as detailed in Sections 8 and 9 of this Report.

4.0 Financial Information

4.1 Balance Sheet

1. The Debtors' consolidated balance sheet as at June 30, 2022 is presented below.

Description	CAD \$000s
Assets	
Cash	419
Accounts receivable	2,530
Inventory	6,518
Prepaid expenses and other	3,537
Long-term investments	2,574
Property and equipment	534
Intangible assets and goodwill	49
Total Assets	16,161
<u>Liabilities and Equity</u>	
Cortland secured debt	8,222
Accounts payable and accrued liabilities	5,121
Other current liabilities	2,149
Long-term debt	3,779
Other long-term liabilities	225
Total Liabilities	19,496
Shareholders' Equity/(deficiency)	(3,335)
Total Liabilities and Shareholders' Equity	16,161

2. With the exception of cash, the Debtors' working capital assets are its accounts receivable (book value of approximately \$2.5 million) owing from its various corporate and public sector customers, and inventory (book value of approximately \$6.5 million), which is principally comprised of audiovisual components and production equipment held for both resale and rental purposes.
3. The Debtors' property and equipment (book value of approximately \$534,000) is primarily comprised of furniture, vehicles, computer equipment and software. The Debtors' other assets include an investment in Flexity Systems Limited ("Flexity") (book value of approximately \$2.6 million).
4. The Debtors' liabilities, the most significant of which is its secured debt owing to the Agent, are discussed in Section 5 of this Report.
5. The Debtors' June 30, 2022 balance sheet reflects negative working capital (i.e. current assets less current liabilities) of approximately \$2.5 million and negative equity of approximately \$3.3 million.

4.2 Income Statement

1. The table below summarizes the Debtors' consolidated operating results for their fiscal years ended December 31, 2019, 2020 and 2021 and for the six-month period ending June 30, 2022.

CAD \$000s	2022 (six months) (unaudited)	2021 (unaudited)	2020 (audited)	2019 (unaudited)
Sales	14,452	27,296	24,028	36,542
Cost of sales	(10,313)	(19,513)	(15,796)	(26,178)
Gross margin	4,139	7,783	8,232	10,364
Gross margin (%)	28.6%	28.5%	34.3%	28.4%
Operating expenses	(5,742)	(10,896)	(10,012)	(16,376)
EBITDA	(1,603)	(3,113)	(1,780)	(6,012)
Other income/(expenses)	4,797	(3)	2,665	(4,733)
Income tax recovery/(expenses)	7	(28)	(869)	1,448
Net profit/(loss)	3,201	(3,144)	16	(9,297)

2. The Debtors' operating results reflect, *inter alia*:
 - a) since 2019, the Debtors have generated cumulative negative EBITDA of approximately \$12.5 million and net losses of approximately \$9.2 million;
 - b) operating losses have continued in the current fiscal year (\$1.6 million); and
 - c) net income in 2022 includes a one-time, non-operating gain of approximately \$4.8 million, of which \$3.7 million was generated from the arms' length sale transaction of Genesis' healthcare division to Flexity. The Flexity shares held by Genesis were issued as consideration under that transaction. Absent the one-time gain generated from the transaction with Flexity, the Debtors' year-to-date results would reflect the continuation of net losses. These operating losses are significant, recurring and projected to continue if the Debtors remain operating in the status quo.

5.0 Creditors

5.1 Secured

1. As at September 1, 2022, the Agent is owed approximately \$9.42 million under the Credit Agreement by 965 Alberta, excluding legal fees, which amount is guaranteed by Genesis. Interest and costs continue to accrue. A copy of the Credit Agreement and Genesis' guarantee are attached to the Affidavit filed by the Agent in support of its receivership application.

2. The amounts advanced pursuant to the Credit Agreement are secured against the assets of the Companies by, among other things (together, the “Security Documents”):
 - a) a general security agreement dated December 15, 2020 granted by 965 Alberta to the Agent; and
 - b) a general security agreement dated December 15, 2020 from Genesis to the Agent.
3. Events of default that have occurred and continue to occur since 2020, include, among other things: (i) 965 Alberta’s failure to comply with certain financial covenants under the Credit Agreement; and (ii) certain defaults in the payment and performance of obligations under certain of Genesis’ contracts.
4. Absent the granting of the Receivership Order and the approval of the Transaction, the Receiver understands that Cortland, 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 Security Documents.
5. In anticipation of these proceedings, and as part of its diligence on the Companies and the Transaction, KSV retained and instructed independent legal counsel, McMillan, to review the Security Documents. McMillan reviewed the Security Documents and security registrations made by the Agent and issued an opinion providing that, subject to customary assumptions and qualifications contained therein, the security granted under the Security Documents is valid and enforceable against the Companies’ assets, including the shares of Genesis held by 965 Alberta. A copy of the security opinion can be made available to the Court should it wish to review it.
6. Other than the Agent, creditors with registered security interests in certain of the Companies’ assets are reflected in the table below. These obligations are contemplated to be unaffected under the Transaction.

Creditor	Registration Date	Security
The Bank of Nova Scotia	March 13, 2019	2019 Nissan NV200
Crestron Electronics, Inc.	January 30, 2020	Certain electronic goods and merchandise acquired from the secured party

5.2 Convergent

1. On or around December, 2018, Genesis sold to Convergent a division of its business that provided integrated security solutions. On or around December 19, 2018, in connection with the transition of services stemming from such transaction, Genesis and Convergent entered into a Master Subcontract Agreement (“MSA”), pursuant to which Genesis would subcontract certain of its work to Convergent.
2. Pursuant to a Statement of Claim filed by Convergent against Genesis dated March 3, 2022, Convergent claims, among other things, damages of approximately \$1.1 million resulting from a purported breach of the MSA by Genesis. Genesis filed a Statement of Defense dated April 11, 2022 denying the allegations set out in the Statement of Claim. The litigation remains outstanding at this time.

3. Convergent is the Companies' largest unsecured creditor⁴ whose claims will be Excluded Claims and will vest in Residual Co. pursuant to the Transaction.

5.3 Other

1. The book value of the Companies' trade payables, excluding the amount owing to Convergent, totaled approximately \$3.1 million as at July 31, 2022, the aging of which is reflected in the table below.

CAD \$000s	0 – 30	31 – 60	61 – 90	91+ Days	Total
As at July 31, 2022	Days	Days	Days		
Accounts payable	389	541	153	2,025	3,108
%	13%	17%	5%	65%	100%

2. The table below reflects that the ten largest vendor balances represent approximately \$2.15 million (69%) of the total accounts payable as at July 31, 2022.

CAD \$000s	Retained Under	
Vendor	SPA	Accounts Payable
ScanSource Communications Inc.	Yes	522
PSA Security Network	No	366
Synnex Canada	Yes	309
Roche Securities Limited	No	265
Sharp Electronics	Yes	141
Mersive Inc.	No	124
Exertis Pro AV	No	121
Solutions 360 Inc.	Yes	115
Biamp Systems	Yes	99
Qumu	Yes	90
Total		2,152

3. The table above reflects that 6 of the top 10 unsecured creditors, owed approximately \$1.3 million, or 59% of the total amount owing to the top 10 unsecured creditors as at July 31, 2022, are being retained by Genesis as they are considered Critical Suppliers under the SPA.
4. As at the date of this Report, the Companies have the following other unsecured or contingent obligations:
 - three separate actions commenced by former employees against Genesis, which are contemplated to be Excluded Liabilities under the SPA.

⁴ The \$1.1 million owing to Convergent is classified as long-term debt on the Debtors' balance sheet presented in Section 4.1 of this Report.

5. The Receiver understands that there are no overdue sales tax, employee withholding or other potential priority claims against the Companies and to the extent such priority claims do exist, they constitute Retained Liabilities under the SPA. All unpaid wages and vacation pay owing to Employees (including Non-Retained Employees) will also be Retained Liabilities under the SPA (collectively, the “Retained Employee Liabilities”). Severance and termination pay owing to Non-Retained Employees will constitute Excluded Liabilities.

5.4 Settlement Discussions

1. In or around December, 2021, Genesis was approached by Fulcrum AV to consider implementing a potential restructuring transaction with the Purchaser, with the objective of preserving all or a portion of the Companies’ business.
2. In order to complete a transaction outside of formal insolvency proceedings, any purchaser would very likely require that Genesis enter into settlement agreements with unsecured creditors whose claims would be excluded under a transaction so that Genesis could be acquired free and clear of any legacy/contingent obligations and/or amounts owing to suppliers with whom Genesis no longer transacts.
3. Pursuant to an engagement letter dated December 1, 2021, Fulcrum AV engaged KSV Advisory to, *inter alia*, prepare an estimate of the liquidation value of the Companies’ business and assets (the “Initial Liquidation Analysis”) and to assist it to consider restructuring options for the Companies. The Initial Liquidation Analysis reflected that the Agent would incur a substantial shortfall on its secured debt, and accordingly, there would be no funds available for distribution to the Companies’ unsecured creditors.
4. Beginning in or around January, 2022, Genesis approached Convergent and certain other unsecured creditors to attempt to negotiate a settlement of their alleged outstanding balances so that insolvency proceedings could be avoided. Genesis approached these creditors with a settlement proposal on the basis that any offer would result in a greater recovery for the creditors than could be achieved should the Companies be placed into receivership or other insolvency proceedings. Genesis made a copy of the Initial Liquidation Analysis available to these creditors.
5. Notwithstanding its efforts, Genesis was unable to negotiate a settlement with these creditors, including Convergent. At the time, the Receiver understands that Convergent advised Genesis that it might be interested in an acquisition; however, Convergent did not ultimately pursue a potential transaction with Genesis.
6. Following these unsuccessful settlement negotiations, the Companies focused on developing a process that would provide an opportunity to complete a transaction with the Purchaser.

6.0 Sale Process

1. On July 25, 2022, the Companies and the Purchaser settled the terms and conditions of the SPA (minor, non-material clean up changes were made subsequent to that time). On that date, the Purchaser sent a letter to the Companies (the “July 25th Letter”) together with an executed version of the SPA. A copy of the July 25th Letter is attached as Appendix “A” (without attachments).

2. The July 25th Letter included the following paragraph in respect of a Sale Process:

We understand that the senior secured creditor of Genesis and 965 Alberta, Cortland Credit Lending Corporation (the “Lender”), is supportive of the SPA and is prepared to bring an application before the Court of Queen’s Bench of Alberta in the City of Calgary (the “Court”) to appoint KSV Restructuring Inc. as receiver (in such capacity, the “Receiver”), provided that, prior to any such receivership application KSV Advisory Inc. oversees a sale and investment solicitation process (“SISP”) to determine if there is a higher and/or better offer available for the Shares or assets of Genesis, than that provided for in the SPA (such offer, a “Superior Bid”). We understand that Sequent will be consulted in connection with the formulation of the SISP which will be consistent with market practice and SISPs previously approved by the Court. Sequent is agreeable to these terms and hereby consents to the use of the SPA as a stalking horse offer to determine if a Superior Offer can be identified in the SISP. Sequent confirms that it is not seeking a break fee or an expense reimbursement in the event that a Superior Offer is consummated.

3. The purchase price offered by the Purchaser (valued at approximately \$11 million) was primarily comprised of the retention of the Cortland Debt (approximately \$9.4 million) and the obligations owing to Critical Suppliers (approximately \$1.7 million). To qualify as a Superior Bid, a bidder would need to provide a greater value proposition than that contained in the SPA.
4. The Sale Process commenced on July 27, 2022. An overview of the Sale Process is as follows:
 - a) the Sale Process was designed to be carried out prior to filing for receivership to minimize any disruption to the Companies’ operations that may result from the Companies operating for a prolonged period of time during an insolvency proceeding. A pre-appointment Sale Process was intended to minimize risk of destabilizing the business, including because of the Companies’ liquidity crisis, the value of the SPA and the results of the Liquidation Analysis;

- b) KSV Advisory developed a list of prospective purchasers comprised of 27 parties, including 21 strategic and 6 financial targets (the “Buyers List”). The Buyers List was prepared using “Capital IQ” corporate finance research software, discussions with management and a listing of the top systems integrators of 2021 based on an industry publication issued by Systems Contractor News. Given Convergent’s prior expression of interest in a potential transaction, Convergent was also included on the Buyers List and invited to participate in the Sale Process;
- c) on July 27, 2022, each of the parties on the Buyers List was provided with an interest solicitation letter detailing this opportunity (the “Teaser”) and a confidentiality agreement (“CA”). The Teaser set out that prospective purchasers may bid for the shares or the assets of Genesis and/or Fusion;
- d) KSV Advisory compiled relevant diligence information into a virtual data room (the “Data Room”), which contained financial, operational and other information regarding the Companies, including a business plan recently prepared by management. Access to the Data Room was granted to interested parties that executed the CA;
- e) KSV Advisory was of the view that the information necessary to submit a bid for the Companies’ business and assets was available in the Data Room. As such, it was not deemed necessary to incur the cost and time to prepare a comprehensive confidential information memorandum;
- f) a copy of the SPA was made available in the Data Room so prospective purchasers could understand the terms and conditions of the stalking horse offer, including the value threshold bids would need to meet;
- g) it was communicated to interested parties that the Companies’ senior management team would be available to meet with them throughout the Sale Process, as required; and
- h) the deadline for interested parties to submit a non-binding LOI was August 26, 2022, being four weeks from the commencement of the Sale Process.

6.1 Sale Process Results

1. The Sale Process results are summarized as follows:
 - a) two parties executed a CA and performed due diligence;
 - b) notwithstanding several outreaches to Convergent and its legal counsel, Convergent did not execute a CA and did not participate in the Sale Process;

- c) feedback provided by many of the parties on the Buyers List, particularly the strategic parties, was that the value of the Transaction was significantly higher than they would be prepared to pay for the Companies. Accordingly, these parties communicated that they did not engage in the process and/or perform diligence for this reason; and
 - d) no LOIs were submitted by the August 26, 2022 offer deadline.
- 2. Based on the results of the Sale Process, the Purchaser was advised on August 26, 2022 that it was the successful bidder under the Sale Process and that the Companies were prepared to complete the Transaction. Accordingly, the Agent served its receivership application materials on September 1, 2022.

7.0 Liquidation Analysis

- 1. The Liquidation Analysis was prepared based on the balance sheets of Genesis and Fusion as at June 30, 2022, other than working capital assets and the Cortland Debt amount, which were as at August 12, 2022.
- 2. Subject to the underlying assumptions detailed therein, the Liquidation Analysis reflects that the net realizable value of the Companies is substantially less than the value of the:
 - a) Cortland Debt, and accordingly, there would be no funds available for distribution to the Companies' unsecured creditors in a liquidation; and
 - b) purchase price under the Transaction.
- 3. The results of the Liquidation Analysis are consistent with the Initial Liquidation Analysis (i.e. the Agent would incur a substantial shortfall and there would be no funds available for distribution to the Companies' unsecured creditors).
- 4. A copy of the Liquidation Analysis is provided in Confidential Appendix "1".

7.1 Sealing

- 1. The Receiver recommends that the Liquidation Analysis be filed with the Court temporarily on confidential basis and remain sealed pending closing of the Transaction. KSV is of the view that sealing this analysis until closing is required to address the risk that the availability of this information may negatively impact any future recoveries in these proceedings if the Transaction does not close.
- 2. The Receiver does not believe any stakeholder will be prejudiced if the information is temporarily sealed at this time. Furthermore, given that the results of the Liquidation Analysis are consistent with the Initial Liquidation Analysis, the unsecured creditors (including Convergint) whose claims are being excluded (which were provided an opportunity to review the Initial Liquidation Analysis in the context of prior settlement discussions) are aware of the estimated results of a similar analysis and its underlying assumptions.

8.0 Transaction⁵

1. A summary of the SPA is as follows:

- a) **Purchaser:** Sequent AI Exchangeco Ltd. (or its designee), a party ultimately controlled by some of the same principals that control the Companies. The Purchaser's business is synergistic to Genesis as it is also a technology solutions provider.
- b) **Purchased Shares:** All of the issued and outstanding shares of Genesis. Genesis owns all of the issued and outstanding shares of Fusion, and accordingly, the Purchaser will also indirectly acquire the business operated by Fusion on an "as is" basis.
- c) **Purchase Price:** The purchase price is comprised of:
 - \$1.00 for the acquisition of the Shares plus the value of the Retained Liabilities (approximately \$11 million) detailed in Schedule "I" of the SPA (and described in (d) below).
- d) **Retained Liabilities:** The Retained Liabilities (detailed in Schedule "I" of the SPA) include:
 - the amount owing to the Agent under the Credit Agreement, being, as of September 1, 2022, approximately \$9.42 million plus legal fees;
 - the amount owing to the Critical Suppliers outstanding as at the Closing Date, which the Receiver understands includes approximately \$1.7 million owing to 88 vendors, representing a substantial portion of trade payables;
 - obligations under the Retained Contracts, which is all of the Companies' contracts other than those listed on Schedule "D" of the SPA;
 - Genesis' liabilities in respect of Taxes;
 - The Retained Employee Liabilities; and
 - any liabilities with respect to the fees and expenses of the Receiver and McMillan outstanding at Closing.
- e) **Retained Assets:** The Retained Assets include all assets of Genesis. There are no Excluded Assets listed in Schedule "C" of the SPA.
- f) **Employees:** The Receiver understands that the Purchaser intends to retain all but approximately ten of Genesis' employees. The Receiver will terminate the employment of the Non-Retained Employees on behalf of Genesis in accordance with the Receivership Order.

⁵ Defined terms in this section of the Report have the meanings provided to them in the SPA.

- g) **Excluded Liabilities:** The Excluded Liabilities (detailed in Schedule “E” of the SPA) include:
- Excluded Employee Liabilities;
 - any Liability arising from the Actions commenced by parties against Genesis, including the Actions commenced by Convergent and three former employees of Genesis, being Daniel Langelier, Yvon Carriere and Katrina Ho;
 - any Liabilities related to the Excluded Contracts (as detailed in Schedule “D” of the SPA), which include certain of the Real Property Leases, the Hosting Agreement between Genesis and Voysis IP Solutions and any contracts with suppliers that are not Critical Suppliers; and
 - liabilities related to suppliers to Genesis that are not Critical Suppliers. As at July 31, 2022, those vendor obligations not being retained as Critical Suppliers are estimated to total approximately \$2.5 million, which includes the obligation owing to Convergent of approximately \$1.1 million.
- h) **Transfers to Residual Co.:** On the Closing Date, prior to the sale of the Purchased Shares, the Excluded Liabilities shall be assumed by Residual Co. and the Receiver shall cause Genesis to transfer to Residual Co. any Excluded Assets (if any). This will be consummated by way of the Approval and Reverse Vesting Order and evidenced by an assumption agreement. At the present time, it is estimated that Residual Co. will be paid a nominal amount by Genesis as consideration for the assumption of the Excluding Liabilities. It is anticipated such amounts will be used to fund a no-asset bankruptcy.
- i) **Representations and Warranties:** Consistent with the terms of a standard insolvency transaction, i.e., on an “as is, where is” basis, with limited representations and warranties. To the extent the Receiver is giving certain limited representations and warranties, they are each qualified “To The Best of the Receiver’s Knowledge”, which was a provision negotiated by the Receiver prior to finalizing the SPA.
- j) **Material Adverse Effect (“MAE”):** The MAE condition was negotiated and sufficiently narrowed, in the Receiver’s view, such that it is not triggered by any of the following potential events: (a) an epidemic (including COVID-19); (b) a change in sale or forecasted sales; (c) a change in general economic, business, political or market conditions, or a development in the financial, banking, credit, debt, currency, capital or securities markets in general, including changes in interest rates; (d) any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of Genesis with any third party, including any of the Genesis customers, employees, shareholders, financing sources, vendors, distributors, partners or suppliers as a direct result of the execution, announcement or performance of this Agreement; (e) the application by the Agent for the Receivership Order; or (f) any breach of a covenant or term of this Agreement by the Receiver that is cured by the Outside Date.

- k) **Material Conditions:** Other than the MAE condition in favour of the Purchaser, which is appropriately limited in the Receiver's view, the only material condition precedent is that the Court shall have issued the Approval and Reverse Vesting Order.
- l) **Closing:** The Target Closing Date is September 15, 2022, and Closing is to occur no later than the Outside Date, which is September 23, 2022 or such other date as may be agreed to in writing by the Receiver (with the consent of the Agent) and the Purchaser.
- m) **Interim Period:** The period between the SPA being entered into and Closing, during which the Receiver shall, subject to having sufficient funding on terms acceptable to the Receiver, cause Genesis to continue to operate in the normal course of business.

2. A copy of the SPA is attached as Appendix "B".

9.0 Recommendation

1. The Receiver recommends that the Court issue the Approval and Reverse Vesting Order for the following reasons:
 - a) in the Receiver's view, the Sale Process was commercially reasonable, including timelines, breadth of marketing process and information made available to interested parties, and consistent with the terms of a traditional sale process that would be carried out in the context of a receivership proceeding. In addition, the Sale Process was flexible such that offers could be submitted for: (i) Genesis' shares (as contemplated by the SPA); (ii) Fusion's shares; or (iii) assets of Genesis and/or Fusion;
 - b) the Buyers List was comprehensive – it included all or substantially all strategic purchasers, including Convergent. The Sale Process did not generate any offers for the business, which based on feedback consistently received throughout the Sale Process was attributed to the \$11 million value of the stalking horse bid submitted by the Purchaser (i.e. the SPA);
 - c) the purchase price under the Transaction materially exceeds the liquidation value of the Companies' business and assets based on the Liquidation Analysis. This is the case given that, *inter alia*, it is structured as a share deal that provides for the retention of substantially all of the Companies' liabilities, including secured, unsecured, contingent or otherwise, other than the Excluded Liabilities;
 - d) the duration of the Sale Process (roughly one month) was sufficient to allow interested parties to perform diligence and submit non-binding offers. In addition, none of the parties contacted expressed any concern or made any requests to extend the Sale Process timelines;

- e) the Transaction was negotiated prior to these proceedings with a view to maximizing the value of the Companies' business and assets. It did not include any break-fee or expense reimbursement provisions which may have discouraged interested parties from engaging in the Sale Process;
- f) the Receiver is of the view that carrying out another sale process during the Receivership Proceedings - for which there is no funding - may cause disruption to the business of the Companies and impair the going-concern value of the business without reason as the Receiver does not believe there is any prospect that another sale process would generate recoveries greater than the Cortland Debt;
- g) absent the Transaction, Cortland, as lender, is not prepared to fund the Companies, and accordingly, the Companies will, in all likelihood, need to immediately cease operations and commence a liquidation process to the detriment of all stakeholders;
- h) the Transaction preserves employment for the Companies' existing employees as the Purchaser intends to retain the vast majority of the Companies' employees;
- i) the Agent, on behalf of the Companies' principal economic stakeholder, Cortland, has consented to the Transaction, including the retention of the Cortland Debt by Genesis. The Agent's willingness to support the business is contingent on the successful completion of the Transaction;
- j) the Purchaser intends to cause Genesis to retain a significant portion of the Companies' unsecured trade vendor debt owing to the Critical Suppliers (approximately \$1.7 million). As evidenced by the Liquidation Analysis, these creditors would receive no recovery in a liquidation;
- k) the business has incurred significant losses in recent years and it is critical that immediate steps be taken to restructure the business. The Excluded Contracts, being certain real property leases, and Excluded Liabilities provide the Companies' business with the opportunity to exit certain redundant premises and vest out certain liabilities in order to implement its business plan with a view to returning to viability, particularly when considering the synergies provided by the Purchaser's business.⁶ The structure of the Transaction will also preserve the Companies' tax losses, which are significant; and
- l) in the Receiver's view, the terms and conditions of the SPA are commercially reasonable and any closing risk has been sufficiently mitigated, including the narrow provisions under which the MAE condition could be triggered. The Receiver and its counsel were consulted on the negotiation of the SPA, particularly as it relates to certain provisions that would need to be deemed reasonable by a Court officer, including the MAE condition.

⁶ The Purchaser advises the Receiver that following Closing, and the disclaimer of the existing leases, Genesis may seek to negotiate new leases with landlords on a more economically sustainable basis. The current Edmonton landlord is a member of Genesis' management team but has no equity interest in Genesis or the Purchaser.

2. The Receiver believes it is necessary and appropriate for the Transaction structure to include an RVO. In the Receiver's view, the Companies' attributes and circumstances address the questions recently raised by other Canadian courts when considering the granting of RVOs, which are addressed as follows:

a) *Why is the RVO necessary in this case?*

The Permits and Licenses, as discussed in Section 3.2 of this Report, allow Genesis to fully service the public sector industry, which since 2019 has represented approximately 80% of its total sales. Security clearances alone are linked to approximately a quarter of Genesis' revenue. The Purchaser is not prepared to acquire the business under any other alternative structure. The Agent does not support any alternative structure.

b) *Does the RVO structure produce an economic result at least as favourable as any other viable alternative?*

The Approval and Reverse Vesting Order preserves Genesis' Permits and Licenses and tax losses without any corresponding unfavourable impact on stakeholders. The Approval and Reverse Vesting Order structure derives the most value for Genesis' business and assets. The issuance of the Approval and Reverse Vesting Order is a material condition of the SPA, absent which the Purchaser will not close the Transaction. Absent the Transaction, the Agent will cease to support the business, resulting in a liquidation of the Companies' business and assets. Based on the Liquidation Analysis, this would result in a materially worse outcome relative to the Transaction.

c) *Is any stakeholder worse off under the RVO structure than they would have been under any other viable alternative?*

In the Receiver's view, there is no stakeholder prejudiced by the contemplated RVO structure relative to their treatment and outcome under any other viable alternative (if any). As noted, Genesis intends to retain a significant portion of Genesis' unsecured trade vendor debt owing to the Critical Suppliers, who would receive no recovery in a liquidation.

d) *Does the consideration being paid for the debtor's business reflect the importance and value of the licences and permits (or other intangible assets) being preserved under the RVO structure?*

For the reasons noted in a) above, in the Receiver's view, the value of the Permits and Licenses was the critical consideration in structuring the Transaction. The consideration being paid by the Purchaser is directly attributed to the importance and value of the Licenses and Permits, which enhances value and provides a better outcome for all stakeholders, including the Companies' secured creditors, certain unsecured creditors, employees and customers.

3. Based on the foregoing, the Receiver recommends that this Court approve the Transaction and grant the Approval and Reverse Vesting Order.

10.0 Notice

1. Convergent and other unsecured creditors not being retained under the Transaction were advised of the scheduled Court date in August, 2022 (i.e. prior to the Agent's service of the receivership application materials). In this regard, the Receiver advised Convergent's legal counsel of the September 13th hearing date on August 11, 2022 and substantially all other creditors not being retained under the Transaction (i.e. those for whom Genesis had current contact information) were sent an email by Genesis on August 29, 2022, a copy of which is attached as Appendix "C".
2. As at the date of this Report, KSV understands that Convergent has advised that it intends to oppose the granting of the Approval and Reverse Vesting Order being sought on September 13, 2022.
3. Should Convergent file materials setting out the basis of its opposition, KSV will either file a supplemental report to summarize its views on Convergent's position or instruct McMillan to provide those views to the Court at the hearing of this receivership application.

11.0 Receivership Proceedings

1. Subject to Court approval to be sought on a motion presently scheduled for September 29, 2022, it is contemplated that the Receivership Proceedings would be completed shortly following completion of the Transaction. Prior to completing its administration of these Receivership Proceedings, the Receiver, if appointed, intends to perform the following activities:
 - a) work with the Purchaser to complete the Transaction by the Target Date under the SPA of September 15, 2022 and in no event later than September 23, 2022, being the Outside Date under the SPA;
 - b) issue notices of disclaimer to the counterparties to any known Excluded Contracts as set out on Schedule "D" of the SPA;
 - c) issue termination letters on behalf of the Companies for the limited number of Non-Retained Employees (as defined in the SPA);
 - d) administer the employee claims process under the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s.1 ("WEPPA") for the Non-Retained Employees. In this regard, there is a provision in the SPA which requires the Purchaser to cause Genesis to provide reasonable assistance to the Receiver (or to the Licensed Insolvency Trustee appointed over Residual Co., should the WEPPA claims process be administered in the context of Residual Co.'s planned bankruptcy proceedings);
 - e) prepare and file the Receiver's final report as required under Section 246 of the BIA;
 - f) cause 965 Alberta to make an assignment in bankruptcy, should it be determined that this step is required to complete the administration in an orderly and efficient manner; and
 - g) deal with any other issues not specified above.

2. The Receiver notes that the Receivership Order excludes many of the Receiver's discretionary powers included in the template Alberta order. It is contemplated that the Transaction will close within days of the granting of the Receivership Order and the Approval and Reverse Vesting Order and the SPA requires a less intrusive receivership during the Interim Period (as defined in the SPA) to minimize its impact on the Companies' operations until the Transaction is completed. Accordingly, the Receivership Order contemplates that the Receiver would, subject to having sufficient funding on terms acceptable to the Receiver, cause Genesis to continue to operate in the normal course of business until the Transaction closes.
3. Following Closing, the Receiver intends to return to Court to seek its discharge as against 965 Alberta and terminate the Receivership Proceedings.

11.1 Cash Management System

1. Genesis maintains four bank accounts with Bank of Montreal ("BMO"), one of which is a US account with BMO Harris Bank in the United States. 965 Alberta does not have a bank account. The Companies' centralized cash management system (the "Cash Management System") operates such that upon delivery and approval of a borrowing base notice by 965 Alberta to the Agent, which is typically submitted on a weekly basis, the Agent advances funds to a Genesis operating account to fund operations. Deposits into Genesis' other bank accounts are swept by the Agent and applied against the Cortland Debt.
2. The Receiver is of the view that it is reasonable and appropriate for the Cash Management System to remain in place during the Interim Period to minimize disruption or interruption to the Companies' business and for the Companies to be able to continue normal course operations in the context of the Receivership Proceedings until the closing of the Transaction.

12.0 Professional Fees

1. The fees and disbursements of KSV Advisory and McMillan for the period July 1, 2022 to August 31, 2022 total approximately \$67,291 and \$32,178, respectively. Detailed invoices in respect of the fees and disbursements of the Receiver and McMillan can be provided to the Court, if required. These costs were incurred in connection with the planning of the Receivership Proceedings, finalizing the terms of the SPA and carrying out the Sale Process, as summarized in this Report.
2. The average hourly rates for KSV Advisory and McMillan for the referenced billing periods were \$591.05 and \$522.36, respectively.
3. The Receiver is of the view that the hourly rates charged by McMillan are consistent with the rates charged by corporate law firms practising in the area of insolvency in the Alberta market and that the fees charged are reasonable and appropriate in the circumstances.

13.0 Conclusion and Recommendation

1. The Receiver respectfully recommends that the Court make the Orders granting the relief detailed in Section 1.2(1)(i) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS THE PROPOSED RECEIVER OF
965591 ALBERTA LTD. AND GENESIS INTEGRATION INC.
AND NOT IN ITS PERSONAL CAPACITY**