

DIVISION NO.: 04 – SAINT-FRANÇOIS
COURT NO.: 450-11-000012-215
ESTATE NO.: 42-045484 / 42-045485

SECOND INTERIM REPORT OF THE RECEIVER
Paragraph 246 (2) of the *Bankruptcy and Insolvency Act*

SOCIETE EN COMMANDITE INDUSTRIEL-LEGER & 9058-0150 QUEBEC INC.

1. BACKGROUND

1. On March 26, 2021, MNP Ltd. was appointed as Receiver (the “Receiver”) to the property of Société en commandite Industriel-Léger (“SEC”) & 9058-0150 Quebec Inc. (“9058”) (jointly the “Debtors”), pursuant to section 243 of the *Bankruptcy and Insolvency Act*, by an Order (the “Order”) rendered by the Honorable Justice Gaétan Dumas, of the Superior Court of Quebec, in Commercial Division, for the District of Saint-François, (the “Court”). A copy of the Order as well as other documents related to the case can be consulted on our website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/sec-industriel-leger/>.
2. SEC is a limited partnership set up for the purpose of owning, managing and operating real estate properties located in Magog and Sherbrooke, Quebec.
3. 9058 is the general partner of SEC and is owned by Paul Kanwal.
4. Prior to the receivership proceedings, on January 28, 2021, Kanwal Inc. (“Kanwal”, a related company to the Debtors) and 9058 filed and Application for an Initial Order under the *Companies’ Creditors Arrangement Act* (“CCAA”). An initial order was rendered on the following day, granting a stay of proceedings in respect of Kanwal, 9058, SEC and Groupe Kanwal Inc. for an initial delay of 10 days, which was extended subsequently until March 19, 2021. No further extension was granted.
5. Subsequent to the appointment of the Receiver, the sole director of 9058, Paul Kanwal, resigned his position.
6. Upon taking possession of the Debtors’ assets, the Receiver only received a part of the books and records of the Debtors, in electronic format saved on a USB stick. There were no employees on record either as all employees worked for the affiliate company of SEC and 9058, Kanwal .

7. The Receiver was never granted access to the Debtor's computers as they were intertwined with the books and records of Kanwal, as well as other related entities.
8. The 27th day of September 2021, the Receiver filed its first interim report on its administration (**Appendix A**).
9. The purpose of the second report is to update the creditors on the steps that the Receiver has completed since the last report.

B. ASSET REALIZATION

10. As previously described in the first report, the Receiver undertook a robust sale's process that culminated in an Agreement of Purchase and Sale Agreement being signed on September 21, 2021. As there were some issues identified during the due diligence period, in order to resolve same the Receiver and the Purchaser signed a Partial Waiver and Amending Agreement dated November 12, 2021, a Second Partial Waiver and Amending Agreement dated December 23, 2021, and a final Waiver and Amending Agreement dated February 4, 2022 (together with the Agreement of Purchase and Sale Agreement, the "APS").
11. On February 18, 2022, the Honourable Gaétan Dumas, J.S.C. approved the transaction contemplated by the APS and issued an Approval and Vesting Order authorizing the Receiver to complete the sale of the Debtors' properties in accordance with the terms and conditions of the APS.
12. As set forth in the APS, the closing of the sale of each property is taking place on a staggered basis as follows:
 - a. Garlock Lot 1 395 055 Property: Deed of sale was signed February 25, 2022, and the net proceeds were received by the Receiver on March 1, 2022.
 - b. Garlock Lot 1 395 054 Property: As per the APS, the soil remediation work was completed on February 10, 2022. The final report was issued on March 8, 2022, the deed of sale was signed on March 18, 2022. The net proceeds were received by the Receiver on March 21, 2022.
 - c. Industrial Sherbrooke Property: as described in the APS, the Receiver has awarded the roof repair contract and the work was to commence this week weather permitting. The closing will occur thirty (30) days after the Purchaser is deemed satisfied with the roof repairs.
 - d. Industrial Magog Property: Concurrently with the closing of the Industrial, Sherbrooke property.

13. As of March 26, 2022:

#	Building Address	Market Value as at April 29, 2020 ¹	Realization (in CAD \$)
1	4220-4248 rue de la Garlock, Sherbrooke (the "Garlock Lot 1 395 055 Property")	1,215,000	1,364,952
2.1	4221-4249 rue de la Garlock, Sherbrooke &	2,330,000	2,973,448
2.2	4253-4283 rue de la Garlock, Sherbrooke (#2.1 & 2.2 together the "Garlock Lot 1 395 054 Property")		
3	4310-4364 Industriel, Sherbrooke (the "Industrial Sherbrooke Property")	2,625,000	Sale not completed yet
4	1426-1428 Industriel, Magog (the "Industrial Magog Property")	2,555,000	Sale not completed yet
		\$8,725,000	\$4,338,400

1. The values are from a commissioned appraisals report of the immovables as at April 29, 2020.

C. CREDITORS

14. As at March 24, 2022, the known creditors of the Debtors and the estimated amount of their claims are as follow:

Creditors	Estimated as at (in CAD \$)
Secured Creditors	
9286-2929 Québec Inc	\$4,300,000 ¹
Consolidated Capital G.P.	1,300,000 ¹
FWCU Capital Inc.	12,446,167 ²
Ville de Sherbrooke	98,514 ³
Ville de Magog	51,868 ³
Commission Scolaire de la Région-de-Sherbrooke	10,591 ³
Commission Scolaire des Sommets	2,321 ³
	\$18,209,461
Unsecured Creditors	
	\$2,583,439⁴

- Only the capital of the claims of 9286-2929 Québec Inc. and Consolidated Capital G.P. are noted above and the total amounts of these claims are to be perfected before a distribution is made.
- The amount of the claim of FWCU Capital Inc. is calculated as at March 16, 2021 and is to be perfected before a distribution is made.
- These amounts are to be perfected, and a portion of the sums owed to the City of Sherbrooke and the Commission Scolaire de la Région-de-Sherbrooke, for the Garlock properties, was paid from the proceeds of the sale by the notary at closing.
- As a result of the Kanwal receivership process, it is estimated that the Bank of Montreal will have a shortfall in the amount of approximately \$2,500,000 with respect to its loans to Kanwal, which were guaranteed by SEC.

15. The following creditors hold security on the Debtors' assets:

- a. 9286-2929 Quebec Inc. ("9286") has a hypothec on all five properties and a hypothec on SEC's and 9058's movable property.
- b. Consolidated Capital G.P. ("Consolidated") has a hypothec on the property located at 1426-1428 Boul. Industrial, in Magog, and a hypothec on SEC's and 9058's movable property.
- c. FWCU Capital Inc. has a hypothec on all five properties and a hypothec on SEC's movable property.

D. DEPOSIT

16. A deposit of \$500,000 was held by the Receiver in Trust to be applied as partial payment of the purchase price of the properties. Since the closing of the three Garlock properties, an amount of \$302,800 is still held in trust by the Receiver to be applied as partial payment of the purchase price for the two remaining properties.
17. From this amount, \$136,506 will be used to pay for the roof work needed to sell the property. The Purchaser also transferred to the Receiver's trust account a further amount of \$228,539.63 to cover the costs of the roof repair.

E. LEASE ASSIGNMENT

18. The Receiver had accepted a settlement amount of \$100,000 for the cure costs payable in respect of the lease of the Industrial Magog Property with Kanwal's receiver. The assignment of the lease to Ekip Innovations Inc. was fully completed by Kanwal's receiver as of November 15, 2021. The Receiver has since received the funds from Kanwal's receiver.

F. OTHER ASSETS

19. To the knowledge of the Receiver, the only other assets of the Debtors are an advance receivable in the amount of \$22,652.92 from the director of 9058, Paul Kanwal and an amount claimed by the Receiver from Paul Kanwal for SEC's rental revenues personally collected by him from October 2012 to February 2021.
20. The amounts collected by Paul Kanwal consist of \$200 per month in rent from an undisclosed tenant. As of February 28, 2022, the amount claimed by the Receiver from Paul Kanwal in recovery of such rent revenue was \$26,569 (including interest).
21. The Receiver has issued letters to Paul Kanwal in order to recover the amounts owed. At the date of this report, Mr. Kanwal has neglected to remit the said sums to the Receiver.

G. DISTRIBUTION

22. The Receiver will apply to the Court to seek instructions on a future proposed distribution schedule only after the last remaining properties are sold.
23. One of the issues to be determined is the ultimate allocation of the administration charge in the amount of \$300,000 that was granted during the aforementioned CCAA proceedings among Kanwal, Groupe Kanwal Inc., 9058 and SEC.

H. INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

24. An interim statement of receipts and disbursements has been produced for the period from March 26, 2021, to March 24, 2022, and is included as **Appendix B**.

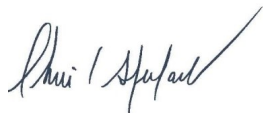
I. ANTICIPATED COMPLETION OF THE RECEIVERSHIP

25. As of the date of this report, the Receiver expects to complete the realization of the Debtors' assets within the next six (6) months.

Dated in Montréal, Québec, this 25th day of March 2022.

MNP Ltée

In its capacity as Receiver to the property of:
Société en commandite Industriel-Léger & 9058-0150 Quebec Inc.
and not in its personal or corporate capacity



Sheri L. Aberback, CIRP, LIT, CFE
Senior Vice-President

APPENDIX A

DIVISION NO.: 04 – SAINT-FRANÇOIS
COURT NO.: 450-11-000012-215
ESTATE NO. : 42-045484 / 42-045485

FIRST INTERIM REPORT OF THE RECEIVER
Paragraph 246 (2) of the *Bankruptcy and Insolvency Act*

SOCIETE EN COMMANDITE INDUSTRIEL-LEGER & 9058-0150 QUEBEC INC.

A. BACKGROUND

1. On March 26, 2021, MNP Ltd. was appointed as Receiver (the “Receiver”) to the assets of Société en commandite Industriel-Léger (“SEC”) & 9058-0150 Quebec Inc. (“9058”) (jointly the “Debtors”), pursuant to section 243 of the *Bankruptcy and Insolvency Act*, by an Order (the “Order”) rendered by the Honorable Justice Gaétan Dumas, of the Superior Court of Quebec for the District and the Division of Saint-François, (the “Court”). A copy of the Order as well as other documents related to the case can be consulted on our website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/sec-industriel-leger/>.
2. SEC is a limited partnership set up for the purpose of owning, managing and operating real estate properties located in Magog and Sherbrooke, Quebec.
3. 9058 is the general partner of SEC and is owned by Paul Kanwal.
4. Prior to the receivership proceedings, on January 28, 2021, Kanwal Inc. (a related company to the Debtors) and 9058 filed and Application for an Initial Order under the *Companies’ Creditors Arrangement Act* (“CCAA”). An initial order was rendered on the following day, granting a stay of proceedings in respect of 9058 for an initial delay of 10 days, which was extended subsequently until March 19, 2021. No further extension was granted.
5. Subsequent to the nomination of the Receiver, the sole director of 9058, Paul Kanwal, resigned his position.
6. Upon taking possession of the debtors’ assets, the Receiver only received a part of the books and records of the Debtors, in electronic format saved on a USB stick. There were no employees on record either as all employees worked for the affiliate company of SEC and 9058, Kanwal Inc. (“Kanwal”).

7. The Receiver was never granted access to the Debtor's computers as they were intertwined with the books and records of Kanwal, as well as other related entities.

A. ASSETS

8. The Debtor's assets include the following properties :

Building Address	Market Value as at April 29, 2020 ¹ (in CAD \$)
1 1426-1428 Boul. Industriel, Magog	\$2,555,000
2 4220-4248 rue de la Garlock, Sherbrooke	1,215,000
3.1 4221-4249 rue de la Garlock, Sherbrooke	1,165,000
3.2 4253-4283 rue de la Garlock, Sherbrooke	1,165,000
4 4310-4364 Boul. Industriel, Sherbrooke	2,625,000
	\$8,725,000

9. On March 29, 2021, in virtue of the Order, the Receiver took possession of all five properties. The Receiver visited all the locations to secure the assets and communicated with all tenants advising them of the Order and directing them to pay their rent to the Receiver henceforth.
10. There are no other known assets of the Debtors.
11. All properties were properly insured prior to the appointment of the Receiver through Groupe Kanwal Inc. until October 1, 2021. The Receiver will subscribe to a new insurance policy starting October 1, 2021.

¹ The values are from a commissioned appraisals report of the immovables as at April 29, 2020.

B. CREDITORS

12. As at March 26, 2021, the known creditors of the Debtors and the estimated amount of their claims are as follow:

Creditors	Estimated as at (in CAD \$)
Secured Creditors	
9286-2929 Québec Inc	\$4,300,000
Consolidated Capital G.P.	1,300,000
FWCU Capital Inc.	12,446,167
Ville de Sherbrooke	98,514
Ville de Magog	51,868
Commission Scolaire de la Région-de-Sherbrooke	10,591
Commission Scolaire des Sommets	2,321
	\$18,209,461²
Unsecured Creditors	\$83,439

13. The following creditors hold security on the Debtors' assets:

- a. 9286-2929 Quebec Inc. ("9286") has a hypothec on all five properties and a hypothec on SEC's movable property.
- b. Consolidated Capital G.P. ("Consolidated") has a hypothec on the property located at 1426-1428 Boul. Industriel, in Magog, and a hypothec on SEC's movable property.
- c. FWCU Capital Inc. has a hypothec on all five properties and a hypothec on SEC's movable property.

C. ASSET REALIZATION

14. On or around March 31, 2021, 9286 and Consolidated served a *Notice of Withdrawal of Authorization to Collect Rentals* ("Notice") to all the tenants notwithstanding that the Court had granted the Order on March 26.

15. This Notice caused confusion amongst the tenants and a few tenants withheld the April rent until the matter was to be adjudged.

² Interest payable on secured creditors' debt has not been considered. As of August 31, 2021, the interest claimed by 9286-2929 Québec Inc. is estimated at \$222,658 and the interest claimed by Consolidated Capital G.P. is estimated at \$67,315.

16. On April 6, 2021, 9286 and Consolidated further filed an *Application to Revoke or Subsidiarily to Vary a Receivership Order* which hearing was heard before the Honourable Gaetan Dumas on April 20, 2021.
17. The Receiver at this time was forced to engage legal counsel and filed its own motion entitled *Application for Directions and Other Ancillary Relief*.
18. Following said hearing, on April 22, 2021, 9286 and Consolidated filed a *Notice of Discontinuance from their Application to Revoke or Subsidiarily and to Vary the Order*, radiated their initial Notice and sent letters to all the tenants to advise of same.
19. Further to the above actions, the Receiver began collecting all the rents from all tenants.
20. The property located at 4221-4249 rue de la Garlock, Sherbrooke, was vacant prior to the Receivership and remains vacant to this day.
21. Upon taking possession of the properties, the Receiver discovered that a tenant, Granit Innovation R.K. Inc (“Granit”) who was already occupying the premises, did not have a signed lease. The Receiver was in active discussions with the tenant’s attorney about signing the lease and the unpaid rent. Granit subsequently declared bankruptcy on July 1, 2021. The Receiver negotiated with the Trustee of the bankruptcy for the occupation rent and replaced the tenant with a new tenant who currently has a month-to-month lease.
22. The Receiver hired a property manager, Services FL, to secure and maintain the premises, to deal with issues in the course of the debtor’s operations and to protect the value of the buildings.

SALE PROCESS

23. Prior to instituting a formal sale process, the Receiver did receive multiple unsolicited offers for the purchase of the various properties. None of the offers were retained as they were not firm offers, the amounts offered were deemed to be insufficient, and in the interest of all the secured creditors required that the Receiver canvass the market prior to accepting any offer.
24. The Receiver then instituted a formal process to engage a real estate broker in order to market the properties. Four firms were selected to propose a sale process. Amongst the four, the Receiver retained the services of CBRE Limited (“CBRE”) as the exclusive real-estate broker for the sale of the properties.
25. In preparation of the sale process, the Receiver hired external firms to prepare building condition assessment reports, phase I environmental reports as well as new certificates of location for each of the properties.

26. CBRE officially launched the bidding process on May 26, 2021. A confidential information memorandum (“CIM”) was completed, and the Data Room was opened. Over 1200 targets received a flyer. Of those, 42 executed a non-disclosure agreement (“NDA”), and 14 submitted bids in the first bidding round ended August 5, 2021. There was a second round of bids until August 8, 2021, and ultimately, one bid was selected by the Receiver.
27. The Receiver and the potential buyer signed a Definitive Purchase and Sale Agreement (“PSA”) on September 21, 2021. A due diligence period of forty-five (45) days is expected for the potential buyer to complete its review of the properties and waive all conditions under the PSA.

LEASE ASSIGNMENT

28. Kanwal, a tenant and affiliate company to SEC, was also placed under receivership on March 26, 2021. As part of the sale of the assets and undertaking of Kanwal in such receivership proceedings, the buyer thereof wanted to continue to lease the premises leased by Kanwal in the property located at 1426 Boul. Industriel, in Magog. In order to consent to an assignment of the lease, the Receiver accepted a settlement amount of \$100,000 for the cure costs after a thorough investigation of the situation and many discussions and negotiations. The assignment of the lease was approved by the Court on August 23, 2021.
29. At the present time, the assignment of the lease has not yet been completed but is expected imminently according to the information received by the Receiver from the receiver of Kanwal.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

30. An interim statement of receipts and disbursements has been produced for the period from March 26, 2021, to August 31, 2021, and is included as **Appendix A**.

ANTICIPATED COMPLETION OF THE RECEIVERSHIP

31. As of the date of this report, the Receiver expects to complete the realization of the Debtors’ assets within the next six (6) months to nine (9) months.

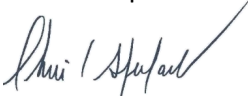
Dated in Montréal, Québec, this 27th day of September 2021.

MNP Ltée

In its capacity as Receiver to the property of:

Société en commandite Industriel-Léger & 9058-0150 Quebec Inc.

and not in its personal or corporate capacity



Sheri L. Aberback, CIRP, LIT, CFE

Senior Vice-President

IN THE MATTER OF THE RECEIVERSHIP OF
 SOCIÉTÉ EN COMMANDITE INDUSTRIEL-LÉGER & 9058-0150 QUEBEC INC.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
 for the period of March 26, 2021 to August 31, 2021

RECEIPTS	(\$)	(\$)
Realisation of asset:		
Rental Income		325,137.65
Cash in bank		5,207.02
Miscellaneous refunds:		
Interest allocation		51.75
Taxes:		
GST collected		16,256.94
PST collected		32,432.38
TOTAL RECEIPTS		<u>379,085.74</u>
DISBURSEMENTS		
Paid fees:		
Filing fees paid to Official Receiver	<u>143.08</u>	143.08
Notice and Statement of Receiver:		
To 25 creditors	75.00	
Postage	<u>47.50</u>	122.50
Premium:		
Insurance		14,930.00
Miscellaneous disbursements:		
Storage	500.00	
Bank charges	0.75	
Computer services	170.00	
Maintenance, supervision & Repair	6,572.40	
Property Management	10,223.70	
Utilities	4,818.94	
Appraisal fees	20,561.40	
Land surveyor	13,072.00	
Administrative disbursements	<u>2,000.00</u>	<u>57,919.19</u>
	Sub-Total of Disbursements	73,114.77
Trustee fees		132,668.60
Legal fees/disbursements		70,735.57

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION NO: SAINT-FRANÇOIS-04
COURT NO: 400-11-000012-215
FILE NO: 42-045484

APPENDIX A
SUPERIOR COURT
Commercial Chamber

IN THE MATTER OF THE RECEIVERSHIP OF
SOCIÉTÉ EN COMMANDITE INDUSTRIEL-LÉGER & 9058-0150 QUEBEC INC.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
for the period of March 26, 2021 to August 31, 2021

Taxes:		
GST charged on Trustee remuneration	6,633.44	
QST charged on Trustee remuneration	<u>13,233.69</u>	19,867.13
GST on legal fees	3,535.62	
QST on legal fees	<u>7,053.58</u>	10,589.20
GST paid on disbursements exclusive of fees	2,902.07	
QST paid on disbursements exclusive of fees	<u>5,789.59</u>	8,691.66
Remittance of excise taxes :		
GST remitted	3,699.83	
QST remitted	<u>7,380.99</u>	11,080.82
TOTAL DISBURSEMENTS		<u>326,747.75</u>
AMOUNT HELD IN TRUST BY THE RECEIVER		<u><u>55,548.67</u></u>

APPENDIX B

IN THE MATTER OF THE RECEIVERSHIP OF
 SOCIÉTÉ EN COMMANDITE INDUSTRIEL-LÉGER & 9058-0150 QUEBEC INC.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
 for the period of March 26, 2021 to March 24, 2022

RECEIPTS	(\$)	(\$)
Realisation of assets:		
Sale of properties		
Garlock Lot 1 395 055		1,257,066.04
Garlock Lot 1 395 054		2,731,619.34
Rental Income		804,519.46
Other Rental Income		
Hydro-Sherbrooke repaid		1,411.56
Water tax repaid		21,514.26
Cash in bank		5,207.02
Settlement		100,000.00
Deposits:		
Purchaser Deposit		302,800.00
Roof Repair Deposit		228,539.63
Miscellaneous refunds:		
Interest allocation		469.96
Taxes:		
GST collected		45,134.88
PST collected		90,045.41
Refund of CTI		377.26
Refund of RTI		746.92
TOTAL RECEIPTS		<u>5,589,451.74</u>

DISBURSEMENTS

Paid fees:

Filing fees paid to Official Receiver	<u>143.08</u>	143.08
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Notice and Statement of Receiver:

To 25 creditors	75.00	
Postage	<u>47.50</u>	122.50

Notice and Statement of Interim Report:

To 25 creditors	75.00	
Postage	<u>47.50</u>	122.50

Premium:

Insurance		46,335.24
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CANADA
 PROVINCE OF QUEBEC
 DISTRICT OF QUEBEC
 DIVISION NO: SAINT-FRANÇOIS-04
 COURT NO: 450-11-000012-215
 FILE NO: 42-045484

Appendix B
 SUPERIOR COURT
 Commercial Chamber

IN THE MATTER OF THE RECEIVERSHIP OF
 SOCIÉTÉ EN COMMANDITE INDUSTRIEL-LÉGER & 9058-0150 QUEBEC INC.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
 for the period of March 26, 2021 to March 24, 2022

Miscellaneous disbursements:		
Storage	700.00	
Bank charges	1.95	
Computer services	170.00	
Maintenance, supervision & Repair	25,440.53	
Property Management	16,579.27	
Utilities	21,067.04	
Water tax	51,880.86	
Appraisal fees	32,675.59	
Land surveyor	13,072.00	
Administrative disbursements	<u>3,500.00</u>	165,087.24
	Sub-Total of Disbursements	<u>211,810.56</u>
Receiver fees		346,756.60
Legal fees/disbursements		199,117.03
Taxes:		
GST charged on Trustee remuneration	17,355.35	
QST charged on Trustee remuneration	<u>34,623.88</u>	51,979.23
GST on legal fees	9,946.02	
QST on legal fees	<u>19,842.28</u>	29,788.30
GST paid on disbursements exclusive of fees	5,652.17	
QST paid on disbursements exclusive of fees	<u>11,275.98</u>	16,928.15
Reimbursement of excise taxes :		
GST remitted	15,956.75	
QST remitted	<u>31,847.26</u>	47,804.01
TOTAL DISBURSEMENTS		<u><u>904,183.88</u></u>
AMOUNT HELD IN TRUST BY THE RECEIVER		<u><u>4,685,267.86</u></u>