

COURT FILE NUMBERS	1901-03879
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANTS	HSBC BANK CANADA
RESPONDENTS	GENCO HOLDINGS LTD.



DOCUMENT	SECOND REPORT OF THE RECEIVER JULY 2, 2019
----------	---

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

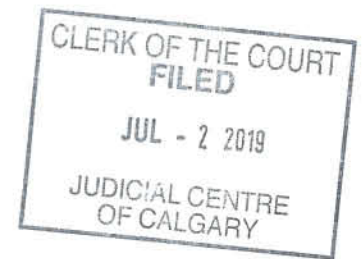
RECEIVER

ERNST & YOUNG INC.
Calgary City Centre
2200, 215 2nd Street SW
Calgary, AB T2P 1M4
Attention: Peter Chisholm / Dylan Holwell
Telephone: (403) 206-5061 / (403) 206-5431
Fax: (403) 206-5075
Email: peter.chisholm@ca.ey.com /
dylan.holwell@ca.ey.com

COUNSEL

FASKEN MARTINEAU DUMOULIN LLP
First Canadian Centre
350 - 7th Avenue SW, Suite 3400
Calgary, AB T2P 3N9
Attention: Travis Lysak / Mihai Tomos
Telephone: (403) 261-5501 / (587) 233-4107
Email: tlysak@fasken.com /
mtomos@fasken.com

COURT FILE NUMBERS 1901-04336
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANTS MAYNBRIDGE CAPITAL INC.



RESPONDENTS GENCO HOLDINGS LTD., GENCO (WALDEN) LTD., PALI
BEDI, TARLOK TATLA, JASBIR HANS, SOLO LIQUOR
HOLDINGS LTD. and SOLO LIQUOR STORES LTD.

DOCUMENT SECOND REPORT OF THE RECEIVER
JULY 2, 2019

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

RECEIVER

ERNST & YOUNG INC.
Calgary City Centre
2200, 215 2nd Street SW
Calgary, AB T2P 1M4
Attention: Peter Chisholm / Dylan Holwell
Telephone: (403) 206-5061 / (403) 206-5431
Fax: (403) 206-5075
Email: peter.chisholm@ca.ey.com /
dylan.holwell@ca.ey.com

COUNSEL

FASKEN MARTINEAU DUMOULIN LLP
First Canadian Centre
350 - 7th Avenue SW, Suite 3400
Calgary, AB T2P 3N9
Attention: Travis Lysak / Mihai Tomos
Telephone: (403) 261-5501 / (587) 233-4107
Email: tlysak@fasken.com /
mtomos@fasken.com

TABLE OF CONTENTS OF THE SECOND REPORT

INTRODUCTION.....	3
TERMS OF REFERENCE AND DISCLAIMER	4
WALDEN PROPERTY AND RENTS	4
INTERIM DISTRIBUTIONS	5
STATEMENT OF RECEIPTS AND DISBURSEMENTS.....	6
RECOMMENDATIONS.....	7

INTRODUCTION

1. Ernst & Young Inc. ("EYI") was appointed Receiver (the "Receiver") of Genco Holdings Ltd.'s right, title and interest in certain real property municipally located at 634 - 6th Avenue SW ("634"), Calgary, Alberta, and any personal property related to it (the "Remaining Unsold Units") pursuant to an Order (the "HSBC Receivership Order") dated March 22, 2019 (the "HSBC Receivership Date").
2. EYI was appointed Receiver of the property, assets and undertakings of Genco (Walden) Ltd. ("Genco Walden") and Genco Holdings Ltd. ("Genco Holdings") (together, "Genco"), excluding the Remaining Unsold Units subject to the HSBC Receivership Order and certain real property of Genco Holdings municipally located at 1108 - 4th Street SW, Calgary, Alberta and real property referred to as the "160 Acre Lands" (as described in the Maynbridge Receivership Order), pursuant to an Order (the "Maynbridge Receivership Order") dated April 5, 2019 (the "Maynbridge Receivership Date").
3. The primary assets of Genco Walden include its interest in real property municipally located at 19605 Walden Blvd. SE, Calgary, Alberta, including any personal property related to it ("Walden"). The primary asset of Genco Holdings subject to the Maynbridge Receivership Order is its interest in real property municipally located at 608 - 7th Street SW, Calgary, Alberta, 735 - 6th Avenue SW, Calgary, Alberta and 739 - 6th Avenue SW, Calgary, Alberta, including any personal property related to it (collectively, "608").
4. The Remaining Unsold Units, Walden and 608, all of which EYI has been appointed Receiver over, are collectively referred to as the "Properties".
5. The HSBC Receivership Order and the Maynbridge Receivership Order authorized the Receiver, among other things, to take possession and control of the Properties, to receive, protect and maintain control of the Properties, and to market and solicit offers to purchase the Properties.
6. The purpose of this second report of the Receiver (the "Second Report") is to provide this Honourable Court with the Receiver's comments with respect to the request of the Receiver to issue interim distributions to Maynbridge Capital Inc. ("Maynbridge") of the Walden Net Rents (as defined later in this Second Report) and the Receiver's recommendations thereon.

TERMS OF REFERENCE AND DISCLAIMER

7. In preparing this Second Report, the Receiver has relied upon unaudited financial information, Genco's records, and discussions with management of Genco. The Receiver has not performed an audit, review or other verification of such information.
8. Capitalized terms not otherwise defined in this Second Report are as defined in the HSBC Receivership Order, the Maynbridge Receivership Order or the First Report of the Receiver.
9. All references to dollars are in Canadian currency unless otherwise noted.

WALDEN PROPERTY AND RENTS

10. Walden includes a retail strip mall consisting of two single-storey buildings and referred as "Walden Landing", along with a two-storey professional building referred to as "Walden Square". Walden Landing is approximately 80% leased to a range of retail tenants. The main floor of Walden Square is fully leased to a single medical tenant, and the second floor of Walden Square was sold by Genco Walden to a third party prior to the Maynbridge Receivership Date.
11. Avison Young, a global commercial real estate consulting firm, was marketing Walden as at the Maynbridge Receivership Date since on or about December 21, 2018. Walden is cash flow positive and therefore had generated interest from potential buyers as at the Maynbridge Receivership Date, including the receipt of formal letters of intent or other non-binding offers for the purchase of Walden in its entirety.
12. Additional information on Genco is available on the Receiver's website at www.ey.com/ca/genco.

Walden Net Rents

13. Tenants leasing units at Walden remit monthly payments to Genco Walden to settle their obligations for basic rent, operating costs and property taxes, in accordance with the individual lease agreements between each tenant and Genco Walden. The third party owner of the second floor of Walden Square remits monthly payments to Genco Walden to settle its obligations for operating costs.
14. Since the Maynbridge Receivership Date, the Receiver has collected payments from tenants and the third party owner for the months of May and June 2019. The Receiver has utilized these funds for purposes of remitting payments to vendors who provide services to Walden during the Receivership Period, including utilities, maintenance and waste disposal, amongst others.

15. The remaining funds held by the Receiver after payment to Walden's vendors are referred to as the "Walden Net Rents". The Receiver is holding the Walden Net Rents in its segregated trust account for Genco Walden, pending further Order of this Honourable Court.

Independent Security Opinion

16. The Receiver has obtained an independent review (the "Security Opinion") from its legal counsel indicating that, subject to the customary assumptions and qualifications, the security granted by Genco Walden to Maynbridge constitutes valid and enforceable security over the Walden lands and leases.
17. Furthermore, the Receiver has been advised by legal counsel that, based upon searches conducted at the Alberta Personal Property Registry and at the Land Titles Office, it appears that Maynbridge holds a first charge security interest against Walden.
18. As at the Maynbridge Receivership Date, Genco Walden owed Maynbridge approximately \$18.3 million (the "Maynbridge Indebtedness"), excluding interest and professional fees accruing during the Receivership Period.
19. Based on the foregoing, the Receiver is of the view that Maynbridge is entitled to the Walden Net Rents in priority to any other party.

INTERIM DISTRIBUTIONS

20. The Receiver seeks approval of this Honourable Court to:
 - a. make an immediate interim distribution of all Walden Net Rents collected to date; and
 - b. make further interim distributions of any further Walden Net Rents collected during the Receivership, from time to time, as and when it sees fit. The amount of each interim distribution made by the Receiver to Maynbridge will be determined based on the Receiver's professional judgment and considering the forecasted funds to be collected from tenants and the third party owner and expected distributions to vendors related to services performed at Walden during the Receivership Period.
21. The Receiver will maintain a sufficient reserve to fund the remaining administration of the Receivership.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

22. Table 1.0 below provides a summary of the receipts and disbursements that have occurred since the Maynbridge Receivership Date up to June 28, 2019 (the "Reporting Period") for Genco Walden:

Genco Walden		Table 1.0	
Statement of Receipts and Disbursements			
April 5, 2019 to June 28, 2019			
\$CAD, unaudited			
	<u>Notes</u>		
Opening cash balance		-	A
Receipts			
Rent	1	<u>221,203</u>	
Total receipts		221,203	B
Disbursements			
Maintenance and janitorial	2	10,991	
Loan to 608	3	10,000	
Waste and recycling	4	5,086	
Insurance	5	4,494	
Utilities	6	1,664	
Other disbursements	7	1,044	
Professional fees	8	<u>-</u>	
Total disbursements		33,279	C
Cash on hand (A + B - C)		<u>187,924</u>	

23. Notes to the Receiver's Statement of Receipts and Disbursements are as follows:
- The Receiver collected approximately \$221,000 in rents for the months of May and June 2019 from tenants leasing units and Walden and from the third party owner of the second floor of Walden Square;
 - Maintenance and janitorial costs of approximately \$11,000 were incurred during the Reporting Period;
 - The Receiver loaned \$10,000 to the Genco Holdings segregated trust account established for 608 for purposes of funding costs associated with property management, mobile security patrols and fencing. The Security Opinion indicated that Maynbridge has a valid and enforceable first charge security over the 608 lands;

- d. Costs of approximately \$5,100 were incurred during the Reporting Period related to recycling and waste collection and disposal;
- e. The Receiver paid an insurance premium in the amount of \$4,500 during the Reporting Period;
- f. Utility costs totalled approximately \$1,700 during the Reporting Period and relate to natural gas and water services. The Receiver has contacted the provider of electricity services to Walden and is awaiting confirmation of the amount owed by Genco Walden for electricity services provided since the Maynbridge Receivership Date. The Receiver expects the amount owed for electricity services since the Maynbridge Receivership Date is in the range of \$10,000 - \$12,000;
- g. Other disbursements of \$1,000 relate to the emergency phone located in the elevator at Walden Square and monitoring thereof; and
- h. No professional fees were paid during the Reporting Period. The Receiver and its legal counsel are relying on the Receiver's Charge as security for its fees. Accrued professional fees of the Receiver and its legal counsel will be paid from proceeds from the sale of Walden.

RECOMMENDATIONS

57. The Receiver respectfully recommends that this Honourable Court approve the interim distributions to Maynbridge of the Walden Net Rents as proposed herein.

Dated at Calgary, Alberta, this 2nd day of July, 2019.

ERNST & YOUNG INC.
in its capacity as
Receiver of the Properties



Peter Chisholm, CPA, CA, CIRP, LIT
Vice President