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JUDICIAL CENTRE OF CALGARY
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COURT FILE NUMBER	**2301 – 08305**
COURT	**COURT OF KING'S BENCH OF ALBERTA**
JUDICIAL CENTRE	**CALGARY**
APPLICANTS	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* RSC 1985, c. C-36, as amended** **AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED and CAREY MANAGEMENT INC.**
DOCUMENT	**SUPPLEMENT TO THE FOURTH REPORT OF THE MONITOR OCTOBER 6, 2023**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** KSV Restructuring Inc. Suite 1165, 324 – 8th Avenue SW Calgary, Alberta T2P 2Z2 Attention: Bobby Kofman / David Sieradzki / Jason Knight Telephone: 416.932.6228 / 416.932.6030 / 587.287.2605 Facsimile: 416.932.6266 Email: bkofman@ksvadvisory.com / dsieradzki@ksvadvisory.com / jknight@ksvadvisory.com **MONITOR'S COUNSEL** Cassels Brock & Blackwell LLP Bankers Hall West Suite 3810, 3rd Street SW Calgary, Alberta T2P 5C5 Attention: Jeffrey Oliver / Jane Dietrich Telephone: 403.351.2921 / 416.860.5223 Facsimile: 403.648.1151 Email: joliver@cassels.com / jdietrich@cassels.com

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Appendix **Tab**

1.0 Introduction

1. This Report (the "Supplemental Report") supplements the Fourth Report.

2. Defined terms in this Supplemental Report have the meaning provided to them in the Fourth Report, unless otherwise defined herein. This Supplemental Report is subject to the scope and terms of reference in the Fourth Report. A copy of the Fourth Report is attached as Appendix "1", without attachments.

1.1 Purposes of this Supplement Report

1. The purposes of this Supplemental Report are to:

   a) provide the Court and stakeholders with an update on the Applicants' cash flow projection to December 2, 2023, being the date that the Applicants' stay of proceedings currently expires;

   b) file an updated cash flow projection with the Court (the "Second Revised Cash Flow Forecast") for the period October 1 to December 2, 2023 (the "Forecast Period"); and

   c) provide an update on the SISP.

2.0 Update

1. The Applicants' liquidity challenges have been discussed in certain of the Monitor's prior reports filed in these proceedings, including its Second Report and Fourth Report, both of which were filed in the context of Section 23(1)(d)(i) of the CCAA, which requires the Monitor to file a report with the Court advising on the state of a company's business and financial affairs after ascertaining a material adverse change in a company's projected cash flow or financial circumstances. The Monitor's prior reports have also advised of the additional financial and other support provided to the Applicants in these proceedings by certain of its most significant stakeholders, including CIBC, the Applicants' largest creditor and secured lender, and 7-Eleven, the Applicants' largest customer, by far.

2. The Fourth Report advised that the Applicants finalized a cash flow forecast on September 13, 2023 that reflected that they are not projected to have sufficient liquidity under the CIBC Revolving Loan to fund all forecasted disbursements in the ordinary course, unless the Logistics Companies deferred payment of Accrued Tobacco Taxes[1].

3. Since the date of the Fourth Report, the Applicants, with the assistance of the Monitor, have engaged in discussions and communications with the tax authorities of certain Provinces. In this regard, Wallace & Carey was recently advised by representatives of the Province of Alberta's tax collection department that it is required as of October 1, 2023 to pay tobacco tax at the time of purchase of tobacco products which are to be sold in the Province of Alberta. Prior to this change, Wallace & Carey was permitted to collect tax on its sales of tobacco products in Alberta, which taxes it was required to remit to the Province of Alberta.

3.0 Second Revised Cash Flow Forecast

1. The Fourth Report discussed that the Applicants were preparing the Second Revised Cash Flow Forecast and that the Monitor intended to file a supplemental report when it is available. The Second Revised Cash Flow Forecast was finalized on October 6, 2023. A copy of the Second Revised Cash Flow Forecast is attached as Appendix "2". The Second Revised Cash Flow Forecast reflects the following:

   a) a reduction in projected revenue to reflect the loss of several of Wallace & Carey's customers since the commencement of these proceedings;

   b) discontinuation of the Loudon business, which was recently completed;

   c) discussions with provincial tax authorities, including, but not limited to, the change in the Logistics Companies' tax collection status in the Province of Alberta;

   d) collection of accounts receivable and vendor obligations in the normal course; and

[1] Includes unpaid pre- and post-filing tobacco taxes, which were estimated to be $32 million in the Fourth Report.

e) payment of operating costs in the normal course of business, including a reduction in operating costs resulting from: (i) the seasonality of the Logistics Companies' business (the summer peak season ends on Labour Day)[2]; (ii) the loss of certain customers, as addressed in the Monitor's prior reports; (iii) the discontinuation of the Loudon business; and (iv) other cost-cutting initiatives.

2. The Applicants prepared the Second Revised Cash Flow Forecast for the Forecast Period. The Applicants' statutory report thereon pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "3".

3. The Second Revised Cash Flow Forecast reflects that the Applicants are projected to have sufficient liquidity to continue to operate during the Forecast Period. The Second Revised Cash Flow Forecast is based on hypothetical and probable assumptions provided by the Applicants. Since such assumptions need not be supported, the Monitor's procedures with respect to them were based on evaluating whether they were consistent with the purpose of the Second Cash Flow Forecast. These procedures consisted of inquiries, analytical procedures and discussions with the Applicants' management concerning the support and the assumptions for the Second Revised Cash Flow Forecast.

4. Based on the Monitor's review of the Second Revised Cash Flow Forecast, the probable and hypothetical assumptions appear reasonably supported. As stated in the scope and terms of reference in the Fourth Report, the Second Revised Cash Flow Forecast is based on assumptions regarding future events. Actual events are likely to vary from forecasted results and such variances may be material. The Second Revised Cash Flow Forecast has been prepared solely for the purpose of this Supplemental Report and is not appropriate for any other purpose. The Monitor's statutory report on the Second Revised Cash Flow Forecast is attached hereto as Appendix "4".

5. As of the date of this Supplemental Report, CIBC and the Applicants are finalizing a third amendment to the Forbearance Agreement (the "Third Amendment"), which amendment is expected to be finalized next week. In the interim, CIBC has advised the Monitor that at this time, it is continuing to fund the business in accordance with the Second Revised Cash Flow Forecast attached to this Supplemental Report so that the SISP can continue to be advanced, as discussed further below. The Monitor intends to file a further supplemental

[2] The Logistics Companies reduce hourly labour after Labour Day in the normal course of business.

report once negotiations concerning the Third Amendment have been finalized. 7-Eleven has also provided certain additional financial support that, *inter alia*, supports the Applicants' liquidity during the Forecast Period. 7-Eleven is to receive a fee of $250,000, which is payable on a deferred basis and which does not affect the Applicants' liquidity during the Forecast Period.

4.0 SISP

1. As detailed in the Fourth Report, the Applicants continue to advance the SISP. The SISP is being led by A&M, under the oversight of the Monitor.

2. Pursuant to the SISP, interested parties are able to submit offers to:

   a) acquire all, substantially all or a portion of the Property or the Business;

   b) make an investment in, restructure, reorganize or refinance the Business;

   c) carry out any combination of a Sale Proposal and an Investment Proposal; or

   d) form a partnership with the Applicants, or any of them, by way of joint-venture or otherwise.

3. The following table provides a summary of key process milestones and dates under the SISP.

Milestone	Deadline
SISP Launch Date	August 30, 2023
Phase 1 Bid Deadline	October 5, 2023
Phase 2 Bid Deadline	November 2, 2023
Hearing of the Transaction Approval Application	Subject to the availability of the Court
Target Closing Date	On or before December 4, 2023

4.1 SISP Update

1. The Fourth Report discussed that progress had been made in the SISP and that it may be possible to expedite the SISP timelines. In the Monitor's view, expediting the timelines is critical to achieve a successful outcome in the SISP given the Applicants' ongoing liquidity issues. Accordingly, the Applicants, through A&M, and with the consent of the Monitor, requested that interested parties, including those expressing the greatest level of interest, provide expressions of interest on an expedited basis. Several expressions of interest were received by the Phase 1 Bid Deadline. The Applicants, A&M and the Monitor are now working expeditiously to advance a transaction. Although there is no certainty that a transaction will be completed, all efforts are being made to do so as soon as possible. A transaction has several potential benefits, including maximizing recoveries for stakeholders, continuation of supply for any customers whose supply arrangements may be maintained post-closing and preservation of significant employment.

5.0 Conclusion

1. The Monitor supports continuation of the CCAA proceedings, primarily for the purpose of completing a transaction as quickly as possible. Continuation of the proceedings is supported by CIBC on the basis discussed herein, and by 7-Eleven, both as a customer and as a guarantor pursuant to the guarantee it provided, as discussed in the Second Report and the Second Report Supplement. The Monitor is of the view that the opportunity to complete a transaction through the SISP provides a superior outcome for stakeholders than a proceeding under the *Bankruptcy and Insolvency Act*.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

KSV Restructuring Inc. ,
in its capacity as monitor of
Wallace & Carey Inc., Loudon Bros Limited, and Carey Management Inc.
and not in its personal capacity

Appendix “1”

COURT FILE NUMBER	**2301 – 08305**
COURT	**COURT OF KING'S BENCH OF ALBERTA**
JUDICIAL CENTRE	**CALGARY**
APPLICANTS	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* RSC 1985, c. C-36, as amended** **AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED and CAREY MANAGEMENT INC.**
DOCUMENT	**FOURTH REPORT OF THE MONITOR** **SEPTEMBER 18, 2023**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** KSV Restructuring Inc. Suite 1165, 324 – 8th Avenue SW Calgary, Alberta T2P 2Z2 Attention: Bobby Kofman / David Sieradzki / Jason Knight Telephone: 416.932.6228 / 416.932.6030 / 587.287.2605 Facsimile: 416.932.6266 Email: bkofman@ksvadvisory.com / dsieradzki@ksvadvisory.com / jknight@ksvadvisory.com **MONITOR'S COUNSEL** Cassels Brock & Blackwell LLP Bankers Hall West Suite 3810, 3rd Street SW Calgary, Alberta T2P 5C5 Attention: Jeffrey Oliver / Jane Dietrich Telephone: 403.351.2921 / 416.860.5223 Facsimile: 403.648.1151 Email: joliver@cassels.com / jdietrich@cassels.com

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Appendix **Tab**

1.0 Introduction

1. Pursuant to an order (the "**Initial Order**") issued by the Court of King's Bench of Alberta (the "**Court**") on June 22, 2023 (the "**Filing Date**"), Wallace & Carey Inc. ("**Wallace & Carey**"), Loudon Bros Limited ("**Loudon Bros**", and together with Wallace & Carey, the "**Logistics Companies**") and Carey Management Inc. ("**CMI**", and together with the Logistics Companies, the "**Applicants**") were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), and KSV Restructuring Inc. ("**KSV**") was appointed monitor of the Applicants (the "**Monitor**"). KSV is filing this report (the "**Fourth Report**") as Monitor.

1.1 CCAA Proceedings

1. Pursuant to the terms of the Initial Order, *inter alia*, the Court:

   a) granted a stay of proceedings in favour of the Applicants and their directors and officers to and including July 1, 2023 (the "**Stay Period**");

   b) approved the Applicants' use of the centralized cash management system provided by Canadian Imperial Bank of Commerce ("**CIBC**" or the "**Lender**") to the Applicants;

   c) granted charges on the Applicants' current and future assets, property and undertakings in the following amounts and priority:

      i. first, a charge in the amount of $250,000 in favour of the Applicants' legal counsel (Miller Thomson LLP), the Monitor, and the Monitor's legal counsel (Cassels Brock & Blackwell LLP), to secure the fees and disbursements of those firms (the "**Administration Charge**");

      ii. second, a charge in the amount of $55 million plus interest, fees and expenses for all post-filing advances (the "**Lender Priority Charge**") made by CIBC under the existing CIBC Credit Agreement (as defined in the Initial Order), as amended pursuant to the terms of the Forbearance Agreement dated June 22, 2023 (the "**Forbearance Agreement**");

      iii. third, a charge in the amount of $3.33 million in favour of the directors and officers of the Applicants (the "**D&O Charge**"); and

iv. fourth, a charge in the amount of $18 million in favour of provincial and territorial authorities for amounts required to be remitted by the Logistics Companies under the *Tobacco Tax Act*, RSA 2000, c. T-4 or under any other applicable provincial legislation or laws (the "**Tobacco Tax Charge**", and collectively with the Lender Priority Charge, the Administration Charge and the D&O Charge, the "**Initial Order Charges**"); and

d) permitted the Logistics Companies to pay certain pre-filing tobacco tax obligations pursuant to the Tobacco Tax Payment Plans (as defined in the Initial Order), subject to first obtaining the Monitor's consent.

2. On June 30, 2023, the Applicants' comeback application was heard and the Court granted:

a) an amended and restated Initial Order (the "**ARIO**"), attached hereto as **Appendix "A",** which, among other things:

i. extended the Stay Period to and including September 20, 2023;

ii. increased the maximum amount of the Initial Order Charges, as follows:

- Administration Charge to $750,000;
- D&O Charge to $4 million; and
- Tobacco Tax Charge to $25 million; and

b) an Order providing for the Applicants' continued access to certain fuel service cards, known as the Mobil Fleet Cards.

3. On August 9, 2023, the Monitor prepared and filed its second report to Court (the "**Second Report**") which, among other things:

a) was drafted in the context of Section 23(1)(d)(i) of the CCAA, which requires the Monitor to file a report with the Court advising on the state of a company's business and financial affairs upon ascertaining a material adverse change (a "**MAC**") in the company's projected cash flow or financial circumstances;

b) discussed challenges being faced by the Applicants and the efforts being taken at the time to address those challenges;

c) provided a comparison of the Applicants' cash flow forecast for the period June 18 to September 30, 2023 against actual results; and

d) advised that the Monitor would file a further report with the Court advising on the status of the efforts to address the issues resulting from the MAC.

4. On August 11, 2023, the Monitor prepared and filed a supplement to the Second Report (the "**Second Report Supplement**") that provided an update on the Applicants' liquidity following the Applicants entering into the second amendment to the Forbearance Agreement dated August 10, 2023 (the "**Second Forbearance Amendment**"). The Second Forbearance Amendment, among other things, provided the Applicants with enhanced availability of approximately $10 million of credit under their existing financing arrangements with CIBC. At the time, the Applicants advised that the additional capital would address their operating challenges and would lead to improved customer fill rates, and therefore financial performance. Copies of the Second Report and the Second Report Supplement are attached as **Appendices "B"** and **"C"**, respectively, without appendices.

5. On August 21, 2023, the Monitor prepared and filed its Third Report to Court (the "**Third Report**") which provided, among other things, the Monitor's recommendations that the Court issue:

a) an order (the "**SISP Approval Order**") among other things, approving the terms of a Sale and Investment Solicitation Process (the "**SISP**") and authorizing the Applicants, in consultation and co-operation with Alvarez & Marsal Canada Securities ULC ("**A&M**"), as the Applicants' Financial Advisor, and under the oversight of the Monitor, to conduct the SISP; and

b) an order (the "**Ancillary Order**"), among other things:

i. extending the stay of proceedings to and including November 30, 2023;

ii. approving the engagement of A&M as the Applicants' Financial Advisor, pursuant to an agreement dated August 13, 2023 between the Applicants and A&M, including:

- increasing the amount of the Administration Charge from $750,000 to $850,000 to include a work fee and restructuring fee payable to A&M in connection with the SISP and its role as the Financial Advisor; and

- granting a charge on the Applicants' current and future assets, property and undertakings in favour of A&M to secure the Transaction Fee (as defined below), which is only subordinate to the Administration Charge.

1.2 Purposes of this Fourth Report

1. The purposes of this Fourth Report are to:

   a) advise the Court and stakeholders of a further MAC in the Applicants' projected cash flow, in accordance with Section 23(1)(d)(i) of the CCAA;

   b) provide an update on the SISP; and

   c) discuss the next steps in these proceedings.

1.3 Scope and Terms of Reference

1. In preparing this Fourth Report, the Monitor has relied upon the Applicants' unaudited financial information, books and records and discussions with the Applicants' management and legal counsel.

2. The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this Fourth Report in a manner that complies with Canadian Auditing Standards ("**CAS**") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.

3. An examination of the cash flow forecasts discussed herein, as outlined in the Chartered Professional Accountants of Canada Handbook, has not been performed. Future oriented financial information relied upon in this Fourth Report is based upon the Applicants' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the Applicants will perform in accordance with their cash flow projections.

1.4 Currency

1. All references to currency in this Report are to Canadian dollars.

2.0 Background

1. CMI is an Alberta corporation and the sole shareholder of Wallace & Carey, which is the sole shareholder of Loudon Bros. In addition to the Logistics Companies, CMI has ownership interests in nine subsidiaries, none of which are subject to these proceedings.

2. Wallace & Carey is an Alberta corporation that is extra-provincially registered to conduct business in most provinces and territories in Canada. Wallace & Carey operates from nine leased warehouses.

3. Loudon Bros, located in Thunder Bay, Ontario, is an Ontario corporation that is wholly owned by Wallace & Carey which until recently operated as its Northwestern Ontario branch. The Applicants are presently winding down the operations of Loudon Bros. Aspects of Loudon's business will be continued by Wallace & Carey from its other locations. All payroll and vacation pay amounts owing to Loudon Bros' employees have been, or will be, paid in full.

4. Through Wallace & Carey, the business continues to supply and distribute approximately 7,500 different products to several customers across the country. Wallace & Carey remains an important supplier to its customers, which depend on the continued operation of Wallace & Carey's business. 7-Eleven Canada Inc. ("**7-Eleven**") is the most significant customer of Wallace & Carey.

5. As of the Filing Date, the Logistics Companies employed approximately 600 full-time and 50 part-time employees. Wallace & Carey presently has approximately 600 employees. CMI has three employees, including Patrick Carey, the Chair, Daniel Elrod, the Chief Executive Officer, and an administrative employee.

6. CIBC provides CMI with a revolving asset-based loan (the "**CIBC Revolving Loan**") and term loan facility, which is guaranteed by the Logistics Companies and various other entities within the Carey corporate group (the "**CIBC Facility**"). As of the date of this Fourth Report, the amount owing under the CIBC Facility was approximately $45.5 million. Pursuant to the terms of the Forbearance Agreement, all amounts owing to CIBC as of the Filing Date under the revolving portion of the CIBC Facility (being approximately $38.54 million) have been repaid through accounts receivables collections, and all amounts advanced by CIBC since that time are secured by the Lender Priority Charge.

7. Affidavit No. 1 of Brian Birnie, Senior Vice President of Finance & Corporate Development of the Applicants, and Chief Financial Officer of Wallace & Carey, sworn June 21, 2023 in support of the initial CCAA application (the "**First Birnie Affidavit**") provides, *inter alia*, background information concerning the Applicants, their respective businesses, as well as the reasons for the commencement of these proceedings. Affidavit No. 2 of Brian Birnie sworn on June 27, 2023 (the "**Second Birnie Affidavit**") provides support for the relief sought by the Applicants at the Comeback Application. Affidavit No. 1 of Eric Rolheiser, President and CEO of Wallace & Carey sworn on August 21, 2023 (the "**First Rolheiser Affidavit**") provides support for the relief sought by the Applicants at the August 23 Application.

8. KSV's pre-filing report dated June 22, 2023 (the "**Pre-Filing Report**") and the First Report provide additional background information about these proceedings. The First Report, Pre-Filing Report, Second Report, Second Report Supplement and Third Report are collectively referred to herein as the "**Previous Reports**". Court materials filed in these proceedings, including this Fourth Report and Previous Reports, are available on the Monitor's case website at www.ksvadvisory.com/experience/case/wallace-and-carey.

3.0 Liquidity Situation

1. Following the granting of the ARIO, the Applicants advised the Monitor that the Logistics Companies were required to enter into prepay arrangements with substantially all of their vendors for post-filing goods and services, rather than pay on cash on delivery ("**COD**"), which was the basis on which the Applicants' first cash flow filed in these proceeding was prepared (the "**Initial Cash Flow Forecast**"). The pre-payment terms, which essentially continue to this day, impaired the Applicants' liquidity due to the significant lead times associated with sourcing inventory from certain of the Applicants' vendors. Under the terms of the CIBC Credit Facility, the Applicants were unable to borrow against this prepaid inventory until it was received by the Logistics Companies, which reduced the Logistics Companies' borrowing capacity. This impaired the Logistics Companies' ability to source fresh inventory on a continuous basis, which caused sales and cash receipts to vary negatively from the Initial Cash Flow Forecast. As a result, many of the Logistics Companies' customers experienced lower fill rates than they required. These lower fill rates caused certain customers, including Cineplex Entertainment Limited Partnership, BCP IV Service Station Limited and Federated Co-operatives Limited, to terminate their relationship with the Logistics Companies.

2. On July 18, 2023, the Applicants and CIBC entered into an amendment agreement (the "**First Forbearance Amendment**"). Pursuant to the First Forbearance Amendment, CIBC provided certain accommodations to the Applicants to address the Applicants' liquidity issues that resulted from the pre-pay terms referenced above. Among other things, the First Forbearance Amendment:

   a) permitted "Eligible Undelivered Inventory" to be added to the Borrowing Base (both as defined in the First Forbearance Amendment) against which CIBC advances under the CIBC Credit Facility, provided that the Applicants received acknowledgements from the vendors that (i) they would not setoff the prepayment against amounts owing to them from the Applicants; and (ii) title to the relevant inventory transfers to the Applicants upon receipt of payment; and

   b) required the Applicants to identify and select a financial advisor to conduct the SISP by no later than 40 days following the date of the hearing of the application for the Initial Order (i.e., by August 1, 2023).

3. In addition to the above accommodations from CIBC, the Applicants worked with suppliers to improve credit and other supply terms, including entering into consignment agreements and accelerated payment arrangements with certain tobacco suppliers, as well as accelerated payment terms with certain customers. The Monitor also facilitated certain transactions, including putting in place payment protection mechanisms so suppliers could supply on terms, as well as product delivery protections for customers who agreed to pay on an expedited basis.

4. Notwithstanding the foregoing efforts, the Applicants' ongoing liquidity difficulties caused them to fail to comply with certain financial covenants under the Forbearance Agreement for the weeks ended July 22 and 29, 2023, including negative cash receipts variances, which were a default under the Forbearance Agreement.

5. As a result of the various defaults, on August 2, 2023, CIBC delivered to the Applicants a notice that certain Terminating Events (as defined in the Forbearance Agreement) had occurred and that CIBC was reserving all rights in respect of such (the "**August 2 Notice**").

6. Following delivery of the August 2 Notice, CIBC issued a letter to the Applicants and the Monitor (the "**August 4 Letter**") which, among other things, advised that:

   a) CIBC was prepared to further amend the Forbearance Agreement; and

   b) CIBC would continue to make the Revolving Loans (as defined in the Forbearance Agreement) available, subject to certain restrictions, until further written notice is delivered by CIBC to the Applicants (with a copy to the Monitor) and at least two business days following the delivery of the written notice has passed, during which time CIBC agreed to continue to fund Revolving Loans provided that such amounts shall not exceed that required for critical ordinary course post-filing operating expenditures that are due and payable and approved by the Monitor.

7. Notwithstanding the defaults, CIBC (i) continued funding the Applicants, in accordance with the lending formula prescribed in the Forbearance Agreement and the First Forbearance Amendment; and (ii) displayed a willingness to work with the Applicants to find solutions to their liquidity challenges.

8. As a result of negotiations among the Applicants, 7-Eleven, CIBC and the Monitor, the Applicants, 7-Eleven, and CIBC entered into a cash collateral agreement dated August 10, 2023 (the "**Cash Collateral Agreement**") to increase the Applicants' availability under the CIBC Facility. Under the Cash Collateral Agreement, the parties agreed to the following key terms:

   a) 7-Eleven would provide $9 million (the "**Cash Collateral**") to be held by CIBC;

   b) upon receipt by CIBC of the Cash Collateral, CIBC would promptly (i) increase the borrowing base under the CIBC Facility by an amount equal to the Cash Collateral, and (ii) increase the borrowing base under the CIBC Facility by not less than $2 million by[1]:

      i. removing and revoking the $1.5 million Excess Availability requirement under Section 4.1(k) of the Forbearance Agreement; and

      ii. making certain borrowing base adjustments;

[1] The additional availability made available to the Applicants as a result of the Cash Collateral Agreement did not require an increase in the amount of Lender Security Charge.

c) 7-Eleven agreed to execute and deliver to and in favor of CIBC a Limited Recourse Guarantee, therein guaranteeing the obligations of Wallace & Carey under the CIBC Credit Agreement, as well as a Cash Collateral Agreement granting to CIBC a security interest in the Cash Collateral (collectively, the "**7-Eleven Security Documents**");

d) the Applicants would schedule a Court hearing to approve a SISP;

e) as consideration for 7-Eleven providing the Cash Collateral, the Applicants agreed (i) to pay 7-Eleven a fully earned fee equal to $1 million; and (ii) 7-Eleven would be granted the 7-Eleven SISP Rights (as defined and discussed Section 4.6 below), subject to Court approval; and

f) on a monthly basis, the Applicants agreed to pay 7-Eleven interest at the rate of 10% per annum, less any amounts received from CIBC on account of the Cash Collateral, until same has been returned to 7-Eleven in full.

9. On August 10, 2023, the Cash Collateral Agreement, 7-Eleven Security Documents and Second Forbearance Amendment were executed. In addition, 7-Eleven funded the Cash Collateral amount. Accordingly, the Applicants were provided approximately $10 million of additional liquidity under the CIBC Facility (which amounts are secured under the Lender Priority Charge) for general working capital purposes, including to purchase inventory to improve customer fill rates.

10. In the context of the Second Forbearance Amendment and the additional funding provided by 7-Eleven, the Applicants prepared a revised cash flow forecast, which covers the period August 13 to December 2, 2023 (the "**First Revised Cash Flow Forecast**"). The Applicants are required to provide weekly reporting to CIBC. During the week ending August 25, 2023, the weekly reporting reflected that the Applicants had double counted certain receipts and disbursements but that the amounts largely offset one another; however, the Applicants were requested to provide an updated cash flow projection to December 2, 2023 to adjust for the double-counted items.

11. The Applicants' most recent cash flow forecast was finalized on September 13, 2023. It reflects that the Applicants are not projected to have sufficient liquidity under the CIBC Revolving Loan to fund all forecasted disbursements in the ordinary course, unless the Logistics Companies defer certain pre- and post-filing tobacco taxes (the "**Accrued Tobacco Taxes**") or they make significant reductions to their inventory purchases, which is likely to impair the viability of the Logistics Business. As of the date of this Report, the Accrued Tobacco Taxes owing by the Logistics Companies total approximately $32 million. As the Applicants have been required to prepay most of their vendor obligations, and continue to do so, substantially all vendors appear to be current, and payroll, along with associated source deductions, are current.

12. The Logistics Companies are generally required to remit tobacco taxes in the month following their collection, with most of this amount payable on or around the 20th day of each month. Additionally, Wallace & Carey entered into a payment plan with the Province of Alberta to pay it $2 million per week, of which $250,000 is in respect of pre-filing tobacco taxes. Through the date of this Report, substantially all tobacco tax payments have been made in the ordinary course, subject to periodic deferrals. It is the Monitor's understanding that certain provincial tobacco tax legislation could give rise to liability for directors and officers for unpaid tobacco taxes.

13. In accordance with the ARIO, the Lender Priority Charge ranks in priority to the D&O Charge and the Tobacco Tax Charge (for clarity, the Tobacco Tax Charge also ranks behind all pre-filing obligations owing under the CIBC Credit Agreement, including outstanding obligations of approximately $4.7 million in respect of the BCAP loan (as defined in the Pre-Filing Report)).

14. On September 18, 2023, CIBC delivered to the Applicants a notice that certain Terminating Events (as defined in the Forbearance Agreement) had occurred and that CIBC was reserving all rights in respect of such (the "**September 18th Notice**"). A copy of the September 18th Notice is attached hereto as **Appendix "D"**. In connection with the September 18th Notice, CIBC has advised the Monitor that:

> "*notwithstanding the Existing Terminating Events, Revolving Loans shall continue to be made under the terms of the Credit Agreement and the Forbearance Agreement until further written notice (the "Notice") is delivered by the Agent to the Borrower (with a copy to the Monitor) and at least two business days following the delivery of*

the Notice have passed. For certainty, the Notice may be delivered by the Agent in its sole discretion. Revolving Loans made available until delivery of such Notice shall be made solely for the purposes set out in Borrowing Requests approved by the Agent and in accordance with a cash flow forecast acceptable to the Agent. During the two-business day period following delivery of the Notice any Revolving Loans shall not exceed amounts required for critical ordinary course post-filing operating expenditures that are due and payable and approved by the Monitor."

4.0 Updated Cash Flow Forecast

1. As of the date of this Report, the Applicants are in the process of finalizing an updated cash flow forecast for the period September 10, 2023 to December 2, 2023 (the "**Updated Cash Flow Forecast**"). As a potential solution to their liquidity challenges, the Logistics Companies are taking steps to reduce costs, sell slow moving inventory and discontinue underperforming portions of their businesses. The Logistics Companies also intend to have discussions with Tobacco Tax Authorities to negotiate a temporary deferral of the payment of certain of the Accrued Tobacco Taxes. The Monitor understands that the Applicants efforts in this respect are ongoing. The Monitor will file a further supplemental report as soon as these discussions are complete. An Updated Cash Flow Forecast is expected to be filed at that time as well.

5.0 SISP

1. The SISP was approved pursuant to the SISP Approval Order. The purpose of the SISP is to solicit interest in, and opportunities for, one or more or any combination of: (i) a restructuring, recapitalization or other form of reorganization of the business and affairs of the Applicants as a going concern; or (ii) a sale of all, or substantially all, of the Applicants' business and operations (the "**Business**") and/or the property (the "**Property**") as a going concern or otherwise. The SISP process is being led by the Applicants with the assistance of its financial advisor, A&M, under the oversight of the Monitor. The Lender has various consultation and consent rights in the SISP.

2. Pursuant to the SISP, interested parties can submit offers to:

   a) acquire all, substantially all or a portion of the Property or the Business;

   b) make an investment in, restructure, reorganize or refinance the Business;

c) carry out any combination of a Sale Proposal and an Investment Proposal; or

d) form a partnership with the Applicants, or any of them, by way of joint-venture or otherwise.

3. Given the important relationship between 7-Eleven and the Applicants, and the Cash Collateral arrangement pursuant to which 7-Eleven provided $9 million of liquidity to the Applicants, 7-Eleven was provided certain rights in the SISP, including the right to submit a stalking horse bid. As of the date of this Fourth Report, 7-Eleven has not exercised that right. A complete discussion of the rights afforded to 7-Eleven in the SISP is provided in the Third Report.

4. The following table provides a summary of key process milestones and dates under the SISP. The SISP has been designed as a two-step process, with letters of intent to be submitted by the Phase 1 Bid Deadline and binding agreements to be submitted at the Phase 2 Bid Deadline.

SISP Launch Date	August 30, 2023
Phase 1 Bid Deadline	October 5, 2023
Phase 2 Bid Deadline	November 2, 2023
Hearing of the Transaction Approval Application	Subject to the availability of the Court
Target Closing Date	On or before December 4, 2023

5.1 SISP Update

1. A&M is working diligently to advance the SISP. A summary of the status of the SISP as of the date of this Fourth Report is as follows:

a) 189 parties have been contacted, including 152 financial parties and 37 strategic parties;

b) 35 financial parties and 10 strategic parties have executed a non-disclosure agreement (the "**NDA**");

c) 3 parties are presently negotiating NDAs; and

d) 37 parties remain active in the process.

2. There is benefit in continuing the SISP, including providing employment for some or all of the Applicants' approximately 600 employees. The Applicants and A&M have made meaningful progress to-date and several parties have indicted an interest in the opportunity. The Logistics Companies are an important supplier to many of their customers. The Applicants' management is strongly of the view that with fresh capital and other operational improvements, there is an opportunity to restructure the businesses of the Logistics Companies so that they can be viable in the long-term.

6.0 Conclusion

1. Progress has been made in the SISP, which is advancing quickly. It may be possible to accelerate the timelines in that process, if necessary. The Monitor is of the view that the process should be given the opportunity to be completed provided satisfactory arrangements can be reached concerning the Logistics Companies' liquidity challenges.

2. The Applicants are taking steps to reduce costs and improve liquidity, including by discontinuing non-viable portions of the Logistics' Companies business, selling slow-moving inventory and non-core assets and cutting costs. As detailed herein, notwithstanding delivery of the September 18th Notice, CIBC has supported the Applicants' business throughout the proceedings with various accommodations, and 7-Eleven has supported the business through the Cash Collateral agreement and otherwise. The Applicants are considering various additional means to address their liquidity situation, including arrangements concerning the payment deferral of certain tobacco tax obligations.

3. The Monitor will file a further report with the Court as soon as a material update is available.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

KSV RESTRUCTURING INC.,
in its capacity as monitor of
Wallace & Carey Inc., Loudon Bros Limited, and Carey Management Inc.
and not in its personal capacity

Appendix “2”

Wallace & Carey Inc., Loudon Bros Limited and Carey Management Inc.

Projected Weekly Cash Flow Statement (Consolidated)

October 1, 2023 to December 2, 2023

(Unaudited; $CAD Thousands)

	Note	07-Oct-23	14-Oct-23	21-Oct-23	28-Oct-23	04-Nov-23	11-Nov-23	18-Nov-23	25-Nov-23	02-Dec-23	Total
RECEIPTS											
Total receipts	2	13,681	17,199	17,885	17,885	21,328	19,666	19,666	19,659	19,644	166,613
DISBURSEMENTS											
Inventory vendor payments	3	(13,813)	(13,987)	(13,192)	(14,636)	(14,735)	(14,735)	(14,735)	(14,735)	(14,654)	(129,223)
Tobacco and beverage tax remittances		(500)	(1,500)	(7,675)	(1,325)	(500)	(1,500)	(500)	(7,583)	(1,318)	(22,400)
GST remittances		(122)	(719)	-	-	-	(653)	-	-	-	(1,493)
Operating disbursements	5	(2,035)	(309)	(1,433)	(343)	(2,127)	(351)	(1,481)	(351)	(2,121)	(10,553)
Total operating disbursements		(16,470)	(16,514)	(22,300)	(16,305)	(17,363)	(17,239)	(16,716)	(22,669)	(18,093)	(163,669)
Other disbursements											
Interest and principal payments - CIBC revolving facility		(399)	-	-	-	(366)	-	-	-	(314)	(1,079)
Interest and principal payments - CIBC BCAP loan		-	-	-	-	-	-	-	-	(174)	(174)
Interest and principal payments - CWB demand loan		(123)	-	-	-	(122)	-	-	-	(122)	(367)
Restructuring costs	4	-	(577)	-	-	(773)	(62)	-	(515)	-	(1,926)
Other interest	6	(53)	-	-	-	(53)	-	-	-	(53)	(158)
Total other disbursements		(574)	(577)	-	-	(1,313)	(62)	-	(515)	(662)	(3,703)
Total disbursements		(17,044)	(17,091)	(22,300)	(16,305)	(18,676)	(17,301)	(16,716)	(23,184)	(18,755)	(167,372)
Net cash flow		(3,363)	108	(4,415)	1,580	2,653	2,365	2,950	(3,526)	889	(759)
Opening Post-Filing CIBC Revolving Facility		34,152	37,516	37,407	41,822	40,242	37,589	35,224	32,275	35,801	34,152
Net cash flow		(3,363)	108	(4,415)	1,580	2,653	2,365	2,950	(3,526)	889	(759)
Ending Post-Filing CIBC Revolving Facility		37,516	37,407	41,822	40,242	37,589	35,224	32,275	35,801	34,912	34,912

Notes to Projected Weekly Cash Flow Statement (Consolidated)

For the Period Ending December 2, 2023

(Unaudited; $CAD)

Purpose and General Assumptions

1. The purpose of the projection is to present a cash flow forecast of Carey Management Inc. ("CMI"), Wallace & Carey Inc. ("Wallace & Carey"), and Loudon Bros Limited ("Loudon Bros", together with CMI and Wallace & Carey, the "Applicants") from October 1, 2023 to December 2, 2023 (the "Period") in respect of the proceedings under the Companies' Creditors Arrangement Act ("CCAA").

   The cash flow projection has been prepared based on hypothetical and most probable assumptions provided by the Applicants.

Hypothetical

2. Represents collections of inventory sold in the ordinary course and the collection of taxes, including tobacco taxes.

3. Represents inventory purchases for sale by the Logistics Companies in the ordinary course of business.

4. Forecasted payment of the fees of the Monitor, its counsel, the Companies' counsel, the Company's financial advisor, CIBC's financial advisor, CIBC's counsel and the sales agent in connection with the sale and investment solicitation process.

Most Probable

5. Includes wages and benefits, rent, utilities, warehouse and delivery, and administrative expenses.

6. Represents interest payable to 7-11, pursuant to the cash collateral agreement involving the Applicants, CIBC and 7-Eleven.

Appendix “3”

COURT OF KING'S BENCH OF ALBERTA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.C-36, AS AMENDED

AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED, AND CAREY MANAGEMENT INC.

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)

The management of Wallace & Carey Inc. ("Wallace & Carey"), Loudon Bros Limited ("Loudon Bros"), and Carey Management Inc. ("CMI" together with Wallace & Carey and Loudon Bros, the "Applicants") have developed the assumptions and prepared the attached statement of projected cash flow as of the 6th day October, 2023 for the period October 1, 2023 to December 2, 2023 (the "Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Calgary, Alberta this 6th day of October, 2023.

WALLACE & CAREY INC., LOUDON BROS LIMITED, AND CAREY MANAGEMENT INC.

Brian M. Birnie
Digitally signed by Brian M. Birnie
DN: cn=Brian M. Birnie, o=alalce & Carey Inc, ou=Finance, email=birnieb@wacl.com, c=CA
Date: 2023.10.06 11:41:38 -06'00'

Per: Brian Birnie, Senior Vice President of Finance & Corporate Development

Appendix “4”

COURT OF KING'S BENCH OF ALBERTA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.C-36, AS AMENDED

AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED, AND CAREY MANAGEMENT INC.

MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash-flow of Wallace & Carey Inc. ("Wallace & Carey"), Loudon Bros Limited ("Loudon Bros"), and Carey Management Inc. ("CMI", and together with Wallace & Carey and Loudon Bros, the "Applicants"), as of the 6th day of October, 2023, consisting of a weekly projected cash flow statement for the period October 1, 2023 to December 2, 2023 (the "Cash Flow") has been prepared by the management of the Applicants for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management and employees of the Applicants. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow;

b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or

c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 of the Cash Flow and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, Ontario this 6th day of October, 2023.

KSV Restructuring Inc.

KSV RESTRUCTURING INC.
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF
WALLACE & CAREY INC., LOUDON BROS LIMITED, AND CAREY MANAGEMENT INC.
AND NOT IN ITS PERSONAL CAPACITY