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	FOURTH REPORT OF THE RECEIVER JANUARY 7, 2020

CLERK OF THE COURT
Clerk's Stamp
FILED
JAN 0 8 2020
JUDICIAL CENTRE
OF CALGARY

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
Telephone: (403) 261-5501
Email: tlysak@fasken.com

TABLE OF CONTENTS OF THE FOURTH REPORT

INTRODUCTION....................3

BACKGROUND....................3

TERMS OF REFERENCE AND DISCLAIMER....................4

ACTIVITIES OF THE RECEIVER & UPDATE ON 634....................4

STATEMENT OF RECEIPTS AND DISBURSEMENTS....................7

FURTHER INCREASE OF THE RECEIVER'S BORROWINGS CHARGE....................8

RECOMMENDATIONS....................9

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. The HSBC Receivership Order authorized the Receiver, among other things, to take possession and control of the Remaining Unsold Units, to receive, protect and maintain control of the Remaining Unsold Units, and to market and solicit offers to purchase the Remaining Unsold Units.

3. The purpose of this Fourth Report of the Receiver (the "Fourth Report") is to provide this Honourable Court with details respecting the Receiver's request for authorization to increase the Receiver's Borrowings Charge (as defined in the HSBC Receivership Order) from $1,500,000 to $1,750,000.

BACKGROUND

4. Genco Holdings Ltd. ("Genco Holdings") is a corporation incorporated pursuant to the laws of the Province of Alberta with registered offices in Calgary, Alberta. Genco Holdings is in the business of real estate development and sales/leasing.

Receivership Application

5. As at the HSBC Receivership Date, the aggregate indebtedness owed to HSBC Bank Canada ("HSBC") by Genco Holdings, the primary secured creditor respecting the Remaining Unsold Units, totalled approximately $8.6 million.

6. HSBC applied to this Honourable Court for an Order appointing EYI as receiver and manager, to exercise the powers and duties pursuant to section 243(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3 and section 13(2) of the Judicature Act, R.S.A. 2000 c. J-2, of Genco Holdings' right, title and interest in the Remaining Unsold Units.

7. As at the HSBC Receivership Date, HSBC also held a first-ranking security interest in certain real property owned by Genco Holdings and referred to as the 160 Acres Lands (as defined in the HSBC Receivership Order). The 160 Acres Lands were not subject to the HSBC Receivership Order.

8. Subsequent to the HSBC Receivership Date, HSBC entered into an agreement (the "Assignment Agreement") with HMT Holdings Inc., which held a security interest in the 160 Acres Lands subordinate to the first-ranking charge of HSBC. Pursuant to the Assignment Agreement, HSBC assigned all security it had registered against the 160 Acres Lands, including HSBC's first-ranking mortgage, to HMT Holdings Inc. for cash proceeds of $3.35 million. The Assignment Agreement was approved by this Court pursuant to an Order dated August 20, 2019.

9. As at the date of this Fourth Report, the total indebtedness owing to HSBC by Genco Holdings Ltd. is approximately $7.3 million, including borrowings of $1.5 million advanced by HSBC to the Receiver under the Receiver's Borrowings Charge.

10. Additional information on Genco is available on the Receiver's website at www.ey.com/ca/genco.

TERMS OF REFERENCE AND DISCLAIMER

11. In preparing this Fourth Report, the Receiver has relied upon unaudited financial information, Genco Holdings' records, and discussions with management of Genco Holdings. The Receiver has not performed an audit, review or other verification of such information.

12. Capitalized terms not otherwise defined in this Fourth Report are as defined in the HSBC Receivership Order, or the First through Third Reports of the Receiver.

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

ACTIVITIES OF THE RECEIVER & UPDATE ON 634

Sales Efforts

14. Since its appointment, the Receiver's primary goals have been to ensure the Remaining Unsold Units are insured and secured, to retain a selling agent to market and sell the Remaining Unsold Units, and to complete the tasks necessary to market and sell the Remaining Unsold Units.

15. Steps taken by the Receiver since its appointment respecting sales efforts include, amongst others:

a) The Receiver engaged the Transaction Real Estate group within Ernst & Young Orenda Corporate Finance Inc. to perform a comprehensive valuation of the Remaining Unsold Units for purposes of determining whether to use list prices in a sales process and assessing the reasonability of any offers received;

b) On or about April 17, 2019, the Receiver sent out a request for proposal ("RFP") to commercial real estate brokerages and consulting firms (the "Brokers") requesting proposals (each, a "Proposal") to act as the selling agent (the "Selling Agent") for the Remaining Unsold Units. The RFP requested that the Brokers outline in their Proposal as to how the Remaining Unsold Units would be marketed and sold, including the sales strategy that would be implemented (i.e. bid date versus no bid date, list prices versus no list prices, etc.) and timeline thereof. The deadline for Brokers to submit a Proposal to the Receiver was 5:00 P.M. (Calgary time) on April 29, 2019;

c) The Receiver received six Proposals from Brokers. Following consultation with HSBC, the Receiver selected Cushman & Wakefield ULC ("C&W") as the Selling Agent for the Remaining Unsold Units. The Receiver and C&W entered into an exclusive listing agreement effective June 4, 2019 (the "C&W ELA");

d) The Receiver, in consultation with HSBC and C&W as Selling Agent, did not implement a formal sales process for the Remaining Unsold Units; instead, the Remaining Unsold Units were listed individually, without a formal bid deadline or list price, and interested parties were also given the option to submit an en bloc offer for the purchase of all of the Remaining Unsold Units;

e) Since the HSBC Receivership Date, the Receiver has received minimal interest in a sale of any or all of the Remaining Unsold Units. On November 30, 2019, the term of the C&W ELA expired;

f) The Receiver issued a revised request for proposal (the "Revised RFP") to certain Brokers that received and responded to the original RFP sent by the Receiver, including C&W. The Revised RFP requested Proposals from Brokers to act as the second selling agent (the "Second Selling Agent") for the Remaining Unsold Units. The deadline for Brokers to submit a Proposal to act as the Second Selling Agent was 12:00 P.M. (Calgary time) on December 6, 2019; and

g) The Receiver received two Proposals from Brokers in response to the Revised RFP. The Receiver is currently reviewing and discussing the Proposals in consultation with HSBC and has not selected the Second Selling Agent as at the date of this Fourth Report.

Increased Borrowings

16. Steps taken by the Receiver since its appointment respecting increased borrowings include, amongst others:

a) The Receiver sought and obtained an Order of this Honourable Court on September 20, 2019 to increase the borrowings under the Receiver's Borrowings Charge from $250,000 to $1.5 million, for purposes of the Receiver fully settling the property taxes owing on the Remaining Unsold Units; and

b) In late-November 2019, the Receiver issued payment to the City of Calgary in the amount of approximately $1.24 million to settle 2019 current property taxes, property tax arrears and penalties on arrears.

Other Activities

17. Steps taken by the Receiver since its appointment respecting activities not directly related to sales efforts or increased borrowings include, amongst others:

a) The Receiver issued notice of the HSBC Receivership Order to known creditors of Genco Holdings in accordance with subsections 245(1) and 246(1) of the Bankruptcy and Insolvency Act;

b) The Receiver contacted representatives from McCOR Management ("McCOR"), the property manager of 634, to confirm the existence of insurance and security of the Remaining Unsold Units. The Remaining Unsold Units are insured through Condominium Corporation No. 1610979 (the "Condo Corp.") under McCOR's blanket insurance policy;

c) The Condo Corp. had minimal cash on hand as at the HSBC Receivership Date, due to 634 being mostly vacant and as a result of the Remaining Unsold Units having never paid condo fees. HSBC advanced funds to the Receiver under the Receiver's Borrowings Charge (as defined in the HSBC Receivership Order) for purposes of the Receiver funding the Condo Corp. so it could settle payables related to critical services provided at 634, including insurance, utilities, property management fees, and janitorial and waste removal services, amongst others. Funding provided by the Receiver to the Condo Corp. was applied against the condo fee arrears outstanding on the Remaining Unsold Units; and

d) A former principal of Genco Holdings was on the Condo Corp.'s board of directors, and following granting of the HSBC Receivership Order, this individual resigned from the board and was replaced by the Receiver. On December 13, 2019, the Receiver attended a Condo Corp. board meeting to review and approve the 2020 budget.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

18. Exhibit 1.0 below provides a summary of the receipts and disbursements of the Receiver for Genco Holdings during the period of the HSBC Receivership Date to January 7, 2020 (the "Reporting Period"):

Genco Holdings Ltd. Statement of Receipts and Disbursements March 22, 2019 to January 7, 2020 $CAD '000s, unaudited		Exhibit 1.0
	Notes	
Opening cash balance		-
Receipts		
Receiver's borrowings advanced by HSBC	a	1,500
Other		13
Total Receipts		1,513
Disbursements		
Settlement of property taxes	b	1,238
Advances to Condo Corp.	c	271
Other		2
Professional fees	d	-
Total Disbursements		1,512
Cash on hand at January 7, 2020		2

19. Notes to the Receiver's Statement of Receipts and Disbursements are as follows:

a) HSBC has advanced $1.5 million to the Receiver for purposes of settling outstanding property taxes owing to the City of Calgary and funding critical expenditures incurred by the Condo Corp., for services provided to the commercial condominium units in 634, including the Remaining Unsold Units;

b) On November 29, 2019, the Receiver issued payment to the City of Calgary to settle current property taxes for 2019, arrears and penalties on arrears;

c) The Receiver has advanced approximately $271,000 to the Condo Corp. for purposes of funding critical expenditures. Advances to the Condo Corp. are applied against condo fee arrears owing by the Remaining Unsold Units, which total approximately $187,000 as at the date of this Fourth Report. Condo fee arrears continue to accrue as a result of the monthly condo fees incurred by the Remaining Unsold Units, which are expected to total approximately $15,700 per month in 2020; and

d) No professional fees were paid during the Reporting Period. Professional fees have accrued under the Receiver's Charge (as defined in the HSBC Receivership Order) but remain unpaid. Accrued and outstanding professional fees are forecasted to be paid out of proceeds from sales of the Remaining Unsold Units.

FURTHER INCREASE OF THE RECEIVER'S BORROWINGS CHARGE

20. As evidenced in Exhibit 1.0 presented earlier in this Fourth Report, the Receiver has minimal cash on hand and is therefore unable to provide any further funding to the Condo Corp. for purposes of settling monthly condo fees owing by the Remaining Unsold Units, which continue to accrue in 2020 at a cost of approximately $15,700 per month. Monthly condo fees payable by the Remaining Unsold Units do not include any payments for 2020 property taxes.

21. HSBC is considering advancing additional borrowings to the Receiver for purposes of continuing to fund critical costs incurred by the Condo Corp., including the monthly condo fees owing by the Remaining Unsold Units.

22. The Receiver is therefore seeking approval of this Honourable Court to increase the Receiver's borrowings by $250,000, to an aggregate Receiver's Borrowings Charge of $1,750,000 (the "Increased Receiver's Borrowings Charge"). The increase will provide sufficient funding under the Receiver's Borrowings Charge, should HSBC decide to fund the Receiver with additional borrowings, for purposes of funding monthly condo fees and property taxes up to June 30, 2020 and the Receiver undertaking a realization strategy for the Remaining Unsold Units.

23. The Increased Receiver's Borrowings Charge does not prejudice any stakeholders of Genco Holdings Ltd., as condo fees owing by the Remaining Unsold Units have a priority charge over the real property comprising the Remaining Unsold Units, and therefore would have to be paid in priority to amounts owing to all other creditors upon a sale of any or all of the Remaining Unsold Units. In any event, HSBC, the first-ranking secured creditor of the Remaining Unsold Units, is supportive of this application.

RECOMMENDATIONS

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

Dated at Calgary, Alberta, this 7th day of January, 2020.

ERNST & YOUNG INC.
in its capacity as
Receiver of the Remaining Unsold Units

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

Dylan Holwell, CPA
Manager