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CALGARY

APPLICANTS

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, RSC 1985, c. C-36, as amended

COM
 Aug 23 2023

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

DOCUMENT

THIRD REPORT OF THE MONITOR
 AUGUST 21, 2023

ADDRESS FOR
 SERVICE AND
 CONTACT
 INFORMATION OF
 PARTY FILING THIS
 DOCUMENT

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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 (in such capacity, the “**Monitor**”).
2. KSV is filing this third report (the “**Third Report**”) as the Monitor. The purpose of this Third Report is to provide the Court and the Applicants’ stakeholders with an update on these proceedings and to comment on the relief being sought by the Applicants (as discussed herein), including the engagement of Alvarez & Marsal Canada Securities ULC (“**A&M**”) as the Applicants’ financial advisor (the “**Financial Advisor**”) to conduct a sale and investment solicitation process (the “**SISP**”) on behalf of the Applicants, on the basis detailed herein.

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 (the “**Stay of Proceedings**”) 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 (“**Miller Thomson**”), the Monitor, and the Monitor’s legal counsel (Cassels Brock & Blackwell LLP (“**Cassels**”), 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 (the “**Comeback Application**”) 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 the Mobil Fleet Cards (as defined below).

3. On August 9, 2023, the Monitor prepared and filed its second report to Court (the “**Second Report**”) which, among other things:
 - a) provided the Court and stakeholders with an update on the Applicants’ and the Monitor’s activities since June 28, 2023, the date of its first report to Court (the “**First Report**”);
 - b) discussed challenges being faced by the Applicants; and
 - c) provided a comparison of the Applicants’ cash flow forecast (the “**Initial Cash Flow Forecast**”) for the period June 18 to September 30, 2023 (the “**Initial Forecast Period**”).

4. The Second Report 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 in the company’s projected cash flow or financial circumstances. Among other things, the Second Report advised: (i) the Applicants had defaulted on certain terms of the Forbearance Agreement, (ii) did not meet certain restructuring milestones in the Forbearance Agreement, (iii) were experiencing challenges that had reduced their liquidity and impaired their ability to maintain “fill rates” required by certain of their customers; (iv) that certain customers had decided to terminate their relationship with the Applicants; and (v) the Applicants were developing a sale and investment solicitation process. The Second Report also discussed that notwithstanding the foregoing issues, the Lender was continuing to support the Applicants, a second amendment to the Forbearance Agreement was being negotiated¹ and that the Applicants were negotiating a capital injection that was intended to address their operational and liquidity challenges. The Monitor advised that it would provide an update concerning the negotiations to inject capital as soon as those negotiations were completed.

¹ The Applicants and the Lender had previously amended the Forbearance Agreement, as discussed in the Second Report.

5. 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. The Applicants now have access to that availability and there has been an increase in inventory levels and an improvement in fill rates. The Applicants forecast that fill rates should continue to improve moving forward. Copies of the Second Report and the Second Report Supplement are attached as **Appendices “B”** and “**C**”, respectively.

1.2 Purposes of this Third Report

1. The purposes of this Third Report are to:
 - a) discuss and provide the Monitor’s recommendations on the application to be heard on August 23, 2023 (the “**August 23 Application**”) for:
 - i. an order (the “**SISP Approval Order**”) among other things, approving the terms of the SISP, as summarized herein, and authorizing the Applicants, in consultation and co-operation with A&M, as Financial Advisor, and under the oversight of the Monitor, to conduct the SISP;
 - b) discuss and provide the Monitor’s recommendation on the Applicants’ request for 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 (the “**Financial Advisor Agreement**”), including:
 - 1) increasing the amount of the Administration Charge from \$750,000 to \$850,000 to include A&M’s Work Fee and Restructuring Fees (both as defined herein); and

- 2) 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 shall rank subordinate only to the Administration Charge (the "**Transaction Fee Charge**");
- c) provide a comparison of the Applicants' Initial Cash Flow Forecast to their actual results;
- d) report on the Applicants' updated cash flow projection (the "**Revised Cash Flow Forecast**") for the period August 13 to December 2, 2023 (the "**Revised Forecast Period**");
- e) provide the basis on which the Applicants are seeking approval of a deposit agreement dated July 7, 2023 between Wallace & Carey and WEX Canada Ltd. ("**WEX**") (the "**WEX Deposit Agreement**"); and
- f) provide an update on the Applicants' and the Monitor's activities since the date of the Second Report.

1.3 Scope and Terms of Reference

1. In preparing this Third 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 Third 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 Initial Cash Flow Forecast and the Revised Cash Flow Forecast, as outlined in the Chartered Professional Accountants of Canada Handbook, has not been performed. Future oriented financial information relied upon in this Third 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 currency references herein are in 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. Loudon Bros is managed by Wallace & Carey and operates as its Northwestern Ontario branch.
4. The Logistics Companies operate an integrated business that supplies and distributes more than 7,500 different products to approximately 7,000 customer locations across the country. The Logistics Companies are important suppliers to their customers, which depend on the continued operation of the Logistics Companies' business.
5. The Logistics Companies employ more than 600 full-time and 50 part-time employees. CMI has three employees, including Patrick Carey, the Chair, Daniel Elrod, the Chief Executive Officer of CMI, and an administrative employee.

6. CIBC provides CMI with a revolving asset-based 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 Third Report, the amount owing under the CIBC Facility is approximately \$39.68 million. Pursuant to the terms of the Forbearance Agreement, all amounts owing to CIBC under the revolving portion of the CIBC Facility in the amount of \$38.54 million as of the Filing Date 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 Inc. 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 and Second Report Supplement are collectively referred to herein as the “**Previous Reports**”. Court materials filed in these proceedings, including this Third Report and Previous Reports, are available on the Monitor’s case website at www.ksvadvisory.com/experience/case/wallace-and-carey.

3.0 Additional Liquidity Obtained by the Applicants

1. As discussed in detail in the Second Report, as a result of the Logistics Companies entering into prepayment arrangements with substantially all of their vendors for post-filing goods and services, rather than cash on delivery (which was an underlying assumption in the Initial Cash Flow Forecast), the Logistics Companies experienced significant liquidity issues, which resulted in customers, including 7-Eleven Canada Inc. (“**7-Eleven**”), the Logistics Companies’ largest customer, experiencing low fill rates.

2. After discussions among the Applicants, 7-Eleven, the Monitor, and CIBC, 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 an amount of \$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 by²:
 - 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;
 - 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 (the “**Liquidity Fee**”) 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.

² 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.

3. On August 10, 2023, the Cash Collateral Agreement, 7-Eleven Security Documents and Second Forbearance Agreement 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.
4. On August 12, 2023, the Applicants paid the Liquidity Fee to 7-Eleven.

4.0 SISP

1. This section summarizes the key provisions of the proposed SISP; however, interested parties are encouraged to review the SISP in its entirety. A copy of the proposed SISP (the “**SISP Procedure Document**”) is attached as Schedule “A” to the SISP Approval Order. To fully understand the SISP, readers must also review the SISP Procedure Document. Any reference in this report to a step or action required of the Applicants is deemed to also include the Applicants acting in consultation and co-operation with A&M with respect to such step or action.
2. As set out in the First Rolheiser Affidavit, the Applicants are seeking approval of the SISP, which was developed in consultation with A&M, the Monitor and CIBC, 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 (the “**Property**”) as a going concern or otherwise (the “**Opportunity**”). The SISP is to be conducted by the Applicants, with A&M, under the oversight of the Monitor. The Lender has various consultation and consent rights in the SISP.
3. Subsidiaries of CMI, that are not Applicants, own certain real estate and business assets used in the Business (the “**Non-CCAA Property**”). The Non-CCAA Property will be made available for sale in the SISP to Potential Bidders, and such Non-CCAA Property will, subject to the approval of the Court, be brought within the CCAA Proceedings, or other proceedings, if the Successful Bidder (as that term is defined in the SISP) wishes to acquire the Non-CCAA Property so that it can operate the Business on a going-concern basis.

4. 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 (a “**Sale Proposal**”);
 - b) make an investment in, restructure, reorganize or refinance the Business (an “**Investment Proposal**”);
 - 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 (a “**Partnership Proposal**”).

5. The following table provides a summary of key process milestones and dates under the proposed SISP. The dates set out in the SISP may be extended by the Applicants, with the consent and approval of the Monitor and CIBC. 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.

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 Marketing Process

1. As soon as reasonably practicable, but in any event by no later than August 25, 2023:
 - a) A&M, in consultation with the Applicants and the Monitor, will prepare a list of potential bidders, including: (i) parties that have approached the Applicants, Monitor or Lender indicating an interest in the Opportunity since the commencement of these proceedings; and (ii) local and international strategic and financial parties who the Applicants, in consultation with the Monitor, believe may be interested in purchasing all or part of the Business or Property or investing in the Applicants pursuant to the SISP (collectively, the “**Known Potential Bidders**”);

- b) the Monitor will arrange for a notice of the SISP to be published in the Insolvency Insider, on the Monitor's case website and in any other newspaper or journal as the Applicants, in consultation with the Monitor, consider appropriate, if any; and
- c) A&M, in consultation with the Applicants and the Monitor, will prepare: (i) a Teaser Letter; and (ii) a non-disclosure agreement in form and substance satisfactory to the Applicants, 7-Eleven and the Monitor (an "**NDA**").

4.2 Selection of Potential Bidders

1. A&M will send the Teaser Letter and NDA to each Known Potential Bidder by no later than August 30, 2023 and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to A&M, the Applicants or the Monitor.
2. Any Known Potential Bidder who has delivered an executed NDA and a letter setting out the details of the Potential Bidder required by the SISP (identity of the bidder, contact information and full disclosure of the principals of the bidder and its direct and indirect equity holders) will be deemed a "**Potential Bidder**".
3. All Potential Bidders will be granted access to a virtual data room and provided with a confidential information memorandum, both to be prepared and maintained by A&M, with the assistance of the Applicants.
4. Potential Bidders will be provided access to such due diligence materials and information relating to the Property and Business as the Applicants deem appropriate. Selected due diligence materials may be withheld from certain Potential Bidders if such materials represent proprietary or sensitive competitive information of the Applicants and the disclosure of such materials to such Potential Bidders would not be in the best interests of the Applicants.

4.3 Phase 1 Bid Deadline

1. Potential Bidders who wish to make an offer to purchase or make an investment in the Applicants' Property or Business (each, a "**Phase 1 Bidder**") shall first submit a non-binding letter of intent ("**LOI**") to A&M and the Applicants at any time before 5:00 pm (Mountain Standard Time) on October 5, 2023, or such later date as may be set out in a bid process letter (the "**Bid Process Letter**") circulated by A&M to Potential Bidders, with the approval of the Applicants, the Monitor and CIBC (the "**Phase 1 Bid Deadline**").

2. Unless otherwise ordered by the Court or agreed by the Applicants, with the approval of the Monitor, an LOI will be considered a “**Phase 1 Qualified Bid**” if it meets the requirements outlined in paragraph 21 of the SISP Procedure Document. The Applicants, with the approval of the Monitor, may waive strict compliance of one or more of the requirements specified in the SISP Procedure Document and deem any LOI to be a Phase 1 Qualified Bid, notwithstanding any non-compliance with the terms and conditions of the SISP Procedure Document.
3. Subsequent to the Phase 1 Bid Deadline, the Applicants, in consultation with the Monitor and CIBC, will assess any Phase 1 Qualified Bids received to determine whether or not there is a reasonable prospect that one or more of the transactions that are the subject of the Phase 1 Qualified Bids are likely to close. If the Applicants, with the approval of the Monitor and CIBC, determine that one or more Phase 1 Qualified Bids contemplate transactions that are likely to close, the SISP shall proceed to the next phase.
4. If the Applicants are not satisfied with the number or terms of the Phase 1 Qualified Bids, or if no Phase 1 Qualified Bids are received, the Applicants, with the approval of CIBC and the Monitor, may extend the Phase 1 Bid Deadline, or may seek Court approval to amend or terminate the SISP.

4.4 Phase 2 Bid Deadline

1. Phase 1 Qualified Bidders who wish to make a formal offer to purchase or make an investment in the Applicants’ Business or Property (each, a “**Bidder**”) shall submit a binding offer (a “**Bid**”) that complies with all of the requirements outlined in paragraph 33 of the SISP Procedure Document to Applicants and A&M by no later than 5:00 p.m. (Mountain Standard Time) on November 2, 2023, or such later date as may be set out in a Bid Process Letter circulated by A&M to Potential Bidders, which later date shall be subject to the approval of the Applicants, the Monitor and CIBC (the “**Phase 2 Bid Deadline**”).
2. Following the Phase 2 Bid Deadline, the Applicants in consultation with the Monitor and CIBC, will assess the Bids received. The Applicants, with the approval of the Monitor and CIBC, will designate the most competitive Bids that comply with the foregoing requirements to be “**Qualified Bids**”. Only Bidders whose Bids have been designated as Qualified Bids are eligible to become the Successful Bidder(s).

3. The Applicants, with the approval of the Monitor and CIBC, may waive strict compliance with any one or more of the requirements specified above and deem any non-compliant Bid to be a Qualified Bid.

4.5 Selection of Successful Bid

1. The Applicants, in consultation with the Monitor and CIBC, will review and evaluate each Qualified Bid, considering the requirements and factors set out in paragraphs 33 and 34 of the SISP Document and any other factor that the Applicants may reasonably deem relevant, including:
 - a) the amount of consideration being offered, and, if applicable, the proposed form, composition and allocation of same;
 - b) the value of any assumption of liabilities or waiver of liabilities;
 - c) the likelihood of the Qualified Bidder's ability to close a Transaction by December 4, 2023, after the Court's approval of the Successful Bid;
 - d) the net benefit to the Applicants; and
 - e) any other factors the Applicants may, consistent with their fiduciary duties, reasonably deem relevant.
2. The Applicants may, but shall have no obligation to, enter into a definitive agreement ("**Final Agreement**") with the Person or Persons who submitted the highest, best or otherwise most favourable Qualified Bid. The Applicants may only reject any or all Qualified Bids after consultation with the Lender, and the approval of the Monitor.
3. If the Applicants enter into a Final Agreement (with the approval of the Monitor and the consent of CIBC) on or before November 6, 2023, or such later time and date that the Applicants may determine with the approval of the Monitor and CIBC, any Qualified Bid so selected shall be the "**Successful Bid**" and the Bidder making such Bid, the "**Successful Bidder**".
4. A&M and/or the Applicants will notify the Successful Bidder of the Final Agreement which shall remain open until the closing of the Transaction contemplated by the Successful Bid.

4.6 7-Eleven SISP Rights

1. 7-Eleven is the Applicants' largest customer, representing over 50% of their annual revenue. 7-Eleven and Wallace & Carey are parties to a Service Agreement dated February 6, 2003 that has been amended several times, including most recently on August 1, 2023. Pursuant to the most recent amendment, the Service Agreement has been extended to January 31, 2024.
2. 7-Eleven has advised throughout these proceedings that it is prepared to consider a strategic transaction with the Applicants, but only after learning of the other options for the Business. As 7-Eleven is not in the distribution business, it has advised the Applicants and the Monitor that it prefers not to acquire or invest in the Business. If (i) the Business is not continued on a going-concern basis; (ii) 7-Eleven does not enter into a long-term agreement with the Successful Bidder; or (iii) 7-Eleven does not enter into a transaction for the Business, it will require a period of time to transition its business to another vendor or vendors.
3. In the foregoing context, 7-Eleven advised that it was only prepared to enter into the Cash Collateral Agreement provided that such agreement provided 7-Eleven with certain rights (collectively, the "**7-Eleven SISP Rights**"), including:
 - a) **Stalking Horse Bid**: within 30 days of the date of the SISP Approval Order, 7-Eleven shall determine whether it wishes to submit a Stalking Horse Agreement (a "**Stalking Horse Bid**") for the Business. In the event that 7-Eleven exercises this option, the Applicants, in consultation with the Monitor, shall expeditiously negotiate the terms of the Stalking Horse Bid, and if concluded on terms acceptable to 7-Eleven, the Applicants, CIBC and the Monitor, the Applicants shall bring an application before the Court seeking approval of the Stalking Horse Bid and any resulting amendments to the SISP that may be required. The Applicants and the Monitor were of the view that granting 7-Eleven this option was necessary to obtain the funding under the Cash Collateral Agreement. The Monitor was also of the view that granting 7-Eleven this option facilitated the opportunity to complete a going-concern transaction for the Business.

- b) **First Refusal on Residual Assets:** Subject to Court approval, if the SISP does not result in the consummation of a going-concern Transaction with a Successful Bidder, the Applicants must sell all remaining tangible non-inventory assets of the Applicants at the time of payment in full of the obligations to CIBC (the “**Residual Assets**”). Further, 7-Eleven, the Applicants and CIBC agreed that they would support, along with the Monitor, a request for a Court-ordered right of first refusal in respect of all or any part of such Residual Assets as part of the SISP. 7-Eleven negotiated for the right of first refusal on these assets to provide an opportunity to limit disruption to its business.

 - c) **Transition Services:** In the event that (i) 7-Eleven does not purchase or invest in the Business, or (ii) 7-Eleven does not otherwise enter into a long-term supply contract with the Applicants or the Successful Bidder, if any (each, a “**Terminating Event**”), the Cash Collateral Agreement requires that the Successful Bidder provide an aggregate minimum of 270 days of transition services to 7-Eleven, at prices consistent with those currently paid by 7-Eleven to the Applicants under the existing Service Agreement, which terms may be adjusted as necessary as determined by the Monitor, 7-Eleven and the Successful Bidder to maintain cost neutrality to the Successful Bidder. Such determination shall be based upon the provision of reasonable supporting documentation by the Successful Bidder, satisfactory to the Monitor.
4. Until such time as 7-Eleven declares whether it intends to be a Bidder in the SISP, 7-Eleven will not be entitled to any information concerning the SISP, including the identity of the Potential Bidders, the number of Potential Bidders or any other material aspect of the SISP. It is likely, however, that most Potential Bidders will want to discuss a long-term supply agreement with 7-Eleven as part of their due diligence, which is permitted by the SISP. As such, it is unavoidable that 7-Eleven will have some knowledge as to the identify of Potential Bidders.

4.7 SISP Recommendation

1. The Monitor recommends that this Court grant the order approving the SISP for the following reasons:
 - a) the Monitor was involved in developing the SISP. In the Monitor's view, the SISP is commercially reasonable and will provide for a wide canvassing of the market with a view to completing a going-concern, value maximizing sale or investment transaction in the interest of the Applicants' stakeholders, including the opportunity to maximize value and preserve employment in multiple communities across Canada;
 - b) the duration of the SISP is sufficient to allow Potential Bidders to undertake the due diligence necessary to submit Qualified Bids and, based on the Revised Cash Flow Forecast, the Applicants are projected to have sufficient funding to operate in the normal course for the duration of the proposed SISP timeline;
 - c) the 7-Eleven SISP Rights are reasonable in the circumstances and represent fair and appropriate consideration for the Cash Collateral provided by 7-Eleven;
 - d) the SISP provides for flexibility in respect of its deadlines if they need to be amended or extended, with the approval of the Monitor, in consultation with the Lender;
 - e) the SISP has been designed to allow the Applicants to explore all sale and restructuring options, including soliciting a Sale Proposal, Investment Proposal, any combination of a Sale Proposal and an Investment Proposal or a Partnership Proposal;
 - f) the SISP provides flexibility to include in a transaction, subject to Court approval, Non-CCAA Property, including real property which is presently used for the operations of the Business;
 - g) A&M is a leading restructuring firm and has considerable experience conducting SISPs; it is well qualified to perform the mandate;
 - h) the SISP will be carried out under the supervision of the Monitor to facilitate fairness and transparency;

- i) CIBC is supportive of the proposed SISP; and
- j) in the Monitor's view, the consultative rights provided to CIBC are reasonable and appropriate given that CIBC is the Applicants' largest creditor and it is funding these proceedings pursuant to the Forbearance Agreement, as amended.

5.0 Financial Advisor Agreement

1. A copy of the Financial Advisor Agreement is attached as Exhibit "C" to the First Rolheiser Affidavit. The Financial Advisor Agreement is summarized below.
 - a) **Work Fee:** \$50,000 per month (the "**Work Fee**"), payable in advance, commencing the date of the Financial Advisor Agreement. A rebate equal to 33.3% of the Work Fee paid to the date of any transaction shall be credited against the Transaction Fee (as defined below);
 - b) **Transaction Fees:** in addition to the other fees provided for in the Financial Advisor Agreement, subject to limited exceptions, A&M is entitled to the following transaction fee(s) (the "**Transaction Fee(s)**"):
 - i. **Financing Transaction Fee:** payable upon closing of a Financing Transaction and being the amount equal to 3.0% of the amount of debt raised or committed and 6.0% of the amount of equity raised or committed (the "**Financing Transaction Fee**");
 - ii. **Sale Transaction Fee:** payable upon closing of a Sale Transaction and being the amount equal to the greater of: (i) \$750,000; and (ii) 3.0% of the Aggregate Gross Consideration (the "**Sale Transaction Fee**");
 - iii. **Joint Venture Fee:** a fee equal to \$750,000 (the "**Joint Venture Fee**") earned and paid at closing of a Joint Venture Transaction (i.e., where a key customer or any third party creates a joint venture that provides financial support to the Applicants, whether through a Financing Transaction, or a change in commercial strategy, or through other means, resulting in a transaction that substantially restructures the Business of the Applicants); and

- iv. Restructuring Transaction Fee: a fee of \$750,000 (the “**Restructuring Transaction Fee**”) paid upon the earlier of: (i) consummation of a Restructuring Transaction; and (ii) in the event the Applicants implement a Restructuring Transaction, in whole or in part by means of an exchange offer, then upon closing of the exchange offer; and
 - c) Restructuring Fees: as compensation for providing Restructuring Services (the “**Restructuring Fees**”), A&M will receive fees based on time spent by its employees and agents in connection with this engagement at its standard hourly rates. The Restructuring Fees shall not exceed \$50,000 per month, before out of pocket expenses and applicable taxes. An initial amount of \$35,000 shall be paid in advance, upon the execution of the Financial Advisor Agreement. A&M’s restructuring services are to be performed in consultation with the Monitor and are not intended to duplicate the Monitor’s activities.
2. The Monitor recommends that this Court approve the Financial Advisor Agreement for, among others, the following reasons:
- a) in the Monitor’s view, the fees payable to A&M are consistent with market for the services to be performed by A&M and are commercially reasonable for this type of mandate, particularly because: (i) A&M’s fee is based on the value of a transaction; and (ii) the Work Fee is partially credited against the Transaction Fee;
 - b) A&M has considerable experience acting as a financial advisor, including in various formal and informal restructuring proceedings, and in performing the mandate contemplated by the Financial Advisor Agreement;
 - c) the engagement of A&M will provide the Applicants with the expertise it requires to conduct the SISP; and
 - d) CIBC is supportive of the engagement of A&M as the Financial Advisor, including the fees payable under the Financial Advisor Agreement. The Monitor has discussed A&M’s role with 7-Eleven and it has not advised the Monitor of any concerns with A&M’s mandate.

3. The Applicants are requesting that this Court:
 - a) increase the Administration Charge from \$750,000 to \$850,000 to cover the Work Fee and Restructuring Fee payable to A&M under the Financial Advisor Agreement; and
 - b) grant a Financial Advisor Charge to secure the potential Transaction Fee payable to A&M under the Financial Advisor Agreement, which charge shall rank subordinate only to the Administration Charge.

4. The Monitor notes that the requested relief is customary in the context of CCAA proceedings and, accordingly, the Monitor believes that the amendment and increase to the Administration Charge and the creation of the Financial Advisor Charge are reasonable and appropriate in this case, in particular because:
 - a) the increase to the Administration Charge is a condition of A&M's engagement as Financial Advisor under the Financial Advisor Agreement;
 - b) it provides comfort to A&M in respect of the payment of its compensation under the Financial Advisor Agreement; and
 - c) CIBC has consented to the priority of the Financial Advisor Charge (it is to rank ahead of the Lender Priority Charge, which secures the Applicants' indebtedness owing to CIBC under the CIBC Credit Agreement).

6.0 Applicants' Performance Against the Initial Cash Flow Forecast

1. A summary of the Applicants' actual receipts and disbursements compared to the Initial Cash Flow Forecast for the eight-week period of June 18 to August 12, 2023 (the "Reporting Period") is as follows:

\$000s	Actual	Initial Cash Flow Statement	Variance
Receipts	227,407	255,263	(27,856)
Operating Disbursements	(205,705)	(236,175)	30,470
Other Disbursements	(1,848)	(2,763)	915
Net Cash Flow	19,854	16,325	3,529

2. For the Reporting Period, total cash receipts were approximately \$27.86 million less than forecasted in the Initial Cash Flow Forecast. There has been a corresponding reduction in disbursements, largely due to lower inventory purchases and positive timing differences in respect of certain payments. The reduced inventory purchases have resulted in lower than projected sales, and a corresponding reduction in customer fill rates. These issues were discussed in the Second Report and the Applicants are working to address them with the additional liquidity provided under the Second Forbearance Amendment and the Cash Collateral Agreement.

7.0 WEX Deposit Agreement

1. At the commencement of these proceedings, WEX deactivated and cancelled the Applicants' fuel cards and fleet management cards (the "**Mobil Fleet Cards**"). On June 30, 2023, the Applicants obtained an emergency Order from the Court, which directed WEX and other related entities, to reactive or otherwise reinstate all Mobil Fleet Cards in exchange for the posting of \$100,000 of cash collateral.
2. On July 7, 2023, the Applicants and WEX, with the assistance of the Monitor, negotiated an agreement with WEX (the "**WEX Deposit Agreement**") whereby WEX agreed to reinstate the Mobil Fleet Cards and Wallace & Carey agreed to deposit \$100,000 with WEX for a line of credit to be used by the Applicants.
3. The WEX Deposit Agreement contemplated that the Applicants would seek Court approval thereof. The Monitor is supportive of the relief sought given that the WEX Deposit Agreement has reinstated the Mobil Fleet Cards and there have been no issues arising therefrom since the WEX Deposit Agreement has been in place. The Wex Deposit Agreement has facilitated the orderly conduct of the operations of the Logistics Companies during these proceedings.

8.0 Revised Cash Flow Forecast

1. The Applicants prepared the Revised Cash Flow Forecast for the period August 13, 2023 to December 2, 2023. The Revised Cash Flow Forecast and the Applicants' statutory report thereon pursuant to Section 10(2)(b) of the CCAA are attached as **Appendix "D"**.
2. The Revised Cash Flow Forecast reflects that the Applicants are projected to have sufficient liquidity to continue to operate during the Revised Forecast Period.

3. Based on the Monitor's review of the Revised Cash Flow Forecast, the cash flow assumptions appear reasonable. The Monitor's statutory report on the Cash Flow Forecast is attached hereto as **Appendix "E"**.
4. Certain key underlying assumptions of the Revised Cash Flow Forecast include:
 - a) the Applicants are projected to remain in compliance with the terms of the Forbearance Agreement, the First Forbearance Amendment and the Second Forbearance Amendment;
 - b) the impact of the loss of certain customers during these proceedings. In this regard, three significant customers have advised that they intend to source product from other distributors or to self-distribute;
 - c) the seasonality of the Logistics Companies' business;
 - d) the enhanced availability of approximately \$10 million under the Applicants' existing financing arrangements (as detailed in this Third Report);
 - e) payment of the Liquidity Fee and monthly interest to 7-Eleven;
 - f) certain downsizing efforts that the Applicants are considering, including potentially reducing its footprint in certain of the locations that it presently operates; and
 - g) other adjustments to reflect the performance of the Business during these proceedings, including gross margin and the prepayment of inventory.

9.0 Stay Extension

1. The Stay Period currently expires on September 20, 2023. The Applicants are requesting an extension of the Stay Period until November 30, 2023 (i.e., the Stay Extension).
2. The Monitor supports the Stay Extension for the following reasons, among others:
 - a) the Applicants are acting in good faith and with due diligence to advance their restructuring;
 - b) the Stay Extension will provide the opportunity to conduct the SISF, which, in the Monitor's view, is in the best interests of the Applicants and their stakeholders;

- c) the Monitor does not believe that any creditor will be materially prejudiced if the extension is granted;
- d) as of the date of this Third Report, neither the Applicants nor the Monitor are aware of any party opposed to the requested extension; and
- e) the Applicants are projected to have sufficient liquidity to fund operations and the costs of these proceedings, as reflected in the Revised Cash Flow Forecast.

10.0 Applicants' Activities since the Second Report

1. Since the issuance of the Second Report, the Applicants have, among other things:
 - a) continued to operate the Logistics Companies;
 - b) engaged with the Monitor concerning these proceedings, including in respect of their dealings with employees, customers and suppliers;
 - c) provided weekly reporting to CIBC as required pursuant to the Forbearance Agreement;
 - d) dealt with suppliers to secure goods and services;
 - e) engaged in negotiations and discussions with customers, including its largest customer, 7-Eleven, concerning an extension of the Service Agreement, the Cash Collateral Agreement and daily operations;
 - f) entered into the Second Forbearance Amendment;
 - g) negotiated A&M's Financial Advisor Agreement;
 - h) considered and prepared a restructuring plan;
 - i) commenced implementation of cost-cutting initiatives to correspond to the decline in its revenue; and
 - j) engaged in discussions with A&M, Miller Thomson, the Monitor and Cassels to develop the SISP.

11.0 Monitor's Activities since the Second Report

1. Since the date of the Second Report (August 9, 2023), the Monitor has, among other things:
 - a) communicated routinely with the Applicants' management team regarding all aspects of these proceedings;
 - b) monitored the Applicants' receipts and disbursements, as required under the Forbearance Agreement;
 - c) assisted the Applicants in their weekly and other reporting to CIBC, as required, pursuant to the Forbearance Agreement;
 - d) attended weekly status calls with CIBC and its financial advisor, PricewaterhouseCoopers LLP;
 - e) engaged in, and assisted the Applicants with, discussions with key suppliers of the Logistics Companies;
 - f) dealt with various small customers seeking to temporarily source from other distributors while the Applicants work to improve fill rates;
 - g) engaged extensively with 7-Eleven, CIBC and their respective counsel concerning all aspects of these proceedings, including the Second Forbearance Amendment and the Cash Collateral Agreement;
 - h) engaged with Cassels, NRF and Miller Thomson regarding various matters relating to these proceedings;
 - i) assisted the Applicants to prepare the Revised Cash Flow Forecast;
 - j) corresponded with the Applicants, A&M, Miller Thomson and CIBC regarding the proposed terms of the SISP and the Financial Advisor Agreement;
 - k) reviewed and commented on the Applicants' materials to be filed in support of the relief to be sought at the August 23 Application;

- l) maintained the case website;
- m) prepared the Second Report and the Second Report Supplement and discussed same with various stakeholders; and
- n) prepared this Third Report.

12.0 Conclusion

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the relief sought by the Applicants at the August 23 Application.

* * *

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”



COURT FILE NUMBER 2301 - 08305
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

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 **AMENDED AND RESTATED INITIAL ORDER**

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

MILLER THOMSON LLP
3000, 700 - 9th Avenue S.W.
Calgary, AB, Canada T2P 3V4

Attention: James W. Reid / Larry Ellis

Telephone: 403.298.2418 / 416-595-8639

Fax: 403.262.0007

E-mail: jwreid@millერთhompson.com
lellis@millერთhompson.com

File No.: 0221652.0006

DATE ON WHICH ORDER WAS PRONOUNCED: June 30, 2023

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice M.E. Burns

LOCATION OF HEARING: Edmonton Law Courts

UPON the application of Wallace & Carey Inc., Loudon Bros Limited, and Carey Management Inc. (collectively, the "**Applicants**"),

AND UPON having read the Application, Affidavit No. 1 of Brian M. Birnie sworn June 21, 2023 ("**Birnie Affidavit No. 1**"), Affidavit No. 2 of Brian M. Birnie sworn June 27, 2023, the Pre-Filing Report of KSV Restructuring Inc. in its capacity as Proposed Monitor dated June 22, 2023, and the First Report of KSV Restructuring Inc. in its capacity as Monitor dated June 27, 2023;

AND UPON reading the consent of KSV Restructuring Inc. to act as Monitor (the “**Monitor**”);

AND UPON being advised that the secured creditors who are likely to be affected by the charges created herein have been provided notice of this application and either do not oppose or alternatively consent to the within Order;

AND UPON hearing counsel for the Applicants, counsel for the Monitor, counsel for Canadian Imperial Bank of Commerce, counsel for Canadian Western Bank, and counsel for other interested parties;

AND UPON reviewing the Affidavit of Service of Marica Ceko sworn June 28, 2023;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the notice of application for this order (the “**Order**”) is hereby abridged and this application is properly returnable today.

APPLICATION

2. The Applicants are companies to which the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36 (“**CCAA**”) applies.

PLAN OF ARRANGEMENT

3. The Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”) between, among others, the Applicants and one or more classes of their secured and/or unsecured creditors as they deem appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

4. The Applicants shall:
 - (a) remain in possession and control of their current and future assets, undertakings, and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”);

- (b) subject to further order of this Court, continue to carry on business in a manner consistent with the preservation of their business (the “**Business**”) and Property;
 - (c) be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel, and such other persons (collectively, the “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order; and
 - (d) be entitled to continue to utilize the Cash Management System (as hereinafter defined) in accordance with the Forbearance Agreement (as hereinafter defined) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in their capacity as provider of the Cash Management System, unaffected creditors under any Plan with regard to any claims or expenses they may suffer or incur in connection with the provision of the Cash Management System.
5. To the extent permitted by law and subject to the terms of the Forbearance Agreement, the Applicants shall be entitled but not required to make the following advances or payments of the following expenses, incurred prior to or after this Order:
- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay, employee incentive plan payments, and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

- (b) the reasonable fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges, including for periods prior to the date of this Order.
- 6. Except as otherwise provided to the contrary herein and subject to the terms of the Forbearance Agreement, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:
 - (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance, maintenance, and security services; and
 - (b) payment for goods or services actually supplied to the Applicants following the date of this Order.
- 7. The Applicants shall remit, in accordance with legal requirements, or pay:
 - (a) any statutory deemed trust amounts in favour of the Crown in Right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of:
 - (i) employment insurance,
 - (ii) Canada Pension Plan, and
 - (iii) income taxes,but only where such statutory deemed trust amounts arise after the date of this Order, or are not required to be remitted until after the date of this Order, unless otherwise ordered by the Court;
 - (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were

accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and

- (c) any amount payable to the Crown in Right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.
8. Subject to paragraph 8, and the Forbearance Agreement, the Applicants shall be entitled to remit or pay, in accordance with legal requirements, any provincial and territorial tobacco tax obligations under the *Tobacco Tax Act*, RSA 2000, c T-4 or under any other applicable provincial legislation or laws (the "**Tobacco Taxes**") in the normal course, whether such Tobacco Taxes arose or were required to be remitted before or after the date of this Order. Without limiting the foregoing, and subject to the consent of the Monitor, the Applicants shall be authorized to pay, any amounts owing by the Applicants under the Tobacco Tax Payment Plans (as described and defined in Bernie Affidavit No. 1) to pay down any arrears outstanding for unremitted Tobacco Taxes.
 9. Any provincial or territorial authorities entitled to receive payments or collect monies from the Applicants in respect of Tobacco Taxes or Tobacco Tax Payment Plans are hereby stayed during the Stay Period from requiring that any amounts be paid or any security be posted by or on behalf of the Applicants (including from the Applicants' directors and officers) in connection with the Tobacco Taxes or from exercising any remedies, including license or permit suspensions, as a result of any non-payment of obligations outstanding as of the date of this Order.
 10. Until such time as a real property lease is disclaimed or resiliated in accordance with the CCAA, the Applicants may pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable as rent to the landlord under the lease) based on the terms of existing lease arrangements or as otherwise may be negotiated by the Applicants from time to time for the period commencing from and including the date of this Order ("**Rent**"), but shall not pay any rent in arrears.

11. Except as specifically permitted in this Order, the Applicants are hereby directed, until further order of this Court:
 - (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of its creditors (including pursuant to guarantee or other contingent arrangements) as of the date of this Order, other than payments of principal, interest or amounts otherwise owing by the Applicants pursuant to the CIBC Credit Agreement, the Forbearance Agreement or the other Loan Documents (as defined in the CIBC Credit Agreement) (including, for greater certainty, payments of amounts owing in connection with the BCAP Loan, as defined in the CIBC Credit Agreement);
 - (b) to grant no security interests, trust, liens, charges, or encumbrances upon or in respect of any of their Property; and
 - (c) not to grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. The Applicants shall, subject to such requirements as are imposed by the CCAA, and subject to the terms of the Forbearance Agreement, have the right to:
 - (a) permanently or temporarily cease, downsize or shut down any portion of their business or operations and to dispose of redundant or non-material assets not exceeding \$500,000 in any one transaction or \$2,000,000 in the aggregate, provided that any sale that is either (i) in excess of the above thresholds, or (ii) in favour of a person related to the Applicants (within the meaning of section 36(5) of the CCAA), shall require authorization by this Court in accordance with section 36 of the CCAA;
 - (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate on such terms as may be agreed upon between the Applicants and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;
 - (c) disclaim or resiliate, in whole or in part, with the prior consent of the Monitor or further Order of the Court, their arrangements or agreements of any nature

whatsoever with whomsoever, whether oral or written, as the Applicants deem appropriate, in accordance with section 32 of the CCAA; and

- (d) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

- 13. The Applicants shall provide each of the relevant landlords with notice of the Applicants’ intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal. If the landlord disputes the Applicants’ entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further order of this Court upon application by the Applicants on at least two (2) days’ notice to such landlord and any such secured creditors. If the Applicants disclaim or resiliate the lease governing such leased premises in accordance with section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute other than Rent payable for the notice period provided for in section 32(5) of the CCAA, and the disclaimer or resiliation of the lease shall be without prejudice to the Applicants’ claim to the fixtures in dispute.
- 14. If a notice of disclaimer or resiliation is delivered pursuant to section 32 of the CCAA, then:
 - (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours’ prior written notice; and
 - (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants

in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicants of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

15. Until and including September 20, 2023, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

16. During the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”), whether judicial or extra-judicial, statutory or non-statutory against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended and shall not be commenced, proceeded with or continued except with leave of this Court, provided that nothing in this Order shall:
 - (a) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on;
 - (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by section 11.1 of the CCAA;
 - (c) prevent the filing of any registration to preserve or perfect a security interest;
 - (d) prevent the registration of a claim for lien; or

(e) exempt the Applicants from compliance with statutory or regulatory provisions relating to health, safety, or the environment.

17. Nothing in this Order shall prevent any party from taking an action against the Applicants where such an action must be taken in order to comply with statutory time limitations in order to preserve their rights at law, provided that no further steps shall be taken by such party except in accordance with the other provisions of this Order, and notice in writing of such action be given to the Monitor at the first available opportunity.

NO INTERFERENCE WITH RIGHTS

18. During the Stay Period, no person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

19. During the Stay Period, all persons having:

- (a) statutory or regulatory mandates for the supply of goods and/or services; or
- (b) oral or written agreements or arrangements with the Applicants, including without limitation all supply arrangements pursuant to purchase orders and historical supply practices, computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Applicants,

are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by the Applicants or exercising any other remedy provided under such agreements or arrangements. The Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the usual prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with the payment practices of the Applicants, or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

20. Nothing in this Order has the effect of prohibiting a person from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

21. During the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA and paragraph 17 of this Order, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

22. The Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors and or officers of the Applicants after the commencement of the within proceedings except to the extent that, with respect to any officer or director, the obligation was incurred as a result of the director's or officer's gross negligence or wilful misconduct.
23. The directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**D&O Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, as security for the indemnity provided in paragraph 22 of this Order. The D&O Charge shall have the priority set out in paragraphs 43 and 45 herein.
24. Notwithstanding any language in any applicable insurance policy to the contrary:
 - (a) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge; and

- (b) the Applicants' directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 22 of this Order.

APPOINTMENT OF MONITOR

- 25. KSV Restructuring Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property, Business, and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.
- 26. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:
 - (a) monitor the Applicants' receipts and disbursements, Business and dealings with the Property;
 - (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein and immediately report to the Court if in the opinion of the Monitor there is a material adverse change in the financial circumstances of the Applicants or any of them;
 - (c) assist the Applicants, to the extent required by the Applicants, in its dissemination to the Lender and its counsel in accordance with the Forbearance Agreement (as defined below) of financial and other information as agreed to between the Applicants and the Lender which may be used in these proceedings, including reporting on a basis as reasonably required by the Lender;
 - (d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the Lender, which information shall be reviewed with

the Monitor and delivered to the Lender and its counsel in accordance with the Forbearance Agreement, or as otherwise agreed to by the Lender;

- (e) advise the Applicants in its development of the Plan and any amendments to the Plan;
 - (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
 - (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form and other financial documents and management, employees and advisors of the Applicants and to the extent that it is necessary to adequately assess the Property, Business and financial affairs of the Applicants or to perform its duties arising under this Order;
 - (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
 - (i) hold funds in trust or in escrow, to the extent required, to facilitate settlements between the Applicants and any other Person; and
 - (j) perform such other duties as are required by this Order or by this Court from time to time.
27. The Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, or by inadvertence in relation to the due exercise of powers or performance of duties under this Order, be deemed to have taken or maintain possession or control of the Business or Property, or any part thereof.
28. Nothing in this Order shall require the Monitor to occupy or to take control, care, charge, possession or management of any of the Property that might be environmentally contaminated, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal or waste or other contamination, provided however that this Order does

not exempt the Monitor from any duty to report or make disclosure imposed by applicable environmental legislation or regulation. The Monitor shall not, as a result of this Order or anything done in the pursuance of the Monitor's duties and powers under this Order be deemed to be in possession of any of the Property within the meaning of any federal or provincial environmental legislation.

29. The Monitor shall provide any creditor of the Applicants and Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.
30. In addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.
31. The Monitor, counsel to the Monitor, and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, on, or subsequent to, the date of this Order by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, and counsel for the Applicants on a monthly basis.
32. The Monitor and its legal counsel shall pass their accounts from time to time.

ADMINISTRATION CHARGE

33. The Monitor, counsel to the Monitor, and counsel to the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$750,000, as security for their professional fees and disbursements incurred at their standard rates and

charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings.

34. The Administration Charge shall have the priority set out in paragraphs 43 and 45 hereof.

CASH MANAGEMENT SYSTEM AND LENDER PRIORITY CHARGE

35. The Applicants' execution and performance under the forbearance agreement dated as of June 22, 2023 between the Applicants and Canadian Imperial Bank of Commerce ("**CIBC**" or the "**Lender**") (among others), as may be amended from time to time (the "**Forbearance Agreement**") is hereby approved.
36. The Applicants shall be entitled to continue to utilize the credit facilities (the "**Cash Management System**") granted by CIBC under the CIBC Credit Agreement, as defined and described in Birnie Affidavit No. 1 (the "**CIBC Credit Agreement**"). For greater certainty, (i) the Applicants are authorized to borrow, repay and re-borrow such amounts from time to time as the Applicants may consider necessary or desirable under the CIBC Credit Agreement, subject to the terms and conditions of the Forbearance Agreement and the CIBC Credit Agreement; and (ii) the Lender is authorized to apply receipts and deposits made to the Applicants' bank accounts, whether directly or through blocked accounts, against the indebtedness owing to CIBC in accordance with the Forbearance Agreement, whether such indebtedness arose before or after the date of this Order.
37. The Cash Management System will be governed by the terms of the CIBC Credit Agreement and the Forbearance Agreement and such other documentation applicable to the Cash Management System, including any blocked account agreements. The Lender shall be an unaffected creditor in these proceedings and unaffected by any Plan filed by any of the Applicants or any proposal filed by any of the Applicants under the *Bankruptcy and Insolvency Act* (Canada) with respect to any obligations outstanding as of the date hereof or arising hereafter (including in connection with the BCAP Loan, as defined in the CIBC Credit Agreement), and the rights and remedies of the Lender shall be unaffected by paragraphs 15, 16, 18 and 19 of this Order or any other stay of proceedings that may be granted in these proceedings.
38. The Lender shall be entitled to the benefit of and is hereby granted a charge (the "**Lender Priority Charge**") on the Property, which charge shall not exceed an

aggregate principal amount of \$55,000,000 plus interest, fees and expenses, as security for any advances made under the CIBC Credit Agreement from and after the commencement of these CCAA proceedings.

39. The Lender Priority Charge shall have the priority set out in paragraphs 43 and 45 hereof.
40. The payments made by the Applicants pursuant to this Order, the CIBC Credit Agreement and the Forbearance Agreement, and the granting of the Lender Priority Charge shall not constitute or be deemed to be a preference, fraudulent conveyance or transfer at undervalue or other challengeable or reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) or any applicable law, nor shall they constitute oppressive or unfairly prejudicial conduct under any applicable law. The rights of the Lender under this Order, including without limitation the Lender Priority Charge, shall be enforceable in any bankruptcy, interim receivership, or receivership or in any proceedings under the CCAA of the Applicants or Property.
41. Upon the Termination Date (as defined in the Forbearance Agreement) the Lender may:
 - (a) immediately cease making advances to the Applicants;
 - (b) set off and/or consolidate any amounts owing by the Lender to the Applicants against any obligations of the Applicants to the Lender under the CIBC Credit Agreement or the Forbearance Agreement or any other Loan Documents (as defined in the CIBC Credit Agreement) and make demand, accelerate payment or give other notices; and
 - (c) exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the CIBC Credit Agreement, the Forbearance Agreement or the other Loan Documents.

TOBACCO TAX CHARGE

42. The provincial and territorial authorities that are entitled to receive payments or collect monies from the Applicants in respect of the Tobacco Taxes shall be entitled to the benefit of and are hereby granted a charge (the “**Tobacco Tax Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$26,000,000, as

security for all amounts owing by the Applicants in respect of the Tobacco Taxes. The Tobacco Tax Charge shall have the priority set out in paragraphs 43 and 45.

VALIDITY AND PRIORITY OF CHARGES

43. The priorities of the Administration Charge, Lender Priority Charge, and the D&O Charge, as among them, shall be as follows:
 - (a) First – Administration Charge (to the maximum amount of \$750,000);
 - (b) Second – Lender Priority Charge (to the maximum amount of 55,000,000 plus interest, fees, and expenses);
 - (c) Third – D&O Charge (to the maximum amount of \$4,000,000);
 - (d) Fourth – the Encumbrances existing as of the date hereof in favour of the Lender securing the pre-filing obligations owing under the CIBC Credit Agreement including, for greater certainty, obligations in connection with the BCAP Loan; and
 - (e) Tobacco Tax Charge (to the maximum amount of \$26,000,000).
44. The filing, registration or perfection of the Administration Charge, the Lender Priority Charge, and the D&O Charge (collectively, the “**Charges**”) shall not be required, and the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.
45. Each of the Charges shall constitute a charge on the Property and subject always to section 34(11) of the CCAA, except for the security registrations in relation to equipment leased from equipment lessors, the Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person, provided the Tobacco Tax Charge shall rank behind the Encumbrances securing the pre-filing obligations owing under the CIBC Credit Agreement.
46. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority

to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor, CIBC, and the beneficiaries of the Charges, or further order of this Court.

47. The Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) and/or the Lender thereunder shall not otherwise be limited or impaired in any way by:
- (a) the pendency of these proceedings and the declarations of insolvency made in this Order;
 - (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications;
 - (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA;
 - (d) the provisions of any federal or provincial statutes; or
 - (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) that binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:
 - (i) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof shall create or be deemed to constitute a new breach by the Applicants of any Agreement to which it is a party;
 - (ii) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges, or the execution, delivery or performance of the definitive documents associated with the Agreements; and
 - (iii) the payments made by the Applicants pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences,

fraudulent conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.

ALLOCATION

48. Any interested Person may apply to this Court on notice to any other party likely to be affected for an order to allocate the Administration Charge, the Lender's Priority Charge, the D&O Charge, and the Tobacco Tax Charge amongst the various assets comprising the Property.

SERVICE AND NOTICE

49. The Monitor shall (i) without delay, publish in the Calgary Herald and the Globe and Mail a notice containing the information prescribed under the CCAA; (ii) within five (5) days after the date of this Order (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against either of the Applicants of more than \$1,000 and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with section 23(1)(a) of the CCAA and the regulations made thereunder.
50. The Monitor shall establish a case website in respect of the within proceedings at <https://www.ksvadvisory.com/experience/case/wallace-and-carey>.

GENERAL

51. The Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
52. Notwithstanding Rule 6.11 of the Alberta Rules of Court, unless otherwise ordered by this Court, the Monitor will report to the Court from time to time, which reporting is not required to be in affidavit form and shall be considered by this Court as evidence. The Monitor's reports shall be filed by the Court Clerk notwithstanding that they do not include an original signature.
53. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business, or the Property.

54. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.
55. The Applicants and the Monitor are at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and that the Monitor is authorized and empowered to act as a representative in respect of the within proceeding for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
56. Any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.
57. This Order and all of its provisions are effective as of 12:01 a.m. Mountain Standard Time on the date of this Order.



Justice of the Court of King's Bench of Alberta

Appendix “B”

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 **SECOND REPORT OF THE MONITOR**
AUGUST 9, 2023

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

MONITOR

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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 (in such capacity, the “**Monitor**”).
2. KSV is filing this second report (the “**Second Report**”) as the Monitor. The purpose of this Second Report is to provide the Court and the Applicants’ stakeholders with an update on the Applicants’ and the Monitor’s activities since the Monitor’s First Report to Court dated June 28, 2023 (the “**First Report**”), including an update on the Cash Flow Forecast (the “**Initial Cash Flow Forecast**”) for the period June 18 to September 30, 2023 (the “**Initial Forecast Period**”), which was filed as an appendix to KSV’s pre-filing report dated June 22, 2023 (the “**Pre-Filing Report**”).
3. Pursuant to paragraph 23(1)(d)(i) of the CCAA, the Monitor is required to file a report with the Court advising on the state of the company’s business and financial affairs after ascertaining a material adverse change in the company’s projected cash flow or financial circumstances. This Second Report is to advise of such circumstances; however, the Applicants are working with their principal secured lender, Canadian Imperial Bank of Commerce (“**CIBC**”) and other stakeholders to provide additional liquidity to Applicants to improve their operations during these proceedings. As of the date of this Second Report, CIBC is continuing to fund the Applicants in accordance with Forbearance Agreement dated June 22, 2023 between the Applicants and CIBC, as such agreement has been amended in these proceedings.

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 (the “**Stay of Proceedings**”) to and including July 1, 2023 (the “**Stay Period**”);

- b) approved the Applicants' use of the Cash Management System (as defined below);
 - c) granted charges on the Applicants' current and future assets, property and undertaking (collectively, the "**Property**") 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 ("**Miller Thomson**")), the Monitor, and the Monitor's legal counsel (Cassels Brock & Blackwell LLP ("**Cassels**")), 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 in respect of the 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 (the "**Comeback Application**") and the Court granted:
- a) an amended and restated Initial Order (the "**ARIO**") (**Appendix "A"**) which, among other things:
 - i. extended the Stay Period to and including September 20, 2023;

- ii. increased the maximum amount of the following 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 Mobil Fleet Cards (**Appendix "B"**).
3. The principal purpose of these CCAA proceedings is to create a stabilized environment to enable the Applicants to continue to operate in the normal course while completing and implementing certain strategic restructuring initiatives. The Applicants have advised the Monitor that they intend to file a plan of arrangement for consideration by their creditors ("**Plan**").
4. Pursuant to the Forbearance Agreement, CIBC required the Applicants to achieve certain milestones by August 1, 2023 (the "**First Milestone Deadline**"). The Applicants did not achieve those milestones. CIBC has advised the Applicants that a further amendment to the Forbearance Agreement (which is the process of being negotiated) will require the Applicants to forthwith commence a sale and investment solicitation process (a "**SISP**"), which is intended to be carried out subject to sufficient liquidity being available to the Applicants. Subject to Court approval, a SISP would provide for a dual-track process whereby the Applicants have the opportunity to file a Plan, while a sale process for the Applicants' business and assets is contemporaneously carried out. As of the date of this Second Report, the Applicants are in the process of finalizing an engagement letter for a financial advisor who would be responsible for conducting the SISP, subject to Court approval.

1.2 Purposes of this Second Report

1. The purposes of this Second Report are to:
 - a) provide the Court and stakeholders with an update on the Applicants' and the Monitor's activities since the date of the First Report;
 - b) discuss the challenges presently being faced by the Applicants; and

- c) provide a comparison of the Applicants' Initial Cash Flow Forecast to their actual results.

1.3 Scope and Terms of Reference

1. In preparing this Second 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 Second 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 Initial Cash Flow Forecast and a subsequent cash flow forecast prepared by the Applicants in accordance with the terms of the Forbearance Agreement (the "**Second Cash Flow Forecast**"), as outlined in the Chartered Professional Accountants of Canada Handbook, has not been performed. Future oriented financial information relied upon in this Second 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 currency references herein are in 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 other entities, none of which are subject to these proceedings (collectively with the Applicants, the "**Carey Group**").

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. Loudon Bros is managed by Wallace & Carey and operates as its Northwestern Ontario branch.
4. The Logistics Companies operate an integrated business that supplies and distributes more than 7,500 different products to approximately 7,000 customer locations across the country. The Logistics Companies are important suppliers to their customers, who depend on the continued operation of the Logistics Companies' business.
5. The Logistics Companies employ more than 600 full-time and 50 part-time employees. CMI has three employees, including Patrick Carey, the Chair, and Daniel Elrod, the Chief Executive Officer of CMI.
6. CIBC provides CMI with a revolving asset-based loan facility (the "**CIBC Facility**"), which is guaranteed by the Logistics Companies and various other entities within the Carey Group. As of the date of this Second Report, the amount owing under the CIBC Facility was \$15,171,548.90. Additionally, CIBC is owed \$4,861,111.12 under another secured facility, which ranks *pari passu* with the CIBC Facility.
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 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**"), provided support for the relief sought by the Applicants at the Comeback Application and attached a copy of the Forbearance Agreement.
8. The Pre-Filing Report provided additional background information about these proceedings. The First Report provided the Monitor's rationale for its support of the relief sought by the Applicants at the Comeback Application.

9. The Court materials filed in these proceedings, including the First Report and Pre-Filing Report, are available on the Monitor's case website at: ksvadvisory.com/experience/case/wallace-and-carey.

3.0 Update on the Applicants' Activities since the Filing Date

1. Since the Filing Date, the Applicants have, among other things:
- a) continued to operate the Logistics Companies;
 - b) engaged with the Monitor concerning these proceedings, including dealings with employees, customers and suppliers;
 - c) implemented at the outset of these proceedings a communication plan to employees, customers and suppliers, including convening town hall meetings with employees in the Applicants' various locations;
 - d) provided reporting to CIBC as required pursuant to the Forbearance Agreement and engaged in discussions with CIBC regarding certain amendments to the Forbearance Agreement, as discussed further below;
 - e) dealt with suppliers to secure goods and services;
 - f) engaged in negotiations and discussions with customers, including its largest customer, 7-Eleven Canada, Inc. ("**7-11**"), concerning, among other things, an extension, pursuant to a Short Term Extension Agreement (the "**ST Extension Agreement**"), to January 31, 2024 of the termination date of a Service Agreement between Wallace & Carey and 7-11 dated February 6, 2006, as amended (the "**Service Agreement**"), which Service Agreement was to terminate on July 31, 2023;
 - g) engaged in discussions with prospective financial advisors, as discussed further below;
 - h) considered issues relevant to filing a Plan, including drafting a business plan and preparing a five-year financial forecast to support a Plan, particularly in the context of the First Milestone Deadline; and

- i) engaged in discussions with various prospective lenders and other parties in the context of the Plan and to provide additional funding to the Applicants during these proceedings.

4.0 Monitor's Activities since the First Report

1. The Monitor's activities from the commencement of these proceedings to the date of the First Report (June 28, 2023) were summarized in the First Report. Since the date of the First Report, the Monitor has, among other things:
 - a) communicated routinely with the Applicants' management team regarding all aspects of these proceedings;
 - b) monitored the Applicants' receipts and disbursements, as required under the Forbearance Agreement;
 - c) assisted the Applicants in their reporting to CIBC, as required, pursuant to the Forbearance Agreement;
 - d) attended weekly status calls with CIBC;
 - e) engaged in discussions with CIBC, its financial advisor, PricewaterhouseCoopers LLP, and its legal counsel, Norton Rose Fulbright LLP, including in respect of the reporting required under the Forbearance Agreement and certain proposed amendments thereto, as well as the status of the Applicants' progress in these proceedings;
 - f) engaged in, and assisted the Applicants with, discussions with key suppliers of the Logistics Companies;
 - g) participated in discussions with various customers of the Applicants, including with respect to payment terms and "fill rates" and provided its consent to the requests of three small customers to temporarily source supply from alternative suppliers. A copy of an example of such consent is attached hereto as **Appendix "C"**;
 - h) engaged extensively with 7-11 and its counsel concerning all aspects of these proceedings, including the ST Extension Agreement;

- i) engaged with its counsel, Cassels, and the Applicants' counsel, Miller Thomson, regarding various matters relating to these proceedings;
- j) considered issues related to a Plan, including recoveries for the Applicants' creditors under various scenarios;
- k) assisted the Applicants in preparing the Second Cash Flow Forecast, being an extended weekly cash flow forecast, which the Applicants were required to prepare pursuant to the Forbearance Agreement;
- l) maintained the case website;
- m) considered the Applicants' liquidity issues and assisted to identify and diligence funding solutions; and
- n) prepared this Second Report.

5.0 Liquidity Issues

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 Initial Cash Flow Forecast had been prepared. The prepayment terms 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. Since then, the Logistics Companies' inability to source fresh inventory on a continuous basis has caused sales and cash receipts to vary negatively from the Initial Cash Flow Forecast. As a result, many of the Logistics Companies' customers have experienced lower fill rates than they require.
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 in order to address the 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 SISF 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).

A copy of the First Forbearance Amendment is attached hereto as **Appendix “D”**.

- 3. In addition to the above accommodations from CIBC, the Applicants have 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 has also facilitated certain transactions, including putting in place payment mechanisms for suppliers so that they could supply on terms and product delivery protections for customers who pay on an expedited basis.
- 4. 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 is a default under the Forbearance Agreement. A comparison of the Applicants’ actual cash flow to the Initial Cash Flow Forecast is provided in Section 6 below.
- 5. As a result of the 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**”). A copy of the August 2 Notice is attached hereto as **Appendix “E”**.
- 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.

A copy of the August 4 Letter is attached hereto as **Appendix “F”**.

- 7. Notwithstanding the defaults, CIBC has (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. On August 8, 2023, Cineplex Entertainment Limited Partnership (“**CPX**”) delivered correspondence to Wallace & Carey and the Monitor requesting that consent be provided to CPX terminating its agreement with Wallace & Carey effective as of September 15, 2023. Wallace & Carey remains in discussions with CPX regarding the request and supply of product to CPX.
- 7. As of the date of this Second Report, negotiations are ongoing among the Applicants, CIBC and other parties to secure additional capital for the Applicants. The Monitor intends to file a further report advising of the outcome of these negotiations.

6.0 Performance Against the Initial Cash Flow Forecast

1. A summary of the Applicants' actual receipts and disbursements compared to the Initial Cash Flow Forecast for the period of June 18 to July 29, 2023 (the "Initial Reporting Period") is as follows:

In \$000's	Actual	Initial Cash Flow Statement	Variance
Receipts	168,155	189,711	(21,556)
Operating Disbursements	(155,566)	(182,524)	26,958
Other Disbursements	(1,304)	(1,724)	420
Net Cash Flow	11,285	5,463	5,822

2. For the Initial Reporting Period, total cash receipts were approximately \$21.56 million less than forecasted in the Initial Cash Flow Forecast. There has been a corresponding reduction in disbursements, largely due to lower inventory purchases and positive timing differences in respect of certain other payments. The low inventory purchases have resulted in lower than projected sales, and a corresponding reduction in customer fill rates.

7.0 Second Cash Flow Forecast

1. As required under the Forbearance Agreement, on July 27, 2023, the Applicants prepared the Second Cash Flow Forecast for the period of July 23 to October 28, 2023 (the "Second Cash Flow Period").
2. The Second Cash Flow Forecast reflects that the Applicants are projected to have sufficient liquidity to continue to operate during the Second Forecast Period, subject to CIBC continuing to fund under the CIBC Facility. The Applicants will, however, require additional capital for sales and fill rates to improve. Discussions are ongoing, in real time, to provide the Applicants with such needed additional capital.

8.0 Conclusion

1. The Monitor is directly involved in discussions that could see a material capital injection into the business in the coming days. The Monitor intends to file a further report in that regard as soon as those discussions are completed. In the meantime, CIBC is continuing to provide funding to the Applicants in accordance with the terms of the Forbearance Agreement, the First Forbearance Amendment, and a second amendment which the Applicants and CIBC are currently negotiating. It is the Monitor's expectation that a SISF will commence forthwith if the negotiations around additional liquidity are successful.

* * *

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 “C”

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 SECOND REPORT OF THE**
MONITOR
AUGUST 11, 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 /
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 jknight@ksvadvisory.com

MONITOR’S COUNSEL
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T2P 5C5

Attention: Jeffrey Oliver / Jane Dietrich
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Facsimile: 403.648.1151
Email: joliver@cassels.com / jdietrich@cassels.com

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1.0 Introduction

1. This report (the "**Supplemental Report**") supplements the Second Report.
2. Defined terms in this Supplemental Report have the meaning provided to them in the Second Report, unless otherwise defined herein. This Supplemental Report is subject to the restrictions and qualifications in the Second Report.

2.0 Purpose

1. The purpose of this Supplemental Report is to provide an update on the financing referenced in the Second Report and to advise of the next anticipated steps in these proceedings.

3.0 Update

1. On August 10, 2023, a second amendment to the Forbearance Agreement was entered into, which, among other things, provides the Applicants with enhanced availability in the amount of \$10 million under their existing financing arrangements, which the Applicants intend to use for general working capital purposes, including to purchase inventory to improve customer fill rates.
2. The Applicants intend to schedule a motion for the approval of a SISP and other related matters in the next few weeks, subject to Court availability.

* * *

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 “D”

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

Projected Weekly Cash Flow Statement (Consolidated)

August 13, 2023 to December 2, 2023

(Unaudited; \$CAD Thousands)

	Note	19-Aug-23	26-Aug-23	02-Sep-23	09-Sep-23	16-Sep-23	23-Sep-23	30-Sep-23	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																			
Collection of accounts receivable		17,886	8,123	1,067	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,076
Collection of sales and taxes	2	-	21,112	29,621	28,001	24,350	23,378	21,892	21,892	18,860	18,860	18,860	18,860	18,473	18,473	18,723	19,223	19,223	320,580
Other Receipts	3	7,562	336	341	352	322	304	233	233	204	204	204	204	200	200	200	200	200	11,297
Total receipts		25,448	29,571	31,028	28,353	24,672	23,683	22,125	22,125	19,064	19,064	19,064	19,064	18,673	18,673	18,923	19,423	19,423	358,952
DISBURSEMENTS																			
Inventory vendor payments	4	(28,280)	(25,371)	(19,021)	(18,309)	(16,431)	(16,448)	(14,921)	(13,990)	(13,218)	(13,990)	(14,233)	(13,357)	(13,743)	(13,743)	(13,743)	(13,748)	(13,748)	(262,547)
Sales tax remittances	5	(2,000)	(10,309)	(5,843)	(2,000)	(3,500)	(15,000)	(3,000)	(2,000)	(3,500)	(13,573)	(2,938)	(2,000)	(3,500)	(2,000)	(9,673)	(2,622)	(2,622)	(83,459)
GST collected /(paid)		-	-	-	-	(1,000)	-	-	-	-	(365)	-	-	-	(137)	-	-	-	(1,502)
Operating disbursements	7	(1,512)	(1,264)	(1,379)	(1,210)	(665)	(1,080)	(621)	(1,624)	(570)	(983)	(570)	(1,609)	(562)	(969)	(562)	(1,621)	(1,621)	(16,802)
Total operating disbursements		(31,792)	(36,944)	(26,243)	(21,520)	(21,596)	(32,528)	(18,542)	(17,613)	(17,288)	(28,911)	(17,741)	(16,967)	(17,806)	(16,849)	(23,979)	(17,991)	(17,991)	(364,310)
Other disbursements																			
Interest and principal payments - CIBC revolving facility		-	(261)	-	-	-	-	(326)	-	-	-	(312)	-	-	-	-	-	-	(900)
Interest and principal payments - CIBC BCAP loan		-	-	(224)	-	-	-	-	(222)	-	-	-	(221)	-	-	-	(219)	(219)	(886)
Interest and principal payments - CWB demand loan		-	-	(123)	-	-	-	-	(123)	-	-	-	(123)	-	-	-	(122)	(122)	(491)
Forbearance fee	8	-	(375)	-	-	-	(375)	-	-	-	-	-	-	-	-	-	-	-	(750)
Restructuring costs	6	(305)	(250)	(500)	-	(60)	(750)	-	-	(560)	-	-	(750)	(60)	-	(500)	-	-	(3,735)
Non-recurring costs	9	(1,000)	-	(53)	(150)	(296)	-	-	(53)	-	-	-	(53)	-	-	-	(53)	(53)	(1,656)
Total other disbursements		(1,305)	(886)	(900)	(150)	(356)	(1,125)	(326)	(398)	(560)	-	(312)	(1,146)	(60)	-	(500)	(394)	(394)	(8,417)
Total disbursements		(33,097)	(37,830)	(27,143)	(21,670)	(21,952)	(33,653)	(18,868)	(18,011)	(17,848)	(28,911)	(18,053)	(18,112)	(17,866)	(16,849)	(24,479)	(18,384)	(18,384)	(372,727)
Net cash flow		(7,649)	(8,260)	3,885	6,683	2,720	(9,970)	3,257	4,114	1,216	(9,847)	1,011	952	807	1,824	(5,556)	1,039	1,039	(13,775)
Opening Post-Filing CIBC Revolving Facility		26,080	33,729	41,989	38,104	31,421	28,700	38,671	35,414	31,301	30,085	39,932	38,921	37,969	37,162	35,338	40,894	40,894	26,080
Net cash flow		7,649	8,260	(3,885)	(6,683)	(2,720)	9,970	(3,257)	(4,114)	(1,216)	9,847	(1,011)	(952)	(807)	(1,824)	5,556	(1,039)	(1,039)	13,775
Ending Post-Filing CIBC Revolving Facility		33,729	41,989	38,104	31,421	28,700	38,671	35,414	31,301	30,085	39,932	38,921	37,969	37,162	35,338	40,894	39,855	39,855	39,855

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 August 13, 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.

Hypothetical

2. Represents collections of revenue and sales taxes from customers.
3. Represents delivery surcharges collected from customers, customer pre-payments (largely from 7-Eleven) and certain other income collected from vendors.
4. Represents purchases of general merchandise for sale in the ordinary course of business.
5. Represents tobacco and beverage tax remittances, payable on the 10th, 20th and 28th of the month, as well as other tax payments during the period.
6. Forecasted payment of the fees of the Monitor, its counsel, the Companies' counsel, the Company's financial advisor, CIBC's financial advisor, and CIBC's counsel.

Most Probable

7. Includes wages and benefits, rent, utilities, warehouse and delivery, and administrative expenses.
8. Per the Forbearance Agreement, as amended, with CIBC.
9. Represents costs in connection with the wind-down of Loudon Bros' operations, and one-time costs associated with the cash collateral agreement involving the Applicants, CIBC and 7-Eleven.

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 20th day August, 2023 for the period August 13, 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 20th day of August, 2023.

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



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

Appendix “E”

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 20th day of August, 2023, consisting of a weekly projected cash flow statement for the period August 13, 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 20th day of August, 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**