AlixPartners

| | |
|---|---|
| COURT FILE NUMBER | 2301 – 08305 |
| COURT | **COURT OF KING'S BENCH OF ALBERTA** |
| JUDICIAL CENTRE | CALGARY |
| PROCEEDINGS | N THE MATTER OF THE ***COMPANIES' CREDITORS ARRANGEMENT ACT***, RSC 1985, c. C-36, as amended<br><br>AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED and CAREY MANAGEMENT INC. |
| DOCUMENT | TWENTIETH REPORT OF THE MONITOR<br>July 31, 2026 |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | <u>MONITOR</u><br>AlixPartners Restructuring, Inc.<br>Suite 1165, 324 – 8$^{th}$ Avenue SW<br>Calgary, Alberta<br>T2P 2Z2<br><br>Attention: Bobby Kofman / Jason Knight<br>Telephone: (416) 932-6228 / (587) 287-2605<br>Facsimile: (416) 932-6266<br>Email: robert.kofman@alixpartners.com<br>jason.knight@alixpartners.com<br><br>**<u>MONITOR'S COUNSEL</u>**<br>Cassels Brock & Blackwell LLP<br>Bankers Hall West<br>Suite 3700, 888 – 3rd Street SW<br>Calgary, Alberta<br>T2P 5C5<br><br>Attention: Jeffrey Oliver / Kamryn Wiest<br>Telephone: (403) 351-2921 / (587) 441-3066<br>Facsimile: (403) 648-1151<br>E-Mail: joliver@cassels.com /<br>kwiest@cassels.com |

Contents Page

| Appendix | Tab |
|---|---|

# 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"), and Carey Management Inc. ("CMI", and together with Wallace & Carey and Loudon, the "Companies") were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and AlixPartners Restructuring, Inc. ("AlixPartners")[1] was appointed monitor of the Companies (the "Monitor").

2. On June 30, 2023, the Court granted an Amended and Restated Initial Order (the "ARIO"). The stay of proceedings (the "Stay") under the ARIO has been extended several times pursuant to orders of the Court, including most recently to August 14, 2026, pursuant to an order dated February 5, 2026 (the "February 5th Stay Extension Order"). A copy of the February 5th Stay Extension Order is attached as **Appendix "A"**.

3. Pursuant to an order granted by the Court on August 23, 2023, the Companies carried out a sale and investment solicitation process that resulted in a transaction (the "SEC Transaction") between the Companies and 7-Eleven Canada, Inc. ("SEC") that was approved by the Court on November 17, 2023 pursuant to an approval and vesting order (the "SEC Transaction Approval and Vesting Order") and other orders (together with the SEC Transaction Approval and Vesting Order, the "SEC Transaction Orders"). A detailed discussion of the SEC Transaction is provided in the Monitor's Sixth Report to Court dated November 8, 2023 (the "Sixth Report"), a copy of which is attached as **Appendix "B"**, without appendices.

[1] Effective June 1, 2026, KSV Restructuring Inc. became AlixPartners Restructuring, Inc. The professionals involved in this mandate from the outset remain unchanged.

4. Pursuant to the SEC Transaction Orders, the Court, among other things:

a) approved a sale of certain of the Companies' property, assets and undertakings to SEC, primarily fixed assets and real property;

b) approved a transition services agreement (the "TSA") among the Monitor, SEC, CMI, and Wallace & Carey (CMI and Wallace & Carey are referred to as the "Debtors" in the TSA); and

c) appointed AlixPartners as receiver (in such capacity, the "Receiver") of the following subsidiaries of CMI:

i. 772921 Alberta Inc. ("772 Alberta");

ii. Ridge Meadows Properties Ltd. ("Ridge Meadows"); and

iii. Spruce It Up Land Corp. ("SIU LC", and together with 772 Alberta and Ridge Meadows, the "Receivership Companies").

5. On February 21, 2025, on application by the Companies, the Court granted, among other things, an approval and vesting order approving the sale of certain additional assets of Wallace & Carey to 7-Eleven Distribution Canada Corporation (a subsidiary of SEC) ("SEDCC") (the "SEDCC Transaction").

6. On August 26, 2025, on application by SEC and SEDCC, the Court granted an order (the "Enhanced Powers Order") expanding the Monitor's power and authority over the Companies. The Enhanced Powers Order was sought and granted to provide the Monitor with the authority, powers, and protections to facilitate the completion of these CCAA proceedings given that Patrick Carey, the sole Director of the Companies, intended to, and has since, resigned. A copy of the Enhanced Powers Order is attached as **Appendix "C"**.

7. On September 19, 2025, on application by the Monitor, the Court granted an order extending the Stay and TSA to and including February 15, 2026 (the "TSA Term"), and approving the corresponding execution of a third amendment to the TSA. DigiFlex Information Systems Inc. ("DigiFlex") opposed the extension of the Stay and TSA Term.

## 1.1 DigiFlex Matters

1. On December 17, 2024, following a dispute with DigiFlex concerning its requirement to continue to provide access to the enterprise resource planning software (the "ERP Software") to the Debtors following the SEC Transaction, the Monitor obtained a Court order by consent (the "DigiFlex Consent Order"), among other things, requiring DigiFlex to continue to provide access to the ERP Software and related services until the later of the expiration of the Stay or the TSA Term. Although the following paragraphs provide a summary of the DigiFlex matter, additional details are included in the Nineteenth Report of the Monitor dated January 26, 2026 (the "Nineteenth Report") and the Supplement to the Nineteenth Report of the Monitor dated February 16, 2026 (the "Nineteenth Report Supplement"), which are attached (without appendices) as **Appendices "D"** and **"E"**, respectively.

2. After raising objections at the hearings on August 18 and September 19, 2025, on November 13, 2025, DigiFlex filed an application (the "DigiFlex Application") seeking, among other things, to lift the Stay as against it and a declaration that it had no obligation to provide access to the ERP Software to 7-Eleven Inc., SEC, or SEDCC (collectively, "7-Eleven"), Wallace & Carey, or Loudon. In response, the Monitor filed an application seeking dismissal of the DigiFlex Application and an assignment of Wallace & Carey's and Loudon's interests under the DigiFlex's software license agreements (the "DigiFlex License Agreements") to SEDCC pursuant to section 11.3 of the CCAA (the "Proposed Assignments").

3. On December 15, 2025, the Court issued the Reasons for Decision of Justice M.A. Marion (the "Reasons"), which, among other things:

   a) lifted the Stay as against DigiFlex effective February 15, 2026 at 11:59 p.m. (the "Stay Lift Date");

   b) declined DigiFlex's remaining requested relief; and

   c) adjourned the Monitor's request for the Proposed Assignments to allow the parties to pursue a commercial resolution.

4. As detailed in the Nineteenth Report, the parties were unable to agree on the form of order reflecting the Reasons and, as a result, the Monitor brought an application (the "Access Application") seeking, among other things: (i) the Court's advice and direction as to the scope of the lifting of the Stay; and (ii) a declaration that Wallace & Carey and Loudon may continue to use the ERP Software on a read-only basis following the Stay Lift Date.

5. On February 5, 2026, after hearing the Access Application together with a cross-application filed by DigiFlex (the "DigiFlex Cross-Application", together with the Access Application, the "Applications") seeking, among other things, a declaration that DigiFlex was entitled to terminate the DigiFlex License Agreements effective February 16, 2026 and requiring the Monitor to cease using and destroy all copies of the ERP Software, the Court granted an order (the "Adjournment and Litigation Schedule Order") that, among other things:

   a) adjourned the Applications to March 3, 2026, as DigiFlex had not provided sufficient notice of the DigiFlex Cross-Application; and

   b) restrained DigiFlex from interfering with or altering the Monitor's existing access to the ERP Software in the interim.

6. On February 16, 2026, the Monitor filed the Nineteenth Report Supplement, which updated the Court on events since the Nineteenth Report and set out the Monitor's recommendation that it be granted continued read-only access to the ERP Software.

7. On February 24, 2026, the form of order giving effect to the Reasons (the "Stay Lift Order") was subsequently settled and filed with the Court. The Stay Lift Order:

   a) lifted the Stay as against Wallace & Carey and Loudon vis-à-vis DigiFlex effective as at the Stay Lift Date;

   b) confirmed that the Stay was not lifted as against CMI or the Monitor;

c) dismissed the portion of the Access Application seeking dismissal of the DigiFlex Cross-Application; and

d) adjourned the Proposed Assignments *sine die*.

8. On March 3, 2026, after hearing the Applications, the Court granted an order (the "Adjournment Order") adjourning the Applications *sine die* to allow the parties to pursue a resolution.

9. On April 14, 2026, on the consent of the Monitor, DigiFlex, and SEC/SEDCC, the Court granted an order (the "Consent Adjournment Order") further adjourning the Applications without prejudice to: (i) any party's position in the Federal Court Action No. T-4454-24 (the "Federal Court Action"), including, but not limited to, DigiFlex's position that the DigiFlex License Agreements were terminated as of the Stay Lift Date; and (ii) the rights of DigiFlex and/or the Monitor to have the Applications heard in the future.

10. As at the date of this twentieth report to Court (this "Report"), the Applications remain outstanding.

11. On June 1, 2026, the Monitor's counsel was served with an Amended Statement of Claim in the Federal Court Action (the "Amended Statement of Claim"), adding Wallace & Carey as defendant, alongside, among others, SEC and SEDCC. The Monitor has been working with its counsel to address the Federal Court Action.

12. Copies of the Stay Lift Order, Adjournment and Litigation Schedule Order, Adjournment Order, Consent Adjournment Order, and Amended Statement of Claim are attached as **Appendices "F"**, **"G"**, **"H"**, **"I"**, and **"J"** respectively.

## 1.2 Purposes of this Report

1. The purposes of this Report are to:

a) provide background information concerning the Companies and these CCAA proceedings;

b) report on the Companies' cash flow forecast, prepared by the Monitor, for the period August 2, 2026 to February 13, 2027 (the "Cash Flow Forecast");

c) discuss the rationale for extending the Stay from August 14, 2026 to February 12, 2027;

d) provide the Court with an update on the Monitor's activities since the Nineteenth Report; and

e) provide the Monitor's recommendation in respect of its application for an order (the "Stay Extension Order"), among other things:

   i. extending the Stay up to and including February 12, 2027;

   ii. approving this Report and the Nineteenth Report Supplement, and the Monitor's activities, as detailed therein;

   iii. approving the fees and expenses of the Monitor and its counsel, Cassels Brock & Blackwell LLP ("Cassels"), as detailed herein.

## 1.3 Restrictions

1. In preparing this Report, the Monitor has relied upon the Companies' unaudited financial information and books and records.

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, other than the Court, wishing to place reliance on the financial information discussed herein should perform its own diligence.

## 1.4 Currency

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

### 1.5 Court Materials

1. The affidavits of Mr. Carey, Eric Rolheiser, the President and Chief Executive Officer of Wallace & Carey as of the Filing Date, and Brian Birnie, the Senior Vice President of Finance & Corporate Development of Wallace & Carey as of the Filing Date, provide additional background information regarding the Companies, their businesses, and the CCAA proceedings. The affidavit of Joshua Buchanan, Director of Logistics for 7-Eleven Inc. sworn September 8, 2025, and the Affidavits of Mohamad Mardukhi affirmed November 14, 2025 and February 2, 2026, provide additional background information regarding the ERP Software and the DigiFlex dispute. These affidavits, as well as information concerning these CCAA proceedings, including all materials and the reports filed by the Monitor, can be found at: www.ksvadvisory.com/experience/case/wallace-and-carey.

## 2.0 Background

1. CMI is an Alberta corporation and the sole shareholder of Wallace & Carey, which is the sole shareholder of Loudon. In addition to Wallace & Carey and Loudon, CMI has ownership interests in nine subsidiaries, none of which are subject to the CCAA proceedings. These include the Receivership Companies, where KSV (now AlixPartners) was appointed Receiver pursuant to an order granted by the Court on November 17, 2023 (the "Receivership Proceedings"). CMI's corporate organizational chart is provided in **Appendix "**K**"**.

2. Prior to the Filing Date, Wallace & Carey and Loudon operated one of Canada's largest independent wholesale distribution and logistics businesses (the "Logistics Business") servicing more than 7,000 customers across Canada. The Companies' largest customer, by far, was SEC.

3. Prior to the CCAA proceedings, the Companies' senior secured lender was Canadian Imperial Bank of Commerce ("CIBC"). In addition, the Receivership Companies granted first-ranking mortgages against certain real property and a second-ranking general security interest to secure amounts owing to Canadian Western Bank ("CWB"). As a result of SEC Transaction and the SEDCC Transaction, all amounts owing to CIBC and CWB have been repaid.

4. The Sixth Report provided a waterfall of distributions among the beneficiaries of the charges created in the CCAA proceedings pursuant to the ARIO and the Ancillary Order[2].

5. Each Court-ordered charge created pursuant to the ARIO and the Ancillary Order has been fully satisfied and released, except for the Administration Charge[3] and the Tobacco Tax Charge (both as defined in the ARIO) in the amount of $26 million, which was granted in favour of certain provinces and territories (the "Provinces and Territories") in respect of Wallace & Carey's unpaid tobacco taxes as of the Filing Date. The Monitor has made distributions totaling $12.41 million to the Provinces and Territories in respect of amounts owing under the Tobacco Tax Charge since the closing of the SEC Transaction.

# 3.0 Status of the CCAA Proceedings

1. Given that the transition of the Logistics Business to SEC has been completed, the following activities (the "Remaining Activities") need to be completed before the CCAA proceedings and Receivership Proceedings can be completed:

   a) the realization of the remaining Excluded Assets (as defined in the SEC Transaction Approval and Vesting Order), including, but not limited to, enforcing the judgement granted by the Court in favour of Wallace & Carey against Dakin News Systems Inc. ("INS News") for $616,341;

   b) distributing net recoveries from the Receivership Companies to their creditors. 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 Companies will be distributable to CMI or Wallace & Carey. Once such distributions are made to Wallace & Carey and CMI, the Monitor can make its distributions to the Provinces and Territories with respect to the Tobacco Tax Charge; and

[2] 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 Companies to carry out the SISP.

[3] The Monitor is holding funds sufficient to satisfy all amounts payable under the Administration Charge.

c) the Monitor seeking its discharge and completing the CCAA proceedings and the Receiver seeking its discharge and completing the Receivership Proceedings, each of which may include an application to have the Companies and/or the Receivership Companies placed in bankruptcy as they will be unable to repay their creditors in full.

## 3.1 Clearance Certificates

1. As noted in previous reports, 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 "2024 Tax Returns"). In this regard, in late-November 2025, the Receiver engaged the Receivership Companies' former tax accountant (the "Tax Accountant") to prepare the 2024 Tax Returns; and

   b) upon filing the 2024 Tax Returns and remitting any outstanding balances, obtaining "Clearance Certificates" from the Canada Revenue Agency ("CRA").

2. After providing the necessary information to the Tax Accountant, the 2024 Tax Returns were filed on April 15 and May 27, 2025 and all taxes were subsequently paid by the Receiver. Upon filing the 2024 Tax Returns, the Receiver submitted the required documents to the CRA requesting Clearance Certificates for each of the Receivership Companies.

3. By way of letters from the CRA dated June 11 and August 13, 2025, the CRA advised that: (i) the CRA had received the Clearance Certificate requests; (ii) the requests would be assigned to a Clearance Certificate officer in due course; and (iii) the CRA would aim to process the request within 120 days of the date of receipt of the request for each of the Receivership Companies. Accordingly, the Receiver expected that the Clearance Certificate requests for the Receivership Companies would be processed by no later than mid-November 2025.

4. On November 27, 2025, during a call with the CRA, the CRA representative advised the Receiver that Clearance Certificate requests for each of the Companies had been forwarded to another group for expedited processing.

5. On March 19, 2026, as a result of unsuccessful attempts via telephone to obtain updates from the CRA on the status of the Clearance Certificate requests, the Receiver sent a letter to the CRA, among other things, advising the CRA: (i) of the repeated attempts to obtain an update on Clearance Certificate requests; and (ii) that the absence of the Clearance Certificates was delaying the distributions to the Receivership Companies' creditors and the conclusion of the Receivership Proceedings.

6. On April 27, 2026, the Receiver received letters from the CRA advising the Receiver that, due to the time that elapsed since the Receiver's request for the Clearance Certificates, the Receiver was now required to file the tax returns for the Receivership Companies for the fiscal years ending October 31, 2025 (the "2025 Tax Returns"). After speaking with the assigned CRA auditor, the Receiver confirmed that the Clearance Certificate requests remain open and, as a result, rather than the CRA requiring new requests, the Receiver is only required to notify the CRA that the 2025 T2 Returns have been filed for the CRA to process the requests.

7. After engaging the Tax Accountant and providing the necessary information to same, the 2025 Tax Returns for the Receivership Companies were filed on June 29, 2026.

8. On July 3, 2026, the Tax Accountant advised the Receiver that the 2025 Tax Return for 772 Alberta was rejected by the CRA because it was deemed dissolved on August 2, 2025.

9. The Receiver was then made aware that SIU LC and Ridge Meadows were subsequently deemed dissolved on December 2, 2025 and January 2, 2026, respectively. The Receiver understands that there are GST refunds presently available to SIU LC and Ridge Meadows, which can only be collected by the Receiver if SIU LC and Ridge Meadows are revived.

10. As a result, on July 29, 2026, the Receiver, through its legal counsel, filed a desk application with the Court seeking an order authorizing the Receiver to temporarily revive the Receivership Companies to: (i) facilitate the filing of the 2025 Tax Return for 772 Alberta; (ii) obtain the Clearance Certificates from the CRA; and (iii) facilitate distributions to the Receivership Companies' creditors.

11. Once the Receivership Companies are revived, the Receiver will file the 2025 Tax Return for 772 Alberta and advise the CRA agent of same, which should result in the Clearance Certificates being issued.

## 4.0 Stay Extension

1. The Monitor is of the view that the Court should grant the Stay Extension Order, among other things, extending the Stay to February 12, 2027 for the following reasons:

    a) in the context of a CCAA proceeding in which a "super-monitor" has been appointed, it is appropriate that the Monitor be held to the good faith standard. As "super-monitor" in these CCAA proceedings, the Monitor believes that it has been and is currently discharging its duties and obligations in good faith and with due diligence;

    b) the proposed extension is intended to provide time to complete or substantially advance the Remaining Activities, including making distributions to the Provinces and Territories;

    c) the Monitor does not believe that any creditor will be prejudiced if the Stay is extended;

    d) as of the date of this Report, the Monitor is not aware of any party opposed to the Stay extension; and

    e) as reflected below, the Cash Flow Forecast reflects that the Companies are projected to have liquidity to fund the CCAA proceedings during the Stay extension.

## 5.0 Cash Flow Forecast

1. The Monitor has prepared the Cash Flow Forecast for the period August 2, 2026 to February 13, 2027 (the "Forecast Period"). The Cash Flow Forecast is attached as **Appendix "L"**.

2. The Cash Flow Forecast, which is summarized below, shows that the Companies are projected to have sufficient liquidity to continue operating during the Forecast Period.

| (unaudited; $000s) | Note | August 2, 2026 to February 13, 2027 |
|---|---|---|
| Receipts | | |
| Excluded Assets | A | - |
| | | - |
| Disbursements | | |
| Professional fees | B | (150) |
| Contingency | C | (30) |
| | | (180) |
| Net cash flow | | (180) |
| Opening cash balance | | 1,604 |
| Net cash flow | | (180) |
| Ending cash balance | D | 1,424 |

3. A summary of the key assumptions underlying the Cash Flow Forecast is as follows:

   a) Excluded Assets: given the timing and uncertainty of the INS News litigation, the Monitor has not included any receipts from this litigation;

   b) Professional fees: includes the projected fees and disbursements of the Monitor and its legal counsel, excluding fees and disbursements incurred in connection with certain DigiFlex related items, which continue to be paid by SEC;

   c) Contingency: represents a contingency for unforeseen costs; and

   d) Ending cash balance: represents the estimated amount available for distribution to creditors. The cash balance excludes the amounts being held by the Receiver, totalling approximately $5.47 million.

4. Based on the Monitor's review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. The statutory report on the Cash Flow Forecast prepared by the Monitor is attached as **Appendix "**M**"**.

## 6.0 Monitor's Activities Since the Nineteenth Report

1. Since the Nineteenth Report, the Monitor has conducted the following activities:

   a) communicating with SEC and SEDCC's representatives regarding the TSA, the Companies' books and records, the Companies' continued banking arrangements with CIBC, and the Companies' banking arrangements with the Bank of Nova Scotia;

   b) corresponding extensively with SEC, SEDCC, DLA Piper (Canada) LLP, and Cassels regarding the ERP Software, the Applications, the Reasons, the Stay Lift Order, the Adjournment Order, the Consent Adjournment Order, and the Federal Court Action;

   c) attending (virtually) the March 3, 2026 Court hearing;

   d) corresponding with the CRA, SEC, and SEDCC regarding outstanding GST and income tax returns for the Companies;

   e) responding to inquiries from creditors and customers of Wallace & Carey and Loudon concerning the CCAA proceedings;

   f) for and on behalf of Wallace & Carey, pursuing collection of the INS News judgment;

   g) collecting the second promissory note issued by Spruce It Up Garden Centre Inc. to CMI;

   h) administering the Monitor's trust account;

   i) drafting the Nineteenth Report Supplement;

   j) drafting this Report; and

   k) maintaining the Case Website.

## 7.0 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 December 31, 2025.

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 January 1 to June 30, 2026, were $49,397.00, plus GST of $2,469.85, for a total of $51,866.85. Between January 1 to June 30, 2026, the Monitor provided a total of 67.95 hours of services at an average hourly rate of $726.96.

5. Cassels' fees, as legal counsel to the Monitor, from January 1 to June 30, 2026, were $57,073.00, plus disbursements of $1,543.75, plus GST of $2,911.50, for a total of $61,528.25. Between January 1 to June 30, 2026, the Monitor provided a total of 86.70 hours of services at an average hourly rate of $658.28.

6. A summary of the accounts rendered by the Monitor and its legal counsel is attached hereto as **Appendix "N"**. 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. As the fees and costs of the Monitor and its counsel dealing with DigiFlex are largely for the benefit of 7-Eleven under the TSA, these fees and costs have been invoiced and paid in full by SEC.

## 8.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that the Court make the orders granting the relief sought by the Monitor.

*    *    *

All of which is respectfully submitted,

*AlixPartners Restructuring, Inc.*

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

# APPENDIX A

[ATTACHED]

| | | |
|---|---|---|
| COURT FILE NUMBER | 2301 - 08305 | Clerk's Stamp |
| 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<br><br>AND IN THE MATTER OF THE COMPROMISE OF ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED, and CAREY MANAGEMENT INC. | |
| APPLICANT | KSV RESTRUCTURING INC., in its capacity as Court-appointed Monitor of Wallace & Carey Inc., Loudon Bros Limited and Carey Management Inc. | |
| DOCUMENT | **ORDER** | |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | Cassels Brock & Blackwell LLP<br>Bankers Hall West<br>3810, 888 3rd St SW<br>Calgary, AB T2P 5C5<br><br>E: joliver@cassels.com<br>P: 403 351 2920<br><br>**Attention: Jeffrey Oliver**<br><br>File no. 54670-3 | |



**DATE ON WHICH ORDER WAS PRONOUNCED:** **February 5, 2026**

**LOCATION WHERE ORDER WAS PRONOUNCED:** **Calgary, Alberta**

**NAME OF JUSTICE WHO MADE THIS ORDER:** **The Honourable Justice Marion**

**UPON** the Application (the "**Application**") of KSV Restructuring Inc., in its capacity as the court-appointed Monitor with enhanced powers (in such capacity, the "**Monitor**") of Wallace & Carey Inc. ("**W&C**"), Loudon Bros Limited ("**Loudon**"), and Carey Management Inc. (collectively, the "**Companies**") for an order, among other things, approving the extension of the Stay Period to August 14, 2026, and approving the Monitor's professional fees and activities; **AND UPON** having reviewed the Amended and Restated Initial Order of this Court pronounced June 30, 2023 (the "**ARIO**"); Ancillary Order granted by the Honourable Justice Hollins dated August 23, 2023 (the "**Ancillary Order**"); the Consent Order with DigiFlex granted by this Court on December 17, 2024 (the "**DigiFlex Consent Order**"); the order granted by this Court on December 15, 2025 (the "**Lifting Stay Order**"); the Monitor's Supplement to the Seventeenth Report to Court dated August 21, 2025 (the "**Supplement to Seventeenth Report**"); the Monitor's Second Supplement to the Seventeenth Report to Court dated September 11, 2025 (the "**Second Supplement to Seventeenth Report**"); the Monitor's Eighteenth Report to Court dated November 20, 2025 (the

"**Eighteenth Report**"); the Monitor's Nineteenth Report to Court dated January 26, 2026 (the "**Nineteenth Report**"); and the Affidavit of Service of Angeline Gagnon, sworn February 5, 2026; **AND UPON** hearing counsel for the Monitor, counsel for 7-Eleven Canada Inc. ("**SEC**") and 7-Eleven Distribution Canada Corporation ("**SEDCC**"), and counsel for DigiFlex Information Systems Inc. ("**DigiFlex**"); **AND UPON** being satisfied that it is appropriate to do so;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the ARIO or the Nineteenth Report.

**SERVICE**

2. Service of notice of the Application and supporting materials are hereby declared to be good and sufficient, and time for service of the Application is abridged to that actually given.

**STAY EXTENSION**

3. The Stay Period is hereby extended from February 15, 2026 to August 14, 2026, subject to the Lifting Stay Order which lifts the Stay as against W&C and Loudon *vis-à-vis* DigiFlex effective as at the Stay Lift Date (as defined in the Lifting Stay Order).

**MONITOR'S ACTIVITIES AND PROFESSIONAL FEES**

4. The First Supplement to the Seventeenth Report, Second Supplement to the Seventeenth Report, Eighteenth Report and Nineteenth Report, and the actions, conduct, and activities of the Monitor set out therein are hereby ratified and approved.

5. The Monitor's accounts for fees and disbursements, as set out in the Nineteenth Report, are hereby approved without the necessity of a formal passing of accounts.

6. The accounts of the Monitor's legal counsel, Cassels Brock & Blackwell LLP, for its fees and disbursements, as set out in the Nineteenth Report, are hereby approved with the necessity of a formal assessment of its accounts.

**SERVICE OF ORDER**

7. 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; and

iii. any other parties attending or represented at the application for this Order; and

(b) posting a copy of this Order on the Monitor's website established in connection with these proceedings, for no less than six months from the date of this Order; and service on any other person is hereby dispensed with.

8. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier.

Justice M.J. Marion

Justice of the Court of King's Bench of Alberta

# APPENDIX B

[ATTACHED]

LL

JUDICIAL CENTRE OF CALGARY
FILED
Nov 08, 2023
by Email
CLERK OF THE COURT

C110668

Nov 17, 2023
COM

| | |
|---|---|
| COURT FILE NUMBER | **2301 – 08305**<br>**2301- ______________________** |
| 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**<br><br>**AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED and CAREY MANAGEMENT INC.**<br><br>**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**<br>KSV Restructuring Inc.<br>Suite 1165, 324 – 8th Avenue SW<br>Calgary, Alberta<br>T2P 2Z2<br><br>Attention: Bobby Kofman / David Sieradzki / Jason Knight<br>Telephone: 416.932.6228 / 416.932.6030 / 587.287.2605<br>Facsimile: 416.932.6266<br>Email: bkofman@ksvadvisory.com / dsieradzki@ksvadvisory.com / jknight@ksvadvisory.com<br><br>**MONITOR'S AND PROPOSED RECEIVER'S COUNSEL**<br>Cassels Brock & Blackwell LLP<br>Bankers Hall West<br>Suite 3810, 3rd Street SW<br>Calgary, Alberta<br>T2P 5C5<br><br>Attention: Jeffrey Oliver / Jane Dietrich<br>Telephone: 403.351.2921 / 416.860.5223<br>Facsimile: 403.648.1151<br>Email: joliver@cassels.com / jdietrich@cassels.com |

## Contents

Page



## Appendices

**Appendix** **Tab**



**Confidential Appendix** **Tab**

## 1.0 Introduction

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

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 warehouses[1], 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 warehouses[2], 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 & Carey[6] 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 Overview[7]

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 Transaction[8]

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 mortgage**[10] | **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, 2023[15] 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 C

[ATTACHED]

Clerk's Stamp:



| | |
|---|---|
| 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 |
| | IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED and CAREY MANAGEMENT INC. |
| DOCUMENT | **ORDER (Monitor's Enhanced Powers)** |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | **DLA Piper (Canada) LLP**<br>1000, 250 2 Street SW<br>Calgary, Alberta T2P OC1<br><br>Lawyer: Carole J. Hunter<br>Phone: (403) 698 8782<br>Fax: (403) 697 6600<br>Email: carole.hunter@ca.dlapiper.com<br><br>File No. 036250-00322 |

| | |
|---|---|
| **DATE ON WHICH ORDER WAS PRONOUNCED** | August 26, 2025 |
| **LOCATION OF HEARING OR TRIAL** | Calgary, Alberta (Via Webex) |
| **NAME OF JUDGE WHO MADE THIS ORDER** | Justice C. D. Simard |

**UPON THE APPLICATION** of 7-Eleven Canada Inc. and 7-Eleven Distribution Canada Corporation (together, "**SEC**") filed August 13, 2025 (the "**Application**"); **AND UPON** reading the Seventeenth Report of KSV Restructuring Inc., in its capacity as the monitor (the "**Monitor**") of Wallace & Carey Inc. ("**W&C**"), Loudon Bros Limited ("**Loudon**") and Carey Management Inc.

("**CMI**") dated August 13, 2025 (the "**Seventeenth Report**") and the Supplement to the Seventeenth Report dated August 21, 2025, **AND UPON** hearing the submissions of counsel for SEC, the Monitor and the other parties present;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. Capitalized terms otherwise used but not defined herein shall have the meanings ascribed to them in the Amended and Restated Initial Order granted on June 30, 2023 (the "**ARIO**") in the within proceedings (the "**CCAA Proceedings**")

**SERVICE**

2. Service of the Notice of Application for this Order is hereby validated and deemed good and sufficient, this application is properly returnable today, and no person other than those persons served is entitled to service of the Notice of Application.

**MONITOR'S ENHANCED POWERS**

3. The Monitor, in addition to its prescribed rights and obligations under the *Companies' Creditors Arrangement Act*, RSC 1985, c.C-36, as amended (the "**CCAA**") and under any orders granted in these CCAA Proceedings, and without altering in any way the powers, abilities, limitations and obligations of W&C, Loudon and CMI (together, the "**CCAA Entities**") within, or as a result of the CCAA Proceedings, be and is hereby authorized, directed and empowered, but not obligated, to:

   (a) deal with all administrative matters, including to control the CCAA Entities' bank accounts;

   (b) administer the Property and operations of the CCAA Entities, including control of receipts and disbursements, as the Monitor considers necessary or desirable to facilitate or assist the administration of the CCAA Proceedings,

   (c) cause the CCAA Entities to exercise their rights and observe their obligations under the ARIO and all other Orders of the Court in the CCAA Proceedings,

(d) cause the CCAA Entities to perform such other functions or duties as the Monitor considers necessary or desirable in order to facilitate or assist the administration of the CCAA Proceedings and the operations of the CCAA Entities' businesses; and

(e) cause the CCAA Entities to execute such agreements or amendments to agreements, and to carry out the CCAA Entities' obligations thereunder, as the Monitor considers necessary or desirable to facilitate or assist the administration of the CCAA Proceedings and the operations of the CCAA Entities' businesses,

and in each case where the Monitor takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other persons, including the CCAA Entities and without interference from any other person. Notwithstanding the foregoing, the Monitor shall not make an assignment in bankruptcy for any of the CCAA Entities without further order of this Court, obtained on notice to the Service List.

4. Except as necessary to give effect to this Order, the ARIO and any other Order granted in these proceedings shall remain in full force and effect. In the event of any conflict or inconsistency between this Order and the ARIO, the terms of this Order shall apply.

**DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE MONITOR**

5. The CCAA Entities and all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their instructions or behalf shall fully co-operate with the Monitor in the exercise of its powers under this Order or any other Order of the Court, including by:

(a) advising the Monitor of the existence of any Property of which such party has knowledge of;

(b) providing the Monitor with immediate and continued access to any Property in such party's possession or control;

(c) advising the Monitor of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the CCAA Entities, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (“**Records**”) of which such party has knowledge of; and

(d) providing access to and use of the Records, including any accounting, computer, software and physical facilities relating thereto, and including providing the Monitor with instructions on the use of any computer or other system as requested by the Monitor, provided that, if the Monitor requests training or complex or ongoing assistance in connection with the use of such systems, the Monitor shall reasonably compensate the individual or individuals providing such training or assistance for their time, and providing the Monitor with any and all access codes, account names and account numbers that may be required to gain access to the Records, provided however that nothing in this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Monitor due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

**LIMITATION ON THE MONITOR'S LIABILITY**

6. The Monitor is not and shall not, for any purposes, be deemed to be a director, officer, employee, receiver, receiver-manager, or liquidator of the CCAA Entities.

7. Nothing in this Order shall constitute or be deemed to constitute the Monitor as receiver, assignee, liquidator, administrator, receiver-manager, agent of the creditors or legal representative of any of the CCAA Entities within the meaning of any relevant legislation, regulation, common law, or rule of law or equity. For greater clarity, any distribution to creditors of any of the CCAA Entities administered by the Monitor on behalf of any of the CCAA Entities will be deemed to have been made by the CCAA Entities, themselves.

8. The Monitor is not and shall not for the purposes of the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.)), and all equivalent laws and regulations in other jurisdictions, be deemed to be a legal representative or person to whom s. 150(3) of that Act, or any equivalent provision in any foreign law or regulation, applies.

9. The rights, protections, indemnities, charges, priorities and other provisions in favour of the Monitor set out in the CCAA, any other applicable legislation, the ARIO and any other Order granted in these proceedings, all shall apply and extend to the Monitor in connection

with the Monitor carrying out the provisions of this Order, amended as necessary to give effect to the terms of this Order.

10. The Monitor shall not be liable for any employee-related liabilities of the CCAA Entities, including any successor employer liabilities as referred to in Section 14.06(1.2) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "BIA"), or any equivalent law and regulation in other jurisdictions, other than amounts the Monitor may specifically agree in writing to pay or in respect of obligations imposed by applicable legislation, including under the *Wage Earner Protection Program Act*, S.C. 2005, c.47. The Monitor shall be liable for any employee related liabilities, including wages, severance pay, termination pay, vacation pay, and pension or benefit amounts relating to any employees that the Monitor may hire in accordance with the terms and conditions of such employment by the Monitor. The Monitor is empowered but not obligated to interact with, and provide direction to, individuals who are on the Property, but are not employed by the CCAA Entities or the Property.

**SERVICE OF ORDER**

11. 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;

(b) posting a copy of this Order on the Monitor's website established in connection with these proceedings, for no less than six months from the date of this Order; and

(c) service on any other person is hereby dispensed with.

12. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier.

J.C.K.B.A.

# APPENDIX D

[ATTACHED]

ksv advisory inc.



| | |
|---|---|
| COURT FILE NUMBER | **2301 – 08305** |
| COURT | **COURT OF KING'S BENCH OF ALBERTA** |
| JUDICIAL CENTRE | **CALGARY** |
| APPLICANTS | **IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* RSC 1985, c. C-36, as amended**<br><br>**AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED and CAREY MANAGEMENT INC.** |
| DOCUMENT | **NINETEENTH REPORT OF THE MONITOR**<br>**JANUARY 26, 2026** |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | **MONITOR**<br>KSV Restructuring Inc.<br>Suite 1165, 324 – 8th Avenue SW<br>Calgary, Alberta<br>T2P 2Z2<br><br>Attention: Bobby Kofman / Jason Knight<br>Telephone: 416.932.6228 / 587.287.2605<br>Facsimile: 416.932.6266<br>Email: bkofman@ksvadvisory.com / jknight@ksvadvisory.com<br><br>**MONITOR'S COUNSEL**<br>Cassels Brock & Blackwell LLP<br>Bankers Hall West<br>Suite 3700, 888 – 3rd Street SW<br>Calgary, Alberta<br>T2P 5C5<br><br>Attention: Jeffrey Oliver<br>Telephone: 403.351.2921<br>Facsimile: 403.648.1151<br>Email: joliver@cassels.com |

## Contents

**Page**

## Appendices Tab

## 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**"), and Carey Management Inc. ("**CMI**", and together with Wallace & Carey and Loudon, the "**Companies**") 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 Companies (the "**Monitor**").

2. On June 30, 2023, the Court granted an Amended and Restated Initial Order (the "**ARIO**"), a copy of which is attached as **Appendix "A"**.

3. Pursuant to an order granted by the Court on August 23, 2023, the Companies carried out a sale and investment solicitation process that resulted in a transaction (the "**SEC Transaction**") between the Companies and 7-Eleven Canada, Inc. ("**SEC**") that was approved by the Court on November 17, 2023 pursuant to an approval and vesting order (the "**SEC Transaction Approval and Vesting Order**") and other orders (together with the SEC Transaction Approval and Vesting Order, the "**SEC Transaction Orders**"). A detailed discussion of the SEC Transaction is provided in the Monitor's Sixth Report to Court dated November 8, 2023 (the "**Sixth Report**"), a copy of which is attached as **Appendix "B"**, without appendices.

4. Pursuant to the SEC Transaction Orders, the Court, among other things:

   a) approved a sale of certain of the Companies' property, assets and undertakings to SEC, primarily fixed assets and real property;

   b) approved a transition services agreement (the "**TSA**") among the Monitor, SEC, CMI, and Wallace & Carey (CMI and Wallace & Carey are referred to as the "**Debtors**" in the TSA); and

   c) appointed KSV as receiver (in such capacity, the "**Receiver**") of certain subsidiaries of CMI, being 772921 Alberta Inc., Ridge Meadows Properties Ltd., and Spruce It Up Land Corp. (collectively, the "**Receivership Companies**").

5. On December 17, 2024, following a dispute with DigiFlex Information Systems Inc. ("**DigiFlex**") concerning its requirement to continue to provide access to the enterprise resource planning software[1] (the "**ERP Software**") to the Debtors, the Monitor obtained a Court order by consent (the "**DigiFlex Consent Order**"), among other things, requiring DigiFlex to continue to provide access to the ERP Software and related services until the later of: (a) the expiration of the stay under the ARIO, as may be extended by the Court; and (b) the expiration of the TSA Term for the Western Business (both as defined below).

6. On February 21, 2025, the Court issued:

   a) an approval and vesting order approving the sale of certain additional assets of Wallace & Carey to 7-Eleven Distribution Canada Corporation (a subsidiary of SEC) ("**SEDCC**") (the "**SEDCC Transaction**"); and

   b) an order, among other things, extending the stay of proceedings (the "**Stay**") under the ARIO to and including August 20, 2025.

7. On August 18, 2025, the Court heard the Companies' application (the "**August 18th Application**") for an order, among other things, extending the Stay and TSA to February 15, 2026, and approving the corresponding execution of a second amendment to the TSA.

8. At the August 18th Application, DigiFlex objected to the extension of the Stay and TSA to February 15, 2026, and the Provinces of British Columbia and Alberta sought more information concerning same. The Court determined that it required additional evidence before it could consider extending the TSA past September 30, 2025. As a result, at the conclusion of the August 18th Application, the Court granted an order (the "**Second TSA Amendment Order**"):

   a) extending the Stay and TSA to and including September 30, 2025; and

   b) approving the corresponding execution of a second amendment to the TSA.

[1] The ERP Software includes, among other things, the following applications: (i) ProCLASS Distribution Management System; (ii) Runtime Version LAZER DBMS; (iii) CLASS Accounts Receivable; (iv) CLASS Accounts Payable; and (v) CLASS General Ledger.

9. On August 26, 2025, upon application by SEC and SEDCC, the Court granted an order (the "**Enhanced Powers Order**") expanding the Monitor's power and authority over the Companies. The Enhanced Powers Order was sought and granted to provide the Monitor with the authority, powers, and protections to facilitate the completion of these CCAA proceedings given that Patrick Carey, the sole Director of the Companies, intended to resign.

10. On September 9, 2025, the Monitor filed an application returnable September 19, 2025 (the "**September 19th Application**") for an order (the "**Third TSA Amendment Order**"), among other things, extending the Stay and TSA to February 15, 2026, and approving the corresponding execution of a third amendment to the TSA.

11. At the September 19th Application, DigiFlex opposed the extension of the Stay and TSA. In its written submissions to the Court, DigiFlex requested, among other relief, that:

    a) any license agreement between Wallace & Carey and DigiFlex be terminated;

    b) SEC be prohibited from using the ERP Software; and

    c) SEC be ordered to pay a license fee invoice of $3,230,000, plus interest.

12. As the requested relief and supporting evidence in DigiFlex's submissions did not comply with the procedural requirements set out in the *Alberta Rules of Court*, Alta Reg 124/2010, and DigiFlex was not represented by legal counsel, the Court granted the Third TSA Amendment Order, without prejudice to DigiFlex's rights to bring an application seeking to terminate the TSA or to otherwise commence proceedings against SEC, provided that DigiFlex complied with all applicable procedural requirements to bring any such application or commence any such proceeding and be represented by legal counsel.

13. On November 13, 2025, DigiFlex filed an application (the "**DigiFlex Application**") seeking an order, among other things:

    a) lifting the stay in relation to Wallace & Carey and Loudon such that it no longer applies to DigiFlex;

b) declaring that DigiFlex has no obligation to provide 7-Eleven Inc., SEC, or SEDCC (collectively, "**7-Eleven**") access to the ERP Software, whether directly, or indirectly through Wallace & Carey or Loudon, or any associated software services to 7-Eleven, Wallace & Carey, or Loudon, and that no Court orders or agreements in these CCAA proceedings require otherwise; and

c) awarding DigiFlex costs on the DigiFlex Application, on the highest possible scale.

14. In response to the DigiFlex Application, on November 20, 2025, the Monitor filed an application (the "**Monitor's Application**", together with the DigiFlex Application, the "**November Applications**") seeking an order (the "**Dismissal and Assignment Order**"), among other things:

a) dismissing the DigiFlex Application; and

b) assigning Wallace & Carey and Loudon's interests, as applicable, under the DigiFlex License Agreements (as defined below) to SEDCC, pursuant to section 11.3 of the CCAA.

15. On November 27, 2025, the Court heard the November Applications.

16. On December 15, 2025, the Court issued the Reasons for Decision of Justice M.A. Marion (the "**Reasons**") regarding the November Applications. In the Reasons, among other things, the Court:

a) refused to lift the Stay immediately and rejected DigiFlex's request for declarations that it had no obligation to provide ERP Software access or services to Wallace & Carey, SEC, or SEDCC during the current TSA Term;

b) lifted the Stay vis-à-vis DigiFlex effective February 15, 2026 at 11:59 p.m.;

c) adjourned the Monitor's relief requesting the assignment of the DigiFlex License Agreements to allow the parties to attempt to find a commercial solution for limited, post-February 15, 2026 access to the ERP Software solely for records retention, audit, and tax purposes;

d) invited the parties to seek procedural directions for further evidence and submission if no agreement is reached; and

e) ordered that each party bears its own costs with respect to the November Applications.

17. As further discussed below, an order reflecting the Reasons has not been submitted for execution by the Court at this time as the parties have been unable to come to an agreement on the terms of the Lift Stay Order.

18. Copies of the DigiFlex Consent Order, the Enhanced Powers Order, the Third TSA Amendment Order, and the Reasons are attached as **Appendices "C"**, **"D"**, **"E"**, and **"F"**, respectively.

## 1.1 Purposes of this Report

1. The purposes of this nineteenth report (the "**Report**") are to:

    a) provide background information concerning the Companies and these CCAA proceedings;

    b) discuss the Monitor's request for advice and direction regarding the form of order resulting from the Reasons (the "**Lift Stay Order**") and in particular, the scope of lifting the Stay *vis a vis* DigiFlex;

    c) provide the Court with information to assist it to consider the scope of the lifting of the Stay and the consequences thereof, including how a lifting of the Stay may affect the priorities established by prior orders issued by the Court in these CCAA proceedings;

    d) report on the Companies' cash flow forecast prepared by the Monitor for the period January 26 to August 16, 2026 (the "**Cash Flow Forecast**");

    e) discuss the rationale for extending the Stay from February 15 to August 14, 2026;

    f) provide the Court with an update on the Monitor's activities since the Monitor's Seventeenth Report to Court dated August 13, 2025 (the "**Seventeenth Report**"); and

    g) provide the Monitor's recommendation in respect of its application for an order (the "**Stay Extension Order**"), among other things:

        i. extending the Stay up to and including August 14, 2026;

ii. approving this Report and the Monitor's Supplement to the Seventeenth Report to Court dated August 21, 2025 (the "**Seventeenth Report Supplement**"), the Monitor's Second Supplement to the Seventeenth Report to Court dated September 11, 2025 (the "**Second Seventeenth Report Supplement**"), and the Monitor's Eighteenth Report to Court dated November 20, 2025 (the "**Eighteenth Report**", and together with the Seventeenth Report Supplement, the Second Seventeenth Report Supplement, and the Eighteenth Report, the "**Previous Reports**"), and the Monitor's activities, as detailed therein. The Seventeenth Report Supplement, the Second Seventeenth Report Supplement, and the Eighteenth Report, each without appendices, are attached as **Appendices "G"**, **"H"**, and **"I"**, respectively; and

iii. approving the fees and expenses of the Monitor and its counsel, Cassels Brock & Blackwell LLP ("**Cassels**"), as detailed herein.

## 1.2 Scope and Terms of Reference

1. In preparing this Report, the Monitor has relied upon the Companies' unaudited financial information, books and records, and discussions with SEC, SEDCC, and their legal counsel, DLA Piper (Canada) LLP ("**DLA**").

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, other than the Court, wishing to place reliance on the financial information discussed herein should perform its own diligence.

## 1.3 Currency

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

### 1.4 Court Materials

1. The affidavits of Mr. Carey, Eric Rolheiser, the President and Chief Executive Officer of Wallace & Carey as of the Filing Date, and Brian Birnie, the Senior Vice President of Finance & Corporate Development of Wallace & Carey as of the Filing Date, provide additional background information regarding the Companies, their businesses, and the CCAA proceedings. The affidavit of Joshua Buchanan, Director of Logistics for 7-Eleven Inc. sworn September 8, 2025, and the Affidavit of Mohamad Mardukhi sworn November 14, 2025 (the "**Mardukhi Affidavit**"), provide additional background information regarding the ERP Software and the DigiFlex dispute. These affidavits, as well as information concerning these CCAA proceedings, including all application materials and the reports filed by the Monitor, can be found at: [https://www.ksvadvisory.com/experience/case/wallace-and-carey](https://www.ksvadvisory.com/experience/case/wallace-and-carey).

## 2.0 Background

1. CMI is an Alberta corporation and the sole shareholder of Wallace & Carey, which is the sole shareholder of Loudon. In addition to Wallace & Carey and Loudon, CMI has ownership interests in nine subsidiaries, none of which are subject to the CCAA proceedings. These include the Receivership Companies, where KSV was appointed Receiver pursuant to an order granted by the Court on November 17, 2023 (the "**Receivership Proceedings**"). CMI's corporate organizational chart is provided in **Appendix "J"**.

2. Prior to the Filing Date, Wallace & Carey and Loudon operated one of Canada's largest independent wholesale distribution and logistics businesses (the "**Logistics Business**") servicing more than 7,000 customers across Canada. The Companies' largest customer, by far, was SEC.

3. Prior to the CCAA proceedings, the Companies' senior secured lender was Canadian Imperial Bank of Commerce ("**CIBC**"). In addition, the Receivership Companies granted first-ranking mortgages against certain real property and a second-ranking general security interest to secure amounts owing to Canadian Western Bank ("**CWB**"). As a result of SEC Transaction and the SEDCC Transaction, all amounts owing to CIBC and CWB have been repaid.

4. The Sixth Report provides the waterfall of distributions among the beneficiaries of the following charges (collectively and together with the TSA Charge (as defined below), the "**CCAA Charges**") created in the CCAA proceedings pursuant to the ARIO and the order dated August 23, 2023 (the "**Ancillary Order**"):

a) first, a charge in the amount of $850,000 to secure: (i) the fees and disbursements of the Companies' legal counsel, the Monitor, and Cassels; and (ii) a work fee payable to Alvarez & Marsal Canada Securities ULC ("**A&M**"), the financial advisor retained by the Companies to carry out the SISP (the "**Administration Charge**");

b) second, a charge in favour of A&M to secure a fee payable to A&M upon completion of a qualifying transaction;

c) third, a charge in the amount of $55 million plus interest, fees and expenses for all post-Filing Date advances made by CIBC under the existing CIBC Credit Agreement (as defined in the Initial Order), as amended;

d) fourth, a charge in the amount of $4 million in favour of the directors and officers of the Companies;

e) fifth, a charge in favour of CIBC for the existing security for the pre-Filing Date obligations owing under the CIBC Credit Agreement; and

f) sixth, a charge in the amount of $26 million in favour of provincial and territorial authorities (the "**Provinces and Territories**") in respect of the amounts required to be remitted by the Logistics Companies under the *Tobacco Tax Act*, RSA 2000, c. T-4 or under any other applicable provincial legislation or laws (the "**Tobacco Tax Charge**").

5. Each CCAA Charge has been fully satisfied and released, except for the Tobacco Tax Charge, the TSA Charge (as defined below), and the Administration Charge[2]. As of the Effective Closing Time (as defined below), the Provinces and Territories were owed approximately $24.47 under the Tobacco Tax Charge. To date, the Monitor has distributed approximately $12.41 million to the Provinces and Territories. The Provinces and Territories are projected to have a shortfall on their claims against the Companies in the amount of approximately $5.85 million, which amount remains subject to change, but in all circumstances, the Provinces and Territories will not recover all amounts owing to them.

## 2.1 TSA and Amendments

1. The SEC Transaction saved the Logistics Business, preserved employment for more than 450 employees, maximized recoveries for creditors (including the secured creditors and the Provinces and Territories), and prevented a disorderly and financially devasting liquidation. SEC bargained for the TSA and paid consideration for it. The SEC Transaction and the TSA were approved by the Court. The Companies complied with their obligations under the TSA, and the Monitor, pursuant to the Enhanced Powers Order, assumed the Companies' TSA obligations when the Companies could no longer perform them.

2. Pursuant to the terms of the SEC Transaction Approval and Vesting Order and the TSA, the Debtors were required to continue operating the Logistics Business for the benefit of SEC under CCAA protection. The purpose of the TSA was for the Debtors to continue to provide certain services to SEC, while the Logistics Business was transferred to SEC. Without these services, SEC's business would have been disrupted. 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**"), SEC is responsible for funding substantially all post-Effective Closing Time costs of the Debtors' operations and is entitled to any revenue resulting therefrom. A copy of the TSA is attached as **Appendix "K"**.

3. As SEC is responsible for funding substantially all post-Effective Closing Time costs of the Companies' operations, on August 22, 2024, the Court granted, among other things, a priority charge (the "**TSA Charge**") for the benefit of SEC over the following present and future property of Wallace & Carey (collectively the "**Post-Transaction Property**"):

[2] The Monitor is holding funds sufficient to satisfy all amounts payable under the Administration Charge.

a) all accounts receivable generated and inventory acquired after November 21, 2023 (the “**TSA Effective Date**”);

b) all vendor rebates generated in respect of inventory acquired after the TSA Effective Date; and

c) cash, cash equivalents, and monies on deposit in any account with a deposit-taking institution (whether in the name of Wallace & Carey, SEDCC, the Monitor, or a third party) from any source after the TSA Effective Date.

4. The TSA Charge does not create a charge on any of the assets excluded from the SEC Transaction and SEDCC Transactions (the “**Excluded Assets**”).

5. The services provided under the TSA to SEC (at its cost) include warehouse, logistics, administrative, and managerial staff required to operate the Logistics Business, as well as information technology and data-related services.

6. Pursuant to the terms of the TSA, the initial TSA term (the “**TSA Term**”) was 15 months for the Wallace & Carey business in Alberta and British Columbia (the “**Western Business**”) and nine months for the Wallace & Carey business east of Alberta (the “**Eastern Business**”) from the TSA Effective Date, subject in each case to two 90-day extensions, at the option of SEC. SEC exercised both 90-day extensions for the Eastern Business and Western Business.

7. Pursuant to amendments to the TSA dated February 7, August 18, and September 30, 2025 (collectively, the “**TSA Amendments**”), the TSA termination date for the Western Business and Eastern Business was extended to February 15, 2026. Copies of the TSA Amendments are collectively attached as **Appendix “L”**.

8. As noted in the Eighteenth Report, each of the TSA Amendments were sought because SEC had experienced delays developing and implementing customized integration software (the “**Integration Software**”) to enable data to be moved from the ERP System to the SEC/SEDCC systems and SEC was working to have the Integration Software fully operational by no later than the end of February 2026.

9. The Monitor understands that 7-Eleven has now completed the implementation of the Integration Software and that it no longer requires Wallace & Carey to provide the ERP Software to SEC to operate the Logistics Business.

## 2.2 ERP Software

1. DigiFlex designed and maintains the ERP Software. The ERP Software is required for supply chain management and financial and operational reporting. The following is a list of the license agreements (collectively, the "**DigiFlex License Agreements**") between DigiFlex, Wallace & Carey, and/or Loudon:

   a) ProCLASS/LAZER/NEXUS Software License Agreement between DigiFlex and Wallace & Carey executed on March 9, 2000;

   b) CLASS Software License Agreement between DigiFlex and Wallace & Carey executed by DigiFlex on June 27, 2003 and Wallace & Carey on August 12, 2003; ProCLASSB1 Business Intelligence Suite Software License Agreement between DigiFlex and Wallace & Carey entered into on or about April 23, 2012 (according to the Mardukhi Affidavit) and executed by DigiFlex on August 19, 2013 (per copy in Wallace & Carey's files);

   c) ProCLASS/CLASS/LAZER Software License Agreement between DigiFlex and Loudon entered into on February 18, 2013 (per the Mardukhi Affidavit);

   d) ProCLASS/CLASS Software License Agreement Addendum between DigiFlex and Loudon dated May 8, 2014; and

   e) ProCLASS/CLASS Software License Agreement Addendum between DigiFlex and Loudon dated June 6, 2014.

2. The key terms of the DigiFlex License Agreements include:

   a) Wallace & Carey and/or Loudon were granted a **perpetual license** to use the software subject to the DigiFlex License Agreements (the "**Perpetual License**") following the payment of the amounts required under the DigiFlex License Agreements. The Monitor understands that all amounts owing under the DigiFlex License Agreements were paid in full at the time they were entered, and no monetary defaults exist under the DigiFlex License Agreements;

   b) there is no set term or expiration date for the DigiFlex License Agreements;

   c) the DigiFlex License Agreements are not otherwise saleable to any third-party; and

d) the DigiFlex License Agreements could be assigned upon obtaining written consent of the other party, and such consent is not to be unreasonably withheld.

3. Further, the Monitor understands that the ERP Software is maintained and supported by:

a) Maintenance Agreements attached to each of the DigiFlex License Agreement as Schedule "A" (collectively, the "**Maintenance Agreements**"), wherein Wallace & Carey and Loudon agreed to pay, in advance, an annual fee for maintenance services related to the ERP Software (the "**Maintenance Services**"); and

b) general IT help desk support services provided by DigiFlex which, pursuant to the Mardukhi Affidavit, were not tied to the ERP Software but were for general IT issues (the "**Help Desk Services**"). The Monitor understands that the Help Desk Support Services are not subject to a written agreement and are paid upfront on an annual basis.

4. The Monitor understands that the ERP Software runs on designated servers, formerly located at Wallace & Carey's offices, which were purchased by SEC as part of the SEC Transaction (the "**Designated Servers**").

## 3.0 Status of the CCAA Proceedings

1. Given that the transition of the Logistics Business to SEC has been completed, the following activities (the "**Remaining Activities**") need to be completed before the CCAA proceedings and Receivership Proceedings can be completed:

a) the realization of the remaining Excluded Assets, including, but not limited to:

i. collecting a promissory note issued by Spruce It Up Garden Centre Inc. to CMI, which is due and payable on April 29, 2026 (the "**Promissory Note**"); and

ii. the judgement granted by the Court in favour of Wallace & Carey against Dakin News Systems Inc. ("**INS News**") for $616,341 (the "**INS News Judgement**");

b) distributing net recoveries from the Receivership Companies to their creditors[3] upon receipt by the Receiver on behalf of the Receivership Companies of clearance certificates from Canada Revenue Agency ("**CRA**"). The Receiver has requested the Clearance Certificates; however, as of the date of this Report, they have not been received;

c) finalizing the administrative and reconciliation aspects of the TSA, including tobacco tax refunds and filings in respect of Wallace & Carey during the TSA Term, which expires on February 15, 2026; and

d) the Monitor seeking its discharge and completing the CCAA proceedings and the Receivership Companies, which may include an application to have the Companies and/or the Receivership Companies placed in bankruptcy as they will be unable to repay their creditors in full.

## 4.0 Update on DigiFlex Matter

1. On December 19, 2025, DLA sent a letter on a not without prejudice basis to BD&P advising that:

   a) SEDCC was willing to pay DigiFlex a one-time licensing fee of $200,000 (the "**SEDCC License Fee**") to acquire a perpetual royalty free license to continue to utilize the ERP Software currently licensed by DigiFlex to Wallace & Carey, on a read only basis; and

   b) payment of the SEDCC License Fee was predicated on DigiFlex discontinuing its Federal Court action against 7-Eleven on a without costs, with prejudice basis, and executing a full and final release in favour of 7-Eleven.

2. On December 23, 2025, BD&P sent an email rejecting the offer without any counteroffer or proposal for discussion at that time.

[3] Their largest creditors are Wallace & Carey and CMI, which will then pay these amounts to their creditors based on the priorities established by the ARIO and Ancillary Order, meaning that these monies would be distributed to the Provinces and Territories for amounts owing to them under the Tobacco Tax Charge.

3. Pursuant to the Reasons, the Monitor's counsel was directed to prepare the form of order with the proposed amendments to any CCAA order in these proceedings as required to reflect the Reasons. Accordingly, on December 29, 2025, the Monitor's counsel provided Burnet, Duckworth & Palmer LLP ("**BD&P**"), DigiFlex's legal counsel, with a draft lift stay order (the "**Initial Lift Stay Order**"). A copy of the Initial Lift Stay Order is attached as **Appendix "M"**.

4. On January 7, 2026, BD&P:

   a) provided comments on the Initial Lift Stay Order (the "**DigiFlex Lift Stay Order**"). The DigiFlex Lift Stay Order and a blackline comparing it to the Initial Lift Stay Order are attached as **Appendix "N"**; and

   b) sent an email to DLA further rejecting SEDCC's December 19th offer and advising that DigiFlex was "*…open to a settlement, however, not on the terms that 7-Eleven had proposed.*".

5. On January 15, 2026, the Monitor's counsel, after accepting a majority of the changes proposed in the DigiFlex Lift Stay Order, provided BD&P with a revised version of the DigiFlex Lift Stay Order (the "**Revised Lift Stay Order**") that, among other things:

   a) lifted the Stay under the ARIO as against Wallace & Carey and Loudon, vis-à-vis DigiFlex, effective 11:59 p.m. (Calgary time) on February 15, 2026;

   b) varied the ARIO, the DigiFlex Consent Order, and other prior orders, as necessary, to give effect to the Stay being lifted;

   c) clarified that nothing in the Revised Lift Stay Order or Reasons authorized any claim, action, demand or proceedings against the Monitor, or against its counsel, agents, employees, or representatives;

   d) dismissed the portion of the Monitor's Application seeking dismissal of the DigiFlex Application in its entirety;

   e) adjourned the portion of the Monitor's Application seeking an assignment of Wallace & Carey and Loudon's interests, as applicable, under the DigiFlex License Agreements to SEDCC, to allow the parties the opportunity to work out an appropriate compromise or commercial arrangement to facilitate ongoing access to the DigiFlex Software post February 15, 2026;

f) stated that each party shall bear its own costs pursuant to the DigiFlex Application and the portion of the Monitor's Application for dismissal of the DigiFlex Application; and

g) clarified that nothing in the order limited the Monitor's ability to bring an application for advice, direction, or declarations regarding the Reasons or the contents of the Revised Lift Stay Order, including, without limitation, the Court's advice and direction regarding the scope and application of the lifting of the Stay as contemplated by the Revised Lift Stay Order.

6. Copies of the Revised Lift Stay Order, a blackline outlining the changes made to the DigiFlex Lift Stay Order, and a blackline outlining the changes made to the Initial Lift Stay Order are attached as **Appendix "O"**.

7. On January 16, 2026, BD&P sent the letter attached as **Appendix "P"** (the "**BDP Letter**"), among other things:

a) providing DigiFlex's notice terminating the Maintenance Agreements affiliated with the DigiFlex Software Licenses effective February 15, 2026 at 11:59 p.m.;

b) advising that DigiFlex would be agreeable to discuss a new Maintenance Agreement if Wallace & Carey required read-only access to the ERP Software for historical audit purposes and reporting; and

c) communicating DigiFlex's position that:

i. to the extent Wallace & Carey is currently using the DigiFlex software, such use is in breach of the DigiFlex Software Licenses and amounts to copyright infringement;

ii. to the extent 7-Eleven is currently using the ERP Software, 7-Eleven is infringing DigiFlex's copyrights, and Wallace & Carey is facilitating and/or contributing to this infringement; and

iii. neither the TSA, the Stay, the DigiFlex Consent Order, nor the Reasons can excuse Wallace & Carey and/or 7-Eleven's actions and "*Justice Marion explicitly preserved DigiFlex's rights to prove this in a separate proceeding on a more fulsome record. Stay's place proceedings against illegal behaviour on hold. They do not excuse illegal behaviour*[sic]."

8. On January 19, 2026, BD&P sent an email stating that it did not understand the necessity of certain additions in the Revised Lift Stay Order, including the addition that "…*nothing in this Order or Reasons authorized any claim, action, demand or proceedings against the Monitor, or against its counsel, agents, employees, or representatives*". In its email, BD&P stated the following:

> *"Your additions raise other questions, such as your motivation for paragraph 5. The ARIO stay is limited to the "Monitor" only, not its "counsel, agents, employees or representatives" (as you propose in your draft). I really hope I don't have to sue Cassels Brock! Plus, at this stage, the Monitor is effectively the Applicants so you can appreciate why I am skeptical. Given the history between the parties, you can also appreciate the hesitancy".*

9. On January 23, 2026, the Monitor's counsel sent an email to BD&P, among other things, advising that the Monitor intended to seek the Court's advice and direction on the scope and effect of lifting the Stay and the form of lift stay order on February 5, 2026. The correspondence between Cassels and BD&P from December 29, 2025 to January 23, 2026 is attached as **Appendix "Q"**.

## 5.0 Monitor's Recommendation

1. Based on the correspondence with BD&P in negotiating the terms of the proposed lift stay order and the contents of the BD&P Letter, the Monitor is seeking the Court's advice and directions on the following issues, which were not before the Court at the time the Reasons were issued, in order to incorporate the same into the form of Lift Stay Order:

   a) confirmation that the lifting of the Stay is solely against Wallace & Carey and Loudon;

   b) the consequence of a judgment against the Companies, including its priority; and

   c) whether Wallace & Carey and Loudon can continue to use the fully paid Perpetual License after the Stay has been lifted.

## 5.1 Scope, Enforcement and Court-Ordered Priorities

1. As noted above, the ARIO and Ancillary Order established the CCAA Charges, all of which have been fully satisfied and released, except for the Tobacco Tax Charge in the amount of $26 million, and the Administration Charge and TSA Charge which remain outstanding for all amounts which are or become owing under each.[4]

2. The Monitor does not object to the lifting of the Stay against Wallace & Carey and Loudon for the purpose of DigiFlex commencing an action against them, provided that any judgement does not disturb the priorities created by the CCAA Charges or otherwise affect any of the other orders issued in the CCAA proceedings or Receivership Proceedings. It is the Monitor's view that if the effect of lifting the Stay is inconsistent with such orders, it would amount to a collateral attack on those orders, the Court-approved SEC Transaction, SEDCC Transaction and these CCAA proceedings generally.

3. Such an outcome would be particularly prejudicial to the Provinces and Territories, who, as discussed above, are already not recovering all amounts owing to them. Any enforcement that would allow DigiFlex to recover any amounts in priority to the Provinces and Territories would further decrease any recovery to their claims.

4. Notwithstanding the Tobacco Tax Charge, any claim successfully advanced by DigiFlex would constitute an unsecured claim and must therefore be treated in accordance with the priority afforded to unsecured creditors. The mere lifting of the Stay in DigiFlex's favour does not justify conferring any special privilege or "super" priority to its claim.

5. Further, the Monitor's view is that DigiFlex and/or Mr. Mardukhi cannot seek to bring a claim against the Monitor, its counsel, or their representatives without leave of the Court, as the Monitor and its counsel performed their duties and obligations in accordance with the orders issued in these CCAA proceedings, including the ARIO and the orders approving the SEC Transaction and the SEDCC Transaction.

6. Additionally, CMI was not a party to the DigiFlex License Agreements or Maintenance Agreements. Accordingly, DigiFlex has no applicable claims as against CMI, and the Stay should not be lifted as against CMI.

---

[4] See footnote 2.

7. Based on the above, the Monitor is of the view that the Lift Stay Order should make clear that the lifting of the Stay, and any resulting judgement or claim in favour of DigiFlex:

   a) is subordinate to the existing CCAA Charges;

   b) is against Wallace & Carey and Loudon only, as applicable;

   c) is not against CMI, the Monitor, its counsel, or their representatives;

   d) restricts and stays DigiFlex from taking any enforcement steps under any judgement until and if, all priority claims have been satisfied (i.e. enforcement of the judgement is subject to the Stay); and

   e) is an unsecured claim.

### 5.2 Access to Historical Database

1. The Monitor will require access to the ERP Software for the purpose of retrieving data to meet its statutory and Court-ordered obligations, including any potential tax audit requirements and responding to questions from tax authorities (i.e., the Permitted Uses), whether as Monitor or in a subsequent role, such as a bankruptcy trustee. As previously stated, a bankruptcy may be required to conclude the CCAA proceedings and the Receivership Proceedings, as the Companies will be unable to repay their creditors in full.

2. The Monitor is of the view that the Lift Stay Order should make clear that lifting the Stay does not terminate the Perpetual Licenses and, as a result, the Monitor, for and on behalf of Wallace & Carey and Loudon, can continue using the ERP Software after the Stay has been lifted. The Monitor requires this access to meet its statutory and Court-ordered obligations, including any potential tax audit requirements and responding to questions from tax authorities, for the following reasons:

   a) the Perpetual License is owned by Wallace & Carey and Loudon, who have already paid the entirety of the purchase price, and no further amounts remain outstanding under the DigiFlex License Agreements;

b) as there are no amounts outstanding to DigiFlex, there are no known defaults under the Perpetual License, and should the Monitor choose to place the Companies into bankruptcy, KSV, should it be appointed as bankruptcy trustee, will assume all rights and entitlements of Wallace & Carey and Loudon under the DigiFlex License Agreements, as applicable; and

c) the Monitor does not require DigiFlex's Maintenance Services or Help Desk Services to obtain read only access to the ERP Software, and therefore, the Monitor does not believe there will be any undue burden or prejudice suffered by DigiFlex or Mr. Mardukhi.

3. Based on the above, the Monitor is seeking a declaration from the Court that it can continue to use the ERP Software pursuant to the Perpetual License.

## 6.0 Stay Extension

1. The Monitor is of the view that the Court should grant the Stay Extension Order, among other things, extending the Stay to August 14, 2026 for the following reasons:

   a) in the context of a CCAA proceeding in which a "super-monitor" has been appointed, it is appropriate that the Monitor be held to the good faith standard. As "super-monitor" in these CCAA proceedings, the Monitor believes that it has been and is currently discharging its duties and obligations in good faith and with due diligence;

   b) the proposed extension is intended to provide time to complete or substantially advance the Remaining Activities, including making distributions to the Provinces and Territories;

   c) the Monitor does not believe that any creditor will be prejudiced if the Stay is extended;

   d) as of the date of this Report, the Monitor is not aware of any party opposed to the Stay extension; and

   e) as reflected below, the Cash Flow Forecast reflects that the Companies are projected to have liquidity to fund the CCAA proceedings during the Stay extension.

## 7.0 Cash Flow Forecast

1. The Monitor has prepared the Cash Flow Forecast for the period January 26 to August 16, 2026 (the "**Forecast Period**"). The Cash Flow Forecast is attached as **Appendix "R"**[5].

2. The Cash Flow Forecast shows that the Companies are projected to have sufficient liquidity to continue to operate during the Forecast Period:

| (unaudited; $000s) | Note | January 26 to August 16, 2026 |
|---|---|---|
| **Receipts** | | |
| Excluded Assets | A | 50 |
| | | 50 |
| **Disbursements** | | |
| Professional fees | B | (155) |
| Contingency | C | (35) |
| | | (190) |
| **Net cash flow** | | **(140)** |
| Opening cash balance | | 1,517 |
| Net cash flow | | (140) |
| **Ending cash balance, before distributions to creditors** | D | **1,377** |

3. A summary of the key assumptions underlying the Cash Flow Forecast[6] is as follows:

   a) Excluded Assets: represents the projected receipt of the Promissory Note. Given the timing and uncertainty of the INS News litigation, the Monitor has not included any receipts from this litigation;

   b) Professional fees: includes the projected fees and disbursements of the Monitor and its legal counsel, excluding fees and disbursements incurred in connection with the TSA. Pursuant to paragraph 10(c) of the TSA, SEC is responsible for the fees of the Monitor and its legal counsel with respect to work performed in connection with the TSA;

   c) Contingency: represents a contingency for unforeseen administrative or other costs; and

[5] As the Companies no longer have any employees, management was not involved in preparing the Cash Flow Forecast and, accordingly, Management's Report on Cash Flow has not been included.

[6] The notes to the Cash Flow Forecast provide the underlying assumptions, including a description of each line item.

d) Ending cash balance: represents the estimated amount available for distribution to creditors. The cash balance excludes the amounts being held by the Receiver, totalling approximately $5.91 million.

4. The Cash Flow Forecast reflects that the Companies have sufficient liquidity to operate during the Forecast Period.

5. Pursuant to the TSA, SEC is required to fund the Companies' operational costs (including taxes accruing during that period) incurred from and after the Effective Closing Time. To the Monitor's knowledge, SEC has funded all of the Companies' operating costs 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.

6. Based on the Monitor's review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. The statutory report on the Cash Flow Forecast prepared by the Monitor is attached as **Appendix "S"**.

## 8.0 Monitor's Activities Since the Seventeenth Report

1. Since the Seventeenth Report, the Monitor has conducted the following activities:

a) communicating with SEC and SEDCC's representatives regarding the TSA, the Companies' books and records, the Companies' continued banking arrangements with CIBC, and the Companies' banking arrangements with the Bank of Nova Scotia;

b) corresponding extensively with SEC, SEDCC, DLA, and Cassels regarding the ERP Software, the November Applications, the Reasons, and the proposed Lift Stay Order;

c) attending (virtually) the November Applications;

d) corresponding with the CRA, SEC, and SEDCC regarding outstanding GST and T2 income tax returns for the Companies;

e) responding to inquiries from creditors and customers of Wallace & Carey and Loudon concerning the CCAA proceedings, the SEDCC Transaction, and the SEC Transaction;

f) for and on behalf of Wallace & Carey, pursuing collection of the INS News Judgment;

g) administering the Monitor's trust account;

h) drafting the Previous Reports and 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, 2025.

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 December 31, 2025, were $36,503.50, plus GST of $1,825.18, for a total of $38,328.68.

5. Cassels' fees, as legal counsel to the Monitor, from August 1 to December 31, 2025, were $33,161.50, plus disbursements of $823.68, plus GST of $1,689.11, for a total of $35,674.29.

6. A summary of the accounts rendered by the Monitor and its legal counsel is attached hereto as **Appendix "T"**. 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, SEC 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 SEC has paid invoices issued by the Monitor and its counsel regarding same.

9. As the fees and costs of the Monitor and its counsel dealing with DigiFlex are a TSA matter, these fees and costs have been invoiced in full to SEC. These invoices have been paid in full, except for the Monitor's and Cassels' most recent invoices, which were recently rendered and which the Monitor expects SEC will pay shortly.

## 10.0 Conclusion

1. Based on the foregoing, the Monitor respectfully recommends that the Court make the orders granting the relief sought by the Monitor.

* * *

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 E

[ATTACHED]

ksv advisory inc.

| | |
|---|---|
| COURT FILE NUMBER | **2301 – 08305** |
| COURT | **COURT OF KING'S BENCH OF ALBERTA** |
| JUDICIAL CENTRE | **CALGARY** |
| APPLICANTS | **IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* RSC 1985, c. C-36, as amended**<br><br>**AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED and CAREY MANAGEMENT INC.** |
| DOCUMENT | **SUPPLEMENT TO THE NINETEENTH REPORT OF THE MONITOR**<br>**FEBRUARY 16, 2026** |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | **MONITOR**<br>KSV Restructuring Inc.<br>Suite 1165, 324 – 8th Avenue SW<br>Calgary, Alberta<br>T2P 2Z2<br><br>Attention: Bobby Kofman / Jason Knight<br>Telephone: 416.932.6228 / 587.287.2605<br>Facsimile: 416.932.6266<br>Email: bkofman@ksvadvisory.com / jknight@ksvadvisory.com<br><br>**MONITOR'S COUNSEL**<br>Cassels Brock & Blackwell LLP<br>Bankers Hall West<br>Suite 3700, 888 – 3rd Street SW<br>Calgary, Alberta<br>T2P 5C5<br><br>Attention: Jeffrey Oliver<br>Telephone: 403.351.2921<br>Facsimile: 403.648.1151<br>Email: joliver@cassels.com |

## Contents Page



## Appendix Tab

# 1.0 Introduction

1. This report (the "**Supplemental Report**") supplements the Nineteenth Report of the Monitor dated January 26, 2026 (the "**Nineteenth Report**").

2. Defined terms in this Supplemental Report have the meanings provided to them in the Nineteenth Report, unless otherwise defined herein. This Supplemental Report is subject to the "scope and terms of reference" in the Nineteenth Report.

3. On February 5, 2026 (the "**February 5 Hearing**"), Justice Marion heard the Monitor's application seeking advice and direction regarding his decision on December 15, 2025 for an order (the "**Stay Lift Order**") lifting the Stay *vis a vis* DigiFlex effective at 11:59 PM on February 15, 2026 (the "**Stay Lift Date**"), which included the Monitor's request for a declaration that the Monitor be given continued access to use the ERP Software on a "read-only" basis after the Stay Lift Date (the "**Access Application**").

4. Counsel for DigiFlex Information Systems Inc. ("**DigiFlex**") submitted a cross-application, that it requested be heard at the February 5 Hearing, for an order (the "**DigiFlex Application**" and together with the Access Application, the "**March 3 Applications**"), among other things:

   a) declaring that DigiFlex has the right to terminate the DigiFlex License Agreements with the termination being effective as of February 16, 2026 at 12:00 AM, and accordingly:

      i. a declaration that DigiFlex is permitted to turn off the ERP Software affiliated with the DigiFlex License Agreements at 12:00 AM on February 16, 2026;

      ii. a declaration that DigiFlex, or its counsel or its representatives, are permitted to enter any premises, on February 16, 2026, or shortly thereafter, where the servers with the ERP Software are located, to remove the ERP Software and any and all copies thereof; and

      iii. a declaration that the Monitor is required to: (1) destroy and erase, or direct the destruction and deletion, of any and all copies of the ERP Software, in whatever form or media (including, without limitation, all executable files as well as all associated source and object code), and including whether or not all such copies are stored locally on servers, including the W&C Server (as defined below), or other systems owned or possessed by Wallace & Carey, Loudon, 7-Eleven, Inc. (“**SEI**”), 7-Eleven Canada Inc. (“**SEC**”), or 7-Eleven Distribution Canada Corporation (“**SEDCC**”); (2) destroy and erase, or direct the destruction and deletion of, any DigiFlex documentation related to the ERP Software, including user and reference manuals, whether in hardcopy and electronic formats; and (3) certify under oath or affirm to items (1), (2), and also that the Monitor, Wallace & Carey, Loudon, SEI, SEC, SEDCC, and/or any other person or entity has discontinued all use of the ERP Software, including without limitation, all executable files as well as all associated source and object code; or

b) in the alternative, a declaration that DigiFlex is permitted to change the copies of the ERP Software affiliated with the DigiFlex License Agreements, including the ERP Software that was installed on the W&C Server, and/or any copies of the ERP Software that are in Wallace & Carey’s, Loudon’s, SEI’s, SEC’s, and/or SEDCC’s possession, to be read-only, effective as of February 16, 2026 at 12:00 AM, provided that:

   i. the Monitor agrees to pay DigiFlex maintenance fees;

   ii. the Monitor respects the terms of the DigiFlex License Agreements, noting that, only the Monitor, in its capacity as management of Wallace & Carey and Loudon, may use the ERP Software on behalf of Wallace & Carey and Loudon, and will not directly or indirectly give SEI, SEC, or SEDCC access to or use to the ERP Software on SEI’s, SEC’s, and/or SEDCC’s behalf; and

   iii. the Monitor testifies that the ERP Software will only be used in read-only mode to access historical databases of Wallce & Carey’s and Loudon’s information for the Monitor, in its capacity as management of Wallace & Carey and Loudon, to comply with Wallace & Carey’s and Loudon’s statutory and reporting obligations.

5. Prior to the February 5 Hearing, counsel to DigiFlex advised that it was only interested in seeking the termination of the DigiFlex License Agreements.

6. At the February 5 Hearing, the Court found that DigiFlex did not provide the required notice and time to hear the DigiFlex Application. The Court subsequently granted an order dated February 5, 2026 (the "**Injunction and Adjournment Order**"), that, among other things:

a) adjourned the Monitor's Access Application until March 3, 2026;

b) adjourned the DigiFlex Application until March 3, 2026; and

c) declared that DigiFlex shall not interfere with, alter, or impede the Monitor's existing access to the ERP Software, and DigiFlex shall not alter the status quo with respect to such access until the Access Application and DigiFlex Application are heard and the Court otherwise decides such injunctive relief is required.

### 1.1 Purposes of this Supplemental Report

1. The purposes of this Supplemental Report are to:

a) update the Court on events that have occurred since the date of the Nineteenth Report;

b) provide the Court with additional information to assist it in considering the DigiFlex Application; and

c) provide the Monitor's recommendation in respect of its Access Application for an order declaring, among other things:

i. that notwithstanding the lifting of the Stay, Wallace & Carey and Loudon are permitted to use the ERP Software on a read-only basis, for the purpose of maintaining and accessing the historical database to allow the Monitor to meet its statutory and other obligations. This read-only access shall include the ability to search, read, review, and print reports that contain such information; and

ii. that such use will be at no cost to the Monitor, unless the maintenance services (the "**Maintenance Services**") pursuant to the Maintenance Agreements attached to each of the DigiFlex License Agreements as Schedule "A" (collectively, the "**Maintenance Agreements**") are otherwise required and, in that circumstance, fees will be paid at the daily rate under the Maintenance Agreements for the service required.

## 2.0 Background

1. As noted in Section 4.0(7) of the Nineteenth Report, on January 16, 2026, counsel to DigiFlex sent a letter to the Monitor's counsel that:

   a) provided DigiFlex's notice of termination (the "**Termination**") of the Maintenance Agreements, and accordingly, the Maintenance Agreements would expire on the Stay Lift Date; and

   b) advised that it was DigiFlex's position that to the extent Wallace & Carey, SEI, SEDCC, or SEC are currently using the ERP Software, that such use is in breach of the DigiFlex License Agreements and amounts to copyright infringement.

2. This Termination was contrary to the Stay contained in paragraph 18 of the ARIO.

3. On January 28, 2026, counsel to DigiFlex sent another letter (the "**January 28 Letter**") to the Monitor's counsel that:

   a) provided DigiFlex's position that the Maintenance Agreements cannot be severed from the DigiFlex License Agreements, and that non-payment of Maintenance Services gave DigiFlex the right to terminate the DigiFlex License Agreements; and

   b) sought confirmation from the Monitor as to whether it required "read-only" access or active access.

4. On January 29, 2026, counsel to the Monitor responded to the January 28th Letter as follows:

   a) the DigiFlex License Agreements and Maintenance Agreements were independent of one another, and that the termination of the Maintenance Agreements does not terminate the DigiFlex License Agreements; and

   b) requesting details as to the limitations related to read-only access.

5. On January 30, 2026, counsel to DigiFlex provided further information regarding read-only access, after which the Monitor's counsel confirmed on a phone call on February 2, 2026 that such access should be sufficient to meet the Monitor's requirements.

6. On February 2, 2026, the Monitor's counsel received an email from DigiFlex's counsel that, among other things:

   a) requested an agreement to the payment of Maintenance Services fees (the "**Maintenance Fees**") for read-only access, subject to inflation, in the amount of $76,587.50/year for Wallace & Carey and $6,812.50/year for Loudon, or if upfront payment was made for the next six years, a total of $321,667.92 for Wallace & Carey and $37,012.50 for Loudon; and

   b) advised that it will be seeking costs at the February 5 Hearing.

7. In response, the Monitor's counsel responded via email on February 3, 2026, advising that:

   a) the Maintenance Fees being requested were unjustified, and those services were not required for an ongoing period of six years; and

   b) the Monitor is prepared to pay for Maintenance Services, if required, at contract rates, which is consistent with the basis on which services are provided during a CCAA proceeding and pursuant to the ARIO. The DigiFlex License Agreements, by their terms, patently do not require that such services be provided or paid for, unless services are actually provided, which is consistent with the services being provided during a CCAA proceeding and pursuant to the ARIO.

8. DigiFlex's counsel replied reiterating its position that the Maintenance Fees requested on February 2, 2026 were reasonable and at a considerable discount.

9. At the February 5 Hearing, the Court made the following preliminary findings:

   a) that, without it being a final determination, but based on a plain reading of clause 4B of the Maintenance Agreements, the Court was not satisfied that DigiFlex has a strong *prima facie* case that it will be likely successful on its argument that it is entitled to have access to the ERP Software, and on that basis, did not grant a mandatory injunction directing that DigiFlex have access to the ERP Software pending the determination of this matter;

   b) that there is no evidence that operating system compatibility updates or hotline services will be necessary in the time between the February 5 Hearing and when the Access Application and DigiFlex Application are heard on March 3, 2026;

c) DigiFlex has not articulated that it will suffer irreparable harm prior to the Access Application and DigiFlex Application on March 3, 2026;

d) DigiFlex has not satisfied that there's sufficient evidence of an imminent harm requiring a *quia timet* injunction against SEC, and that SEC has to abide by whatever its legal obligations are in any event; and

e) the balance of convenience favours maintaining the status quo. In the event the Monitor decides to give access to DigiFlex, if DigiFlex interferes with the Monitor's access it will not be looked upon very kindly in the future.

10. Accordingly, the Court granted the Injunction and Adjournment Order.

## 3.0 Information Provided by SEC/SEDCC Since the Nineteenth Report

1. The Monitor received from SEC's counsel two status update emails dated February 9 and 13, 2026, regarding, among other things: (i) the status of the transfer of the data on the Wallace & Carey server which was purchased by SEC (the "**W&C Server**") from the ERP Software based system to the SEC/SEDCC systems (the "**Data Transition**"); (ii) the pre-February 2026 access to the ERP Software pursuant to the TSA; and (iii) payment of various DigiFlex invoices (together, the "**SEC Report**"). A copy of the SEC Report is attached as **Appendix "A"**.

### 3.1 Termination of VPN Access and Cessation of Maintenance Services

1. On February 1, 2026, counsel to DigiFlex wrote to the Monitor's counsel to advise that DigiFlex's access to the W&C Server, by way of a virtual private network connection (the "**VPN Access**"), had been cut-off, alleging this was contrary to section 4B of the Maintenance Agreements. DigiFlex's counsel advised that it was DigiFlex's understanding that this meant the Companies were no longer interested in any form of license with DigiFlex and requested that the Companies destroy all copies of the ERP Software.

2. On February 2, 2026, the Monitor's counsel advised DigiFlex's counsel that SEC/SEDCC had completed the Data Transition, but that access to same was still required to the Stay Lift Date to generate final monthly reports for the purposes of reconciling, among other things, TSA accounting and tax obligations. The Monitor's counsel further stated that the VPN Access was turned off by SEC as there were concerns from SEC that DigiFlex might change information or access requirements which would significantly prejudice SEC and SEDCC in the final stages of its implementation.

3. The Monitor understands that SEC disabled VPN Access because:

a) Maintenance Services were no longer required;

b) SEC was concerned that historical data could be accessed and subsequently amended by DigiFlex; and

c) there was potential that DigiFlex could have disabled the ERP Software or otherwise manipulated such access to the ERP Software which would have hindered completion of the Data Transition prior to the Stay Lift Date.

### 3.2 Invoices

1. Since SEC is responsible for paying all TSA-related costs, SEC received the invoices attached as Exhibit B to Mr. Mohammad Marduhki's January 30, 2026 affidavit which were issued in December 2025 and January 2026 (the "**Invoices**"). Prior to receiving the SEC Report, SEC advised the Monitor that approval and processing of the Invoices was delayed because the team responsible for such approval was heavily engaged in finalizing the implementation of the Integration Software and the Data Transfer.

2. Notwithstanding, on February 13, 2026, the Monitor was advised through the SEC Report that payment for the Invoices was made and that there are no longer any amounts outstanding under the DigiFlex License Agreements.

### 3.3 Use of ERP Software

1. Pursuant to the SEC Report, SEC has advised the Monitor that:

a) the Data Transition was completed on February 1, 2026;

b) all follow-up activities commencing on February 1, 2026, which included finalizing reports to fulfill obligations under the TSA, were concluded on February 13, 2026; and

c) SEDCC no longer requires access to the ERP Software after the Stay Lift Date. From and after that date, an SEDCC employee will access the ERP Software only if the Monitor requests information from the ERP Software, pursuant to the Adjournment and Injunction Order.

2. All actions of the Monitor and SEC from the date of the TSA to the Stay Lift Date were conducted pursuant to the TSA, and included, among other things the delivery of the following (the "**Transition Services**"):

   a) ongoing financial services to:

      i. maintain accurate records and reports;

      ii. provide information to SEC, as needed; and

      iii. provide timely and accurate input of invoices and expense claims to facilitate disbursement of payments to suppliers, tax authorities and employees;

   b) assist SEC/SEDCC with integrating any of Debtors' (i.e., Wallace & Carey and CMI) information technology systems and source code into SEC/SEDCC's environment, including by providing all records, reports, documentation, and information that a reasonably skilled programmer would require to complete such integration and maintain such systems going forward without assistance from Debtor;

   c) maintain SEC/SEDCC's access to Debtor's information technology systems;

   d) assist with data migration;

   e) transition financial services to provide financial reporting, budgeting, and forecasting in the ordinary course, and as required by SEC from time to time; and

   f) transition informational technology services to assist with data migration.

3. The W&C Server that houses the ERP Software was sold by Wallace & Carey to SEC in or about November of 2023. Section 28 of the TSA provides that if either party to the TSA has access to any of the computer systems and/or information stores of the other party in connection with the Transition Services, that such access would be limited to the use of such systems and information stores as required to perform or receive the Transition Services. Further, each party agreed that such access would be limited to personnel with a bona fide need for such access and who have agreed to maintain the confidentiality of the other party's Confidential Information. Each party agreed to follow all applicable security rules and procedures communicated to it for restricting access to any computer systems and information stores of the other party to which is provided access.

4. The TSA provided at clause 3(a) that the Debtors shall provide SEC with the Transition Services utilizing "Transition Employees" from the commencement of the TSA to its termination date. Pursuant to the secondment agreement executed between SEDCC and the Monitor dated August 18, 2025, and effective as at August 21, 2025, (the "**Secondment Agreement**"), Transition Services were to be provided by seconded employees of SEDCC to Wallace & Carey for the purposes of completing the Data Transition under the TSA. A copy of the secondment agreement is attached as **Appendix "B"**.

5. Notwithstanding, the Monitor understands that during the TSA period, until January 31, 2026, SEDCC employees accessed the SEC owned W&C Server to input ordinary course purchasing, inventory, and accounts receivable data while the Data Transition was ongoing and SEDCC developed its own enterprise resource planning software.

## 4.0 Monitor's Recommendation

1. The Monitor seeks an order that:

   a) it be granted continued read-only access to the ERP Software for the purposes of meeting its statutory and other obligations; and

   b) such access does not require ongoing Maintenance Services from DigiFlex, and therefore no Maintenance Fees are payable, or if Maintenance Services are found to be necessary, guidance from the Court on an appropriate and reasonable fee for such access. It is the Monitor's view that the rates should be based on the Rate Schedule (as defined and described in Section 4.2 below).

### 4.1 Need for Read-Only Access and Proposed Use of ERP Software

1. The Monitor requires access to the ERP Software for the purpose of retrieving data to meet its statutory and Court-ordered obligations, including any potential tax audit requirements and responding to questions from tax authorities, whether as Monitor or in a subsequent role, like bankruptcy trustee.

2. The Monitor anticipates that the maximum period during which read-only access will be required is six years, though such access would not be continuous and likely sporadic and minimal, consistent with the longest applicable statutory record-retention or audit-exposure period under section 230 of the *Income Tax Act,* RSC 1985, c 1 ($5^{th}$ Supp) (the "**ITA**").

3. The Monitor expects that access to the ERP Software during this period will be limited, occurring only periodically (if at all), and solely for purposes such as printing records, exporting data, or responding to inquiries from governmental authorities. Effectively, the Monitor requires access on a contingency basis. Having access to these types of books and records following the administration of an insolvency process is consistent with standard practices in insolvency proceedings.

4. The Monitor is of the view that it can continue using the ERP Software on an ongoing basis until all such obligations are met for the following reasons:

   a) the Perpetual License was already purchased by Wallace & Carey and Loudon, and no amounts are outstanding under the DigiFlex License Agreements;

   b) DigiFlex will not suffer any prejudice as the Monitor is not requesting any Maintenance Services be continued during this time. However, to the extent that such services are required, the Monitor is prepared to pay a reasonable commercial rate for these services. The Monitor is of the view that DigiFlex should not be able to leverage its position to secure an unreasonable amount for the Maintenance Services to the detriment of other stakeholders;

   c) there are no known defaults under the DigiFlex License Agreements or Maintenance Agreements; and

   d) the Monitor may not be able to perform its statutory and court-ordered responsibilities without access to the ERP Software on a "read-only" basis.

5. The Monitor cannot rely solely on DigiFlex to access the ERP Software or to provide the required information, for the following reasons:

   a) DigiFlex has indicated that it no longer wishes to participate in these CCAA proceedings or remain involved with the Companies. This raises concerns about the Monitor's ability to depend on DigiFlex to produce necessary reports within required timelines;

   b) the Monitor is a court-appointed officer who must comply with good faith and due diligence obligations; standards that do not apply to DigiFlex; and

   c) there is a risk that continued reliance on DigiFlex for these services could result in undisclosed or unexpected fees that the Monitor could be requested to pay.

### 4.2 Maintenance Agreements and Fees

1. The ERP Software is maintained and supported by:

    a) the Maintenance Agreements, wherein Wallace & Carey and Loudon agreed to pay, in advance, an annual fee for Maintenance Services related to the ERP Software; and

    b) general IT help desk support services provided by DigiFlex which, pursuant to the MM Affidavit, were not tied to the ERP Software but were for general IT issues (the "**Help Desk Services**"). The Monitor understands that the Help Desk Services are not subject to a written agreement and paid upfront on an annual basis.

2. Key terms regarding the Maintenance Services and Maintenance Fees include:

    a) section 3 of the Maintenance Agreements provide that "*the customer shall pay an annual maintenance fee for services commencing upon installation of ProCLASS into a production environment. The maintenance fee shall be $84,000.00 for 2 years paid in advance. Additional maintenance fees of 25% of the annual maintenance fee, will apply in the event that ProCLASS is installed in multiple branches on additional Server Systems*";

    b) section 5 of the Maintenance Agreements provide that "*that the annual maintenance fee may be increased or decreased by DigiFlex so long as DigiFlex gives thirty days written notice*"; and

    c) schedule B of the DigiFlex License Agreements includes the following "*Rate Schedule*" (the "**Rate Schedule**") for services other than those in the Maintenance Agreements:

| Description | Hourly | Daily |
|---|---:|---:|
| Analysis & Design | $145.00 | $1,087.50 |
| Project Management | $145.00 | $1,087.50 |
| Programming | $115.00 | $862.50 |
| Technical Support | $115.00 | $862.50 |
| Training and Installation | $90.00 | $675.00 |

The Rate Schedule provides that the minimum rates for: (i) on-site work within Calgary shall be 4 hours; (ii) on-site work outside of Calgary shall be one day; and (iii) offsite remote work shall be two hours.

3. The rates listed above were set on March 9, 2000, and accordingly, would need to be adjusted for inflation.

4. Section 4 of the Maintenance Agreements outline the Maintenance Services provided, which includes:

   a) operating system compatibility services which include the Customer (as defined in the Maintenance Agreements) agreeing to accept, implement, and install updates;

   b) updates which include DigiFlex agreeing to update the ERP Software when such updates are developed or published by DigiFlex; and

   c) hotline services which provide that DigiFlex shall provide remote telephone access to DigiFlex personnel on a twenty-four-hour seven-day-a-week basis with respect to the use of the ERP Software.

5. The Monitor is of the view that none of the Maintenance Services are necessary for read-only access to the ERP Software. However, if any services are required to support the Monitor's limited, read-only use, the Monitor submits that annual lump-sum fees are not reasonable in the circumstances. Instead, any such fees should follow the Rate Schedule, for the following reasons:

   a) DigiFlex would not be prejudiced, as it would still be compensated for any limited work actually required during this period; and

   b) this approach balances the interests of DigiFlex with the Monitor's duties and obligations, without unduly prejudicing the interests of stakeholders through the unilateral and arbitrary imposition by DigiFlex of fees and costs incommensurate with the services required of it.

## 5.0 Conclusion

1. Based on the foregoing, the Monitor respectfully recommends that the Court grant the orders sought by the Monitor in the Access Application and dismiss the DigiFlex Application.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

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

# APPENDIX F

[ATTACHED]

| | | |
|---|---|---|
| COURT FILE NUMBER | 2301 - 08305 | Clerk's Stamp |
| 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<br><br>AND IN THE MATTER OF THE COMPROMISE OF ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED, and CAREY MANAGEMENT INC. | JUDICIAL CENTRE OF CALGARY<br>FILED DIGITALLY<br>2301 08305<br>Feb 24, 2026<br>3:15 PM<br>CLERK OF THE COURT |
| APPLICANT | KSV RESTRUCTURING INC., in its capacity as Court-appointed Monitor of Wallace & Carey Inc., Loudon Bros Limited and Carey Management Inc. | |
| DOCUMENT | **STAY LIFT ORDER - DIGIFLEX** | |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | Cassels Brock & Blackwell LLP<br>Bankers Hall West<br>3700, 888 3rd St SW<br>Calgary, AB T2P 5C5<br><br>E: joliver@cassels.com<br>P: 403 351 2920<br><br>**Attention: Jeffrey Oliver**<br><br>File no. 54670-3 | |

**DATE ON WHICH ORDER WAS PRONOUNCED:** **December 15, 2025**

**LOCATION WHERE ORDER WAS PRONOUNCED:** **Calgary, Alberta**

**NAME OF JUSTICE WHO MADE THIS ORDER:** **The Honourable Justice Marion**

**UPON** the Application (the "**Monitor's Assignment Application**") of KSV Restructuring Inc., in its capacity as the court-appointed Monitor with enhanced powers (in such capacity, the "**Monitor**") of Wallace & Carey Inc. ("**W&C**"), Loudon Bros Limited ("**Loudon**"), and Carey Management Inc. ("**CMI**" and collectively, the "**Companies**") for an order, among other things, assigning the DigiFlex License Agreements (as herein defined at Schedule "A") from W&C and/or Loudon to 7-Eleven Distribution Canada Corporation ("**SEDCC**") or its nominee (the "**Proposed Assignments**"); **AND UPON** the Application (the "**DigiFlex Stay Application**" and together with the Monitor's Application, the "**November Applications**") of DigiFlex Information Systems Inc. ("**DigiFlex**") for, among other things, an order lifting the stay of proceedings (the "**Stay**") *vis a vis* DigiFlex; **AND UPON** the Monitor seeking advice and direction (the "**Advice and Direction Application**") regarding the Reasons for Decision of the Honourable Justice M.A. Marion dated December 15, 2025, under the citation *Wallace & Carey Inc. (Re)*, 2025 ABKB 750 (the "**Reasons**"); **AND UPON** having reviewed the Amended and Restated Initial Order of this Court pronounced June 30, 2023 (the

"**ARIO**"); the Ancillary Order granted by the Honourable Justice Hollins dated August 23, 2023 (the "**Ancillary Order**"); the Consent Order with DigiFlex granted by this Court on December 17, 2024 (the "**DigiFlex Consent Order**"); the Monitor's Sixth Report to Court dated November 8, 2023; the Monitor's Fourteenth Report to Court dated December 13, 2024; the Monitor's Seventeenth Report to Court dated August 13, 2025 (the "**Seventeenth Report**"); the Monitor's Supplement to the Seventeenth Report to Court dated August 21, 2025 (the "**Supplement to Seventeenth Report**"); the Monitor's Second Supplement to the Seventeenth Report to Court dated September 11, 2025 (the "**Second Supplement to Seventeenth Report**"); the Monitor's Eighteenth Report to Court dated November 20, 2025 (the "**Eighteenth Report**"); the Monitor's Nineteenth Report to Court dated January 26, 2026 (the "**Nineteenth Report**"); the Affidavit of Joshua Buchanan sworn September 8, 2025; the Affidavit of Jennifer Allen affirmed November 12, 2025; the Affidavit of Jennifer Allen affirmed November 25, 2025; the Affidavit of Mohamad Z. Mardukhi, affirmed November 14, 2025; the Affidavit of Mohamad Z. Mardukhi, affirmed November 25, 2025; the Affidavit of Service of Jennifer Allen affirmed November 26, 2025; and the Affidavit of Service of Angeline Gagnon, sworn November 26, 2025; and the Affidavit of Service of Angeline Gagnon, sworn February 5, 2026; **AND UPON** hearing counsel for the Monitor, counsel for 7-Eleven Canada Inc. ("**SEC**") and SEDCC, and counsel for DigiFlex at the November Applications on November 27, 2025; **AND UPON** judgment of the November Applications being reserved until December 15, 2025; **AND UPON** hearing counsel for the Monitor, counsel for SEC and SEDCC, and counsel for DigiFlex at the Advice and Direction Application, with respect to settling the terms of this Order, on February 5, 2026; **AND UPON** being satisfied that it is appropriate to do so;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. This Order accompanies the Reasons. This Order is to be interpreted with reference to the Reasons.

2. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the ARIO, the Eighteenth Report, or the Nineteenth Report.

**SERVICE**

3. Service of notice of the Monitor's Assignment Application, DigiFlex's Stay Application, and the Advice and Direction Application and supporting materials in respect of each are hereby declared to be good and sufficient, and time for service of the Monitor's Assignment Application, DigiFlex's Stay Application, and the Advice and Direction Application are abridged to that actually given.

**STAY**

4. The Stay imposed under the ARIO, as extended by this Court from time to time, and specifically, the restrictions set out in paragraphs 15, 16, 17, 18, and 19 of the ARIO, are hereby lifted as

against W&C and Loudon *vis a vis* DigiFlex to allow DigiFlex to pursue any rights or remedies it may have pursuant to its agreements with W&C and Loudon, including those under the DigiFlex License Agreements, effective as at 11:59 PM (Calgary time) on February 15, 2026 (the "**Stay Lift Date**").

5. For greater certainty, nothing in this Order or Reasons:

(a) lifts the restrictions set out in paragraphs 15, 16 17, 18 and 19 of the ARIO (the "**Stay Restrictions**") as against CMI or the Monitor (including its counsel, employees, agents, or representatives); and

(b) prevents DigiFlex from applying to the Court in the future to lift the Stay Restrictions as against CMI or the Monitor (including its counsel, employees, agents or representatives), subject to the limitations of liability for the Monitor pursuant to paragraph 30 of the ARIO.

.

6. The ARIO, DigiFlex Consent Order, and any other orders in these proceedings are varied, to the extent necessary, to lift the Stay pursuant to paragraph 4 above.

7. For greater certainty, with respect to the DigiFlex Consent Order:

(a) paragraph 3 of the DigiFlex Consent Order shall be amended as follows:

> 3. DigiFlex shall continue to provide maintenance services ("Maintenance Services") to Wallace & Carey and Loudon Bros Limited in the manner, at the rates and subject to the terms prescribed in their applicable Maintenance Agreement and subject to the terms of the ARIO, until 11:59 PM (Calgary time) on February 15, 2026, or as otherwise agreed upon in writing between the Monitor and DigiFlex.
>
> ~~until the later of:~~
>
> ~~(a) the expiration of the Stay Period; as may be extended by order(s) of this Court; and~~
>
> ~~(b) the expiration of the term for the Western Business (as defined in the TSA) set out in the TSA, subject to further extensions as permitted under the TSA or as otherwise ordered by the Court.~~
>
> ~~For greater certainty, in the event that the Stay Period is extended in the manner described in this paragraph 3, DigiFlex shall continue to provide Maintenance Services to Wallace & Carey in accordance with this paragraph pursuant to the Maintenance Agreement without further Order of this Court.~~

(b) paragraph 5 of the DigiFlex Consent Order shall no longer be in effect as of 11:59 PM (Calgary time) on February 15, 2026.

**DISMISSAL OF THE REMAINDER OF THE MONITOR'S ASSIGNMENT APPLICATION**

8. The portion of the Monitor's Assignment Application seeking dismissal of DigiFlex's Stay Application in its entirety (i.e., the relief sought in paragraph 1(a)(ii) of the Monitor's Assignment Application) is hereby dismissed.

**ADJOURNMENT OF THE MONITOR'S ASSIGNMENT APPLICATION**

9. The portion of the Monitor's Assignment Application seeking approval of the Proposed Assignments, is hereby adjourned *sine die*.

10. In the event the Monitor's Assignment Application regarding the Proposed Assignments for the purposes of records retention and audit purposes be requested to be heard it shall be scheduled before the Honourable Justice Marion for further consideration. The parties may contact the commercial coordinator to seek directions from Justice Marion on an appropriate procedure for further evidence (if required) and submissions.

**COSTS**

11. Each party shall bear its own costs pursuant to the DigiFlex Stay Application and the portion of the Monitor's Assignment Application for dismissal of the DigiFlex Stay Application.

12. Costs relating to the Monitor's Assignment Application regarding the Proposed Assignments are deferred pending either agreement among the parties or any future hearing concerning the Proposed Assignments.

**GENERAL**

13. For greater certainty, any findings of fact stated in the Reasons are interim findings only and do not create a binding decision with respect to any disputed fact in any other proceeding.

**SERVICE OF ORDER**

14. Service of this Order shall be deemed good and sufficient by:

    (a) serving the same and the Reasons 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; and

        iii. any other parties attending or represented at the application for this Order; and

(b) posting a copy of this Order and the Reasons on the Monitor's website established in connection with these proceedings, for no less than six months from the date of this Order; and service on any other person is hereby dispensed with.

15. Service of this Order and Reasons may be effected by facsimile, electronic mail, personal delivery or courier.

Justice M.A. Marion

Justice of the Court of King's Bench of Alberta

## Schedule "A"

### DigiFlex License Agreements

1. ProCLASS/LAZER/NEXUS Software License Agreement between DigiFlex and W&C executed on March 9, 2000;

2. CLASS Software License Agreement between DigiFlex and W&C executed by DigiFlex on June 27, 2003 and W&C on August 12, 2003;

3. ProCLASSB1 Business Intelligence Suite Software License Agreement between DigiFlex and W&C entered into on or about April 23, 2012 (according to Mohamad Mardukhi's November 14, 2025 Affidavit (the "**MM Affidavit**")) and executed by DigiFlex on August 19, 2013 (per copy in W&C files);

4. ProCLASS/CLASS/LAZER Software License Agreement between DigiFlex and Loudon entered into on February 18, 2013 (per the MM Affidavit);

5. ProCLASS/CLASS Software License Agreement Addendum between DigiFlex and Loudon dated May 8, 2014; and

6. ProCLASS/CLASS Software License Agreement Addendum between DigiFlex and Loudon dated June 6, 2014.

# APPENDIX G

[ATTACHED]

| | | |
|---|---|---|
| COURT FILE NUMBER | 2301 - 08305 | Clerk's Stamp |
| 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<br><br>AND IN THE MATTER OF THE COMPROMISE OF ARRANGEMENT OF WALLACE & CAREY INC., LOUDON BROS LIMITED, and CAREY MANAGEMENT INC. | |
| APPLICANT | KSV RESTRUCTURING INC., in its capacity as Court-appointed Monitor of Wallace & Carey Inc., Loudon Bros Limited and Carey Management Inc. | |
| DOCUMENT | **ORDER – ADJOURNMENT AND LITIGATION SCHEDULE** | |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | Cassels Brock & Blackwell LLP<br>Bankers Hall West<br>3700, 888 3rd St SW<br>Calgary, AB T2P 5C5<br><br>E: joliver@cassels.com<br>P: 403 351 2920<br><br>**Attention: Jeffrey Oliver**<br><br>File no. 54670-3 | |



**DATE ON WHICH ORDER WAS PRONOUNCED:** **February 5, 2026**

**LOCATION WHERE ORDER WAS PRONOUNCED:** **Calgary, Alberta**

**NAME OF JUSTICE WHO MADE THIS ORDER:** **The Honourable Justice Marion**

**UPON** the Application (the "**Monitor's Application**") of KSV Restructuring Inc., in its capacity as the court-appointed Monitor with enhanced powers (in such capacity, the "**Monitor**") of Wallace & Carey Inc. ("**W&C**"), Loudon Bros Limited ("**Loudon**"), and Carey Management Inc. ("**CMI**" and collectively, the "**Companies**") seeking an order declaring, among other things, that: (i) any judgment in favour of DigiFlex Information Systems Inc. ("**DigiFlex**") as against W&C and Loudon shall be subordinate to all existing priorities in these CCAA proceedings and unsecured; and (ii) the Monitor be permitted to have read-only access to the ERP Software; **AND UPON** the Cross-Application of DigiFlex Information Systems Inc. ("**DigiFlex**") for an order, *inter alia,* declaring the DigiFlex License Agreements (as defined at Schedule "A" hereto) are terminated (the "**DigiFlex Application**"); **AND UPON** having reviewed the Amended and Restated Initial Order of this Court pronounced June 30, 2023 (the "**ARIO**"); the Monitor's Nineteenth Report to Court dated January 26, 2026 (the "**Nineteenth Report**"); the Affidavit of Mohamad Z. Mardukhi, affirmed January 30, 2026; and the Affidavit of Service of Angeline Gagnon, sworn February 5, 2026; **AND UPON** hearing counsel for the

Monitor, counsel for 7-Eleven Canada, Inc. and 7-Eleven Distribution Canada Corporation, counsel for DigiFlex and any other counsel for interested parties in attendance on February 5, 2026; **AND UPON** being satisfied that it is appropriate to do so;

**AND UPON CONSIDERING** appropriate interim measures pending the determination of the Monitor's Access Application (as defined below) and DigiFlex's Application; **AND UPON** the representation of DigiFlex to the Court that, in the event the Monitor reinstates DigiFlex's access to the ERP Software before the determination of the Access Application and DigiFlex Application, DigiFlex will not interfere with the Monitor's access or use of the ERP Software or the data of the Companies pending the determination of the Access Application and DigiFlex Application; **AND UPON DECIDING** that it is appropriate to maintain the status quo on an interim without prejudice basis and not order any interim injunctive measures pending the hearing of the Access Application and DigiFlex Application;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the ARIO or the Nineteenth Report.

**SERVICE**

2. Service of notice of the Monitor's Application and supporting materials are hereby declared to be good and sufficient, and time for service of the Monitor's Application is abridged to that actually given.

**ADJOURNMENTS**

3. The Monitor's relief requested at paragraphs 1(b)(ii) and (iii) of the Monitor's Application is hereby adjourned *sine die*.

4. The Monitor's relief requested at paragraph 1(b)(iv) of the Monitor's Application is hereby adjourned until March 3, 2026 (the "**Access Application**").

5. The DigiFlex Application is hereby adjourned until March 3, 2026.

**LITIGATION SCHEDULE ORDER**

6. The following litigation schedule (the "**Litigation Schedule**") shall apply regarding the Access Application and the DigiFlex Application:

(a) the Monitor shall provide any additional evidence it intends to rely upon to the Court and to the parties by February 16, 2026 at 4:00 PM (Calgary time);

(b) DigiFlex shall provide any additional evidence it intends to rely upon to the Court and to the parties by February 23, 2026 at 4:00 PM (Calgary time);

(c) the Monitor shall provide its consolidated brief to the Court and to the parties by February 25, 2026 at 4:00 PM (Calgary time);

(d) DigiFlex shall provide its consolidated response brief to the Court and to the parties by February 27, 2026 at 4:00 PM (Calgary time); and

(e) the Access Application and DigiFlex Application shall be heard by Justice Marion on March 3, 2026.

**SERVICE OF ORDER**

7. 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; and

iii. any other parties attending or represented at the application for this Order; and

(b) posting a copy of this Order on the Monitor's website established in connection with these proceedings, for no less than six months from the date of this Order; and service on any other person is hereby dispensed with.

8. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier.

Justice M.A. Marion

Justice of the Court of King's Bench of Alberta

**Schedule "A"**

**DigiFlex License Agreements**

1. ProCLASS/LAZER/NEXUS Software License Agreement between DigiFlex and W&C executed on March 9, 2000;

2. CLASS Software License Agreement between DigiFlex and W&C executed by DigiFlex on June 27, 2003 and W&C on August 12, 2003;

3. ProCLASSB1 Business Intelligence Suite Software License Agreement between DigiFlex and W&C entered into on or about April 23, 2012 (according to Mohamad Mardukhi's November 14, 2025 Affidavit (the "**MM Affidavit**")) and executed by DigiFlex on August 19, 2013 (per copy in W&C files);

4. ProCLASS/CLASS/LAZER Software License Agreement between DigiFlex and Loudon entered into on February 18, 2013 (per the MM Affidavit);

5. ProCLASS/CLASS Software License Agreement Addendum between DigiFlex and Loudon dated May 8, 2014; and

6. ProCLASS/CLASS Software License Agreement Addendum between DigiFlex and Loudon dated June 6, 2014.

# APPENDIX **H**

[ATTACHED]

| | | |
|---|---|---|
| COURT FILE NUMBER | 2301 - 08305 | Clerk's Stamp |
| 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. | |
| APPLICANT | KSV RESTRUCTURING INC., in its capacity as Court-appointed Monitor of Wallace & Carey Inc., Loudon Bros Limited and Carey Management Inc. | |
| DOCUMENT | **ADJOURNMENT ORDER** | |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | Cassels Brock & Blackwell LLP<br>Bankers Hall West<br>3810, 888 3rd St SW<br>Calgary, AB T2P 5C5<br><br>E: joliver@cassels.com<br>P: 403 351 2920<br><br>**Attention: Jeffrey Oliver**<br><br>File no. 54670-3 | |



| | |
|---|---|
| **DATE ON WHICH ORDER WAS PRONOUNCED:** | **March 3, 2026** |
| **LOCATION WHERE ORDER WAS PRONOUNCED:** | **Calgary, Alberta** |
| **NAME OF JUSTICE WHO MADE THIS ORDER:** | **The Honourable Justice Marion** |

**UPON** the Application (the **"Access Application"**) of KSV Restructuring Inc., in its capacity as the court-appointed Monitor with enhanced powers (in such capacity, the "**Monitor**") of Wallace & Carey Inc. ("**W&C**"), Loudon Bros Limited ("**Loudon**"), and Carey Management Inc. ("**CMI**" and collectively, the "**Companies**") seeking an order declaring, among other things, that the Monitor be permitted to have read-only access to the ERP Software (as defined in the Monitor's Nineteenth Report to Court dated January 26, 2026 (the "**Nineteenth Report**")); **AND UPON** the Cross-Application of DigiFlex Information Systems Inc. ("**DigiFlex**") for an order, *inter alia,* declaring the DigiFlex License Agreements (as defined at Schedule "A" hereto) are terminated (the "**DigiFlex Application**"); **AND UPON** having reviewed the Amended and Restated Initial Order of this Court pronounced June 30, 2023 (the "**ARIO**"); the Stay Lift Order – DigiFlex granted by the Honourable Justice Marion on December 15, 2025 (the "**Lifting Stay Order**"); the Nineteenth Report ; the

Affidavit of Mohamad Z. Mardukhi, affirmed January 30, 2026; the Order – Adjournments and Litigation Schedule granted by the Honourable Justice Marion on February 5, 2026; the Monitor's Supplement to the Nineteenth Report to Court dated February 16, 2026 (the "**Supplemental Report**"); **AND UPON** having reviewed the letter from counsel for the Monitor dated February 25, 2026, sent on agreement with counsel for DigiFlex, indicating that the parties were working toward an agreement with respect to both the Access Application and the DigiFlex Application; the letter from counsel for the Monitor dated March 2, 2026, which provided a draft consent order (the "**Draft Consent Order**") and advised of a potential dispute with respect to paragraph 13 therein; and the letter from counsel for DigiFlex dated March 3, 2026, which provided its agreement to the Draft Consent Order and raised concerns regarding 7-Eleven Canada Inc. ("**SEC**") and 7-Eleven Distribution Canada Corporation's ("**SEDCC**") disagreement with paragraph 13 of the Draft Consent Order; **AND UPON** hearing counsel for the Monitor, counsel for DigiFlex and counsel for SEC and SEDCC; **AND UPON** being satisfied that it is appropriate to do so;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Nineteenth Report or the Supplemental Report.

**ADJOURNMENT**

2. The Access Application and DigiFlex Application (collectively, the "**Adjourned Applications**") are hereby adjourned *sine die* to permit the parties an opportunity to pursue a resolution.

3. If the Monitor, DigiFlex, and SEC/SEDCC do not present a resolution to the Court by way of an executed consent order on or before 4:00 p.m. (Calgary time) on March 13, 2026, the parties shall, by that same time, provide the Court with a letter advising of the proposed path forward, and whether there is an agreement between the parties on the proposed path forward. If there is no agreement between the parties on the proposed path forward, the letter shall set out each party's suggested procedure.

**SERVICE OF ORDER**

4. 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; and

        iii. any other parties attending or represented at the application for this Order; and

(b) posting a copy of this Order on the Monitor's website established in connection with these proceedings, for no less than six months from the date of this Order;

and service on any other person is hereby dispensed with.

5. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier.

Justice M.A. Marion

Justice of the Court of King's Bench of Alberta

**Schedule "A"**

**DigiFlex License Agreements**

1. ProCLASS/LAZER/NEXUS Software License Agreement between DigiFlex and W&C executed on March 9, 2000;

2. CLASS Software License Agreement between DigiFlex and W&C executed by DigiFlex on June 27, 2003 and W&C on August 12, 2003;

3. ProCLASSB1 Business Intelligence Suite Software License Agreement between DigiFlex and W&C entered into on or about April 23, 2012 (according to Mohamad Mardukhi's November 14, 2025 Affidavit (the "**MM Affidavit**")) and executed by DigiFlex on August 19, 2013 (per copy in W&C files);

4. ProCLASS/CLASS/LAZER Software License Agreement between DigiFlex and Loudon entered into on February 18, 2013 (per the MM Affidavit);

5. ProCLASS/CLASS Software License Agreement Addendum between DigiFlex and Loudon dated May 8, 2014; and

6. ProCLASS/CLASS Software License Agreement Addendum between DigiFlex and Loudon dated June 6, 2014.

# <u>APPENDIX I</u>

[ATTACHED]

| | | |
|---|---|---|
| COURT FILE NUMBER | 2301 - 08305 | Clerk's Stamp |
| 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. | |
| APPLICANT | KSV RESTRUCTURING INC., in its capacity as Court-appointed Monitor of Wallace & Carey Inc., Loudon Bros Limited and Carey Management Inc. | |
| RESPONDENTS | DIGIFLEX INFORMATION SYSTEMS INC. and MOHAMAD ZÄHED MARDUKHI | |
| DOCUMENT | **CONSENT ORDER – ADJOURNMENT** | |
| ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT | Cassels Brock & Blackwell LLP<br>Bankers Hall West<br>3810, 888 3rd St SW<br>Calgary, AB T2P 5C5<br><br>E: joliver@cassels.com<br>P: 403 351 2920<br><br>**Attention: Jeffrey Oliver**<br><br>File no. 54670-3 | |



**DATE ON WHICH ORDER WAS PRONOUNCED:** **April 14, 2026**

**LOCATION WHERE ORDER WAS PRONOUNCED:** **Calgary, Alberta**

**NAME OF JUSTICE WHO MADE THIS ORDER:** **The Honourable Justice Marion**

**UPON** the Application (the **"Access Application"**) of KSV Restructuring Inc., in its capacity as the court-appointed Monitor with enhanced powers (in such capacity, the "**Monitor**") of Wallace & Carey Inc. ("**W&C**"), Loudon Bros Limited ("**Loudon**"), and Carey Management Inc. ("**CMI**" and collectively, the "**Companies**") seeking an order declaring, among other things, that the Monitor be permitted to have read-only access to the ERP Software (as defined in the Monitor's Nineteenth Report to Court dated January 26, 2026 (the "**Nineteenth Report**")); **AND UPON** the Cross-Application of DigiFlex Information Systems Inc. ("**DigiFlex**") for an order, *inter alia,* declaring the DigiFlex License Agreements (as defined at Schedule "A" hereto) are terminated (the "**DigiFlex Application**"); **AND UPON** having reviewed the Amended and Restated Initial Order of this Court pronounced June 30, 2023 (the “**ARIO**”); the Stay Lift Order – DigiFlex granted by the Honourable Justice Marion on December 15, 2025 (the "**Lifting Stay Order**"); the Monitor's Nineteenth Report to Court dated January 26, 2026 (the "**Nineteenth Report**"); the Affidavit of Mohamad Z. Mardukhi, affirmed January 30, 2026; the Order – Adjournments and Litigation Schedule granted by the Honourable Justice Marion on February 5, 2026 (the "**Adjournment and Litigation Schedule Order**"); the Monitor's Supplement to the Nineteenth Report to Court dated February 16, 2026 (the "**Supplemental Report**"); the Adjournment Order granted by the Honourable Justice Marion on March 3, 2026 (the "**Adjournment Order**"); **AND UPON** having reviewed the letter from counsel for the Monitor dated February 25, 2026, sent on agreement with counsel for DigiFlex, indicating that the parties were working toward an agreement with respect to both the Access Application and the DigiFlex Application; the letter from counsel for the Monitor dated March 13, 2026 requesting an extension to submit a proposed path forward pursuant to the Adjournment Order; the letter from counsel for Digiflex dated March 27, 2026 requesting a further extension to reach a resolution by April 7, 2026; and the letter from counsel for the Monitor dated April 7, 2026, noting that each party has decided to maintain their respective applications as *sine die* at this time; **AND UPON** noting the consent of the Monitor and DigiFlex, 7-Eleven Distribution Canada Corporation ("**SEDCC**") and 7-Eleven Canada Inc. ("**SEC**") ; **AND UPON** being satisfied that it is appropriate to do so;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Nineteenth Report or the Supplemental Report.

**ADJOURNMENT OF APPLICATIONS**

2. The Access Application and DigiFlex Application (collectively, the "**Adjourned Applications**") remain adjourned *sine die* until, and if, the Monitor requires access to the ERP Software.

3. This Order is without prejudice to:

   (a) any party's position in the Federal Court Action No. T-4454-24, including, but not limited to, DigiFlex's position that the DigiFlex License Agreements were terminated as of February 15, 2026 at 11:59 PM; and

   (b) the rights of DigiFlex and/or the Monitor to have the Adjourned Applications heard in the future.

**SERVICE OF ORDER**

4. 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; and

      iii. any other parties attending or represented at the application for this Order; and

   (b) posting a copy of this Order on the Monitor's website established in connection with these proceedings, for no less than six months from the date of this Order;

   and service on any other person is hereby dispensed with.

5. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier.

Justice M.A. Marion

Justice of the Court of King's Bench of Alberta

15101687.2

15198743.1

Consented to this _____ day of April, 2026

**BURNET, DUCKWORTH & PALMER LLP counsel to DigiFlex Information Systems Inc.**

Per: ______________________________

Name: Robert Martz
Title: Partner

**CASSELS BROCK & BLACKWELL LLP, counsel to KSV RESTRUCTURING INC., in its capacity as Monitor to the Companies**

Per: Jeffrey Oliver

Name: Jeffrey Oliver
Title: Partner

**DLA PIPER (CANADA) LLP, counsel to 7-ELEVEN CANADA INC. AND 7-ELEVEN DISTRIBUTION CANADA CORPORATION**

Per: ______________________________

Name: Edmond Lamek
Title: Partner

[*Signature page to Consent Order*]

## Schedule "A"

### DigiFlex License Agreements

1. ProCLASS/LAZER/NEXUS Software License Agreement between DigiFlex and W&C executed on March 9, 2000;

2. CLASS Software License Agreement between DigiFlex and W&C executed by DigiFlex on June 27, 2003 and W&C on August 12, 2003;

3. ProCLASSB1 Business Intelligence Suite Software License Agreement between DigiFlex and W&C entered into on or about April 23, 2012 (according to Mohamad Mardukhi's November 14, 2025 Affidavit (the "**MM Affidavit**")) and executed by DigiFlex on August 19, 2013 (per copy in W&C files);

4. ProCLASS/CLASS/LAZER Software License Agreement between DigiFlex and Loudon entered into on February 18, 2013 (per the MM Affidavit);

5. ProCLASS/CLASS Software License Agreement Addendum between DigiFlex and Loudon dated May 8, 2014; and

6. ProCLASS/CLASS Software License Agreement Addendum between DigiFlex and Loudon dated June 6, 2014.

# APPENDIX J

[ATTACHED]

Court File No. T-4453-25

**FEDERAL COURT**

BETWEEN:

**DIGIFLEX INFORMATION SYSTEMS INC. and**
**MOHAMAD Z. MARDUKHI**

Plaintiffs

- and -

**7-ELEVEN INC., 7-ELEVEN CANADA INC., ~~and~~ 7-ELEVEN DISTRIBUTION CANADA CORPORATION and WALLACE & CAREY INC.**

Defendants

**AMENDED STATEMENT OF CLAIM**

**TO THE DEFENDANTS**:

**A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU** by the Plaintiffs. The claim made against you is set out in the following pages.

**IF YOU WISH TO DEFEND THIS PROCEEDING**, you or a solicitor acting for you are required to prepare a statement of defence in Form 171B prescribed by the Federal Courts Rules, serve it on the plaintiffs' solicitor or, if the plaintiffs do not have a solicitor, serve it on the plaintiffs, and file it, with proof of service, at a local office of this Court:

> **WITHIN 30 DAYS** after the day on which this statement of claim is served on you, if you are served in Canada or the United States; or
>
> **WITHIN 60 DAYS** after the day on which this statement of claim is served on you, if you are served outside Canada and the United States.
>
> **TEN ADDITIONAL DAYS** are provided for the filing and service of the statement of defence if you or a solicitor acting for you serves and files a notice of intention to respond in Form 204.1 prescribed by the *Federal Courts Rules*.

Copies of the *Federal Courts Rules*, information concerning the local offices of the Court and other necessary information may be obtained on request to the Administrator of this Court at Ottawa (telephone 613-992-4238) or at any local office.

**IF YOU FAIL TO DEFEND THIS PROCEEDING**, judgment may be given against you in your absence and without further notice to you.

Date: November 6, 2025

Issued by:
(Registry Officer)

Amended: June 1, 2026

TO: **THE ADMINISTRATOR OF THE FEDERAL COURT**

AND TO: **7-Eleven Inc.**
3200 Hackberry Road
Irving TX
75063 United States

AND TO: **7-Eleven Canada Inc.**
~~3200 Hackberry Road~~
~~Irving TX~~
~~75063 United States~~

Suite 2700 – 1133 Melville Street
Vancouver BC V6E 4E5
Canada

AND TO: **7-Eleven Distribution Canada Corporation**
Suite 2700 – 1133 Melville Street
Vancouver, BC V6E 4E5

AND TO: **DLA Piper (Canada) LLP**
Suite 5100, 333 Bay Street
Bay Adelaide Centre West Twr.
Toronto ON M5H R2R

**Sangeetha Punniyamoorthy** (sangeetha.punniyamoorthy@dlapiper.com)

**Solicitor for the Defendants**
**7-Eleven Inc., 7-Eleven Canada Inc., and 7-Eleven Distribution Canada Corporation**

AND TO: **Wallace & Carey Inc.**
c/o Cassels, Brock & Blackwell LLP
3700, 888 – 3rd Street SW
Calgary, Alberta T2P 5C5

# CLAIM

1. The Plaintiffs, Digiflex Information Systems Inc. (**Digiflex**) and Mr. Mohamad Z. Mardukhi (**Mr. Mardukhi**), seek:

(a) a declaration that the Defendants, 7-Eleven Inc., 7-Eleven Canada Inc. (**7-Eleven Canada**), ~~and~~ 7-Eleven Distribution Canada Corporation (**SEDCC**, collectively with 7-Eleven Inc. and 7-Eleven Canada, **7-Eleven**), and Wallace & Carey Inc. (**W&C**) have infringed, directly or indirectly, or induced the infringement of the Plaintiffs copyright in the Copyrighted Software (as defined below), contrary to sections 3 and 27(1) of the *Copyright Act*, R.S.C. 1985, c. C-42 (the ***Act***);

(b) an interim, interlocutory, and permanent injunction restraining 7-Eleven and W&C, ~~its~~ their directors, officers, employees, servants, agents, licensees, successors, assigns, related or affiliated companies, or otherwise, and all those in privity with or under the control of 7-Eleven and W&C from, directly or indirectly, doing any of the acts described in paragraphs 1(a) above, or any other acts in relation to the Copyrighted Software that violates the *Act*;

(c) an interlocutory and final Order requiring 7-Eleven and W&C to deliver to Digiflex or destroy under oath all infringing copies of the Copyrighted Software, in whatever form or media under 7-Eleven and W&C's direct or indirect control, including without limitation all executable files as well as all associated source and object code, and including whether or not all such copies are stored locally on servers or other systems owned or possessed by 7-Eleven and W&C or stored "in the cloud" on third party servers under 7-Eleven and W&C's direction or authorization, as all such copies are the Plaintiffs' property, pursuant to section 38(1) of the *Act*;

(d) an order for an award of the Plaintiffs' damages in a sum of not less than the $6,000,000 in unpaid license and maintenance fees, payable by 7-Eleven, for 7-Eleven's infringements of its Copyrighted Software, pursuant to sections 34 and 35 of the *Act*;

(e) an order for an award of damages payable by 7-Eleven to Mr. Mardukhi in the amount of $100,000 for infringement of Mr. Mardukhi's moral rights, pursuant to section 34(2) of the *Act*;

(f) in addition to the damages claimed in paragraphs 1(d) and 1(e), an order for an accounting of 7-Eleven's profits from its infringements in a sum not less than $100,000,000, payable by 7-Eleven to the Plaintiffs, pursuant to sections 34 and 35 of the *Act*;

(g) an order for an award of punitive damages of $2,000,000, payable by 7-Eleven to the Plaintiffs, given 7-Eleven's malicious, oppressive and high-handed actions described herein;

(h) pre-judgement and post-judgment interest in accordance with the *Federal Courts Act*, RSC 1985, c F-7;

(i) the Plaintiffs' costs of the Action on the highest indemnity scale, including all disbursements, taxes and interest; and

(j) such further and other relief as the Plaintiffs may request and that this Honourable Court may consider just.

**OVERVIEW**

2. The Plaintiffs bring this action to stop and remedy the exploitation of its enterprise resource planning software, which is copyright protected, for free.

3. The Defendants, 7-Eleven, have described the Plaintiffs' Copyrighted Software as "mission critical importance" to its business and has admitted that not having access to the Plaintiffs' Copyrighted Software would result in the "catastrophic disruption" of 7-Eleven's retail business across Canada. Nevertheless, it refuses to pay for a license to use the software.

4. 7-Eleven's excuse is that it does not need a license because it bought certain assets of the Plaintiffs' insolvent (and no longer existing) licensee, W&C. Yet, 7-Eleven never sought an assignment of ~~the insolvent company's~~ W&C's license, nor did it give notice to the Plaintiffs that it had stepped into the shoes of W&C ~~its former licensee~~. 7-Eleven's excuses have no merit.

5. As set out in more detail below, since November 2023, ~~for the last two years~~, 7-Eleven has been infringing, directly or indirectly, the Plaintiffs' Copyrighted Software. With 7-Eleven's admission that the Copyrighted Software is the backbone of its Canadian retail business, an appropriate remedy for 7-Eleven's infringement is an accounting of all of 7-Eleven's profits from its Canadian retail business for the period that it has been using the Copyrighted Software without a license.

**THE PARTIES**

6. The Plaintiff, Digiflex, is a corporation organized under the laws of the province of Alberta, with an address at 2611 Venables Street, Vancouver, British Columbia.

7. The Plaintiff, Mr. Mardukhi, is an individual who, at all relevant and material times, was resident in Canada. Mr. Mardukhi is Digiflex's Chief Executive Officer, sole shareholder and sole director.

8. The Defendant, 7-Eleven Inc., is a corporation organized under the laws of Texas, with a registered address at 3200 Hackberry Rd, Irving, Texas, USA.

9. The Defendant, 7-Eleven Canada, Inc. (**7-Eleven Canada**), is a corporation organized under the federal laws of Canada, with a registered address at ~~3200 Hackberry Rd, Irving, Texas, USA~~ Suite 2700, 1133 Melville Street, Vancouver, British Columbia.

10. The Defendant, 7-Eleven Distribution Canada Corporation (**SEDCC**), is a corporation organized under the laws of the province of British Columbia, with a registered address at Suite 2700, 1133 Melville Street, Vancouver, British Columbia. SEDCC is an affiliate of 7-Eleven Canada. SEDCC was recently incorporated, on January 12, 2024, to operate 7-Eleven's new Canadian logistic business.

10A. The Defendant, Wallace & Carey Inc. (**W&C**), is a corporation organized under the laws of the province of Alberta that is also extra-provincially registered to conduct business in most other provinces and territories in Canada. In 2023, W&C filed for protection under the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36 (the **CCAA**). Since August 2025, W&C has been managed by a court-appointed Monitor with enhanced powers.

**THE PLAINTIFFS' COPYRIGHT AND MORAL RIGHTS**

***Digiflex and the Copyrighted Software***

11. The Plaintiffs develop and provide enterprise resource planning (**ERP**) software and associated support software programs for the grocery distribution and food service industries. ERP software is the backbone for modern businesses. It integrates and automates businesses' core processes, including financial and accounting systems, inventory management, sales, and other logistics, leading to enhanced efficiency and optimization.

12. As detailed further below, the Plaintiffs' software programs are subject to copyright protection. This includes ProCLASS, CLASS Financials and LAZER DMBS, which are collectively referred to herein as the **Copyrighted Software**.

13. Mr. Mardukhi is an author of the Copyrighted Software. Mr. Mardukhi began development of the Copyrighted Software in the mid-1980s for his former employer Canalta Data Services, which was subsequently acquired by Great Pacific Industries. In 1993, Great Pacific Industries assigned all rights in the Copyrighted Software to Mr. Mardukhi, who then subsequently assigned the rights to Digiflex.

14. As CEO and an employee of Digiflex, Mr. Mardukhi further refined, modified and expanded the functionality of the Copyrighted Software for Digiflex's benefit and, in 1999, Mr. Mardukhi ultimately registered the Copyrighted Software with the Canadian Intellectual Property Office (**CIPO**). Mr. Mardukhi is listed as the registered owner of the Copyrighted Software with CIPO. Digiflex is also an owner of the Copyrighted Software pursuant to s. 13(3) of the *Act.*

15. As a result of the copyright protection in the Copyrighted Software and s. 27 of the *Act*, the Plaintiffs have the sole right to produce and reproduce the Copyrighted Software or any substantial part thereof pursuant to s. 3(1) of the *Act.*

*ProCLASS Distribution Management System*

16. Digiflex's ProCLASS Distribution Management System (referred to herein as **ProCLASS** or the **ProCLASS Software**) was the first integrated software system for distribution businesses that incorporated functionality for retail, wholesale, and foodservice distribution operations in a single system. ProCLASS has an exceptional track-record, running for 7 days a week, 24 hours a day, with no issues, for multiple years.

17. ProCLASS's source code, object code, updates and modifications thereto are the product of skill and judgment and subject to copyright protection as a literary work under the *Act*.

18. ProCLASS was registered as a literary work, computer software, with CIPO on January 19, 1999, under Copyright Registration No. 474852. This original copyright registration extends to ProCLASS software updates built on the source code, all of which have been authored by Mr. Mardukhi himself, or other Digiflex employees.

19. As an author of ProCLASS, Mr. Mardukhi has the moral right to the integrity of his work and the moral right to be associated with his work. At no time following the creation of ProCLASS has Mr. Mardukhi waived any of his moral rights in ProCLASS.

*CLASS Financials Software*

20. In association with ProCLASS, Digiflex's CLASS Financials software programs allow distribution and logistics companies to integrate their logistics and financial data. The CLASS Financials software comprises a suite of software programs, whose source code, object code, updates and modifications thereto are the product of skill and judgment and subject to copyright protection as a literary work under the *Act*. CLASS Financials software programs include:

(a) "CLASS Accounts Receivable", registered with CIPO on January 19, 1999, under Copyright Registration No. 474853;

(b) "CLASS Accounts Payable", registered with CIPO on January 19, 1999, under Copyright Registration No. 474854; and

(c) "CLASS General Ledger", registered with CIPO on January 19, 1999, under Copyright Registration No. 474857.

(collectively, CLASS Accounts Receivable, CLASS Accounts Payable and CLASS General Ledger are referred to as the **CLASS Financials Software**).

21. As an author of the CLASS Financials Software, Mr. Mardukhi has the moral right to the integrity of his works and the moral right to be associated with his works. At no time following the creation of the CLASS Financials Software has Mr. Mardukhi waived any of his moral rights in respect of the CLASS Financials Software.

*LAZER DBMS*

22. LAZER DBMS is a software program that serves as the database management system for the ProCLASS and CLASS Financials Software. LAZER DBMS's source code, object code, updates and modifications thereto are the product of skill and judgment and subject to copyright protection as a literary work under the *Act*.

23. LAZER DBMS was registered as a literary work, computer software, with CIPO on January 19, 1999, under Copyright Registration No. 474858. This original copyright registration extends to LAZER DBMS software updates built on the source code, all of which have been authored by Mr. Mardukhi.

24. As the author of LAZER DBMS, Mr. Mardukhi has the moral right to the integrity of his work and the moral right to be associated with his work. At no time following the creation of LAZER DBMS has Mr. Mardukhi waived any of his moral rights in respect of LAZER DBMS.

***Digiflex licenses its Copyrighted Software***

25. For over 30 years, Digiflex has been licensing its Copyrighted Software to distribution companies throughout Canada, the United States and Malaysia. A customer wishing to use the Copyrighted Software must buy a "Software License" to use the software, payable via a single lump sum fee, which grants the customer a non-transferrable, non-exclusive, perpetual license to use the Copyrighted Software.

26. In addition, the customer must agree to an annual "Maintenance Agreement" under which Digiflex will provide ongoing support, software enhancements, upgrades, and a 24/7 support line. Digiflex's fee under the Maintenance Agreement varies each year.

27. Upon execution of a license agreement, Digiflex installs the Copyrighted Software onto licensee-owned servers. The Copyrighted Software is subsequently accessed from individual personal computers (**PCs**) of the licensee via emulation software.

28. The Copyrighted Software source code, database schemas and documentation all contain statements which provide notice that the software is subject to copyright protection and only provided under a license. The notice of copyright protection also states that the Copyrighted Software may only be used and copied in accordance with the terms of the license. The notice also indicates that the software may not be provided to other persons not subject to the license, and that no title or ownership of the software has been transferred.

***Digiflex's software license with Wallace & Carey***

29. One of Digiflex's long-term licensees was ~~Wallace & Carey Inc. (**W&C**)~~ W&C. W&C was a privately held distribution and logistics company that was extra-provincially registered to conduct business in most provinces and territories in Canada. For Northwestern Ontario, W&C operated through its wholly owned subsidiary Loudon Bros Limited (**Loudon Bros**).

30. From 2000 – 2023, W&C, together with Loudon Bros and its parent company Carey Management Inc. (**CMI**), supplied and distributed thousands of products to more than 7,000 customers across Canada. It was once one of Canada's largest independent wholesale distribution and logistic companies. As detailed further below, W&C's largest customer was 7-Eleven Canada.

31. Beginning in 2000, Digiflex licensed the Copyrighted Software to W&C through three Software Licenses:

(a) a license to use the ProCLASS Software and LAZER DMBS executed March 9, 2000;

(b) a license to use the CLASS Financials Software, executed on August 12, 2003; and

(c) a license to use the ProCLASSBI Intelligence Suite, executed on April 23, 2012

(referred to collectively, herein as the **W&C Software Licenses**).

32. The W&C Software Licenses were non-transferable, non-exclusive, perpetual licenses to use the Copyrighted Software. The W&C Software Licenses included, among others, the following terms:

(a) **Restricted use rights (section 4)**. The W&C Software Licenses were restricted to W&C's "current" business, and did not apply to "[n]ew business acquisitions";

(b) **Right to terminate (section 5)**. The W&C Software Licenses permitted Digiflex to terminate the license if W&C breached any of its obligations thereunder;

(c) **Requirement to return or destroy the software upon termination (section 5)**. The W&C Software Licenses required W&C to return or destroy all copies of the software to Digiflex;

(d) **An acknowledgement of copyright ownership (section 12)**. W&C acknowledged that Digiflex owned all of the intellectual property associated with the software, including the copyrights; and

(e) **Non-assignable (section 15)**. Neither party was permitted to assign their rights under the licenses without written consent of the other.

33. W&C used the Copyrighted Software for over 23 years. With the Copyrighted Software as its backbone, W&C managed to grow from annual sales of $200 million to over $2 billion.

**THE DEFENDANTS' INFRINGING ACTS**

34. As detailed in the facts below, beginning on November 19, 2023 and continuing to today, 7-Eleven has, without authorization from the Plaintiffs, used, copied and reproduced unauthorized reproductions of the Copyrighted Software. 7-Eleven has also infringed Mr. Mardukhi's moral rights in the Copyrighted Software.

***Wallace & Carey becomes insolvent and seeks protection under the Companies' Creditors Arrangement Act***

35. Beginning in the COVID-19 pandemic, W&C and Loudon Bros faced significant operational and financial challenges due to government shut-downs, inflation and driver and labour shortages. By 2023, W&C had incurred significant unsecured debt, and on June 22, 2023, the Court of King's Bench of Alberta granted protection to W&C, Loudon Bros and CMI (referred to collectively throughout as **W&C**, unless differentiated) under the CCAA.

36. Pursuant to the CCAA, W&C was to carry on its business in a manner consistent with the preservation of its business. As is typical in CCAA proceedings, those having agreements with W&C, such as Digiflex, were prevented from terminating or interfering with such agreements.

***7-Eleven buys Wallace & Carey's assets but does not seek an assignment of the W&C Software Licenses***

37. In August 2023, W&C solicited offers for all or part of its business. In response, W&C received an offer from 7-Eleven Canada for the purchase of some of its assets, which was ultimately accepted. 7-Eleven Canada was W&C's largest customer, and it had approximately 540 7-Eleven stores throughout Canada that relied on W&C's logistic services. 7-Eleven used W&C to create its own in-house logistics and distribution company, SEDCC.

38. On November 19, 2023, 7-Eleven Canada and W&C closed an Asset Purchase Agreement (the **APA**). The APA transferred title of W&C's personal and tangible assets located in Alberta and British Columbia to 7-Eleven Canada. This included the transfer of ownership of W&C's information technology systems, including their servers and personal computers to 7-Eleven Canada.

39. The transaction also involved the assignment of a number of contracts from W&C to 7-Eleven Canada (the **Assigned Contracts**).

40. The W&C Software Licenses were not included in the definition of Assigned Contracts. In fact, neither Digiflex, nor any ERP software was referenced in the APA. Further, at no time during the closing of the APA was Digiflex notified about the transaction between 7-Eleven and W&C.

41. On February 7, 2025, W&C sold any remaining assets it had to SEDCC (the **SEDCC Transaction**). The W&C Software Licenses were also not contemplated in the SEDCC Transaction.

***The Transition Service Agreement***

42. As part of the APA, W&C and 7-Eleven Canada entered into a Transition Service Agreement (the **TSA**), which came into force on November 21, 2023. Under the TSA, 7-Eleven Canada was to be the only go-forward customer of W&C.

43. The term of the TSA was set to be 15 months for Alberta and British Columbia, and nine months for business east of Alberta. The TSA also gave 7-Eleven the option of two 90-day extensions.

44. The TSA does not reference Digiflex or the W&C Software Licenses.

***7-Eleven misleads Digiflex as to who is using the Copyrighted Software***

45. Approximately eight months after the close of the APA, on July 4, 2024, Digiflex received an email from W&C's IT Director asking Digiflex for a quote to set up a separate ERP system using the Copyrighted Software for "a new distribution company" (which Digiflex subsequently learned was SEDCC) that would begin operating January 1, 2025. Digiflex advised that this was a major request and it would require substantial new license fees. On July 12, 2024, following another request for a quote for the new company, Digiflex provided quotes for license and maintenance fees based on $100 million, $600 million, and $700 million annual sales.

46. On July 22, 2024, ten days after Digiflex provided the quote for the new company's ERP system, W&C's IT Director informed Digiflex that she was mistaken and that no new company ERP system would be required. Rather, W&C's name was simply to be changed to the new company name and the fiscal year would change to monthly reporting, effective January 1, 2025. In response, Digiflex advised that a new license would still be required as a new company would be using the software.

47. Digiflex also subsequently started to receive email correspondence from 7-Eleven employees. Such correspondence included inquiries from 7-Eleven related to the annual maintenance fee to support the Copyrighted Software. 7-Eleven, Inc.'s Director of Logistics initially instructed Digiflex to address the invoice for the annual maintenance fee to SEDCC. However, after Digiflex advised that SEDCC would not be entitled to any maintenance support without entering into a new software license, the same Director of Logistics advised that 7-Eleven was not using the Copyrighted Software, that only W&C was.

48. Digiflex advised 7-Eleven that it was not aware of the APA and that the change in ownership of W&C affected all of the W&C Software Licenses. On November 12, 2024, Digiflex sent 7-Eleven a

software license agreement for its execution, an invoice for SEDCC's license fees, and an invoice for one-year of maintenance services for SEDCC. Digiflex asked that they be paid upon receipt.

49. To date, 7-Eleven has refused to execute the software license agreement, and to pay the license and maintenance fees, despite repeated requests from Digiflex. 7-Eleven continues to do so even though: (i) the Monitor has admitted that the W&C Licenses were not assigned to 7-Eleven as part of the CCAA process; and (ii) W&C is no longer operational. W&C no longer has any employees, directors or officers.

50. Rather than pay for a new license to use the Copyrighted Software, 7-Eleven claims that the TSA requires Digiflex to continue to provide services to 7-Eleven (which it does not) and has also sought relief in the Alberta Court of King's Bench by way of a mandatory injunction to force Digiflex to continue to permit 7-Eleven to use the Copyrighted Software. In response, the Alberta Court of King's Bench has granted Digiflex the right to bring an application to set aside the TSA and bring any further action against 7-Eleven.

51. <u>On December 15, 2025, the Alberta Court of King's Bench lifted the stay of proceedings under the CCAA *vis a vis* Digiflex effective February 15, 2026 at 11:59 p.m. to allow Digiflex to pursue whatever rights it might have in respect of the W&C Software Licenses.</u>

***7-Eleven's actions amount to copyright infringement and moral rights infringement***

52. Beginning on November 19, 2023, and continuing to date, 7-Eleven has, without the authorization of Digiflex or Mr. Mardukhi, used, copied and reproduced unauthorized reproductions of the Copyrighted Software.

53. On November 19, 2023, title of W&C's servers with copies of the Copyrighted Software were transferred to 7-Eleven Canada pursuant to the APA. From the moment 7-Eleven Canada owned these servers, it was in possession of an unauthorized copy of the Copyrighted Software.

54. Further, on November 19, 2023, title of W&C's personal computers were transferred to 7-Eleven Canada pursuant to the APA. From the date 7-Eleven owned these personal computers, and continuing to date, 7-Eleven, through its employees, or representatives (including representatives at W&C), has been using unauthorized copies of the Copyrighted Software on these personal computers or computer systems associated with 7-Eleven's business in Canada for a commercial purpose.

55. At no time has 7-Eleven had a license to use, reproduce or make copies of the Copyrighted Software. Moreover, 7-Eleven cannot benefit from the W&C Software Licenses. 7-Eleven never sought an

assignment of the W&C Software Licenses as part of the APA, and the TSA does not permit 7-Eleven's actions:

(a) The TSA does not require W&C to provide services to 7-Eleven that fall outside the scope of what W&C's business was prior to entering the TSA, pursuant to s. 21(a)(ii). Prior to entering the TSA, W&C's business was to provide distribution and logistics services to thousands of customers, and to make profits for W&C. After the TSA, to the extent W&C continued to operate, it was operating as an in-house distribution centre for 7-Eleven;

(b) The TSA does not require W&C to provide services to 7-Eleven which would violate any statute or contract to which W&C is subject, pursuant to s. 21(b)(i). W&C's use of the Copyrighted Software for 7-Eleven's benefit violates both the W&C Software Licenses and s. 3(1) of the *Act*.

56. Further, the CCAA regime does not permit a buyer (here, 7-Eleven) of an insolvent company's assets to profit from an invaluable IP license that the insolvent company (here, W&C) had with the IP licensor/owner (here, Digiflex) without giving the IP licensor/owner a voice in the matter. If a buyer wants to use the same technology as a debtor company, it has options to do so: either seek an assignment of the license (which would have given Digiflex the chance to speak up) or pay for a new license. 7-Eleven has done neither. 7-Eleven's actions with respect to Digiflex and the Copyrighted Software do not fall within the purpose of the CCAA regime.

***7-Eleven's actions infringe on Mr. Mardukhi's moral rights***

57. Since the close of the 7-Eleven transaction on November 19, 2023, 7-Eleven has been infringing Mr. Mardukhi's moral rights in the Copyrighted Software while continuing to mock him. 7-Eleven's conduct and values do not equate with the type of conduct expected of a good corporate citizen. This is not the type of institution that Mr. Mardukhi envisioned using his Copyrighted Software, and such use prejudices Mr. Mardukhi's honour.

58. Even though 7-Eleven has admitted that its Canadian retail business is entirely dependent on the Copyrighted Software, 7-Eleven has shown no respect to Digiflex or Mr. Mardukhi. To the contrary, 7-Eleven has threatened Mr. Mardukhi with imprisonment and financial penalties, and has shamed him for requesting that 7-Eleven pay to use a software which keeps its business afloat. Further, 7-Eleven has framed Mr. Mardukhi and Digiflex as seeking a windfall from 7-Eleven by comparing the license fee that Digiflex

is charging 7-Eleven in 2025, to the original license fee that Digiflex charged W&C in the early 2000s. This is a further afront to Mr. Mardukhi's honour.

59. Further, 7-Eleven ~~has~~ had placed Mr. Mardukhi in a position where he himself ~~must~~ had to be available to provide 7-Eleven with immediate maintenance calls related to the Copyrighted Software. Mr. Mardukhi ~~is~~ was essentially being held hostage by 7-Eleven: a customer who refuses to pay to use his Copyrighted Works.

***In the alternative, 7-Eleven induced, or acted in concert with Wallace & Carey to infringe the Copyrighted Software and Mr. Mardukhi's moral rights***

60. In the alternative, to the extent W&C was using the Copyrighted Software following the execution of the APA, which is not admitted but expressly denied, 7-Eleven is still liable to the Plaintiffs by either inducing W&C to infringe the Copyrighted Software, or by acting in concert with W&C with a common design to infringe the Copyrighted Software.

61. To the extent W&C was using the Copyrighted Software following the execution of the APA, which is not admitted but expressly denied, W&C's use of the Copyrighted Software fell outside of the permitted uses in the W&C Software Licenses. Under the W&C Software Licenses, W&C had no rights to permit third-party use, assign its rights, or use the Copyrighted Software for new business acquisitions.

62. 7-Eleven provided direction to W&C as to how the Copyrighted Software should be used following the execution of the APA to set up the new SEDCC distribution business. W&C's acts of copyright infringement would not have occurred without the direction and influence of 7-Eleven.

63. W&C's copyright infringing activities were orchestrated and coordinated by 7-Eleven. 7-Eleven acted in concert with W&C and in a common design to infringe the Copyrighted Software. The use of the Copyrighted Software outside the permitted uses of the W&C Software Licenses was pursuant to the APA and the TSA which were entered into between W&C and 7-Eleven Canada upon the direction of 7-Eleven Inc. 7-Eleven orchestrated and coordinated this common design for its own gain. While the Court approved the APA and the TSA, it did so without the knowledge of the Plaintiffs' allegations of copyright infringement (given that Digiflex had not been provided with any notice of the transaction), and without the knowledge of the effects that it would have on Mr. Mardukhi's moral rights.

## REMEDIES

64. Based on the foregoing, 7-Eleven has made, and continues to make, a profit, while the Plaintiffs have suffered, and will continue to suffer, damages, until 7-Eleven is restrained by this Honourable Court.

***The Plaintiffs are entitled to all of 7-Eleven's Canadian retail profits earned since November 19, 2023***

65. 7-Eleven has admitted that the Copyrighted Software is vital and central to its business. 7-Eleven Inc.'s Director of Logistics has stated that if 7-Eleven Inc. did not have access to the Copyrighted Software, SEDCC's logistics business would come to a "complete halt" and result in "catastrophic disruption of 7-Eleven Canada's retail business across Canada". In other words, 7-Eleven has admitted that, but for its use of the Copyrighted Software, 7-Eleven Canada would not have made, and could not make, any profits from its Canadian retail business.

66. The Plaintiffs are entitled to an accounting of all of 7-Eleven's profits from its Canadian retail business from the closing date of the APA (November 19, 2023) and continuing until the earliest date of either: (i) the date that 7-Eleven executes a software license with Digiflex to use the Copyrighted Software; or (ii) the date when Digiflex ceases to provide 7-Eleven with access to the Copyrighted Software.

67. The Plaintiffs claim all of 7-Eleven's Canadian retail profits wherever they may lie. 7-Eleven Inc., 7-Eleven Canada and SEDCC have acted in concert and have undertaken steps to transfer profits as between them, in an attempt to shield profits made by 7-Eleven Canada and SEDCC. 7-Eleven Inc. approved 7-Eleven Canada's and SEDCC's actions related to the unauthorized use of the Copyrighted Software.

***The Plaintiffs are entitled to damages in the form of lost license and maintenance fees***

68. In addition to an accounting of 7-Eleven's profits, the Plaintiffs are also entitled to the damages they have suffered due to 7-Eleven's infringing acts, pursuant to s. 34(1) and s. 35(1) of the *Act.* The Plaintiffs claim the payment of 7-Eleven's outstanding license fee and maintenance fees, with interest.

***The Plaintiffs are entitled to punitive damages***

69. 7-Eleven's infringing activities have been, and will continue to be, intentional, high-handed, and with knowledge of the Plaintiffs rights, all in the pursuit of higher profits.

70. 7-Eleven is, and was, at all material times aware, knew or was willfully blind to the fact that copyright subsisted in the Copyrighted Software and that the Plaintiffs have exclusive rights over the Copyrighted Software.

71. 7-Eleven knew, or should have known, that if 7-Eleven wanted to use the Copyrighted Software, an assignment of the W&C Software Licenses would be necessary. 7-Eleven instead carries on using the Copyrighted Software without a license, attempting to hide behind the CCAA process and a company that

no longer exists. 7-Eleven's actions are disingenuous and do not advance the goals of the CCAA regime. The CCAA process is meant to protect large insolvent companies and their creditors. 7-Eleven is neither.

72. Further, 7-Eleven has exploited the power imbalance between itself and the Plaintiffs. 7-Eleven is a global multi-billion-dollar company and has used its extensive resources to exploit a small Canadian software company. 7-Eleven has lied to Mr. Mardukhi, refused to negotiate with him in good faith, and has threatened to put him in prison. These are unprecedented facts which warrant a significant sum of punitive damages.

***Mr. Mardukhi is entitled to remedies for the infringement of his moral rights***

73. Separate and apart from the remedies owed to the Plaintiffs as a result of 7-Eleven's infringement of the Copyrighted Software, Mr. Mardukhi is also entitled to an injunction, damages, accounts, delivery up, and other remedies, pursuant to s. 34(2) of the *Act.*

74. The Plaintiffs rely on sections 2, 3, 13(3), (4) and (6), 14.1, 27(1), 28.1, 28.2, 34, 35 and 38 of the *Act.*

75. This action is not proceeding as a simplified action.

76. The Plaintiffs propose that this matter be tried in Calgary, Canada.

DATED at Calgary, Alberta on November 6, 2025

Amended: June 1, 2026

Per: ______________________________

**BURNET, DUCKWORTH & PALMER LLP**
525 8 Ave SW, #2400
Calgary, AB T2P 1G1

Robert Martz
rmartz@bdplaw.com

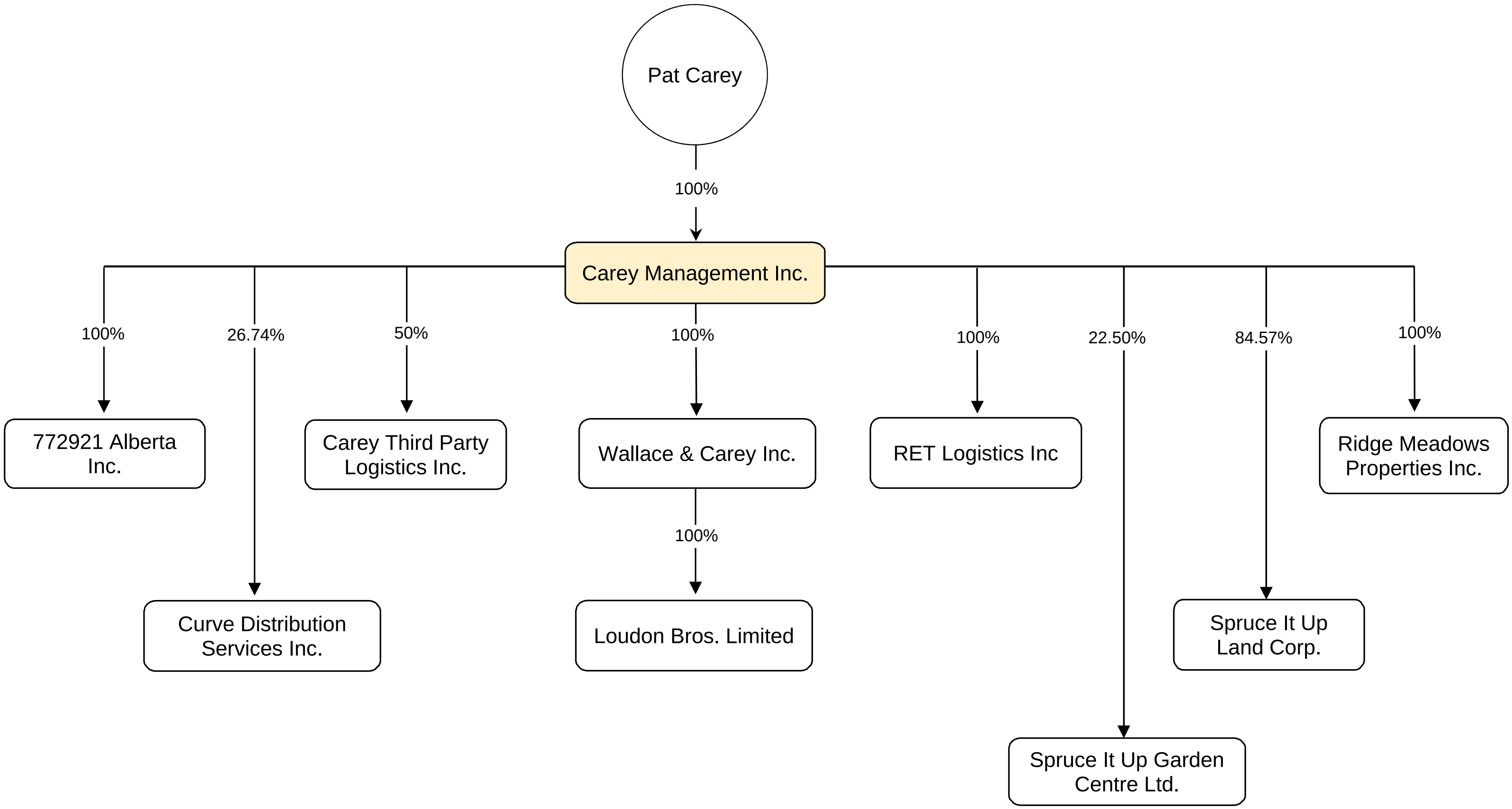
Bruna Kalinoski
bkalinoski@bdplaw.com

Florence Hogg
fhogg@bdplaw.com

**Solicitors for the Plaintiff**

# APPENDIX **K**

[ATTACHED]


Pat Carey
100%
Carey Management Inc.
100%
772921 Alberta Inc.
26.74%
Curve Distribution Services Inc.
50%
Carey Third Party Logistics Inc.
100%
Wallace & Carey Inc.
100%
Loudon Bros. Limited
100%
RET Logistics Inc
22.50%
Spruce It Up Garden Centre Ltd.
84.57%
Spruce It Up Land Corp.
100%
Ridge Meadows Properties Inc.

# APPENDIX L

[ATTACHED]

Carey Management Inc., Wallace & Carey Inc., and Loudon Bros Limited
Weekly Cash Flow Projection
August 2, 2026 to February 13, 2027
(Unaudited; $000's)

| *Week Ending* | *Note* | *8/Aug* | *15/Aug* | *22/Aug* | *29/Aug* | *5/Sep* | *12/Sep* | *19/Sep* | *26/Sep* | *3/Oct* | *10/Oct* | *17/Oct* | *24/Oct* | *31/Oct* | *7/Nov* | *14/Nov* | *21/Nov* | *28/Nov* | *5/Dec* | *12/Dec* | *19/Dec* | *26/Dec* | *2/Jan* | *9/Jan* | *16/Jan* | *23/Jan* | *30/Jan* | *6/Feb* | *13/Feb* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Receipts | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Excluded Assets | 2 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disbursements | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Professional fees | 3 | - | - | (35) | - | - | - | (25) | - | - | - | - | (25) | - | - | - | (25) | - | - | - | (20) | - | - | - | - | (20) | - | - | - | (150) |
| Contingency | 4 | - | - | - | - | (5) | - | - | - | - | (5) | - | - | - | (5) | - | - | - | - | (5) | - | - | - | (5) | - | - | - | (5) | - | (30) |
| | | - | - | (35) | - | (5) | - | (25) | - | - | (5) | - | (25) | - | (5) | - | (25) | - | - | (5) | (20) | - | - | (5) | - | (20) | - | (5) | - | (180) |
| Net cash flow | | - | - | (35) | - | (5) | - | (25) | - | - | (5) | - | (25) | - | (5) | - | (25) | - | - | (5) | (20) | - | - | (5) | - | (20) | - | (5) | - | (180) |
| Opening cash balance | | 1,604 | 1,604 | 1,604 | 1,569 | 1,569 | 1,564 | 1,564 | 1,539 | 1,539 | 1,539 | 1,534 | 1,534 | 1,509 | 1,509 | 1,504 | 1,504 | 1,479 | 1,479 | 1,479 | 1,474 | 1,454 | 1,454 | 1,454 | 1,449 | 1,449 | 1,429 | 1,429 | 1,424 | 1,604 |
| Net cash flow | | - | - | (35) | - | (5) | - | (25) | - | - | (5) | - | (25) | - | (5) | - | (25) | - | - | (5) | (20) | - | - | (5) | - | (20) | - | (5) | - | (180) |
| Ending cash balance | 5 | 1,604 | 1,604 | 1,569 | 1,569 | 1,564 | 1,564 | 1,539 | 1,539 | 1,539 | 1,534 | 1,534 | 1,509 | 1,509 | 1,504 | 1,504 | 1,479 | 1,479 | 1,479 | 1,474 | 1,454 | 1,454 | 1,454 | 1,449 | 1,449 | 1,429 | 1,429 | 1,424 | 1,424 | 1,424 |

Carey Management Inc., Wallace & Carey Inc., and Loudon Bros Limited
Notes to the Weekly Cash Flow Projection
August 2, 2026 to February 13, 2027
(Unaudited; $000's)

## Purpose and General Assumptions

1. The purpose of the projection is to present the cash flow forecast (the "Cash Flow Forecast") of Carey Management Inc., Wallace & Carey Inc., and Loudon Bros Limited (collectively, the "Companies") from August 2, 2026 to February 13, 2027 (the "Period") in connection with their CCAA proceedings The Cash Flow Forecast has been prepared based on hypothetical and most probable assumptions.

   Since the closing of the transaction with 7-Eleven Distribution Canada Corp. ("SEDCC") on March 17, 2025, substantially all operations of the Companies have been transitioned to SEDCC.

   Capitalized terms not defined herein have the meanings ascribed to them in the Monitor's Twentieth Report to Court dated July 31, 2026.

## Hypothetical

2. Given the timing and uncertainty of the Dakin News Systems Inc. litigation, the Monitor has not included any receipts from this litigation.

3. Professional fees include the fees and disbursements of the Monitor and its legal counsel, excluding fees and disbursements incurred in connection with certain DigiFlex related matters for the benefit of SEC/SEDCC. Such fees continue to be paid by SEC.

4. Represents a contingency for unforeseen administrative or other costs.

## Most Probable

5. Represents the estimated amount available for distribution to creditors, excluding any amounts expected to be received from the Receivership Companies.

# APPENDIX M

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

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

Pursuant to an order issued by the Court of King's Bench of Alberta (the "Court") on June 22, 2023, Carey Management Inc., Wallace & Carey Inc., and Loudon Bros Limited (collectively, the "Companies"), were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and AlixPartners Restructuring, Inc.[1] was appointed monitor in the CCAA proceedings (in such capacity, the "Monitor").

Pursuant to an order issued by the Court on August 26, 2025, the Monitor is empowered and authorized to cause the Companies to perform such other functions or duties as the Monitor considers necessary or desirable to facilitate or assist the administration of the CCAA proceedings and the operations of the Companies' businesses. In this regard, the attached statement of projected cash flow of the Companies, as of the 31st day of July, 2026, consisting of a weekly projected cash flow statement for the period August 2, 2026 to February 13, 2027 (the "Cash Flow") has been prepared by the Monitor, on behalf of the Companies, 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 analytical procedures and discussions with certain parties in these proceedings. 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 available historical information to support 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 most probable assumptions developed by the Monitor are not suitably supported and consistent with the plans of the Monitor, on behalf of and in the name of the Companies, 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.

---

[1] Effective June 1, 2026, KSV Restructuring Inc. became AlixPartners Restructuring, Inc. The professionals involved in this mandate from the outset remain unchanged.

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 31st day of July, 2026.

*AlixPartners Restructuring, Inc.*

ALIXPARTNERS RESTRUCTURING, INC.,
SOLELY IN ITS CAPACITY AS CCAA MONITOR OF
WALLACE & CAREY INC., LOUDON BROS LIMITED,
AND CAREY MANAGEMENT INC., AND NOT IN
ITS PERSONAL OR CORPORATE CAPACITIES

# APPENDIX N

[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 JANUARY 1, 2026 TO JUNE 30, 2026

| | Invoice | Fees | Costs | GST | Total | Hours | Avg. Hourly Rate |
|---|---|---|---|---|---|---|---|
| Monitor's Fees | | | | | | | |
| January 1 to 31, 2026 | 5066 | $ 14,511.25 | $ - | $ 725.56 | $ 15,236.81 | 19.45 | $ 746.08 |
| February 1 to 28, 2026 | 5172 | 12,766.50 | - | 638.33 | 13,404.83 | 16.75 | 762.18 |
| March 1 to 31, 2026 | 5278 | 7,609.75 | - | 380.49 | 7,990.24 | 11.00 | 691.80 |
| April 1 to 30, 2026 | 5386 | 3,054.00 | - | 152.70 | 3,206.70 | 4.40 | 694.09 |
| May 1 to 31, 2026 | 5488 | 5,019.25 | - | 250.96 | 5,270.21 | 7.35 | 682.89 |
| June 1 to 30, 2026 | 5609 | 6,436.25 | - | 321.81 | 6,758.06 | 9.00 | 715.14 |
| Total | | $ 49,397.00 | $ - | $ 2,469.85 | $ 51,866.85 | 67.95 | $ 726.96 |
| Monitor's Legal Counsel Fees | | | | | | | |
| January 1 to 31, 2026 | 2315025 | $ 21,289.50 | $ 339.00 | $ 1,064.48 | $ 22,692.98 | 32.50 | $ 655.06 |
| February 1 to 28, 2026 | 2318614 | 15,180.00 | - | 759.00 | 15,939.00 | 20.70 | 733.33 |
| March 1 to 31, 2026 | 2322739 | 5,122.50 | 1,078.75 | 310.06 | 6,511.31 | 7.10 | 721.48 |
| April 1 to 30, 2026 | 2326608 | 930.00 | - | 46.50 | 976.50 | 1.20 | 775.00 |
| May 1 to 31, 2026 | 2330039 | 3,193.50 | - | 159.68 | 3,353.18 | 4.50 | 709.67 |
| June 1 to 30, 2026 | 2334007 | 11,357.50 | 126.00 | 571.78 | 12,055.28 | 20.70 | 548.67 |
| Total | | $ 57,073.00 | $ 1,543.75 | $ 2,911.50 | $ 61,528.25 | 86.70 | $ 658.28 |