COURT FILE NUMBERS	1901-03879	CLERK OF THE COURT FILED SEP 16 2019 JUDICIAL CENTRE OF CALGARY Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANTS	HSBC BANK CANADA	
RESPONDENTS	GENCO HOLDINGS LTD.	
DOCUMENT	SUPPLEMENT TO THE THIRD REPORT OF THE RECEIVER SEPTEMBER 16, 2019	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>RECEIVER</u> 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 <u>COUNSEL</u> 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 SUPPLEMENT TO THE THIRD REPORT

PURPOSE

1. The purpose of this supplement (the "Supplement") to the third report of the Receiver (the "Third Report") is to provide this Honourable Court with the Receiver's comments on:

   a) The Receiver's request for authorization to increase the Receiver's Borrowings Charge (as defined in the HSBC Receivership Order) from $250,000 to $1,500,000 (the "Increased Receiver's Borrowing Charge"); and

   b) The Receiver's recommendations.

TERMS OF REFERENCE AND DISCLAIMER

2. In preparing this Supplement to the Third 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.

3. Capitalized terms not otherwise defined in this Supplement to the Third Report are as defined in the HSBC Receivership Order or the First through Third Report of the Receiver.

4. All references to dollars are in Canadian currency unless otherwise noted.

INCREASED RECEIVER'S BORROWINGS CHARGE

5. The HSBC Receivership Order authorized the Receiver to borrow, by way of a revolving credit or otherwise, amounts the Receiver considers necessary or desirable, provided that the outstanding principal amount does not exceed $250,000 (or such greater amount as this Honourable Court may authorize).

6. The HSBC Receivership Order further authorizes the Receiver to borrow these amounts at any time for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by the HSBC Receivership Order, including the funding of interim expenditures. The HSBC Receivership Order further provides that the whole of the Property is charged by way of a fixed and specific security charge as security for the payment of monies borrowed by the Receiver, 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, except as otherwise set out in sections 14.06(7), 81.4(4) and 81.6(2) and 88 of the BIA. This charge is known as the Receiver's Borrowings Charge.

7. The HSBC Receivership Order authorized the Receiver, among other things, to market and solicit offers to purchase the Remaining Unsold Units at Genco's property located at 634-6th Avenue

SW. The Receiver has not identified a sale transaction for any of the Remaining Unsold Units as at the date of this Supplement to the Third Report.

8. As at the date of this Supplement to the Third Report, outstanding property taxes on the Remaining Unsold Units total approximately $1.2 million, including current property taxes, arrears and penalties on arrears (the "Municipal Tax Arrears"). The $250,000 borrowing limit originally established in the HSBC Receivership Order was based upon the assumption that the Municipal Tax Arrears would be settled using proceeds from sales of the Remaining Unsold Units.

9. As a sale transaction has not been identified for any of the Remaining Unsold Units, the Municipal Tax Arrears have continued to accrue since the date of the HSBC Receivership. The City of Calgary's (the "City") bylaws govern and authorize penalties for non-payment of Municipal Tax Arrears, as follows:

   a) On July 1 and October 1, 7% of the unpaid current taxes; and

   b) On the first day of every month, starting January 1, 1% of the tax arrears.

   (the "Interest and Penalties").

10. HSBC is considering advancing additional borrowings to the Receiver in order to settle the Municipal Tax Arrears and stop the accrual of further Interest and Penalties.

11. Therefore, the Receiver is seeking approval from this Honourable Court to increase the Receiver's borrowings by $1.25 million, to an aggregate Receiver's Borrowings Charge of $1.5 million. The increase will provide sufficient availability under the Receiver's Borrowings Charge should HSBC decide to fund the Receiver with additional borrowings for the purpose of settling the outstanding property taxes and avoiding further Interest and Penalties.

12. The Increased Receiver's Borrowings Charge does not prejudice any stakeholders of Genco Holdings, as the Municipal Tax Arrears owing to the City have a priority charge over the real property comprising the Remaining Unsold Units, and therefore would have been paid in priority to amounts owing to all other creditors upon a sale of any or all of the Remaining Unsold Units.

13. For the reasons outlined above, the Receiver is supportive of the Increased Receiver's Borrowings Charge.

Dated at Calgary, Alberta, this 16th day of September, 2019.

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

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