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COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

EDMONTON

APPLICANT

ROYAL BANK OF CANADA

RESPONDENTS

BEREKET & G HOLDINGS CORP.,
HABESHA AFRICAN SUPERMARKET LTD
AND SEMERE BERHANE

DOCUMENT

**SECOND REPORT OF THE RECEIVER
BDO CANADA LIMITED
JULY 18, 2024**

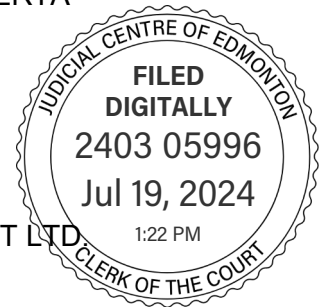
RECEIVER

BDO Canada Limited
110, 5800 - 2nd Street SW
Calgary, Alberta T2H 0H2

Attention: Kevin Meyler / Breanne Scott
Phone: (403) 536-8526 / (403) 213-5432
Email: kmeyler@bdo.ca / brscott@bdo.ca

RECEIVER'S COUNSEL

Miller Thomson LLP
2700 Commerce Place
10155 - 102 Street
Edmonton, Alberta | T5J 4G8
Attention: Spencer Norris
Phone: 1 780.429.9746
Email: snorris@millerthomson.com



**SECOND REPORT OF THE RECEIVER
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I N D E X

INTRODUCTION	3
TERMS OF REFERENCE	4
BACKGROUND ON HABESHA	4
PROPOSED HEAD LEASE WITH HABESHA	5
STATE OF THE PROPERTY	6
RECEIVER CORRESPONDENCE	7
CONSENT TO ACT AS RECEIVER OF HABESHA	7

A P P E N D I C E S

Cushman Deficiency Report	A
Receiver Correspondence to Habesha/Mr. Berhane	B

INTRODUCTION

1. On April 4, 2024, the Royal Bank of Canada (“**RBC**”) sought and obtained an Order (the “**Receivership Order**”) from the Court of King’s Bench of Alberta (the “**Court**”) appointing BDO Canada Limited (“**BDO**”) as the Receiver and Manager (the “**Receiver**”) of all the assets, undertakings, and property of Bereket & G Holdings Ltd. (“**Bereket**”).
2. Bereket’s primary asset includes real property encompassing two stories and 15,300 square feet located at the municipal address of 10709 105 Street NW, Edmonton Alberta, and legally described as follows:

Lots 239 - 241
Block 4
Plan B4
EXCEPTING THEREOUT ALL MINES AND MINERALS
(the “**Property**”)
3. On May 28, 2024, the Receiver filed its first report (the “**First Report**”) in support of its application seeking, among other things, approval of its proposed sales process, including the engagement of Cushman & Wakefield Edmonton (“**Cushman**”) as sales agent to the Receiver in respect of the Property.
4. On June 7, 2024, the Court granted an Order approving, among other things, the Receiver’s proposed sales process and engagement of Cushman as sales agent to the Receiver.
5. On July 15, 2024, RBC served on the service list (and filed with the Court on July 16, 2024) additional application materials seeking to amend and restate the Receivership Order to include Habesha African Supermarket Ltd. (“**Habesha**”), a related party to Bereket. This Court application is scheduled to be heard on July 22, 2024.
6. The purpose of this report of the Receiver (the “**Second Report**”) is to provide additional information to the Court and/or the Receiver’s comments in respect of the Receiver’s dealings with Habesha and its director to date, and other Tenants (as defined below), and the impact on the current receivership proceedings.

7. Unless otherwise indicated, capitalized terms not defined in this Second Report are as defined in the Receivership Order, the First Report and/or the Affidavits of Jessica Chohan sworn and filed in this matter. All references to currency are in Canadian dollars unless otherwise noted.
8. This Second Report, together with other information and filings regarding these proceedings, will be posted on the Receiver's website at: <https://www.bdo.ca/en-ca/extranets/bereket>

TERMS OF REFERENCE

9. In preparing this Second Report, the Receiver has relied upon unaudited financial information contained in the books and records of Bereket, and/or discussions with employees and former management of Bereket, among other sources of information (the "**Information**").
10. The Receiver has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the Chartered Professional Accountants Handbook. Accordingly, the Receiver expresses no opinion or any other form of assurance in respect of the Information referred to or used in the Second Report.

BACKGROUND ON HABESHA

11. Habesha (operating as "Habesha African Supermarket") is a wholesaler and grocer of African and Caribbean foods and other goods. Based on a search of the Corporate Registries dated April 11, 2024, Semere Berhane ("**Mr. Berhane**") is the sole director and shareholder of both Bereket and Habesha.

PROPOSED HEAD LEASE WITH HABESHA

12. As outlined in the First Report, Habesha is the primary occupant at the Property. In addition to Habesha, there is also a barber shop (understood to be a related party to Bereket/Habesha), a tax consulting business and a private jeweller (the “**Tenants**”) that occupy space at the Property. Mr. Berhane previously advised the Receiver that the Tenants are sub-tenants, with Habesha being the head tenant. Despite the Receiver’s attempts through written correspondence, phone calls, and attempts to speak with the Tenants while at the Property, the Receiver has not been able to directly contact or communicate with any of the sub-tenants.
13. Notwithstanding the occupancy by Habesha and the Tenants, and the Receiver’s multiple requests for a formal written lease agreement, Mr. Berhane only provided a handwritten summary of the terms including monthly rental amounts (and advised of the tenant/sub-tenant situation). Therefore, the Receiver believes that there is no formal written lease agreement in place between any of the parties. As a result, the Receiver prepared and provided a form of lease agreement to Habesha’s legal counsel for lease of the whole Property (the “**Proposed Head Lease**”) that proposed a month-to-month lease term and would permit Habesha to sub-lease to the other occupants on the same terms as the Proposed Head Lease, among other proposed terms therein.
14. Following the withdrawal of Habesha’s legal counsel, the Receiver held further discussions with, and provided the Proposed Head Lease once again to Habesha and/or Mr. Berhane requesting that the Proposed Head Lease be executed in order for the Receiver to continue to permit occupancy.
15. To date, the Proposed Head Lease has not been executed, nor has the Receiver received proposed changes or amendments thereto in order to finalize. As such, Habesha and the Tenants are currently occupying the Property absent a formal written agreement with the Receiver.
16. Although Mr. Berhane had been depositing purported rent funds into the Bereket’s former RBC account following the date of the Receivership Order, the Receiver advises that no amounts have been received for the month of July as of the date of this Second Report.

STATE OF THE PROPERTY

17. Based on the Receiver's multiple attendances at the Property, there is a significant amount of garbage and stockpiled inventory and other debris located in and around the Property, among other maintenance issues observed (which are highlighted in the report of Cushman as addressed below and attached to this Second Report). Certain photos taken by the Receiver on April 16, 2024, documenting the state of the Property at that time are attached as Exhibit C to the Affidavit of Jessica Chohan sworn July 15, 2024. Accordingly, and in advance of engaging a realtor and facilitating a sales process in respect of the Property, the Receiver requested that Habesha/Mr. Berhane have the Property cleaned up and ensure that was in a showable state by no later than June 5, 2024, however, this was not addressed as requested.
18. Furthermore, following the engagement of Cushman as sales agent to the Receiver, Cushman attended the Property with a representative of the Receiver on June 11, 2024, and subsequently prepared a report summarizing its observations and recommendations as related to the state of the Property (the "**Cushman Deficiency Report**"). A copy of the Cushman Deficiency Report is attached as **Appendix "A"** hereto, which addresses several identified deficiencies and includes certain pictures taken by Cushman on that date further documenting the state of the Property.
19. The Receiver provided a copy of the Cushman Deficiency Report to Habesha/Mr. Berhane and reiterated its request that the Property be cleaned up and that the deficiencies identified by Cushman be addressed by no later than June 24, 2024, however this was not addressed as requested.
20. The Receiver attended the Property on July 11, 2024, and further confirms that as of that date, there appeared to be no apparent change in the state of the Property as reflected in the photos taken on April 16, 2024 and June 11, 2024, and submitted to the Court on this matter.

21. As outlined in the Cushman Deficiency Report and based on discussions with Cushman, Cushman has recommended that these deficiencies be addressed in order to enhance the perceived value of the Property and in advance of formally marketing the Property for sale. Therefore, the Receiver has not been able to commence its marketing process to date in an effort to maximize value in the circumstances.

RECEIVER CORRESPONDENCE

22. As outlined herein, the Receiver has made various attempts to address the foregoing matters with Habesha/Mr. Berhane, with no resolution and effectively no response to date.
23. Attached as **Appendix "B"** are copies of the Receiver's letter correspondence to Habesha/Mr. Berhane (through legal counsel, as applicable) dated May 23, 2024, and June 18, 2024, excluding the attachments, documenting the Receiver's requests to and the lack of cooperation from these parties in respect of the foregoing.
24. The Receiver ultimately requires a resolution to these issues in order to carry out its mandate pursuant to the Receivership Order for the benefit of all stakeholders.

CONSENT TO ACT AS RECEIVER OF HABESHA


25. As presented in the application materials submitted by RBC, BDO has consented to act as receiver of Habesha in the event this Court grants the requested relief.

All of which is respectfully submitted this 18th day of July 2024.


BDO Canada Limited

In its capacity as Receiver of Bereket & G Holdings Ltd.
and not in its personal capacity.

Per:



Kevin Meyler, CA, CIRP, LIT
Senior Vice President



Breanne Scott, CPA, CIRP, LIT
Vice President

APPENDIX “A”

WALKTHROUGH SUMMARY 10709 105 STREET EDMONTON ALBERTA

Prepared by:

CUSHMAN & WAKEFIELD EDMONTON

*Adrian Ambrozuk, B. Comm
Associate Partner*

Capital Markets Group

BDO Canada Limited.

in its capacity as Reciever of Bereket & G Holdings.
110, 5800 – 2nd Street SW
Calgary AB T2H 0H2
Canada

Attention: Ms. Breanne Scott

Re: General Walkthrough Findings - 10709 105 Street Edmonton, Alberta (*the “Property”*)

On June 11, 2024, between 1:00 pm MST and approximately 2:00 pm, a walkthrough of the subject property was conducted. The attendees included Mr. Daniel Pintaric, Mr. Semere Berhane and myself.

The purpose of this walkthrough was to ascertain the current condition of the property interior and exterior in order to formulate recommendations that may help enhance the property's marketability. Photographic documentation from the walkthrough is linked in Schedule “A” to substantiate my findings and recommendations.

The general observations from the walkthrough are as follows:

- The property is currently in a state of poor maintenance, with an evident lack of upkeep observed throughout the walkthrough of the property.
- Graffiti is present on the exterior of the building, specifically in the rear parking area.
- Unsightly large equipment is being stored in the parking area.
- Garbage is dispersed throughout the property, including the exterior, main floor interior, and second floor interior.
- The property is cluttered throughout the interior, except in areas tenanted by the food grocer, barber shop, bar/lounge, jewelry store on the main floor, and the immigration/tax office on the second floor.
- The majority of offices and common areas are overcrowded with furniture, impeding access to the second floor corridors, offices, and blockage of a fire exit.
- Limited access to the second floor was encountered due to locked doors and obstructions.
- A pervasive musky cigarette odor is present on the second floor, with ash trays and cigarette butts. indicating that smoking is likely permitted within the building.
- The 107 Avenue street front exterior of the building is clear of debris.
- The east and north sides of the building have debris scattered throughout the parking area.
- Grass and shrubbery on the property have not been maintained.
- The fenced parking area on the east side appears to have been damaged within the past three weeks since my initial walkthrough, with the fencing notably ripped off.

In light of the current circumstances surrounding the Property being offered for sale, my role as the listing agent is to maximize the property's value and facilitate an expeditious sale. Accordingly, I recommend addressing the following issues immediately to enhance the property's presentation and facilitate a sale that maximizes its value:

Exterior:

- Remove all garbage from the exterior perimeter and parking area.
- Remove unauthorized large equipment from the parking area.
- Clean and trim the grass and shrubbery in the parking area.
- Clean the spay paint on the building.
- Repair and clean up the gated entrance to the parking lot, including the fencing.

Interior:


- Remove all garbage from the interior, with a focus on cleaning all cardboard and loose debris (under stairs, common areas, offices, etc.).
- Remove all items from the building's corridors to ensure unobstructed access to all areas including emergency exits.
- Ensure adequate access to all rooms within the building, including offices, storage rooms, mechanical rooms, washrooms, etc.
- Prohibit smoking within the building.
- Declutter the building to the greatest extent possible. Although this may be a burdensome task given the volume of furniture and goods scattered throughout, best efforts are recommended at this time.

Addressing these recommendations will assist in enhancing the property's perceived value and will help in the salability.

Should you have any questions as it relates to the sale or this letter, please contact the undersigned.

Best,

Cushman and Wakefield Edmonton



Adrian Ambrozuk, B. Comm
Associate Partner, Capital Markets Group
780-733-6406
Adrian.ambrozuk@cwedmonton.com

Schedule “A” – Walk Through Pictures















APPENDIX “B”



MILLER THOMSON
AVOCATS | LAWYERS

MILLER THOMSON LLP
COMMERCE PLACE
10155 - 102 STREET, SUITE 2700
EDMONTON, AB T5J 4G8
CANADA

T 780.429.1751
F 780.424.5866

MILLERTHOMSON.COM

May 23, 2024

Private and Confidential

Delivered Via Email

Spencer Norris
Direct Line: +1 780.429.9746
snorris@millerthomson.com

File No. 0249783.0002

SB LLP
#209, 2920 Calgary Trail NW
Edmonton, AB T6J 2G8

Attention: Martin Abramowski

Dear Sir:

**Re: In the Receivership of Bereket & G Holdings Corp. (the "Debtor")
KB 2403 05996**

We write to you with respect to the above noted Receivership Action. We are legal counsel for BDO Canada Limited (the "**Receiver**") in its capacity as the Court-Appointed Receiver of the Debtor. We understand that you have been retained by the Defendants in these proceedings.

As you know, the Debtor owns a commercial/retail property located at 10418 – 107 Avenue NW and 10713 – 105 Street NW, Edmonton, Alberta (the "**Premises**"). We understand that the Defendant, Habesha African Supermarket Ltd. ("**Habesha**") is a tenant of the Premises. Further, the Receiver understands from its discussions with Mr. Semere Berhane that there is no written lease agreement between the Debtor and Habesha.

The Receiver is willing to lease the Premises to Habesha on a month to month basis, which may be terminated on 15 days' notice. Further, the Receiver may permit Habesha to sublease the Premises to subtenants with the prior written consent of the Receiver. We enclose a form of lease agreement for Habesha's consideration. **Please advise if the form of lease is acceptable and if so, return an executed copy by no later than May 28, 2024.**

Habesha and any subtenants should be aware that the Receiver will be conducting a sales process to sell the Premises and will require regular access. Habesha and all and any subtenant must ensure the Premises are kept clean and organized for showing purposes. In the event that Habesha decides to continue to occupy the Premises, the Receiver requires Habesha to ensure that the Premises are in a showable state by no later than June 5, 2024. In the event, that this is not completed, the Receiver, its agents, or both will enter the Premises in order to prepare the Premises for showing.

The Receiver has completed a request for proposals with respect to the sale of the Premises. The Receiver will be seeking court approval of the sales process on June 7, 2024 at 11:00 a.m. before Justice J. S. Little sitting on the Commercial List. We will serve material on your office once prepared.

Lastly, as discussed on our call on May 13, 2024, we understand that Mr. Berhane may have retained a realtor or consultant on behalf of the Debtor after the granting the Receivership Order. As advised on our call, following the granting of the Receivership Order, Mr. Berhane no longer has the authority to retain the services of professionals on behalf of the Debtor and must refrain from doing so.

Should you have any questions with respect to the foregoing, please do not hesitate to contact our office.

Sincerely,

Per:



Spencer Norris
SN

c. Client





June 18, 2024

Delivered Via Email

Spencer Norris
Direct Line: +1 780.429.9746
snorris@millerthomson.com

File No. 0249783.0002

Semere Berhane
2433 San Fortunato St. NW
Edmonton, AB
T5E 5V3

Dear Mr. Berhane:

Re: In the Receivership of Bereket & G Holdings Corp.; KB 2403 05996

As you know we are legal counsel for BDO Canada Limited (the “**Receiver**”) in its capacity as the Court-appointed Receiver of Bereket & G Holdings Corp. (the “**Debtor**”).

We have been advised by Mr. Martin Abramowski of SB LLP that his firm no longer represents the Debtor or the other Defendants in these proceedings.

Prior to Mr. Abramowski withdrawing from representation, on May 23, 2024, our office sent Mr. Abramowski a letter (the “**May 23 Letter**”) providing, among other things:

1. A form of lease agreement whereby Habesah African Supermarket may lease the premises located at 10709 105 Street NW, Edmonton (the “**Premises**”). We requested that if the form of lease was acceptable, that a executed copy be returned to our office by no later than May 28, 2024; and
2. The Receiver was proceeding to conduct a sales process with respect to the Premises and required the Premises to be cleaned and organized in order to show it to potential bidders. The Premises needed to be in showing condition by no later than June 5, 2024.

A copy of the May 23 Letter is enclosed with this letter for reference. Our office never received a response to the May 23 Letter. We did not receive any comments on the form of lease nor an executed copy. Further, we did not receive confirmation that the Premises would be cleaned and organized by June 5, 2024.

On June 7, 2024, the Receiver obtained an Approval and Restricted Access and Sealing Order approving, among other things, the Receiver entering into an exclusive listing agreement for the Premises with Cushman & Wakefield Edmonton. A filed copy of the Order is enclosed with this letter for reference.

On June 11, 2024, representatives of the Receiver and Cushman & Wakefield attended the Premises. It was evident that the Premises had not been cleaned nor organized as requested.

The realtor has prepared a list of deficiencies which the Receiver requires the Debtor to resolve **by no June 24, 2024**. See attached deficiency list. We understand that you represented to the Receiver yesterday via a phone call that the deficiencies will be addressed in a week's time.

We further include a form of the lease agreement to Habesah African Supermarket with changes you discussed with the Receiver yesterday via your phone call. The lease is month to month and may be terminated on 15 days' notice. We recommend that you seek legal advise with respect to the lease, however, we do require an executed copy by **no later than June 21, 2024**; failing which the Receiver will consider eviction.

Lastly, we understand that you have not been responding to the Receiver's emails or returning the Receiver's calls. Understand that pursuant to the Receivership Order granted in these proceedings you are required to cooperate with the Receiver as it carries out its duties. Failures to respond and cooperate only prolong the appointment, increase costs, and reduce recovery for the Receiver's realizations. We ask that going forward that you promptly respond to the Receiver's requests and correspondence.

Please feel free to contact our office should you have any questions with respect to the forgoing. We look forward to hearing from you with respect to the lease agreement.

Sincerely,



Spencer Norris
SN

Enclosure (1)
c. Client

