

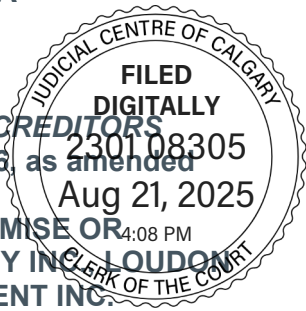


COURT FILE NUMBER **2301 – 08305**

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 SEVENTEENTH REPORT OF THE**
MONITOR
AUGUST 21, 2025

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SERVICE AND
CONTACT
INFORMATION OF
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Contents	Page
1.0 Introduction	1
2.0 Next Steps in the CCAA Proceedings.....	3
3.0 Enhanced Powers Order	4
4.0 Conclusion	5

Appendix	Tab
Letter from Alberta Justice dated August 20, 2025	A

1.0 Introduction

1. This report (the “**Supplemental Report**”) supplements the Seventeenth Report of the Monitor dated August 13, 2025 (the “**Seventeenth Report**”).
2. Defined terms in this Supplemental Report have the meanings provided to them in the Seventeenth Report, unless otherwise defined herein. This Supplemental Report is subject to the “scope and terms of reference” in the Seventeenth Report.
3. In preparation for the application to be heard on August 18, 2025, the Monitor understood that there was alignment between SEC and Mr. Carey regarding the relief to be sought at the application, including an extension of the Stay to February 15, 2026 and expansion of the Monitor’s authority over all of the Applicants pursuant to the Enhanced Powers Order, including over CMI. However, on the eve of filing the application, the Applicants raised concerns about the Monitor’s authority over CMI, and on August 14, 2025, after the Seventeenth Report was filed, the Applicants filed an application, supported by the affidavit of Mr. Carey filed on August 15, 2025 (the “**Eighth Affidavit**”), seeking an order, among other things:
 - a) extending the Stay to and including September 30, 2025; and
 - b) approving an extension of the term of the TSA to September 30, 2025, and the corresponding execution of a Second TSA Amendment. On August 18, 2025, the Applicants amended their application to seek approval of the TSA to February 15, 2026 (i.e., as reflected in the Second TSA Amendment attached to the Seventeenth Report).
4. In the Eighth Affidavit, Mr. Carey opposed the Enhanced Powers Order and the extension of the Stay to February 15, 2026, based on his view that CMI should be removed from the CCAA Proceedings, including because CMI *“has been a family company for generations”* and *“has significant emotional value”* to Mr. Carey.

5. As previously reported to this Court, each Court-ordered charge created pursuant to the ARIO and the Ancillary Order has been fully satisfied and released, except for the Tobacco Tax Charge in the amount of \$26 million in favour of the Provinces and Territories, which was granted against all of the Applicants' Property (as defined in the ARIO), including over CMI. The total amount owing under the Tobacco Tax Charge at the Effective Closing Time was approximately \$24.46 million. The Monitor has made distributions totaling \$12.41 million to the Provinces and Territories in respect of amounts owing under the Tobacco Tax Charge, resulting in \$12.05 million (before interest and costs) owing under the Tobacco Tax Charge. As CMI has not (and is not projected to) satisfy all its obligations to its creditors, the Monitor's position was that Mr. Carey cannot simply remove CMI from the CCAA Proceedings without either a sale process and/or the filing of a plan of compromise and arrangement.
6. As detailed in the Sixth Report, the Monitor initially forecasted that distributions to the Provinces and Territories would range from \$3.7 million to \$14.4 million. As a result of the realization process overseen by the Monitor and the Receiver, recoveries are now estimated to range from \$14.8 million to \$15.4 million¹. As described below, the timing of certain future distributions are outside the control of the Monitor and the Receiver, as some are contingent on receiving "Clearance Certificates" from the Canada Revenue Agency (the "CRA").
7. At the August 18, 2025 application, DigiFlex objected to the extension of the Stay and TSA Term to February 15, 2026, and British Columbia and Alberta expressed concerns about the same. Further, British Columbia objected to Mr. Carey's request that CMI be removed from the CCAA Proceedings. The Court agreed that it required additional evidence before it could consider granting an extension of the TSA past September 30, 2025. As a result, at the conclusion of the hearing, the Court issued an order:
 - a) extending the Stay to and including September 30, 2025; and
 - b) approving an extension of the term of the TSA Term to September 30, 2025, and the corresponding execution of a Second TSA Amendment.

¹ The ranges included in this paragraph exclude the distribution of \$3,313,081 to certain of the Provinces and Territories under the D&O Charge (as defined in the ARIO) pursuant to the Order dated August 22, 2025. This amount represented the extent to which the Applicants indebtedness for Tobacco Taxes increased for certain Provinces and Territories between the date of the Initial Order and the Effective Closing Time.

8. On August 20, 2025, after discussions among the Monitor, Cassels, Dentons Canada LLP, counsel to Mr. Carey in his capacity as director of the Applicants, Miller Thomson LLP, and DLA Piper (Canada) LLP, the Monitor was advised that:
 - a) neither Mr. Carey nor the Applicants would take a position on the Enhanced Powers Order or a further extension of the Stay and TSA Term; and
 - b) in the event the Enhanced Powers Order is granted at the application scheduled for August 26, 2025, Mr. Carey would resign as director of the Applicants.
9. Also on August 20, 2025, the Monitor received a letter from Alberta asking various questions about the relief to be sought at the August 26, 2025 application, including the reasons for enhancing the Monitor's powers, and requesting that the August 26, 2025 application be adjourned to late-September 2025. A copy of the letter is attached as **Appendix "A"**.

1.1 Purposes of this Supplemental Report

1. The purposes of this Supplemental Report are to:
 - a) update the Court on the events that have occurred since the Seventeenth Report;
 - b) discuss the proposed next steps in these CCAA Proceedings; and
 - c) provide the Monitor's recommendations in respect of the relief to be sought on the return of the application on August 26, 2025, being SEC and SEDCC's application for the Enhanced Powers Order on the basis set out in the Seventeenth Report.

2.0 Next Steps in the CCAA Proceedings

1. As at the date of this Supplemental Report, applications have been scheduled on August 26 and September 19, 2025, as follows:
 - a) August 26, 2025 – SEC and SEDCC's application seeking approval of the Enhanced Powers Order; and
 - b) September 19, 2025 – applications to be brought by the Monitor and SEC, respectively, seeking an extension of the Stay and the term of the TSA to and including February 15, 2026. SEC intends to have a representative file an affidavit in support of the relief to be sought at the September 19, 2025 application. Subsequent to SEC filing its affidavit, the Monitor will file a further supplemental report commenting on the relief being sought.

2. As noted in the Seventeenth Report, SEC requires an extension of the term of the TSA and the Stay to complete the winddown and transition of the Applicants' business to SEC and SEDCC pursuant to the TSA. In addition to the transition of the Applicants' business to SEDCC pursuant to the TSA and certain other administrative matters, the following items (the "**Remaining Items**") need to be completed before the CCAA Proceedings can be completed:
 - a) the realization of the remaining Excluded Assets, including, but not limited to: (i) the INS News litigation; and (ii) collecting on two promissory notes issued by SIU GC to CMI, which are due and payable on October 29, 2025 and April 29, 2026 (the "**Promissory Notes**")²; and
 - b) distributing the net recoveries from the Receivership Companies to their creditors, the majority of which will be distributed to Wallace & Carey and CMI³, which will then be distributed to the Provinces and Territories pursuant to the Tobacco Tax Charge. As noted, before any distributions can be made to the Receivership Companies' creditors, the Receiver must obtain Clearance Certificates from the CRA. The Receiver has requested the Clearance Certificates; however, it does not expect to receive them until late 2025, at the earliest. The Receiver has no control over when (or if) CRA will issue the Clearance Certificates.

3.0 Enhanced Powers Order

1. As outlined in the Seventeenth Report, the Monitor is of the view that providing the Monitor with the authority, powers, and protections set out in the draft Enhanced Powers Order will facilitate the efficient and successful conclusion of these CCAA Proceedings for the benefit of stakeholders, including the Provinces and Territories. This is now even more relevant given Mr. Carey's intention to resign as director of the Applicants, in light of submissions made by British Columbia at hearing on August 18, 2025. At the hearing, British Columbia advised that its view was that CMI should be placed in bankruptcy if it cannot pay its obligations in full.

² Although the Promissory Notes are issued to CMI, the amounts payable under same are to be paid to Cassels, the Monitor's legal counsel.

³ As noted in the Thirteenth Report of the Monitor dated November 18, 2025, on application by KSV, as Receiver of the Receivership Companies, on August 22, 2024 the Court issued an order that, among other things, approved a claims procedure (the "**Claims Procedure**") in respect of the Receivership Companies. After completing the Claims Procedure, aside from certain immaterial claims filed by certain third-party creditors, the main creditors of the Receivership Companies are Wallace & Carey and CMI.

2. Without an expansion of its authority, the Monitor will not be able to complete the administration of these CCAA Proceedings. Expanding the Monitor's powers is also necessary in the context of facilitating the TSA, which is an aspect of the SEC Transaction which contributed to the realizations in these CCAA Proceedings for the benefit of creditors, including the Provinces and Territories. The Applicants under the TSA are required to, among other things, provide SEC with the Ongoing Services and Transition Services (both as defined in the TSA) to facilitate the completion of the SEC Transaction and the transition of the Applicants' Eastern Business and Western Business to SEC. To the extent that the Monitor is required to provide Ongoing Services and/or Transition Services to SEC, all of its costs are for the account of SEC, so there is no financial burden on the fulcrum creditors of the Applicants, being the Provinces and Territories.
3. When initially discussing the Enhanced Powers Order, Mr. Carey's counsel requested that the Monitor not be granted the authority to assign CMI into bankruptcy without further order of the Court. Accordingly, the Monitor and SEC included language in the Enhanced Powers Order that Court approval would be required before CMI is assigned by the Monitor into bankruptcy. The Monitor continues to believe this language is appropriate, as once all assets are realized upon and distributed, the Monitor intends to file a report with the Court summarizing its views on the best way to conclude these CCAA Proceedings. In the Monitor's view, stakeholders should have the opportunity to consider the Monitor's recommendations.

4.0 Conclusion

1. Based on the foregoing, the Monitor is of the view that the relief requested is reasonable and appropriate in the circumstances and respectfully requests that this Court issue the orders granting the relief requested by SEC and SEDCC.

* * *

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 A

[ATTACHED]

August 20, 2025

VIA EMAIL: joliver@cassels.com
jwreid@millerthomson.com

Cassels Brock & Blackwell LLP
Suite 3700 Bankers Hall West
888 3rd Street
Calgary, AB T2P 5C5

Attention: Jeffrey Oliver

Dear Sir:

**Subject: In the Matter of the Companies' Creditor Arrangement ACT, RSC 1985, c C-36,
as amended and In the Matter of the Compromise of Arrangement of Wallace &
Carey Inc., Loudon Bros Limited and Carey Management Inc.
Court of Kings Bench Action No.: 2301-08305**

Following to Monday's hearing, and the upcoming hearing (currently scheduled on August 26, 2025), Alberta has some questions regarding the Monitor's submissions and application seeking super monitor status:

Given the order granted by Justice Marion, is it possible to have the August 26 hearing adjourned to late September to allow for time and consultation?

What is the plan for the Monitor's enhanced powers?

- Why does the Monitor need them?
- What is Pat Carey not doing that the Monitor will do better?
- What is the benefit of Pat Carey being removed?
- What benefit is the enhanced powers to stakeholders, like the provinces?
 - When it comes to the TSA, while Alberta is not directly impacted by the TSA, the longer it is in force and the proceeding continues, the payments to the provinces is delayed and the matter is continuing without an end date. What does the timeline look like?
- When can we anticipate the proceeding to be completed?
- When we were involved in the asset purchase, and discussed the timelines (i.e. 15 months), there were discussed assurances that the matter would be concluded. We have since passed that deadline, and it's unclear when the end date for the matter will be.

Further to Justice Marion's comments and your submissions regarding costs, on a go forward basis, we would like to see a further breakdown of the costs delineated between the CCAA costs paid and the TSA costs paid by 7-11 for further clarity.

It has been unclear to us what is the current value of the amounts remaining for distribution and what will be paid to the provinces. Can you please outline what is currently available for distribution and if KSV anticipates collecting further monies for distribution? When can the provinces expect another payout?

Yours truly,

A handwritten signature in blue ink, appearing to be 'LF' followed by a horizontal line.

Lisa Friesenhan
LF/at

Cc: James Reid- Miller Thompson
Cc: Aaron Welch & Andrea Glen – AG of BC