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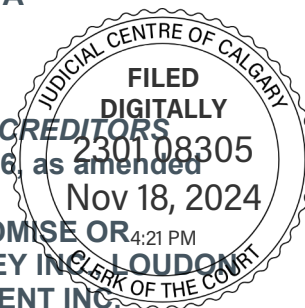
COURT **COURT OF KING’S BENCH OF ALBERTA**

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 **THIRTEENTH REPORT OF THE MONITOR
NOVEMBER 18, 2024**

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1.0 Introduction

1. Pursuant to an order (the “**Initial Order**”) granted by the Court of King’s Bench of Alberta (the “**Court**”) on June 22, 2023 (the “**Filing Date**”), Wallace & Carey Inc. (“**Wallace & Carey**”), Loudon Bros Limited (“**Loudon Bros**”, and together with Wallace & Carey, the “**Logistics Companies**”), and Carey Management Inc. (“**CMI**”, and together with the Logistics Companies, the “**Applicants**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and KSV Restructuring Inc. (“**KSV**”) was appointed monitor of the Applicants (the “**Monitor**”).
2. On June 30, 2023, the Court granted an Amended and Restated Initial Order (the “**ARIO**”).
3. Pursuant to an order granted by the Court on August 23, 2023, the Applicants carried out a sale and investment solicitation process (the “**SISP**”) that resulted in a transaction (the “**Transaction**”) between the Applicants and 7-Eleven Canada, Inc. (“**7-Eleven**”) that was approved by the Court on November 17, 2023 pursuant to an approval and vesting order (the “**Transaction Approval and Vesting Order**”) and other orders (together with the Transaction Approval and Vesting Order, the “**Transaction Orders**”). A detailed discussion of the Transaction is provided in the Monitor’s Sixth Report to Court dated November 8, 2023 (the “**Sixth Report**”). Copies of the Sixth Report (without appendices) and the Transaction Approval and Vesting Order are attached as **Appendix “A”** and “**B**”, respectively.
4. Pursuant to the Transaction Orders, the Court: (i) approved transactions that resulted in the sale of real property owned by 772921 Alberta Inc. (“**772**”) to 7-Eleven; (ii) approved a transition services agreement (the “**TSA**”) among CMI, Wallace & Carey, the Monitor, and 7-Eleven; and (iii) appointed KSV as receiver (in such capacity, the “**Receiver**”) of certain subsidiaries of CMI, being 772, Ridge Meadows Properties Ltd. (“**Ridge Meadows**”) and Spruce It Up Land Corp. (“**SIU**”, and together with 772 and Ridge Meadows, the “**Receivership Companies**”).
5. On May 29, 2024, the Court issued an order extending the stay of proceedings (the “**Stay**”) under the ARIO to and including November 29, 2024.

6. On August 13, 2024, the Monitor prepared and filed its Twelfth Report to Court (the “**Twelfth Report**”), in support of the Monitor’s application for an order (the “**Post-Filing Distribution Order**”), among other things:
- a) authorizing the Monitor to make distributions totaling \$3,313,081 in full satisfaction of the increase in the Logistics Companies’ tobacco tax liabilities owing to the British Columbia, Alberta, and Yukon tobacco tax authorities between the Filing Date and the Effective Closing Time (as defined in paragraph 2.4 below), as such obligations are described in paragraph 26(c) of the Transaction Approval and Vesting Order (the “**Post-Filing Tobacco Tax Obligations**”) and as detailed below:
 - i. British Columbia – \$1,956,828;
 - ii. Alberta – \$893,649;
 - iii. Yukon – \$132,986; and
 - iv. 7-Eleven¹ – \$329,618 (collectively, the “**Initial Distribution**”);
 - b) granting a Court-ordered charge in favour of 7-Eleven (the “**TSA Charge**”) over certain present and future property of Wallace & Carey;
 - c) approving the Monitor’s Ninth Report to Court dated February 15, 2024, Tenth Report to Court dated May 24, 2024, Eleventh Report to Court dated July 30, 2024, and Twelfth Report, and the Monitor’s conduct and activities described therein; and
 - d) approving the fees and expenses of the Monitor and its counsel, Cassels Brock & Blackwell LLP (“**Cassels**”) from January 1 to July 31, 2024;
7. On August 26, 2024, the Court granted the Post-Filing Distribution Order.
8. Court materials filed in these proceedings are available on the Monitor’s case website at www.ksvadvisory.com/experience/case/wallace-and-carey (the “**Case Website**”).

¹ On January 23, 2024, the Alberta Tobacco Tax Authority notified the Applicants and the Monitor that it was applying additional tax refunds totaling \$329,618 for product purchased by Wallace & Carey after the Effective Closing Time (the “**Post-Closing Credits**”) against amounts owing to it prior to the Effective Closing Time. This reduced Alberta’s Post-Filing Tobacco Tax Obligations from \$1,223,267 to \$893,649. The Post-Closing Credits were, under the TSA, for the account of 7-Eleven. Accordingly, the Monitor remitted the amount of the Post-Closing Credits (\$329,618) to 7-Eleven.

9. KSV is filing this thirteenth report (the “**Report**”) as Monitor of the Applicants.

1.1 Purposes of this Report

1. The purposes of this Report are to:

- a) provide background information concerning the Applicants and these proceedings (the “**CCAA Proceedings**”);
- b) report on the Applicants’ updated cash flow forecast for the period of November 10, 2024 to May 3, 2025 (the “**Cash Flow Forecast**”);
- c) discuss the rationale for extending the Stay to and including April 30, 2025 (the “**Stay Extension**”);
- d) provide the Monitor’s recommendations in respect of:
 - i. the Applicants’ application for the Stay Extension; and
 - ii. the Monitor’s application for an order:
 - 1) authorizing the Monitor to make the Interim Distribution (as defined below), and further distributions to the Tobacco Tax Authorities (as also defined below), without further Court approval, on a pro rata basis upon confirmation of the outstanding balances with all of the Tobacco Tax Authorities;
 - 2) approving this Report and the Monitor’s activities, as detailed herein; and
 - 3) approving the fees and expenses of the Monitor and Cassels, as detailed herein.

1.2 Scope and Terms of Reference

1. In preparing this Report, the Monitor has relied upon the Applicants’ unaudited financial information, books and records, and discussions with 7-Eleven and 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 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 any forward-looking financial information discussed herein has not been performed in accordance with the Chartered Professional Accountants of Canada Handbook. Forward-looking financial forecasts and information are based upon various assumptions. Actual results achieved may vary materially from the forecasted results. The Monitor expresses no opinion or other form of assurance on whether the Applicants’ businesses will perform in accordance with their financial forecasts and projections.

1.3 Currency

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

2.0 Applicants’ 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 the CCAA Proceedings. These include 100% of the equity of 772 and Ridge Meadows, and 84.57% of the equity of SIU, each of which is now subject to receivership proceedings, with KSV as Receiver pursuant to an order granted by the Court on November 17, 2023 (the “**Receivership Order**”). CMI’s corporate organizational chart is provided in **Appendix “C”**.
2. Wallace & Carey is an Alberta corporation that is extra-provincially registered to conduct business in most provinces and territories in Canada.
3. Loudon Bros, located in Thunder Bay, Ontario, is an Ontario corporation that is wholly owned by Wallace & Carey, which, until late 2023, operated as Wallace & Carey’s Northwestern Ontario branch. As part of the downsizing of their businesses during these proceedings, the Applicants discontinued the Loudon Bros business and realized upon all of its assets.

4. Pursuant to the terms of the Transaction Approval and Vesting Order and the TSA, Wallace & Carey continues to carry on active business operations. As provided in the TSA, and subject to the terms and conditions of the TSA, from and after 12:01 a.m. on November 19, 2023 (the “**Effective Closing Time**”), 7-Eleven is responsible for funding substantially all post-Effective Closing Time costs of Wallace & Carey’s operations and is entitled to any profits or is responsible for any losses resulting therefrom.
5. Prior to the CCAA Proceedings, CIBC provided CMI with a revolving asset-based loan (the “**CIBC Revolving Loan**”) and a term loan facility (jointly with the CIBC Revolving Loan, the “**CIBC Facilities**”). The CIBC Facilities were guaranteed by the Logistics Companies and various other entities within the CMI corporate group, including the Receivership Companies. Pursuant to the terms of a Forbearance Agreement between the Applicants and CIBC dated June 22, 2023, all amounts owing to CIBC as of the Filing Date under the CIBC Revolving Loan (being approximately \$38.54 million) were repaid during the CCAA Proceedings through accounts receivables collections, and all amounts advanced by CIBC since that time were secured by the Lender Priority Charge granted under the Initial Order.
6. As of the date of this Report, all amounts owing to CIBC have been repaid, including amounts owing to it pursuant to the Lender Priority Charge, the BCAP Loan (as defined in the ARIO), and letters of credit.
7. Certain of the Receivership Companies were borrowers from Canadian Western Bank (“**CWB**”), which loans were secured through: (i) first ranking mortgages against the real property owned by the Receivership Companies; and (ii) a second ranking general security interest in all present and after acquired personal property relating to and located on the real property owned by the Receivership Companies. All amounts owing to CWB were also fully repaid from the proceeds of the Transaction.

3.0 Update Regarding the Excluded Asset Realizations²

1. The Monitor last reported in its Twelfth Report that recoveries to satisfy the claims of the Tobacco Tax Authorities were projected at that time to range from \$11 million to \$13 million. The Monitor first projected (in its Sixth Report) that these recoveries would range from \$3.7

² All capitalized terms not defined in this section have the meanings provided in the Transaction Approval and Vesting Order.

million to \$14.4 million. While the revised range provides the Monitor's best estimate at this time, it remains subject to change, which could be material.

2. Since the issuance of the Transaction Approval and Vesting Order, the Monitor has worked with the Applicants to realize on the Excluded Assets, including but not limited to:
 - a) assigning Wallace & Carey's leased premises in Oakville, Ontario to 7-Eleven, and the sale of certain personal property located in that facility (in both cases, on the terms provided in: (i) the Assignment and Assumption of Lease Agreement dated June 18, 2024 among DIR Properties (GP) Inc., Wallace & Carey, CMI, and 7-Eleven; and (ii) the Equipment Purchase Agreement dated May 28, 2024 among Wallace & Carey and 7-Eleven);
 - b) continuing to collect amounts owing from Wallace & Carey's vendors³;
 - c) continuing to collect accounts receivable owing to the Logistics Companies as of the Effective Closing Time;
 - d) working with Wallace & Carey to collect on judgments obtained during these proceedings against A&M Enterprises Ltd., Freshslice Holdings Ltd., and RF Franchising Inc. (collectively, "**Freshslice**"), which were jointly and severally liable to pay all outstanding accounts and invoices owing to Wallace & Carey on behalf of the Freshslice franchisees in the amount of \$401,101 plus costs and pre-judgment interest of \$90,534 and \$14,432 (the "**Freshslice Indebtedness**"). On October 2, 2024, the Monitor collected the Freshslice Indebtedness. As at the date of this Report, Wallace & Carey is waiting on a decision from this Court with respect to a further cost-award application heard on October 23, 2024;
 - e) litigating with Dakin News Systems Inc. ("**INS News**") to attempt to collect \$753,619, consisting of: (i) accounts receivable totaling \$616,341; and (ii) inventory purchases made by Wallace & Carey specifically for INS News prior to the Effective Closing Time totaling \$137,279. On May 18, 2024, the Court granted a judgment in favour of Wallace & Carey against INS News for \$616,341; however, enforcement was stayed until INS News' claim for set-off (the "**Set-Off Claim**") had been fully determined by

³ Amounts outstanding from vendors consist of, among other things, the following transactions between the Filing Date and the Effective Closing Date: (i) deposits paid by the Applicants that exceeded the value of the goods and services provided; (ii) refunds owing to the Applicants for damaged or undelivered products; and (iii) rebates for certain advertising or volume programs offered by the vendors.

the Court. As INS News failed to file its Set-Off Claim by June 30, 2024 (the deadline set by the Court), the stay of enforcement was no longer operative, and Wallace & Carey began taking steps to collect on the judgment, including obtaining recognition of the judgment in Ontario (INS News' principal place of business). As at the date of this Report, Wallace & Carey, with the Monitor's assistance, continues to pursue collection of the judgment;

- f) litigating with Megabox Inc. ("**Megabox**") and 0903219 BC Ltd. dba Pizza Club ("**Pizza Club**") to attempt to collect \$392,967 and \$80,321 owing from Megabox and Pizza Club, respectively, for unfilled purchase orders paid by Wallace & Carey (the "**Unfilled POs**"). Wallace & Carey has scheduled time before the Court on December 3, 2024 to seek return of payment for the Unfulfilled POs;
 - g) selling inventory excluded from the Transaction; and
 - h) taking preliminary steps to realize on certain equity interests in businesses owned by CMI.
3. In addition to the realization efforts described above, KSV, as Receiver of Ridge Meadows and SIU, has generated the following recoveries (before costs and professional fees):
- a) the sale of the residential real property owned by Ridge Meadows located at 255256 Range Road 25, NW Calgary, Alberta, which closed on July 8, 2024, for \$3 million; and
 - b) the sale of the commercial property owned by SIU located at 159 210 Avenue SW, Calgary, Alberta, which closed on May 27, 2024, for \$4.5 million.
4. In addition to the Post-Filing Distribution Order, on application by KSV, as Receiver of the Receivership Companies, on August 22, 2024 the Court issued an order (the "**Claims Procedure Order**") that, among other things, approved a claims procedure (the "**Claims Procedure**") in respect of the Receivership Companies with a claims bar date of September 30, 2024 (the "**Claims Bar Date**"). The Receiver understood that the main creditors of the Receivership Companies were Wallace & Carey and CMI; however, the Receiver could not distribute the net asset recoveries from the Receivership Companies to Wallace & Carey and CMI until the Claims Procedure had been completed. After completing the Claims Procedure, aside from certain immaterial claims filed by certain third-party creditors, the main creditors of the Receivership Companies remain Wallace & Carey and CMI.

Accordingly, the majority of the net proceeds of realization from the receivership entities will be distributable to CMI or Wallace & Carey in respect of their intercompany claims owing to them from the Receivership Companies.

5. The Receiver can make distributions to the Receivership Companies' creditors after completing the following tasks:
 - a) filing the tax returns for the Receivership Companies for the fiscal years ending October 25, 2024 (the "**Outstanding Tax Returns**"). In this regard, the Receiver is in the process of engaging the Receivership Companies' former tax accountant (the "**Tax Accountant**") to prepare the outstanding returns; and
 - b) upon filing the Outstanding Tax Returns and remitting any outstanding balances, obtaining "Clearance Certificates" from the Canada Revenue Agency ("**CRA**").

3.1 772 Tax Liability

1. In the 772 receivership proceedings, on November 17, 2023, the Court granted a sale approval and vesting order (the "**772 Approval and Vesting Order**") that approved the sale and assignment to 7-Eleven of the following property of 772 (the "**772 Property Transaction**") pursuant to an agreement of purchase and sale between 7-Eleven and the Receiver dated November 7, 2023:
 - a) two warehouses owned by 772, one in British Columbia and one in Alberta that were used by Wallace & Carey in its business (the "**772 Owned Real Property**"); and
 - b) two warehouses leased by 772, one in British Columbia and one in Alberta, that were also used by Wallace & Carey in its business.
2. On November 21, 2023, KSV, as Receiver, issued the Receiver's Certificate pursuant to the 772 Approval and Vesting Order certifying completion of the 772 Property Transaction.
3. The Tax Accountant has advised the Receiver that there is a potential capital gain on the sale of the 772 Owned Real Property, resulting in a tax liability of approximately \$2.1 million payable to the CRA (the "**772 Tax Liability**").
4. As the 772 Property Transaction closed after the Receivership Order was granted, the 772 Tax Liability must be paid by the Receiver before any distributions are made to the unsecured creditors of 772 (as noted above, mainly Wallace & Carey and CMI). If 772 was

assigned into bankruptcy, the 772 Tax Liability would be considered an unsecured claim ranking *pari passu* with all other unsecured creditors of 772.

5. Once the items outlined in 3.05(a) and (b) are completed, the monies in the Receivership Companies will be distributed by the Receiver to the Receivership Companies' creditors, including Wallace & Carey and CMI, following which those monies can be distributed to their creditors (i.e. the Provinces and Territories under the Tobacco Tax Charge).

4.0 Proposed Interim Distribution

1. The Sixth Report provides the waterfall of distributions among the beneficiaries of the charges created in the CCAA Proceedings pursuant to the ARIO and the Ancillary Order⁴.
2. Each Court-ordered charge created by the waterfall has been fully satisfied and released, except for the Tobacco Tax Charge in the amount of \$26 million. The projected realizations detailed in Section 3 above are distributable to the provincial and territorial tobacco tax authorities (the "**Tobacco Tax Authorities**") in respect of their claims secured by the Tobacco Tax Charge as of the Filing Date, net of costs of realization.
3. As at the date of this Report, based on the books and records of the Applicants, the amounts owing by the Logistics Companies under the *Tobacco Tax Act*, RSA 2000, c. T-4, or under any other applicable provincial legislation or laws to the Tobacco Tax Authorities for amounts as of the Effective Closing Time (the "**Tobacco Tax Balances**") are summarized in the table below.

Province	Tobacco Tax Balance (\$)	% of Total
Alberta	13,779,932	65.21%
British Columbia	4,281,041	20.26%
Saskatchewan	2,135,245	10.10%
Yukon	535,022	2.53%
Ontario	256,309	1.21%
Northwest Territories	145,027	0.69%
Manitoba	-	0.00%
Nunavut	-	0.00%
Total	21,132,576	100.00%

⁴ This Order was issued by the Court on August 23, 2023 and created the Transaction Fee Charge, which was payable to Alvarez & Marsal Canada Securities ULC, the financial advisor retained by the Applicants to carry out the SISF.

4. On February 2, 2024, Ontario notified the Applicants that it would not renew the tobacco tax license issued to Wallace & Carey unless the tobacco tax liability as of November 18, 2023 owing to Ontario was paid in full. To ensure there were no disruptions to Wallace & Carey's business, Wallace & Carey, with the consent of 7-Eleven, paid \$256,309, representing the entire balance owing to Ontario prior to the Effective Closing Time. Accordingly, subject to Court approval, the Monitor intends to remit any distributions payable to Ontario to 7-Eleven.
5. On November 6, 2024, the Monitor sent a letter (a copy is provided in **Appendix "D"**) to each of the Tobacco Tax Authorities:
 - a) advising that the Monitor had scheduled an application to be heard on November 25, 2024, to seek approval of, among other things, an interim distribution of \$5.5 million (the **"Interim Distribution"**);
 - b) providing the Tobacco Tax Balances for each Tobacco Tax Authority (i.e., the table included above); and
 - c) requesting that each Tobacco Tax Authority advise the Monitor by no later than 5:00 pm (MT) on November 14, 2024 (the **"Deadline"**) if they agree that the Tobacco Tax Balances set out in the letter are correct or if they believe the amount to be incorrect, to advise the Monitor by or before the Deadline and provide supporting documentation.
6. As at the date of this Report, Yukon and Ontario have confirmed that they agree with the calculation of the Tobacco Tax Balance by the Monitor. Alberta has advised that it may require up to a month to determine if the claim amount per the table above is consistent with its records. BC has confirmed the principal amount of the Tobacco Tax Balance, but it has advised that it would provide details of any interest and costs. No other Tobacco Tax Authority has confirmed its position.
7. Assuming the Tobacco Tax Balances have been correctly estimated by the Monitor, the Monitor's calculation of the pro-rata allocation of the proposed \$5.5 million distribution to the Tobacco Tax Authorities is as follows:

Province	Tobacco Tax Balance (\$)	% of Total	Interim Distribution (\$)
Alberta	13,779,932	65.21%	3,586,550
British Columbia	4,281,041	20.26%	1,114,300
Saskatchewan	2,135,245	10.10%	555,500
Yukon	535,022	2.53%	139,150
Ontario	256,309	1.21%	66,550
Northwest Territories	145,027	0.69%	37,950
Manitoba	-	0.00%	-
Nunavut	-	0.00%	-
Total	21,132,576	100.00%	5,500,000

- Based on the above, the Monitor is requesting that this Court grant an Order authorizing the Monitor to issue the Interim Distribution and any further distributions to the Tobacco Tax Authorities, on a pro-rata basis, based on the balances outstanding to the Tobacco Tax Authorities, as determined by the Monitor in consultation with the Tobacco Tax Authorities.

5.0 Update on TSA

- As outlined in the Sixth Report, the TSA, among other things, sets out the terms under which Wallace & Carey will continue to operate for the benefit of 7-Eleven under CCAA protection. The duration of the TSA is 15 months and nine months for the Western Business and the Eastern Business, respectively, from November 21, 2023 (i.e., the Effective Date of the TSA), subject in each case to two 90-day extensions that are available to 7-Eleven. Accordingly, based on the Effective Date, the TSA period for the Eastern Business initially terminated on August 21, 2024, and will terminate for the Western Business on February 21, 2025.
- Pursuant to extension notices issued by 7-Eleven to the Monitor, Wallace & Carey, and CMI on July 9 and October 15, 2024, the TSA period for the Eastern Business has been extended to February 17, 2025.
- The Monitor, 7-Eleven, Wallace & Carey, and CMI will be discussing the plan for the Wallace & Carey business following the CCAA Proceedings. 7-Eleven has advised the Monitor that it intends to continue the business of Wallace & Carey following the expiration of the TSA periods. There have been early-stage discussions with 7-Eleven as to the structure of this transaction. Any transaction will be subject to Court approval.

6.0 Cash Flow Forecast

1. The Applicants have prepared the Cash Flow Forecast for the period of November 10, 2024 to May 3, 2025 (the “**Forecast Period**”). The Cash Flow Forecast and the Applicants’ statutory report thereon pursuant to Section 10(2)(b) of the CCAA are attached as **Appendix “E”**.
2. The Cash Flow Forecast reflects that the Applicants, with the financial support of 7-Eleven, are projected to have sufficient liquidity to continue to operate during the Forecast Period. Pursuant to the TSA, 7-Eleven is required to fund all of Wallace & Carey’s operational costs (including taxes accruing during that period) incurred from and after the Effective Closing Time. 7-Eleven is not obligated to fund any pre-filing obligations of the Applicants, and no funding is available from 7-Eleven or any other source for that purpose.
3. Based on the Monitor’s review of the Cash Flow Forecast, the assumptions underlying the Cash Flow Forecast appear reasonable. The Cash Flow Forecast reflects the continued operations of the Wallace & Carey business from its present locations, including the Western Business and the Eastern Business, as such terms are defined in the TSA. The Monitor’s statutory report on the Cash Flow Forecast is attached as **Appendix “F”**.
4. To the Monitor’s knowledge, 7-Eleven has funded all of the Applicants’ operating costs in the ordinary course of business since the Effective Closing Time. No creditor has contacted the Monitor since the Effective Closing Time to express concerns regarding payment delays or non-payment.

7.0 Stay Extension

1. The Stay currently expires on November 29, 2024. The Applicants are requesting an extension of the Stay until April 30, 2025. The Monitor supports an extension of the Stay for the following reasons, among others:
 - a) the Applicants are acting in good faith and with due diligence;
 - b) an extension of the Stay is consistent with the Transaction Approval Orders and is necessary for the Applicants to carry out their obligations under the Transaction Approval Orders and the TSA;

- c) 7-Eleven would be prejudiced if the Stay is not extended. Absent an extension of the Stay, Wallace & Carey's operations may be terminated, resulting in the immediate loss of hundreds of jobs. Discontinuing Wallace & Carey's business would also immediately disrupt 7-Eleven's business, as Wallace & Carey is its main logistics provider in Canada;
- d) the Stay will allow Wallace & Carey to realize on the remaining Excluded Assets including, but not limited to: (i) continuing its litigation with INS News, Megabox, and Pizza Club; (ii) collecting certain amounts owing from vendors as a result of transactions between the Filing Date and the Effective Closing Time; and (iii) realizing on CMI's equity interests;
- e) the Stay will provide the Monitor, 7-Eleven, Wallace & Carey, and CMI with time to negotiate and finalize an arrangement to conclude the TSA and these CCAA Proceedings;
- f) as of the date of this Report, neither the Applicants nor the Monitor are aware of any party opposed to the requested extension; and
- g) based on 7-Eleven's funding obligations to Wallace & Carey pursuant to the TSA, the Applicants are projected to have sufficient liquidity to fund their operations and the costs of these proceedings, as reflected in the Cash Flow Forecast. Accordingly, the Monitor does not believe that any creditor will be prejudiced if the extension is granted

8.0 Monitor's Activities Since the Twelfth Report

1. Since the Twelfth Report, the Monitor has conducted the following activities:
 - a) communicating on a near daily basis with the Applicants' management team and 7-Eleven's representatives regarding the Applicants' financial performance, the TSA, the Excluded Assets, the Applicants' continued banking arrangements with CIBC, and the Applicants moving their banking arrangements to the Bank of Nova Scotia;
 - b) working extensively with the Applicants to realize on the Excluded Assets;
 - c) monitoring the Applicants' receipts and disbursements on a near-daily basis;
 - d) reviewing Wallace & Carey's daily funding requests;

- e) dealing with issues related to the Tobacco Tax Balances and corresponding with certain Tobacco Tax Authorities regarding same;
- f) making the Initial Distribution with respect to the Post-Filing Tobacco Tax Obligations;
- g) responding to inquiries from creditors and customers of the Logistics Companies concerning the CCAA Proceedings generally and the Transaction;
- h) drafting this Report; and
- i) maintaining the Case Website.

9.0 Professional Fees

1. Pursuant to paragraph 31 of the ARIO, the Monitor and its counsel are to be paid their reasonable fees and disbursements at their standard rates and charges. Pursuant to paragraph 32 of the ARIO, the Monitor and its counsel shall pass their accounts from time to time.
2. The Court has approved the fees of the Monitor and Cassels up to July 31, 2024.
3. The Monitor seeks to have its fees and disbursements, including those of its legal counsel, approved by the Court. The Monitor and its counsel have maintained detailed records of their professional time and costs.
4. The Monitor's fees from August 1 to October 31, 2024, were \$99,713.00, plus disbursements of \$63.07, plus GST of \$4,988.81, for a total of \$104,764.88.
5. Cassels' fees from August 1 to October 31, 2024, were \$43,353.50, plus disbursements of \$243.65, plus GST of \$2,169.15, for a total of \$45,766.30.
6. A summary of the accounts rendered by the Monitor and its legal counsel is attached hereto as **Appendix "G"**. Detailed accounts are available for review by the Court upon request. The amount of the fees is based on the hourly rates of the professionals involved in this matter multiplied by actual time spent on this matter.

7. It is the Monitor's opinion that the fees and disbursements of the Monitor and Cassels accurately reflect the work performed by the Monitor and Cassels in connection with the administration of the CCAA Proceedings for the dates of their respective invoices. It is the Monitor's opinion that the fees and disbursements of Cassels are fair, reasonable and justified in the circumstances. The Monitor recommends approval of Cassels' accounts by this Court.
8. Pursuant to paragraph 10(c) of the TSA, 7-Eleven is responsible for the fees of the Monitor and its legal counsel with respect to work performed in connection with the TSA. The Monitor and its counsel have maintained records of fees incurred in connection with the TSA, and 7-Eleven has paid invoices issued by the Monitor and its counsel regarding same.

10.0 Conclusion

1. Based on the foregoing, the Monitor is of the view that the relief requested is reasonable and appropriate in the circumstances and respectfully requests that this Court issue the order granting the Applicants' and the Monitor's requested relief.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

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

APPENDIX A

[ATTACHED]

COURT FILE NUMBER

2301 – 08305

COURT

2301- _____
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**



LL

C110668

Nov 17, 2023
COM

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

**CANADIAN IMPERIAL BANK OF COMMERCE v. 772921
ALBERTA INC.; SPRUCE IT UP LAND CORP. and RIDGE
MEADOWS PROPERTIES LTD.**

DOCUMENT

**SIXTH REPORT OF THE MONITOR AND
PRE-FILING REPORT OF THE PROPOSED RECEIVER
DATED NOVEMBER 8, 2023**

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

MONITOR AND PROPOSED RECEIVER

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MONITOR'S AND PROPOSED RECEIVER'S COUNSEL

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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 (the “**Monitor**”).
2. KSV is filing this report (the “**Report**”) as Monitor of the Applicants and as proposed receiver and manager of the property, assets and undertaking of:
 - a) 772921 Alberta Inc. (“**772**”), which:
 - i. owns two warehouses¹, one in British Columbia (the “**772 Owned BC Property**”) and one in Alberta (the “**772 Owned Alberta Property**”) that are used by Wallace & Carey in its business (jointly, the 772 Owned BC Property and the 772 Owned Alberta Property, the “**772 Owned Real Property**”); and
 - ii. leases two warehouses², one in British Columbia and one in Alberta, that are also used by Wallace & Carey in its business (the “**772 Leased Real Property**”); and
 - b) Ridge Meadows Properties Inc. (“**Ridge Meadows**”) ³ and Spruce It Up Land Corp (“**SIU**”) ^{4,5} each of which is subject to security interests in favour of Canadian Western Bank (“**CWB**”) and Canadian Imperial Bank of Commerce (“**CIBC**” or the “**Lender**”). (Collectively, the 772 Owned Real Property, the 772 Leased Real Property and the properties owned by 772, Ridge Meadows and SIU are referred to as the “**Non-Applicant Real Property**”.)

¹ The municipal addresses of these properties are 1230 Industrial Road, Kelowna, British Columbia and 5415 and 5445 8th Street N.E., Calgary Alberta.

² Having municipal addresses of 8th Street N.E., Calgary, Alberta, and Unit 5B, 4386 Boban Drive Nanaimo, British Columbia.

³ Having a municipal address of 255256 Range Road 25, NW Calgary, Alberta.

⁴ Having a municipal address of 159 210 Avenue SW, Calgary, Alberta.

⁵ The shares of Ridge Meadows and SIU are subject to the CCAA Charges (as defined in Section 2.1 below). CMI is believed to own 100% of Ridge Meadows and 84.57% of SIU.

1.1 Purposes of this Report

1. The purposes of this Report are to:

- a) provide background information concerning the Applicants and these proceedings;
- b) discuss the Sale and Investment Solicitation Process (“**SISP**”) carried out by Alvarez & Marsal Canada Securities ULC (“**A&M**”), as the Applicants’ financial advisor (the “**Financial Advisor**”), under the supervision of the Monitor;
- c) discuss a transaction (the “**Transaction**”) between the Applicants and 7-Eleven Canada, Inc. (“**7-Eleven**” or the “**Purchaser**”) that is intended to maximize recoveries to stakeholders, which includes;
 - i. pursuant to an agreement of purchase and sale dated November 7, 2023 (the “**W&C APA**”):
 - the purchase of certain of the Applicants’ personal property, information technology and intellectual property assets used in the Wallace & Carey business in British Columbia and Alberta (the “**Western Business**”);
 - the purchase of 7-Eleven designated inventory; and
 - the payment of accounts receivable owing by 7-Eleven to Wallace & Carey;
 - ii. the entering into of a Transition Services Agreement (“**TSA**”) upon closing of the Transaction among Wallace & Carey, CMI, the Purchaser and the Monitor that contemplates:
 - the businesses of the Logistics Companies continuing to operate following closing of the Transaction for the benefit of the Purchaser while the Applicants remain under CCAA protection;
 - the Purchaser funding substantially all of the Applicants’ operational and professional costs from and after the closing of the Transaction, including the fees and costs of the Monitor and its counsel, Cassels, Brock & Blackwell LLP (“**Cassels**”);

- an option granted to the Purchaser to acquire certain additional assets (the “**Optional Purchased Assets**”) used by the Logistics Companies that are not being acquired by 7-Eleven on closing of the Transaction, including certain assets located in provinces east of Alberta (the “**Eastern Business**”); and
 - the retention of most of the employees of Wallace & Carey⁶ during, at least, the term of the TSA, and potentially thereafter, as further detailed below;
- iii. releases (the “**Releases**”) granted in favour of certain persons, including the Applicants’ director and officers, as contemplated by the form of Approval and Vesting Order (the “**CCAA AVO**”);
 - iv. the appointment of KSV as receiver and manager of the property, assets and undertaking of 772, Ridge Meadows and SIU (if so appointed, the “**Receiver**”), pursuant to a receivership application brought by CIBC as secured creditor of each of 772, SIU and Ridge Meadows;
 - v. a sale by the Receiver to the Purchaser immediately following its appointment of the real property owned by 772, as set out in an agreement of purchase and sale between the Purchaser and the Receiver (the “**Receivership APS**”);
 - vi. an assignment pursuant to the Receivership APS by the Receiver to the Purchaser of the leases for 772 Leased Real Property; and
 - vii. a marketing process for the Non-Applicant Real Properties owned by Ridge Meadows and SIU;
- d) recommend that the sale proceeds from the Transaction, as well as the proceeds from the Optional Purchased Assets, certain assets excluded from the transaction (the “**Excluded Assets**”) and the Non-Applicant Real Property (collectively, the “**Net Distributable Proceeds**”) be paid to stakeholders (including CIBC and CWB) in accordance with the priorities established by the ARIO and the Ancillary Order (each as defined below), and applicable law;

⁶ As of the date of this Report, all Loudon Bros. employees have been terminated.

- e) discuss the next steps in these proceedings; and
- f) provide the reasons in support of the Monitor's recommendation that the Court issue:
 - i. the CCAA AVO, among other things, approving the W&C APA, the TSA, the Releases and a distribution of the Net Distributable Proceeds of the assets subject to the CCAA Proceeding, as discussed herein;
 - ii. an order (the "**Receivership Order**") sought by CIBC appointing KSV as the Receiver and authorizing the Receiver to market the Non-Applicant Real Properties owned by Ridge Meadows and SIU through the retention of a real estate broker identified by the Receiver;
 - iii. an order (the "**Receivership AVO**") approving:
 - the Receivership APS, including the sale of the 772 Owned Real Property to the Purchaser, and the assignment of the 772 Leased Real Property to the Purchaser, in each case free and clear of encumbrances other than permitted encumbrances; and
 - authorizing a distribution of the Net Distributable Proceeds of the assets subject to the Receivership Proceeding, as discussed herein; and
 - iv. sealing **Confidential Appendix "1"** for the reasons provided in Section 7 of this Report until the earlier of the termination of these proceedings or Order of this Court.

1.2 Scope and Terms of Reference

1. In preparing this 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 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 any forward-looking financial information discussed herein has not been performed in accordance with the Chartered Professional Accountants of Canada Handbook. Forward-looking financial forecasts and information are based upon various assumptions. Actual results achieved may vary materially from the forecasted results. The Monitor expresses no opinion or other form of assurance on whether the Applicants' businesses will perform in accordance with their financial forecasts and projections.

1.3 Currency

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

2.0 Applicants' 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 the CCAA proceedings. These include 100% of the equity of 772 and Ridge Meadows, and 84.57% of the equity of SIU. CMI's corporate organizational chart is provided in **Appendix "A"**.
2. Wallace & Carey is an Alberta corporation that is extra-provincially registered to conduct business in most provinces and territories in Canada. Wallace & Carey operates from nine leased warehouses.
3. Loudon Bros, located in Thunder Bay, Ontario, is an Ontario corporation that is wholly owned by Wallace & Carey which until recently operated as its Northwestern Ontario branch. As part of their efforts to downsize their business during these proceedings, the Applicants decided to discontinue the Loudon Bros business. On November 3, 2023, the Court approved a sale of Loudon Bros' real property for gross proceeds of approximately \$1.4 million. The sale is scheduled to close on or before November 17, 2023, which will be the final significant step in the wind-down of the Loudon Bros business.
4. Wallace & Carey is continuing to carry on active business operations. 7-Eleven is by far the most significant customer of Wallace & Carey. It presently represents substantially all of Wallace & Carey's revenue.
5. As of the Filing Date, the Logistics Companies employed approximately 600 full-time and 50 part-time employees. Wallace & Carey presently has approximately 450 full-time employees. CMI has three employees, being Patrick Carey, the Chair, Daniel Elrod, the Chief Executive Officer, and an administrative employee.

6. CIBC provides CMI with a revolving asset-based loan (the "**CIBC Revolving Loan**") and term loan facility, which is guaranteed by the Logistics Companies and various other entities within the Carey corporate group, including 772, SIU and Ridge Meadows (the "**CIBC Facility**"). Pursuant to the terms of a Forbearance Agreement between the Applicants and CIBC dated June 22, 2023 (the "**Forbearance Agreement**"), all amounts owing to CIBC as of the Filing Date under the revolving portion of the CIBC Facility (being approximately \$38.54 million) have been repaid through accounts receivables collections, and all amounts advanced by CIBC since that time are secured by the Lender Priority Charge (as defined below).
7. Pursuant to the Forbearance Agreement, CIBC was also to be provided a mortgage on the Non-Applicant Real Property, which mortgage was to rank behind CWB's mortgage on the same real property. The agreed mortgages were executed on July 20, 2023 and registered on the Non-Applicant Real Property on September 12, 2023.
8. At this time, the Forbearance Agreement has terminated as a result of the occurrence of certain Terminating Events described therein; however, CIBC has continued to fund the business of the Applicants subject to the borrowing limits of the CIBC Credit Agreement (as defined in the Initial Order) primarily for the purpose of completing the Transaction. The Monitor also understands that certain amendments to the CIBC Credit Agreement concerning, *inter alia*, enhanced reporting required by CIBC are in the process of being documented.

2.1 CCAA Proceedings

1. Pursuant to the terms of the Initial Order, *inter alia*, the Court:
 - a) granted a stay of proceedings in favour of the Applicants and their directors and officers to and including July 1, 2023;
 - b) approved the Applicants' use of the centralized cash management system provided by CIBC to the Applicants;
 - c) granted charges on the Applicants' current and future assets, property and undertakings in the following amounts and priority:
 - i. first, a charge in the amount of \$250,000 in favour of the Applicants' legal counsel (Miller Thomson LLP), the Monitor and its counsel, 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 amended pursuant to the terms of 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**”);
 - iv. fourth, the Encumbrances existing as of the date of the Initial Order 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 (the “**CIBC Pre-Filing Security**”); and
 - v. fifth, 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 “**CCAA 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 the terms of the Forbearance Agreement and first obtaining the Monitor’s consent.
2. On June 30, 2023, the Applicants’ comeback application was heard and the Court granted:
- a) an amended and restated Initial Order (the “**ARIO**”) (provided in **Appendix “B”**) which, among other things:
 - i. extended the stay of proceedings to and including September 20, 2023;
 - ii. increased the maximum amount of the CCAA Charges, as follows:
 - Administration Charge to \$750,000;
 - D&O Charge to \$4 million; and
 - Tobacco Tax Charge to \$25 million; and

- b) an Order providing for the Applicants' continued access to certain fuel service cards, known as the Mobil Fleet Cards.
3. Pursuant to certain restructuring milestones in the Forbearance Agreement, the Applicants were required within 40 days of the Initial Order to deliver for acceptance by CIBC a pro forma business model and financial forecast for the restructured business of the Applicants following implementation of a proposed plan consistent with a plan term sheet (the "**Term Sheet Milestone**"). Pursuant to the terms of the first amendment to the Forbearance Agreement dated July 18, 2023, CIBC provided certain accommodations to the Applicants and the Applicants were required to, *inter alia*, retain a financial advisor for the purpose of the SISP. Subsequently, certain defaults arose under the Forbearance Agreement, as amended, including in respect of the Term Sheet Milestone, and on August 2, 2023, CIBC provided notice to the Applicants of the occurrence of certain Terminating Events (as defined in the Forbearance Agreement).
4. On August 9, 2023, the Monitor filed its second report to Court (the "**Second Report**") which, among other things:
- a) was drafted in the context of Section 23(1)(d)(i) of the CCAA, which requires the Monitor to file a report with the Court advising on the state of a company's business and financial affairs upon ascertaining a material adverse change (a "**MAC**") in the company's projected cash flow or financial circumstances;
 - b) discussed financial and other challenges being faced by the Applicants and the efforts being taken at the time by the Applicants, the Monitor, CIBC and 7-Eleven to address those challenges;
 - c) provided a comparison of the Applicants' cash flow forecast for the period June 18 to September 30, 2023 against actual results; and
 - d) advised that the Monitor would file a further report with the Court advising on the status of the Applicants' efforts to address the issues resulting from the MAC.

5. On August 11, 2023, the Monitor filed a supplement to the Second Report (the “**Second Report Supplement**”). The Second Report Supplement provided stakeholders with a copy of the Second Forbearance Amendment between, among others, CIBC and the Applicants. 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 based on additional credit support provided by 7-Eleven to CIBC pursuant to a cash collateral agreement (the “**Cash Collateral Agreement**”). The Applicants advised that they expected that the additional capital would address their challenges and would lead to improved customer fill rates, and therefore financial performance. Copies of the Second Report and the Second Report Supplement are provided in **Appendices “C” and “D”**, respectively, without appendices.
6. On August 21, 2023, the Monitor prepared and filed its Third Report to Court (the “**Third Report**”) which provided, among other things, the Monitor’s recommendations that the Court issue:
- a) an order (the “**SISP Approval Order**”) among other things, approving the SISP and authorizing the Applicants, in consultation and co-operation with A&M, under the oversight of the Monitor, to conduct the SISP; and
 - b) an order (the “**Ancillary Order**”), among other things:
 - i. extending the stay of proceedings to and including November 30, 2023;
 - ii. approving the engagement of A&M as the Financial Advisor, pursuant to an agreement dated August 13, 2023 between the Applicants and A&M, and associated changes to the ARIO, including:
 - increasing the amount of the Administration Charge from \$750,000 to \$850,000 to include a work fee payable to A&M in connection with the SISP and its role as the Financial Advisor; and
 - granting a charge on the Applicants’ current and future assets, property and undertakings in favour of A&M to secure a fee payable to A&M upon completion of a qualifying transaction (the “**Transaction Fee**”), which is only subordinate to the Administration Charge.

7. On September 18, 2023, CIBC delivered to the Applicants a notice that certain additional Terminating Events had occurred and that CIBC was reserving all rights in respect of such, but provided that CIBC would continue to advance funding to the Applicants, subject to the borrowing limits of the CIBC Credit Agreement, unless and until two days following the delivery by CIBC of notice to the Applicants and the Monitor of CIBC's intention to discontinue funding.
8. On September 19, 2023, the Monitor filed its Fourth Report to Court (the "**Fourth Report**") which advised of a further MAC, as reflected by the Applicants' cash flow projection finalized on September 13, 2023. The MAC arose because the Applicants were not projected to have sufficient liquidity under the CIBC Revolving Loan to fund all forecasted disbursements in the ordinary course, unless the Logistics Companies deferred the payment of certain pre-filing and post-filing tobacco taxes (the "**Accrued Tobacco Taxes**") or made significant reductions to their inventory purchases (which was anticipated to impair the viability of the Logistics Business).
9. On October 7, 2023, the Monitor filed its Supplemental Report to the Fourth Report (the "**Fourth Report Supplement**"), which provided:
 - a) a summary of the dialogue among the Applicants, the Monitor and representatives of certain Provinces concerning the Accrued Tobacco Taxes and the payment by the Applicants of such taxes going-forward;
 - b) a further revised cash flow projection;
 - c) an update in respect of certain additional financial support provided by 7-Eleven;
 - d) an update concerning a third amendment to the Forbearance Agreement (the "**Third Amendment**"), which was expected to be finalized in the week following the filing of the Fourth Report Supplement and in respect of which the Monitor advised it would file a further supplemental report once finalized (the "**Second Supplement to the Fourth Report**");
 - e) an update concerning the SISP; and
 - f) the Monitor's recommendation that these proceedings continue so that the Applicants could complete the SISP, which was being advanced on an expedited basis given the Applicants' ongoing liquidity challenges.

10. Copies of the Fourth Report and the Fourth Report Supplement are provided in **Appendices “E” and “F”**, respectively, without appendices.
11. As of the date of this Report, a Third Amendment has not been finalized; however, CIBC has continued to make its revolving loan facility available to the Applicants, subject to the borrowing limits of the CIBC Credit Agreement and the reliance on certain additional financial support provided by 7-Eleven, so that the Applicants could fund their normal course business operations and complete the SISP, including the Transaction.
12. On October 30, 2023, the Monitor served its Fifth Report to Court, which recommended a sale of the Loudon Bros real property located in Thunder Bay, Ontario. The Court approved that transaction on November 3, 2023 and the sale is expected to close by no later than November 17, 2023.
13. The Court materials filed in these proceedings, including this Report, are available on the Monitor’s case website at www.ksvadvisory.com/experience/case/wallace-and-carey.

3.0 SISP

3.1 Background

1. The Applicants were required to commence the SISP due to their ongoing liquidity challenges and the absence of an executable restructuring plan.
2. As a result of negotiations among the Applicants, 7-Eleven, CIBC and the Monitor, the Applicants, 7-Eleven, and CIBC entered into the Cash Collateral Agreement on August 10, 2023, which resulted in an increase in the Applicants’ availability under the CIBC Facility. Pursuant to the Cash Collateral Agreement, the parties thereto agreed to the following key terms, among others:
 - a) 7-Eleven would provide \$9 million (the “**Cash Collateral**”) to be held by CIBC;
 - b) upon receipt by CIBC of the Cash Collateral, CIBC would promptly (i) increase the borrowing base under the CIBC Facility by an amount equal to the Cash Collateral, and (ii) increase the borrowing base under the CIBC Facility by not less than \$2 million;

- c) 7-Eleven agreed to execute and deliver to and in favour 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 the SISP;
 - e) as consideration for 7-Eleven providing the Cash Collateral, the Applicants agreed (i) to pay 7-Eleven a fully earned fee equal to \$1 million; and (ii) 7-Eleven would be granted the 7-Eleven SISP Rights, including the right to be a stalking horse purchaser in the SISP, as discussed further in paragraph 3.2.3 below; 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.
3. On August 10, 2023, the Cash Collateral Agreement, 7-Eleven Security Documents and Second Forbearance Amendment were executed and 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 intended to improve customer fill rates and to provide the Applicants the opportunity to advance the SISP.
4. Pursuant to the Cash Collateral Agreement, CIBC is not permitted to seek repayment of the amounts owing to it by the Applicants from the Cash Collateral until it has realized upon all of the tangible property of Wallace & Carey, CMI and the CMI subsidiaries over which CIBC holds security.
5. The guarantee by 7-Eleven was amended on or about October 6, 2023 to, among other things, increase the guarantee given by 7-Eleven to CIBC of the Applicants’ indebtedness from \$9 million to \$11.5 million. The guarantee by 7-Eleven was further amended on or about November 3, 2023 to among other things, increase the guarantee given by 7-Eleven to CIBC of the Applicants’ indebtedness from \$11.5 million to \$15 million.

3.2 SISP Overview⁷

1. Pursuant to the SISP, interested parties were provided the opportunity to submit offers to:
 - a) acquire all, substantially all or a portion of the Property or the Business;
 - b) make an investment in, restructure, reorganize or refinance the Business;
 - c) carry out any combination of a Sale Proposal and an Investment Proposal; or
 - d) form a partnership with the Applicants, or any of them, by way of joint-venture or otherwise.
2. The following table provides the key milestones and dates under the SISP Approval Order.

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

3. The SISP was designed as a two-stage 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.
4. Notwithstanding that 7-Eleven was granted the right to submit a stalking horse bid pursuant to the SISP, 7-Eleven did not exercise that right.

3.3 SISP Summary

1. A&M conducted a comprehensive process to solicit interest in the SISP, by contacting 190 parties, including 12 lending institutions, 141 private equity firms and 37 strategic parties, of which:

⁷ Defined terms in this Section of the Report have the meaning provided to them in the SISP Approval Order, unless otherwise defined herein.

- a) 47 parties executed a non-disclosure agreement (the “**NDA**”) and were granted access to an electronic data room, including 32 private equity firms, ten strategic parties and five lenders; and
 - b) four parties submitted non-binding expressions of interest/letters of intent (each an “**EOI**”), including one strategic party, two private equity firms and one lender.
- 2. A&M has provided the Monitor with a report concerning its conduct of the SISP and its recommendation of the Transaction. A copy of A&M’s report is provided in **Appendix “G”**.
 - 3. As a result of the Applicants’ significant liquidity challenges, which continued notwithstanding the Cash Collateral Agreement, the Applicants, A&M and the Monitor, with the consent of CIBC, believed it was necessary to expedite the SISP timelines.
 - 4. Accordingly, A&M encouraged the parties most interested in the transaction opportunity to provide EOIs at the earliest possible opportunity, which EOIs were to include, among other things, an overview of the proposed transaction structure, an indication of value, any outstanding due diligence and an estimated timeline to complete a transaction. A&M engaged with each party participating in the SISP at that time to facilitate their due diligence, including organizing meetings between certain interested parties and representatives of 7-Eleven.
 - 5. As noted, four parties submitted EOIs on or before October 5, 2023. Given the critical importance of the 7-Eleven relationship to the Wallace & Carey business, each of the parties that submitted an EOI required that a new service agreement be executed with 7-Eleven, with the exception of the prospective lender, which required an equity investment.
 - 6. During September 2023, 7-Eleven expressed concerns to the Monitor about the Applicants’ eroding financial and operational performance, lack of liquidity, the ability of the interested parties performing due diligence in the SISP to meet their service needs, and the amount of time that would be required to negotiate a new service agreement with one or more of these parties. 7-Eleven, however, also advised that it was not prepared at that time to exercise its right to submit a stalking horse bid nor to make a definitive offer for the Applicants’ business as its due diligence was not yet complete.

7. Following the Fourth Report (i.e., the second MAC report), discussions among A&M, the Monitor and 7-Eleven advanced rapidly concerning a transaction based on the structure detailed in this Report. On September 27, 2023, 7-Eleven sent an email to the Monitor outlining the terms of a proposed transaction. Those terms were incorporated into a draft term sheet between the Applicants and 7-Eleven that formed the basis of the Transaction documents. As the term sheet was non-binding, the parties' focus shifted to the definitive documents rather than finalizing the term sheet.

4.0 The Transaction⁸

1. The following are the primary Transaction documents:

- a) the W&C APA;
- b) the TSA; and
- c) the Receivership APS.

Each document is summarized below.

2. The W&C APA sets out the terms pursuant to which:

- a) the Applicants will sell to the Purchaser certain personal property forming part of the Western Business;
- b) the Purchaser will pay for 7-Eleven designated inventory; and
- c) the Purchaser will pay for all validated accounts receivable it owes to Wallace & Carey.

3. The W&C APA attaches a form of the TSA which is to be executed by the parties at closing of the Transaction. The TSA sets out the terms on which (i) the Purchaser will be provided an option following closing to purchase certain remaining assets used in the operation of the Western Business and the Eastern Business, including a lease for a warehouse used by Wallace & Carey in Oakville, Ontario that is believed to have considerable value; and (ii)

⁸ Unless otherwise defined in this Report, defined terms have the meanings provided to them in the Transaction Documents.

Wallace & Carey will continue to operate for the benefit of the Purchaser under CCAA protection, including:

- a) the duration of the TSA, being 15 months and nine months for the Western Business and the Eastern Business, respectively, subject in each case to two 90-day extensions that are available to the Purchaser; and
 - b) the Purchaser shall fund from and after closing, substantially all of the Applicants' operational costs, including employee costs, real property and personal property leases and other contracts, as well as the fees and costs of the Monitor and its counsel, and certain fees of the Applicants' counsel.
4. The execution of the TSA by the parties thereto is a critical part of the Transaction. The purpose of the TSA is for Wallace & Carey and CMI to maintain in good standing for the benefit of the Purchaser certain real and personal property leases and other contracts until the Purchaser can determine its long-term intentions for those leases and contracts.
 5. Pursuant to the TSA, the majority of Wallace & Carey's employees as of the Closing Date will continue to be employed until (and if) they are hired by one or more service providers identified by the Purchaser, which may include 7-Eleven, or until their services are no longer required, at which time their employment will be terminated and all wages and vacation pay owing to them will be paid. Additionally, the Purchaser has agreed to encourage any new service provider or providers with which they contract to hire Wallace & Carey's employees.
 6. The Receivership APS sets out the terms pursuant to which KSV, if appointed as Receiver of 772, is to sell and transfer to the Purchaser, respectively, the 772 Owned Real Property and 772's interest in the 772 Leased Real Property. These properties were marketed as part of the SISP. Pursuant to the terms of the Receivership APS, the Purchaser shall purchase the 772 Owned Real Property for the purchase price of \$14.92 million. The purchase price for the 772 Owned Real Property was determined through (i) an arm's length process conducted by a commercial real estate agent for the 772 Owned BC Property, in which the Purchaser's offer was the highest offer; and (ii) an estimate of value based on an appraisal sourced by the Applicants that was updated by the Monitor to reflect the current market value for the 772 Owned Alberta Property.

7. Other notable provisions of the Transaction include:

- a) from and after the Closing Date, the Lender will have no further obligation to fund the Applicants' operating costs;
- b) the key terms of the Transaction are consistent with the terms of a standard insolvency transaction, i.e., on an "as is, where is" basis, with limited representations and warranties from the Applicants or the Receiver, as the case may be;
- c) the closing of the W&C APA and the Receivership APS are conditional on the closing of each other;
- d) the CCAA AVO in respect of the W&C APA provides for the Releases (as discussed in Section 4.3 below);
- e) the CCAA AVO provides for an assignment of the Assigned Contracts listed on Schedule "B" to the W&C APA to the Purchaser provided that amounts required to be paid pursuant to section 11.3(4) of the CCAA have been paid by the Purchaser. The Monitor understands that the Applicants and the Purchaser are attempting to reach out to counterparties of the Assigned Contracts to obtain their consent to assignment. However, given the timing of the expected closing of this transaction, it is likely not possible to do so for all Assigned Contracts. In this respect, the Monitor notes that the Purchaser has agreed under the W&C APA to assume the obligations under the Assigned Contracts. Based on information provided to the Monitor by the Purchaser, the Monitor also understands that 7-Eleven will be able to perform the obligations under the Assigned Contracts and that it would be appropriate to assign the rights and obligations to the Purchaser;
- f) With respect to any real property lease assignments required under the Transaction, the Applicants' counsel has advised that each of the relevant landlords has indicated that it is prepared to consent to an assignment of the relevant lease. The Monitor understands that the Applicants' counsel intends to obtain these assignments in advance of closing; however, to the extent that the assignments are not provided prior to the hearing of the application, the Receivership AVO also provides for an assignment of the 772 Leased Real Property to the Purchaser;

- g) subject to Court approval, closing of the Transaction is contemplated to occur on November 20, 2023 (with an effective time of 12:01 a.m. on November 19, 2023) unless otherwise agreed by the parties and the Monitor. The Outside Date is November 30, 2023;
- h) the only material conditions precedent are Court approval of the Transaction pursuant to the CCAA AVO and the approval or non-objection of the Transaction by the Commissioner of Competition pursuant to the *Competition Act*, 1985, c. C-34, the latter of which is in process; and
- i) the Receiver also intends to market the Ridge Meadows and SIU real property for sale by retaining a real estate broker.

4.1 Estimated Transaction Value

1. The table below provides (i) an estimate of the value of the Transaction as of October 28, 2023 based on the Applicants' financial information available to the Monitor; and (ii) the indicative waterfall of distributions resulting therefrom pursuant to the ARIO and the Ancillary Order.

(\$000s) ⁹	Range	
Description	Low	High
W&C APA Transaction		
Accounts Receivable	10,000	12,600
Inventory	7,600	8,600
7-Eleven Inventory	27,100	27,100
Property, Plant & Equipment	4,000	5,000
Other Proceeds	6,200	8,000
Total proceeds from W&C APA Transaction	54,900	61,300
Receivership Transaction, net of CWB mortgage¹⁰	3,100	3,100
Loudon real property	1,300	1,300
Other	400	1,400
Total gross realizations	59,700	67,100

⁹ All amounts in the table have been rounded.

¹⁰ CWB's mortgage is expected to be repaid in full on closing from the sale of the 772 Owned Real Property.

Less:		
Holdbacks and adjustments ¹¹	(14,600)	(11,300)
Net proceeds of realization before the following	45,100	55,800
Lender Priority Charge	(31,800)	(31,800)
Surplus after Lender Priority Charge	13,300	24,000
D&O Charge ¹²	(4,000)	(4,000)
(Shortfall)/surplus after D&O Charge	9,300	20,000
CIBC Pre-Filing Security ¹³	(5,600)	(5,600)
(Shortfall)/surplus after CIBC debt	3,700	14,400
Tobacco Tax Charge	(24,800)	(24,800)
Shortfall on Tobacco Charge	(21,100)	(10,400)

4.2 Transaction Alternatives

1. For the following reasons, the Monitor is of the view that there is no viable better option to the Transaction:
 - a) A&M conducted the SISP in accordance with its terms, subject to encouraging parties to submit offers on an expedited basis;
 - b) the Transaction maximizes value for the Applicants' business and assets;
 - c) 7-Eleven has advised that it is not prepared to support any other transaction at this time. Given 7-Eleven's critical relationship to the Wallace & Carey business, its support is required for any going-concern solution;
 - d) absent the Transaction, the Applicants' business is likely to be liquidated; and
 - e) the value of the Transaction exceeds liquidation value for the Applicants' business and assets for the reasons listed below.

¹¹ Includes holdbacks for the Administration Charge, the Transaction Fee Charge, post-filing liabilities, vacation pay and various other amounts that are required to be paid.

¹² As discussed in paragraph 4.3.6 below, the Applicants' directors and officers are prepared to have this charge released if the Release contemplated by the Transaction is approved by the Court. This would make available \$4 million to stakeholders ranking subordinate to the D&O Charge.

¹³ Estimated, subject to adjustment for interest and expenses.

i. W&C APA transaction

- The purchase price of the personal property in the CCAA transaction exceeds the liquidation value of those assets based on valuations obtained by A&M. A&M and the Monitor engaged in extensive and protracted negotiation with 7-Eleven concerning the purchase price for these assets. The amount paid by 7-Eleven includes a premium above liquidation value reflecting their value-in-use for 7-Eleven.
- 7- Eleven has agreed to purchase, in most cases at cost, certain inventory that has been purchased on its behalf by Wallace & Carey. This represents a substantial portion of Wallace & Carey's inventory. Without this commitment from 7-Eleven, inventory realizations would be significantly impaired, and costs of realization would be materially higher. There would also be challenges conducting the liquidation of the inventory as the assistance of Wallace & Carey's employees would be required. This would require an expensive key employee retention plan given the large number of Wallace & Carey employees, which would further reduce recoveries.
- 7-Eleven has also agreed to pay in full its accounts receivable owing to Wallace & Carey. In a liquidation, Wallace & Carey may be unable to service 7-Eleven in the ordinary course, and there is a significant risk that 7-Eleven would setoff any damages against accounts receivable it owes to Wallace & Carey.
- The method for determining the purchase price for the Oakville lease, which is an Optional Purchased Asset that is believed to have considerable value, was established under the terms of the TSA. The Monitor believes that the methodology is fair and commercially reasonable and is consistent with how such value is commonly calculated.

ii. Receivership transaction

- The purchase price for each 772 Owned Real Property is based on either updated value estimates for those properties obtained by the Monitor earlier in these proceedings, and/or on offers received for these properties in these proceedings. The purchase price also excludes carrying costs (such as property taxes and utilities) that would otherwise be incurred while marketing the properties, and the realtor commissions payable are less than a typical transaction.¹⁴ The sale of the properties in the Transaction also eliminates the risk that these properties may sell for a lower price than the purchase price under the Transaction.

iii. Additionally, the Transaction:

- mitigates the risks and costs of a liquidation, including the challenges retaining employees to assist with the liquidation process and the related payroll and operating costs, which would total millions of dollars; and
- minimizes the fees and costs of the Monitor, its counsel and the Applicants' counsel carrying out a liquidation, which would also be very significant.

4.3 Releases

1. The CCAA AVO provides for the Releases, which include a broad release of all claims against (a) the current and former directors, officers, employees and their legal counsel; (b) legal counsel, agents and advisors of the Applicants and the Purchaser; (c) the Monitor and its legal counsel (collectively, the **"Released Parties"**).
2. The proposed Releases do not release: (i) any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA, or (ii) any fraud, gross negligence or willful misconduct on the part of any Released Parties.
3. The W&C APA provides that the closing of the Transaction will not be conditional upon the granting of the provisions of the CCAA AVO in a form that contains the Releases.

¹⁴ Typically, 5% of the selling price. In this case, commissions total approximately \$180k, or slightly more than 1%.

4. The Monitor notes that certain of the statutes under which the Accrued Tobacco Taxes are legislated contain provisions for director and/or officer liability that would be captured by the Releases contained in the CCAA AVO. The amounts are also secured by the Tobacco Tax Charge. Potential recoveries under the Tobacco Tax Charge are discussed herein and the Monitor understands that the applicable Provinces and Territories were served by the Applicants with their application materials on November 7, 2023 and will be served with this Report. The applicable Provinces and Territories have also been served with all materials filed in these proceedings, including the application materials containing the Initial Order, the ARIO and the Ancillary Order, each of which addresses the priority of the Tobacco Tax Charge and the other CCAA Charges.
5. In the Monitor's view, the Released Parties have provided substantial assistance (and will continue to do so) facilitating the proposed Transaction, which, if approved and closed, will ultimately see the value of the Applicants' business being maximized for the benefit of its stakeholders, including the beneficiaries of the Tobacco Tax Charge. In this regard, the Applicants' directors and officers have agreed, if requested, to continue in their role through this CCAA proceeding, which will provide the Purchaser with the benefit of their institutional knowledge of the Applicants' business and operations and will facilitate the orderly completion of these proceedings for the benefit of stakeholders.
6. Further, the Applicants' director and officers have agreed to have the D&O Charge released if the Release contemplated by the Transaction is approved by the Court. This would make the holdback of \$4 million otherwise contemplated to secure the D&O Charge unnecessary, meaning such funds would be available to stakeholders ranking subordinate to the D&O Charge. The release of this charge also negates the need for a claims process to determine any entitlement to such funds, resulting in significant associated cost savings.

5.0 Proposed Distributions

1. The ARIO and the Ancillary Order establish the following waterfall of distributions in the CCAA proceedings:
 - a) Administration Charge (\$850,000);

- b) Transaction Fee Charge (variable based on the value of the Transaction, but estimated to be approximately \$1 million);
 - c) the Lender Priority Charge (\$55 million);
 - d) D&O Charge (\$4 million);
 - e) the CIBC Pre-Filing Security (estimated to be \$5.5 million); and
 - f) Tobacco Tax Charge to \$25 million.
2. Pursuant to the Forbearance Agreement, CIBC was provided mortgages on the Non-Applicant Real Property ranking subordinate to CWB. As of the date of this Report, the amount owing to CWB is estimated to be approximately \$12 million. CWB is to be repaid, in full, from the sale of the Non-Applicant Real Property owned by 772.
 3. Subject to maintaining a holdback for the Administration Charge and other pre-closing costs that need to be funded from the Transaction proceeds, the Applicants are requesting an Order of the Court providing that the Net Distribution Proceeds are to be distributed to secured creditors in accordance with paragraph 1 and 2 above.
 4. In advance of these proceedings, and in order for the Monitor to recommend that the Court approve the Lender Priority Charge, the Monitor's counsel, Cassels, provided an opinion on the validity and enforceability of CIBC's security. Cassels' opinion provides that, subject to the customary assumptions and qualifications contained therein, the security granted to CIBC is valid and enforceable. Cassels has also provided the Monitor with an opinion confirming the validity and enforceability of CWB's security, subject to the customary assumptions and qualifications contained therein. A copy of the security opinions can be made available to the Court upon request.
 5. The Monitor is not aware of any secured creditors or any claim (including any deemed trust) that ranks or may rank in priority to the Lender Priority Charge or the CIBC Pre-Filing Security, other than the amounts secured under the Administration Charge, the Ancillary Order, and CWB in respect of the Non-Applicant Real Property (excluding the 772 Leased Real Property). Any equipment lessors with security interests in certain leased assets will either be assumed or paid by the Purchasers pursuant to the terms of the Transaction or their assets will be returned to the lessor.

6. The CCAA AVO provides that these distributions will be made free and clear of any claims and encumbrances. The Monitor notes that provincial legislation regarding tobacco taxes establishes a deemed trust in favour of tobacco tax authorities; however, that deemed trust is not operative pursuant to Section 37 of the CCAA. The Monitor notes that the applicable provinces will be served with this Report, as has been the case with all relevant materials filed in these proceedings.
7. Based on the foregoing, the Monitor recommends that the Court issue an order or orders:
 - a) authorizing the Monitor to make distributions to CWB to repay it in full from the proceeds of the sale of the 772 Owned Real Property; and
 - b) subject to the Monitor retaining sufficient reserves to satisfy, among other things, employee wages and vacation pay, the Administration Charge and the D&O Charge (subject to Court approval of the Release), authorizing the Applicant to make certain distributions, to the extent funds are available, including under the Transaction Fee Charge, the Lender Priority Charge and the CIBC Prefiling Security.

6.0 Tobacco Tax Recoveries

1. A table comparing the amounts projected to be owed by the Applicants to the Provinces and Territories as of November 17, 2023¹⁵ to the amounts owing as of the date of the Filing Date is provided below.

(\$000s)	November 17 Projection	Filing Date	Change
British Columbia	3,638	4,281	(643)
Alberta ¹⁶	16,085	13,780	2,305
Saskatchewan	1,880	4,386	(2,506)
Manitoba	1,426	452	974
Ontario	639	1,342	(702)
Northwest Territories	279	340	(61)
Nunavut	-	344	(344)
Yukon	822	535	287
Total	24,769	25,459	(691)

¹⁵ The last business day before closing.

¹⁶ The Monitor understands that the Province of Alberta's records may reflect a lower amount owing as of the Filing Date. The Monitor believes this amount would be approximately \$7.3 million. This is because the Province of Alberta's records would be based on the tobacco tax obligation as of the end of May 2023 and not as of the Filing Date.

2. As is evidenced by the table above, on a net basis, the tobacco taxes projected to be owing by the Applicants as of November 17, 2023 approximate the tobacco taxes owing as of the date of the Initial Order. The table reflects that the amounts owing to certain Provinces and Territories are projected to decline while the amounts owing to others are projected to increase, with Alberta seeing the greatest increase. This is largely because as of the Filing Date, Alberta and the Applicants had agreed to a payment plan in respect of tobacco tax arrears owing at the time, which the Applicants were unable to maintain during the CCAA proceedings. As noted in the Fourth Report Supplement, on October 1, 2023, Alberta withdrew Wallace & Carey's status as a tax collector such that Wallace & Carey is required to pay tobacco taxes at the time of purchase versus at the time of sale, which was the case until that time.
3. Based on the analyses performed by the Monitor, as discussed in Section 4.2 above, the projected repayments to the Provinces and Territories resulting from the Transaction materially exceed the amounts that the Provinces and Territories would receive if the business and assets of the Applicants were liquidated.
4. During the TSA period, Wallace & Carey intends to continue to pay tobacco taxes in the ordinary course.

7.0 Sealing

1. The Applicants are also seeking a Sealing Order, sealing on the Court file the Confidential Appendix to this Report, which contains a summary of bids received during the SISP. The availability of this information to other parties may negatively impact any future sale process if the Transaction does not close, or with respect to other elements of the Applicants' business that may be sold in the future. In the Monitor's view, sealing this information until the earlier of the termination of these proceedings or further Order of this Court is necessary to maximize recoveries in these proceedings and to maintain the integrity and confidentiality of key information in the SISP. The salutary effects of sealing such information from the public record greatly outweigh any deleterious effects of doing so. The Monitor is of the view that the Sealing Order is appropriate in the circumstances, satisfies the test from *Sherman Estate v. Donovan* 2021 SCC 25, and that no stakeholders will be prejudiced if the information is sealed.

8.0 Recommendation

1. The Monitor recommends that the Court issue the CCAA AVO, the Receivership Order and the Receivership AVO for the following reasons:
 - a) A&M carried out the SISP in accordance with its terms;
 - b) A&M widely canvassed the market for potential purchasers. Any purchaser of the Wallace & Carey business would have required a new “service agreement” with 7-Eleven. Among other reasons, the Applicants’ declining liquidity did not provide 7-Eleven with sufficient time to negotiate a service agreement with a new distributor;
 - c) the value of the Transaction exceeds liquidation value. The Transaction has been extensively negotiated. The Monitor believes that the Transaction is, by far, the best outcome for the business and its stakeholders in the circumstances, and is intended to maximize value. The Monitor does not believe there is any viable transaction alternative available to the Applicants;
 - d) the Applicants have had a series of liquidity challenges throughout these proceedings, which liquidity challenges are continuing. Accordingly, it is imperative that a transaction be completed forthwith. Liquidation is a probability if the Transaction is not approved by the Court;
 - e) the Forbearance Agreement has been terminated. Absent completion of the Transaction, it is unlikely that CIBC will continue to fund the going concern operations of Wallace & Carey’s business;
 - f) The Monitor does not believe that the Provinces and Territories would have a superior outcome to the Transaction if it is not approved. Wallace & Carey intends to continue to remit to the Provinces and Territories all tobacco taxes accruing from the date of closing and following;
 - g) the transaction will see the Wallace & Carey business continue during the transition periods, at a minimum. The Purchaser has undertaken to encourage a future service provider (or providers) to offer employment to Wallace & Carey employees. The Purchaser is also considering long-term self-distribution, which would also provide employees with opportunities for long-term employment; and

- h) the continuation of the business will provide Wallace & Carey's vendors with an opportunity to continue their relationship with 7-Eleven, which is critically important to many of them.

* * *

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 B

[ATTACHED]

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 OF ARRANGEMENT OF
WALLACE & CAREY INC., LOUDON
BROS. LIMITED, and CAREY
MANAGEMENT INC.

APPLICANTS

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

DOCUMENT

APPROVAL AND VESTING ORDER

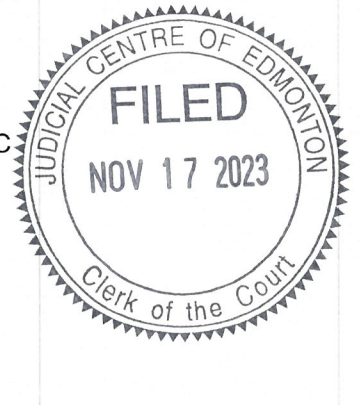
ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

MILLER THOMSON LLP
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ptakhar@millerthomson.com

File No.: 0221652.0006

Clerk's Stamp



I hereby certify this to be a
true copy of the original.

for Clerk of the Court

DATE ON WHICH ORDER WAS PRONOUNCED: November 17, 2023

LOCATION WHERE ORDER WAS PRONOUNCED: Edmonton
Calgary, Alberta

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

UPON THE APPLICATION by Wallace & Carey Inc. ("W&C"), Loudon Bros. Limited ("Loudon"), and Carey Management Inc. ("CMI", collectively with W&C and Loudon, the "Applicants") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an order (this "Order"), *inter alia*, approving the transaction contemplated by the asset purchase agreement dated as of November 7, 2023 (the "Sale Agreement") among the Applicants and 7-Eleven Canada, Inc. (the "Purchaser") for the sale of certain undertakings, property and assets of the Applicants (the "Transaction"), a copy of the Agreement which is

attached as Exhibit A to Affidavit No. 3 of Eric Rolheiser sworn November 7, 2023 (the “**Rolheiser Affidavit**”).

AND UPON HAVING READ the Application, the Rolheiser Affidavit, the Affidavit of Service of Marica Ceko sworn November 14, 2023, and the Sixth Report of KSV Restructuring Inc. (the “**Monitor**”) in its capacity as Court-appointed Monitor and proposed receiver dated November 8, 2023 (the “**Sixth Report**”), which affixes the report of Alvarez & Marsal Canada Securities ULC (the “**Financial Advisor**”) appended thereto including the confidential exhibit (the “**Confidential Exhibit**”), the Supplement to the Sixth Report of the Monitor dated November 16, 2023, each filed;

AND UPON HEARING the submissions of counsel for the Applicants, the Purchaser, the Monitor, Canadian Imperial Bank of Commerce, Canadian Western Bank, and such other parties present;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this application and time for service of this application is abridged to that actually given.

CAPITALIZED TERMS

2. Capitalized terms used but not otherwise defined in this Order shall have the meaning given to such terms in the Sale Agreement as the context may require.

APPROVAL OF TRANSACTION

3. The Sale Agreement and Transaction are hereby approved and execution of the Sale Agreement by the Applicants is hereby authorized and approved, with such amendments to the Sale Agreement as the Applicants and the Purchaser may agree to with the consent of the Monitor. The performance by the Applicants of their obligations under the Sale Agreement are hereby authorized and approved. The Applicants are hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for completion of the Transaction and conveyance of the Purchased Assets to the Purchaser.

VESTING OF PROPERTY

4. Upon delivery of a Monitor's certificate to the Purchaser (or its nominee) substantially in the form set out in **Schedule "A"** hereto (the "**Monitor's Closing Certificate**"), all of Applicants' right, title and interest in and to the Purchased Assets as such term is defined in the Sale Agreement attached as **Schedule "B"** hereto shall vest absolutely in the name of the Purchaser (or its nominee), free and clear of and from any and all caveats, security interests, hypothecs, pledges, mortgages, liens, trusts or deemed trusts, reservations of ownership, royalties, options, rights of pre-emption, privileges, interests, assignments, actions, judgements, executions, levies, taxes, writs of enforcement, charges, or other claims, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, "**Claims**") including, without limiting the generality of the foregoing:

- (a) any encumbrance or charges created by the Amended and Restated Initial Order dated June 30, 2023, or any other Order granted in these proceedings;
- (b) any charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or any other personal property registry system;
- (c) any liens or claims of lien under the *Builders' Lien Act* (Alberta); and
- (d) those Claims listed in **Schedule "C"** hereto (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, caveats, interests, easements, and restrictive covenants listed in **Schedule "D"** (collectively, "**Permitted Encumbrances**");

and for greater certainty, this Court orders that all Claims including Encumbrances other than Permitted Encumbrances, affecting or relating to the Purchased Assets are hereby expunged, discharged and terminated as against the Purchased Assets.

5. Upon delivery of the Monitor's Closing Certificate, and upon filing of a certified copy of this Order, together with any applicable registration fees, all governmental authorities including those referred to below in this paragraph (collectively, "**Governmental Authorities**") are hereby authorized, requested and directed to accept delivery of such Monitor's Closing Certificate and certified copy of this Order as though they were originals and to register such transfers, interest authorizations, discharges and discharge statements of conveyance as

may be required to convey to the Purchaser or its nominee clear title to the Purchased Assets subject only to Permitted Encumbrances. Without limiting the foregoing:

- (a) the Registrar of the Alberta Personal Property Registry (the “**PPR Registrar**”) shall and is hereby directed to forthwith cancel and discharge any registrations at the Alberta Personal Property Registry (whether made before or after the date of this Order) claiming security interests (other than Permitted Encumbrances) in the estate or interest of the Applicants in any of the Purchased Assets which are of a kind prescribed by applicable regulations as serial-number goods.
6. In order to effect the transfers and discharges described above, this Court directs each of the Governmental Authorities to take such steps as are necessary to give effect to the terms of this Order and the Sale Agreement. Presentment of this Order and the Monitor’s Closing Certificate shall be the sole and sufficient authority for the Governmental Authorities to make and register transfers of title or interest and cancel and discharge registrations against any of the Purchased Assets of any Claims including Encumbrances but excluding Permitted Encumbrances.
7. No authorization, approval or other action by and no notice to or filing with any governmental authority or regulatory body exercising jurisdiction over the Purchased Assets is required for the due execution, delivery and performance by the Applicants of the Sale Agreement.
8. For the purposes of determining the nature and priority of Claims, net proceeds from sale of the Purchased Assets (to be held in an interest bearing trust account by the Monitor) shall stand in the place and stead of the Purchased Assets from and after delivery of the Monitor’s Closing Certificate and all Claims including Encumbrances (but excluding Permitted Encumbrances) shall not attach to, encumber or otherwise form a charge, security interest, lien, or other Claim against the Purchased Assets and may be asserted against the net proceeds from sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale. Unless otherwise ordered (whether before or after the date of this Order), the Monitor shall not make any distributions to creditors of net proceeds from sale of the Purchased Assets without further order of this Court.
9. Except as expressly provided for in the Sale Agreement or by section 5 of the Alberta *Employment Standards Code* if and to the extent it applies, the Purchaser (or its nominee)

shall not, by completion of the Transaction, have liability of any kind whatsoever in respect of any Claims against the Applicants.

10. Upon completion of the Transaction, the Applicants and all persons who claim by, through or under the Applicants in respect of the Purchased Assets, and all persons or entities having any Claims of any kind whatsoever in respect of the Purchased Assets, save and except for persons entitled to the benefit of the Permitted Encumbrances, shall stand absolutely and forever barred, estopped and foreclosed from and permanently enjoined from pursuing, asserting or claiming any and all right, title, estate, interest, royalty, rental, equity of redemption or other Claim whatsoever in respect of or to the Purchased Assets, and to the extent that any such persons or entities remain in the possession or control of any of the Purchased Assets, or any artifacts, certificates, instruments or other indicia of title representing or evidencing any right, title, estate, or interest in and to the Purchased Assets, they shall forthwith deliver possession thereof to the Purchaser (or its nominee).
11. The Purchaser (or its nominee) shall be entitled to enter into and upon, hold and enjoy the Purchased Assets for its own use and benefit without any interference of or by the Applicants, or any person claiming by, through or against the Applicants.
12. Immediately upon closing of the Transaction, holders of Permitted Encumbrances shall have no claim whatsoever against the Applicants.
13. The Monitor is directed to file with the Court a copy of the Monitor's Closing Certificate forthwith after delivery thereof to the Applicants and Purchaser (or its nominee).
14. The Monitor may rely on written notice from the Applicants and the Purchaser or their respective counsel regarding the satisfaction of the Purchase Price and the fulfillment of the conditions to closing under the Sale Agreement and shall incur no liability with respect to the delivery of the Monitor's Closing Certificate.
15. Pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act* (Canada) and section 20(e) of the *Alberta Personal Information Protection Act*, the Applicants are authorized and permitted to disclose and transfer to the Purchaser (or its nominee) all human resources and payroll information in Applicants' records pertaining to the Applicants' past and current employees. The Purchaser (or its nominee) shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use (of such information) to which the Applicants were entitled.

APPROVAL OF TRANSITION SERVICES AGREEMENT

16. The TSA (as defined in the Sale Agreement) is hereby approved and execution of the TSA by the Applicants and the Monitor is hereby authorized and approved, with such amendments to the TSA as the Applicants and the Purchaser may agree to with the consent of the Monitor. The performance by the Applicants of their obligations under the TSA are hereby authorized and approved. The Applicants are hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for completion of the TSA.

RELEASES

17. Effective upon the filing of the Monitor's Closing Certificate: (i) the present and former directors, officers and employees of the Applicants; (ii) their respective legal counsel and advisors; (iii) the legal counsel and advisors of the Applicants and the Purchaser; and (iv) the Monitor and its legal counsel (the persons listed in (i), (ii), (iii) and (iv) being collectively, the "**Released Parties**") shall be deemed to be forever irrevocably released and discharged from any and all present and future claims (including, without limitations, claims for contribution or indemnity), liabilities, indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place prior to the issuance of the Monitor's Closing Certificate (collectively, the "**Released Claims**"), which Released Claims are hereby fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, provided that nothing in this paragraph 17 shall waive, discharge, release, cancel or bar any claim against any of the Released Parties for fraud, gross negligence, or willful misconduct, or any claims against the directors and officers of each of the Applicants that is not permitted to be released pursuant to section 5.1(2) of the CCAA.

THE MONITOR

18. Without in any way limiting the Monitor's powers set out in the Amended and Restated Initial Order, any other Order of this Court in these CCAA proceedings, or under the CCAA or

applicable law, the Monitor is hereby authorized to undertake and perform such activities and obligations as are contemplated to be undertaken or performed by the Monitor pursuant to this Order and the Sale Agreement or any ancillary document related thereto, and shall incur no liability in connection therewith, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall affect, vary, derogate from, limit or otherwise amend any of the protections in favour of the Monitor at law or pursuant to the CCAA, the Amended and Restated Initial Order or any other Order granted in these CCAA proceedings.

19. The Monitor may rely on written notice from the Applicants and the Purchaser or their respective counsel regarding the satisfaction of the Purchase Price and the fulfillment of the conditions to closing under the Sale Agreement and shall incur no liability with respect to the delivery of the Monitor's Closing Certificate.

ASSIGNMENT OF ASSIGNED CONTRACTS

20. Upon delivery by the Monitor to the Applicants and the Purchaser of the Monitor's Closing Certificate and payment of all amounts required pursuant to section 11.3(4) of the CCAA, all of the rights and obligations of the Applicants under and to the Assigned Contracts (as defined in the Sale Agreement) (the "**Assigned Contracts**"), shall be assigned, conveyed and transferred to, and assumed by, the Purchaser pursuant to this Order. For certainty, the Purchaser is assuming all obligations and liabilities of the Applicants under the Assigned Contracts.
21. The assignment of the Assigned Contracts is declared to be valid and binding upon all of the counterparties to the Assigned Contracts notwithstanding any restriction, condition or prohibition contained to the Assigned Contracts relating to the assignment thereof, including any provision requiring the consent of any party to the assignment.
22. The assignment and transfer of the Assigned Contracts shall be subject to the provisions of this Order.
23. No counterparty under any Assigned Contract, nor any other person, upon the assignment and transfer to, and assumption by, the Purchaser of the Assigned Contracts hereunder shall make or pursue any demand, claim, action or suit or exercise any right or remedy under any Assigned Contract against the Purchaser relating to:

- (a) the Applicants having sought or obtained relief under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended (the “**BIA**”);
- (b) the insolvency of the Applicants; or
- (c) any failure by the Applicants to perform a non-monetary obligation under the Assigned Contract,

and all such counterparties and persons shall be forever barred and estopped from taking such action. For greater certainty, nothing herein shall limit or exempt the Purchaser in respect of obligations accruing, arising or continuing after the Closing Date (as defined in the Sale Agreement) under the Assigned Contracts other than in respect of items (a)-(b) above.

INTERIM DISTRIBUTION

- 24. Following delivery of the Monitors' Closing Certificate, the Monitor, is hereby authorized, on behalf of the Applicants to hold back from the distributions authorized in paragraph 24 hereof, (i) an amount as the Monitor determines is necessary to satisfy any outstanding and anticipated professional fees and disbursements of the Applicants, the Monitor, the Monitors' counsel and any outstanding Work Fees of A&M (the “**Admin Holdback**”); and (ii) an amount as the Monitor determines is necessary to satisfy the following post-filing incurred but unpaid amounts: employee wages and benefits, employee vacation pay, sales taxes, and trade payables, accrued, and an amount sufficient to fund operational losses of the Applicants prior to closing (collectively, the “**Operational Holdback**”, together with the Admin Holdback the “**Holdback**”). Provided further, following the creation of the Holdback, the Administration Charge shall attach only to the Holdback.
- 25. Further to the releases set out at paragraph 17 of this Order being herein granted and approved, following delivery of the Monitor's Closing Certificate, the D&O Charge shall be released, and any holdback of funds from distribution that would have been required to secure that charge shall be distributed in accordance with paragraph 26(c) below.
- 26. Following delivery of the Monitor's Closing Certificate, the Applicants, by way of the Monitor, are hereby authorized and directed, subject to the creation of the Holdback and receipt by the Applicants (or the Monitor on behalf of the Applicants) of sufficient funds, to:
 - (a) pay to A&M the Transaction Fee, in an amount to be determined by A&M, the Applicants and the Monitor pursuant to the Advisor Agreement dated August 13,

2023 in full and final satisfaction of all amounts secured by the Transaction Fee Charge, and following payment of such amount, the Transaction Fee Charge shall be and is hereby terminated;

- (b) pay, in one or more payments, an amount necessary to satisfy all amounts secured by the Lender Priority Charge to CIBC;
- (c) pay, in one or more payments, an aggregate amount not to exceed \$4,000,000 on account of the amount by which any claim of a provincial or territorial tobacco tax authority (the “**Tobacco Tax Authority(s)**”) claim against the Applicants for unpaid tobacco taxes as of the date of delivery of the Monitor's Closing Certificate exceeds the amount owing as of June 22, 2023 (the “**Incremental Post-Filing Tobacco Tax Exposure**”) to such Tobacco Tax Authority. Notwithstanding the foregoing, should the aggregate Incremental Post-Filing Tobacco Tax Exposure exceed \$4,000,000, payments to each Tobacco Tax Authority with respect to such Incremental Post-Filing Tobacco Exposure shall be made on a pro rata basis;
- (d) pay, in one or more payments an amount necessary to satisfy all pre-filing obligations owing under the CIBC Credit Agreement (as defined in the Sixth Report), including for greater certainty, obligations in connection with the BCAP Loan (as defined in the Sixth Report); and

The foregoing distributions shall be made free and clear of all Claims, including for greater certainty any deemed trust claims. For greater certainty, any amounts distributed to CIBC by KSV Restructuring Inc. in its capacity of Receiver of 772921 Alberta Inc., Spruce It Up Land Corp. and Ridge Meadows Properties Ltd. shall be taken into account in calculating the amounts owed to CIBC in respect of the above distributions.

SEALING AND CONFIDENTIALITY

- 27. The Confidential Exhibit shall be sealed on the Court file, kept confidential, and not form part of the public record, notwithstanding Division 4 of Part 6 of the Alberta Rules of Court.
- 28. The Confidential Exhibit contains confidential and commercially sensitive information, which if made publicly available could be used to the detriment of the parties and these proceedings, and shall be sealed on the Court file, not form part of the public record, and not be available for public inspection until the Monitor files a certificate with this Court confirming the conclusion of these proceedings, or further order by this Court.

29. The Clerk of the Court shall file the Confidential Exhibit in a sealed envelope attached to a notice that sets out the style of cause of these proceedings and states that:

THIS ENVELOPE CONTAINS CONFIDENTIAL MATERIALS FILED IN THE COURT OF KING'S BENCH FILE NO.: 2301 - 08305. THE CONFIDENTIAL MATERIALS ARE SEALED PURSUANT TO THE SEALING ORDER GRANTED BY THE HONOURABLE JUSTICE BURNS ON NOVEMBER 17, 2023, AND ARE NOT TO BE PLACED ON THE PUBLIC RECORD OR MADE PUBLICALLY ACCESSIBLE, UNTIL THE FILING OF A CERTIFICATE SIGNIFYING THE CONCLUSION OF THESE PROCEEDINGS, OR FURTHER ORDER OF THE COURT.

30. Any person, entity or party affected by the sealing of the Confidential Exhibit may apply to have the Sealing Order vacated, substituted, modified or varied, with such application to be brought on at least seven days' notice to the Companies and any other interested party.

MISCELLANEOUS MATTERS

31. Notwithstanding:

- (a) the pendency of these proceedings and any declaration of insolvency made herein;
- (b) the pendency of any applications for a bankruptcy order now or hereafter issued pursuant to the BIA, in respect of the Applicants, and any bankruptcy order issued pursuant to any such applications;
- (c) any assignment in bankruptcy made in respect of any of the Applicants; and
- (d) the provisions of any federal or provincial statute:

the vesting of the Purchased Assets in the Purchaser (or its nominee) pursuant to this Order and the interim distribution (set out at paragraphs 24 and 25) shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicants and shall not be void or voidable by creditors of the Applicants, nor shall it constitute nor be deemed to be a transfer at undervalue, settlement, fraudulent preference, assignment, fraudulent conveyance, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

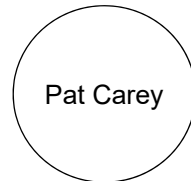
32. The Applicants, the Monitor, the Purchaser (or its nominee) and any other interested party, shall be at liberty to apply for further advice, assistance and direction as may be necessary in order to give full force and effect to the terms of this Order and to assist and aid the parties in closing the Transaction.
33. This Honourable Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any of its provinces or territories or in any foreign jurisdiction, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order and to assist the Applicants, the Monitor and their agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such order and to provide such assistance to the Monitor, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist the Monitor and its agents in carrying out the terms of this Order.
34. Service of this Order shall be deemed good and sufficient by:
- (a) Serving the same on:
 - (i) the persons listed on the service list created in these proceedings;
 - (ii) any other person served with notice of the application for this Order;
 - (iii) any other parties attending or represented at the application for this Order;
 - (iv) the Purchaser or the Purchaser's solicitors; and
 - (b) Posting a copy of this Order on the Monitor's website at:
<https://www.ksvadvisory.com/experience/case/wallace-and-carey>
- and service on any other person is hereby dispensed with.
35. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.



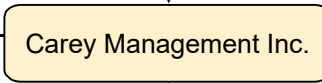
Justice of the Court of King's Bench of Alberta

APPENDIX C

[ATTACHED]



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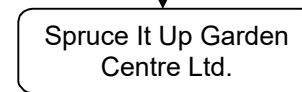
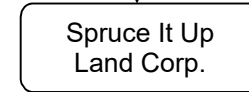
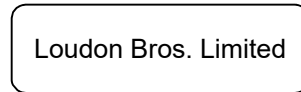
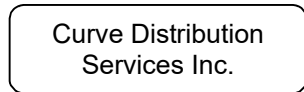
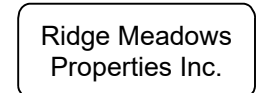
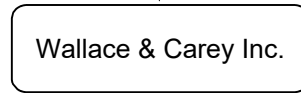
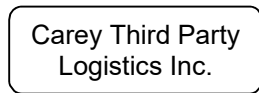
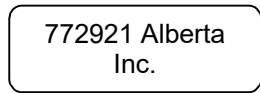
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APPENDIX D

[ATTACHED]



Jason Knight

ksv restructuring inc.

Suite 1165, 324 – 8th Avenue SW, Box 129

Calgary, Alberta, T2P 2Z2

T +1 587 287 2605

F +1 416 932 6266

jknight@ksvadvisory.com

www.ksvadvisory.com

November 6, 2024

DELIVERED BY EMAIL

Attention: See attached Schedule “A”

Dear Sirs/Mesdames:

**RE: In the Matter of the Compromise or Arrangement of Wallace & Carey Inc., Loudon Bros Limited, and Carey Management Inc. (collectively the “Companies”)
Court File Number 2301-08305**

As you are aware, KSV Restructuring Inc. is the Court-appointed monitor (in such capacity, the “**Monitor**”) of the Companies.

The Monitor, on behalf of the Companies, intends on seeking court approval on November 25, 2024 for an interim distribution of \$5.5 million to Provincial/Territorial tobacco tax authorities (the “**Proposed Interim Distribution**”) with outstanding tax liabilities as at November 18, 2023.

The amount of the Proposed Interim Distribution available to each Province/Territory will be calculated on a pro-rata basis, based on each Provincial/Territorial tax authority’s outstanding tobacco tax liability as of November 18, 2023. The Monitor has calculated this liability in the table below under the column titled “Revised Liability”, based on the most recent information available to it:

Province	Liability (as of Nov 18, 2023) (\$)	D&O Charge Distribution (\$)¹	Revised Liability (\$)
Alberta	15,003,199	(1,223,267)	13,779,932
British Columbia	6,237,869	(1,956,828)	4,281,041
Yukon	668,008	(132,986)	535,022
Saskatchewan	2,135,245	-	2,135,245
Ontario ²	256,309	-	256,309
Northwest Territories	145,027	-	145,027
Manitoba	-	-	-
Nunavut	-	-	-
Total	24,445,657	(3,313,081)	21,132,576

¹ Reflects the distributions made by the Monitor pursuant to the order granted by the Court of King’s Bench of Alberta on August 22, 2024.

² As this amount was paid to Ontario by 7-Eleven Canada Inc. (“**7-Eleven**”), the Monitor intends to pay to 7-Eleven all distributions to which Ontario is otherwise entitled.

The Monitor is requesting that each Provincial/Territorial tobacco tax authority advise us no later than **5:00 pm (MT) on November 14, 2024** (the "**Deadline**") if they agree that the Revised Liability amount set out above is correct. If you believe the amount to be incorrect, please advise by or before the Deadline and provide supporting documentation. The Monitor will then be in touch with you to attempt to reconcile any differences.

All communications in response to this letter can be directed to counsel for the Monitor, Cassels Brock & Blackwell c/o Jeffrey Oliver (joliver@cassels.com), cc Natalie Thompson (nthompson@cassels.com).

Yours very truly,

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

A handwritten signature in blue ink, appearing to read 'J. Knight', is written over the printed name.

Per: Jason Knight
Managing Director

cc (by email): Jeffrey Oliver and Natalie Thompson, Cassels Brock & Blackwell LLP, counsel to the Monitor

Enclosure.

Schedule "A"

GOVERNMENTAL AGENCIES		
TAX AND REVENUE ADMINISTRATION Alberta Treasury Board and Finance 9811 109 Street Edmonton, Alberta T5K 2L5 Tel: 780-427-3044 Email: tra.revenue@gov.ab.ca tbf.sco@gov.ab.ca Ulrich Drachenberg Email: Ulrich.Drachenberg@gov.ab.ca cc : Alberta Justice: Rachelle Sorgiovanni Rachelle.Sorgiovanni@gov.ab.ca Lisa Friesenhan lisa.friesenhan@gov.ab.ca Laura Pflughaupt Laura.Pflughaupt@gov.ab.ca TBF.Insolvencies@gov.ab.ca	Email	Creditor
JUSTICE, HEALTH AND REVENUE (BC) Legal Services Branch, Ministry of Attorney General PO Box 9280 Stn Prov Govnt Victoria, BC, V8W 9J7 Aaron Welch Email: Aaron.Welch@gov.bc.ca Andrea Glen Email: Andrea.Glen@gov.bc.ca AGLSBRevTaxInsolvency@gov.bc.ca	Email	Creditor
SASKATCHEWAN MINISTRY OF FINANCE Revenue Operations Branch Collections and Enforcement PO Box 200 Regina, SK, S4P 2Z6, Canada Attn: Janine Vindevoghel Supervisor, Ministry of Finance Tel: 304.787.4601 Email: janine.vindevoghel@gov.sk.ca sask.taxinfo@gov.sk.ca	Email	Creditor

GOVERNMENTAL AGENCIES		
MANITOBA FINANCE Winnipeg Office 101 - 401 York Avenue Winnipeg MB R3C 0P8 Tel: 204.945.6444 Email: MBTax@gov.mb.ca	Email	Creditor
ONTARIO MINISTRY OF FINANCE 33 King Street West PO Box 625 Oshawa, Ontario L1H 8H9 Steven Groeneveld , Counsel Oshawa Legal Services Branch Tel: 905.431.8380 Email: Steven.Groeneveld@ontario.ca Insolvency Unit Email: Insolvency.Unit@ontario.ca	Email	Creditor
GOVERNMENT OF THE NORTHWEST TERRITORIES Treasury Division, Department of Finance PO Box 1320 Yellowknife, NT X1A 2L9, Canada Tel: 867.767.9177 ext. 15273 Email: NWT_tax@gov.nt.ca	Email	Creditor
GOVERNMENT OF NUNAVUT Department Of Finance P.O. Box 1000 Station 200 Iqaluit, Nunavut X0A 0H0 Tel: 1-800-316-3324 Email: Fin.financialservices@gov.nu.ca Email: tobaccotax@gov.nu.ca	Email	Creditor
GOVERNMENT OF YUKON Department of Finance Box 2703 Whitehorse, Yukon Y1A 2C6 Tel: 867.667.5811 Email: fininfo@yukon.ca Email: yk.taxreturns@yukon.ca	Email	Creditor

APPENDIX E

[ATTACHED]

(Unaudited; \$CAD Thousands)

		Week ending																										
	Note	Nov 16	Nov 23	Nov 30	Dec 07	Dec 14	Dec 21	Dec 28	Jan 04	Jan 11	Jan 18	Jan 25	Feb 01	Feb 08	Feb 15	Feb 22	Mar 01	Mar 08	Mar 15	Mar 22	Mar 29	Apr 05	Apr 12	Apr 19	Apr 26	May 03	Total	
RECEIPTS																												
Collections from sales	2	9,449	10,416	10,465	10,558	11,178	11,015	12,059	11,528	11,010	10,044	8,977	9,050	9,790	9,950	9,865	9,401	9,673	9,515	9,501	10,145	9,918	10,951	10,639	10,840	11,204	257,140	
Total Receipts		9,449	10,416	10,465	10,558	11,178	11,015	12,059	11,528	11,010	10,044	8,977	9,050	9,790	9,950	9,865	9,401	9,673	9,515	9,501	10,145	9,918	10,951	10,639	10,840	11,204	257,140	
DISBURSEMENTS																												
Inventory purchases	3	(7,302)	(7,367)	(7,283)	(8,506)	(8,793)	(9,437)	(9,304)	(8,902)	(8,401)	(7,682)	(6,797)	(6,851)	(7,395)	(7,512)	(7,450)	(7,109)	(7,309)	(7,193)	(7,182)	(7,655)	(7,488)	(8,248)	(8,019)	(8,166)	(8,434)	(195,784)	
Remittance of tobacco sales tax		-	(4,612)	(1,118)	-	-	(4,737)	-	(1,148)	-	-	(5,879)	(1,425)	-	-	(4,857)	(1,177)	-	-	(4,536)	(1,100)	-	-	-	(4,556)	(1,085)	(36,229)	
GST collected /(paid)		-	-	(539)	-	-	-	(439)	-	-	-	(489)	-	-	-	(472)	-	-	-	(465)	-	-	-	(512)	-	-	(2,916)	
Operating Disbursements	5	(1,568)	(740)	(1,456)	(3,757)	(1,110)	(1,228)	(1,110)	(429)	(1,437)	(688)	(1,100)	(350)	(1,437)	(688)	(1,100)	(688)	(1,100)	(688)	(1,100)	(688)	(1,100)	(688)	(1,100)	(688)	(1,100)	(27,137)	
Total Operating Disbursements		(8,870)	(12,719)	(10,396)	(12,263)	(9,903)	(15,401)	(10,852)	(10,480)	(9,839)	(8,369)	(14,264)	(8,626)	(8,832)	(8,200)	(13,879)	(8,974)	(8,409)	(7,881)	(13,283)	(9,443)	(8,588)	(8,936)	(9,631)	(13,410)	(10,618)	(262,067)	
Other (Disbursements) / Income																												
Professional fees	4	-	(4)	-	-	-	(40)	-	-	-	(25)	-	-	-	(25)	-	-	-	(50)	-	-	-	-	(50)	-	-	(194)	
Funding from 7-Eleven		-	4,308	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,308	
Total Other Disbursements		-	4,304	-	-	-	(40)	-	-	-	(25)	-	-	-	(25)	-	-	-	(50)	-	-	-	-	(50)	-	-	4,114	
Total Disbursements		(8,870)	(8,416)	(10,396)	(12,263)	(9,903)	(15,441)	(10,852)	(10,480)	(9,839)	(8,394)	(14,264)	(8,626)	(8,832)	(8,225)	(13,879)	(8,974)	(8,409)	(7,931)	(13,283)	(9,443)	(8,588)	(8,936)	(9,681)	(13,410)	(10,618)	(257,953)	
Net Cash Flow		579	2,000	69	(1,705)	1,275	(4,426)	1,207	1,048	1,171	1,649	(5,288)	424	958	1,725	(4,014)	427	1,264	1,585	(3,782)	702	1,329	2,015	958	(2,570)	586	(813)	
Opening Cash		12,316	12,895	14,895	14,964	13,259	14,534	10,108	11,315	12,363	13,534	15,184	9,896	10,320	11,278	13,003	9,899	9,416	10,680	12,265	8,483	9,185	10,514	12,529	13,488	10,918	12,316	
Net cash flow		579	2,000	69	(1,705)	1,275	(4,426)	1,207	1,048	1,171	1,649	(5,288)	424	958	1,725	(4,014)	427	1,264	1,585	(3,782)	702	1,329	2,015	958	(2,570)	586	(813)	
Ending Cash		12,895	14,895	14,964	13,259	14,534	10,108	11,315	12,363	13,534	15,184	9,896	10,320	11,278	13,003	9,899	9,416	10,680	12,265	8,483	9,185	10,514	12,529	13,488	10,918	11,503	11,503	

Notes to Projected Weekly Cash Flow Statement (Consolidated)

November 10, 2024 to May 3, 2025

(Unaudited; \$CAD)

Purpose and General Assumptions

1. The purpose of the projection is to present a cash flow forecast of Carey Management Inc. ("CMI"), Wallace & Carey Inc. ("Wallace & Carey"), and Loudon Bros Limited ("Loudon Bros", together with CMI and Wallace & Carey, the "Applicants") from November 10, 2024 to May 3, 2025 (the "Period") in connection with the Transition Services Agreement dated November 20, 2023 (the "TSA").

The cash flow projection has been prepared based on hypothetical and most probable assumptions provided by the Applicants, with input from 7-Eleven Canada, Inc.

Hypothetical

2. Represents collections of inventory sold in the ordinary course and the collection of taxes, including tobacco taxes.
3. Represents inventory purchases for sale by Wallace & Carey in the ordinary course of business.
4. Forecasted payment of the fees of the Monitor, its counsel, and the Companies' counsel in connection with the TSA.

Most Probable

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

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 15th day of November, 2024 for the period November 10, 2024 to May 3, 2025 (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.

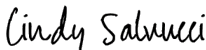
Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

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 15th day of November, 2024.

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

Signed by:

Cindy Salvucci

86D7692DD433457...

Per: Cindy Salvucci
Financial Controller

APPENDIX F

[ATTACHED]

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 15th day of November, 2024, consisting of a weekly projected cash flow statement for the period November 10, 2024 to May 3, 2025 (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 Calgary, Alberta this 15th day of November, 2024.

KSV Restructuring Inc.

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

APPENDIX G

[ATTACHED]

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT PROCEEDINGS OF
WALLACE & CAREY INC., LOUDON BROS LIMITED and CAREY MANAGEMENT INC.**

**SUMMARY OF PROFESSIONAL FEES
FOR THE PERIOD OF AUGUST 1, 2024 TO OCTOBER 31, 2024**

	Invoice	Fees	Costs	Sub-total	GST	Total
Monitor's Fees						
August 1, 2024 to August 31, 2024	3891	\$ 42,904.50	\$ -	\$ 42,904.50	\$ 2,145.23	\$ 45,049.73
September 1, 2024 to September 30, 2024	3937	28,986.75	-	28,986.75	1,449.34	30,436.09
October 1, 2024 to October 31, 2024	4028	27,821.75	63.07	27,884.82	1,394.24	29,279.06
Total Monitor's Fees		99,713.00	63.07	99,776.07	4,988.81	104,764.88
Monitor's Legal Counsel Fees						
August 1, 2024 to August 31, 2024	2250789	20,260.00	28.00	20,288.00	1,013.00	21,301.00
September 1, 2024 to September 30, 2024	2253884	14,084.00	21.89	14,105.89	705.29	14,811.18
October 1, 2024 to October 31, 2024	2257606	9,009.50	193.76	9,203.26	450.86	9,654.12
Total Monitor's Legal Counsel Fees		43,353.50	243.65	43,597.15	2,169.15	45,766.30
Total Professional Fees		\$ 143,066.50	\$ 306.72	\$ 143,373.22	\$ 7,157.96	\$ 150,531.18