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C A N A D A

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

N° : 500-11-063165-233

SUPERIOR COURT
(Commercial Division)

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

15695651 Canada Inc. a company incorporated under the Canada Business Corporations Act, having its head office at 101-501 Boulevard Laurier, Sainte-Marie-Madeleine, Province of Québec, J0H 1S0

- and-

15695724 Canada Inc. a company incorporated under the Canada Business Corporations Act, having its head office at 101-501 Boulevard Laurier, Sainte-Marie-Madeleine, Province of Québec, J0H 1S0

Debtors

- and-

KPMG INC. a company incorporated under the laws of Canada, having a place of business at 600 De Maisonneuve Blvd. West, in the city of Montreal, Province of Quebec, H3A 0A3

Monitor

SECOND REPORT OF THE MONITOR

(Companies' Creditors Arrangement Act, R.S.C. 1985, C. C-36, As Amended)

February 15, 2024



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A. INTRODUCTION

1. 13517985 Canada Inc., d/b/a Wholesale Express Inc. (“**Wholesale Express**”), is a private company with its head office in Sainte-Marie-Madeleine, Québec that operates an online trading platform for pre-owned cars. In short, the Company acts as an intermediary for the exchange of vehicles between sellers and buyers in order to facilitate and simplify transactions.
2. On November 20, 2023, Wholesale Express’ first-secured ranking creditor, Highcrest Lending Corporation (“**HLC**” or the “**Secured Creditor**”) filed an application (the “**Application**”) before the Québec Superior Court (the “**Court**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (as amended, the “**CCAA**”), seeking, at the time of the first day hearing, the issuance of an Initial Order.
3. On November 22, 2023, the Court postponed the Application and named KPMG as Information Officer (“**IO**”). The Court postponed the Application again on November 29, 2023 and maintained KPMG’s role as IO.
4. On December 20, 2023, the Court issued an Initial Order providing for, *inter alia*, the appointment of KPMG as monitor (the “**Monitor**”) in respect of Wholesale Express (the “**Initial Order**”).
5. On December 28, 2023, the Court issued an Amended and Restated Initial Order extending the stay period until February 28, 2023 (the “**ARIO**”).
6. On January 12, 2024, the Court approved the sale of all of the shares of Wholesale Express pursuant to an Approval and Reverse Vesting Order (the “**RVO**”).
7. On January 23, 2024, the Monitor issued its certificate confirming the closing of the sale transaction pursuant to the RVO (the “**Transaction**”). In accordance with the terms of the RVO, following the closing of the Transaction: (i) Wholesale Express is no longer subject to CCAA proceedings, and (ii) as more fully outlined in the RVO, the assets and liabilities of Wholesale Express not otherwise assumed as part of the transaction have been transferred to 15695724 Canada Inc. (“**ResidualCo 1**”) and 15695651 Canada Inc. (“**ResidualCo 2**”) (collectively, the “**Debtors**”), which have replaced Wholesale Express as debtors in these CCAA proceedings.
8. The purpose of this report (the “**Report**”) is to provide the following information to this Court:
 - a) Restrictions and Scope Limitations (section **B**);
 - b) Update Regarding the Transaction (Section **C**);
 - c) Claim Process (Section **D**);
 - d) Request for an Extension of the Stay of Proceedings (Section **E**);
 - e) Conclusions (Section **F**).

B. RESTRICTIONS AND SCOPE LIMITATIONS

9. In preparing this Report, the Monitor has relied solely on information and documents provided to it by Wholesale Express, the investor for the Transaction (the “**Investor**”), and their respective advisors, including audited, unaudited, draft and/or internal financial information, discussions with Wholesale Express’ management, discussions with the Investor (collectively, the “**Information**”). Except as further described in this Report:
 - a) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* and accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
 - b) To the extent some of the information referred to in this Report consists of financial forecasts and projections, an examination or review of the financial forecast and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
10. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.
11. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the ARIO.

C. UPDATE REGARDING THE TRANSACTION

12. Following this Court’s granting of the RVO, the Transaction closed on January 23, 2024. The Monitor issues its certificate confirming the closing and, more specifically, the following occurred:
 - a) The Investor signed the share subscription agreement (the “**Investment Agreement**”);
 - b) The Investor paid the cash purchase price to the Monitor;
 - c) The Monitor transferred \$6,000,000 to Wholesale Express for the minimum working capital, as per the Investment Agreement;
 - d) Wholesale Express provided the Monitor with a promissory note of \$6,000,000;
 - e) HLC was repaid in full;
 - f) Professional fees for professionals subject to the Administration Charge were paid in full.
13. As at the date of this Report, there are no assets or liabilities in ResidualCo 1.

14. As at the date of this Report, ResidualCo 2 holds the following assets:
- a) \$2,350,554.02 in Cash;
 - b) A receivable from Wholesale Express for an amount to be determined for a working capital adjustment. It is estimated that the quantum could approximate \$1,000,000. The adjustment is to be paid to ResidualCo 2 within 90 days after the closing of the Transaction;
 - c) A promissory note of \$6,000,000 from Wholesale Express, payable in full in 3.5 years; and
 - d) The interests, if any, of Wholesale Express in the Acquisition Agreement Claim (i.e. litigation with Groupe Gregor Inc. as defined further in the Investment Agreement), which may be a potential source of recovery for creditors of ResidualCo 2.

The Monitor has reviewed the available documentation related to the litigation with Groupe Gregor Inc., which is subject to an *Application for (i) Advice and Directions and (ii) To Void a Transfer at Undervalue* (the “**Gregor Application**”) that will be heard in due course.

D. CLAIMS PROCESS

15. The Monitor seeks an order from this Court approving a claims process (the “**Claims Process**”), as further detailed in the proposed Claims Process Order, for the manner of notice and filing procedure for proofs of claims against ResidualCo 2 (i.e. outstanding pre-filing liabilities of Wholesale Express not otherwise assumed as part of the Transaction).
16. The proposed claims bar date is scheduled for 5:00 pm EST on March 25, 2024.
17. The Claims Process contemplates that¹:
- a) the Claims Process Order will be published on the Monitor’s website, in Designated Newspapers and sent to all Known Creditors, along with a Claims Package;
 - b) the Determination Date will be December 20, 2023, being the date of the Initial Order;
 - c) the Claims Bar Date for filing a Proof of Claim will be March 25, 2024;
 - d) following receipt of all Proofs of Claim, the Monitor will examine them in order to determine their validity and quantum, and, where applicable, will send the Creditor a Notice of Revision or Disallowance;
 - e) Creditors who wish to dispute a Notice of Revision or Disallowance shall, within fifteen (15) days of receipt of the Notice of Revision or Disallowance, file an appeal motion with the Court and serve such appeal motion on the Monitor; and
 - f) Disputed Claims will be settled before this Court;

¹ Capitalized terms in the following subparagraphs have the meaning ascribed to them in the proposed Claims Process Order.

18. The Monitor understands that almost all pre-filing claims of trade creditors were paid in the ordinary course of business with the Monitor's approval. Accordingly, the Monitor understands that the number of creditors in ResidualCo 2 should be limited, and the proposed Claims Bar Date should provide sufficient time for creditors of ResidualCo 2 to file their claims.
19. The Monitor is of the view that the Claims Process will provide a fair and efficient way to determine definitively the validity and quantum of all claims against ResidualCo 2, and allow the certainty necessary for ResidualCo 2 to either propose an arrangement, or distribute the balance of the cash proceeds to its creditors.

E. REQUEST FOR AN EXTENSION OF THE STAY OF PROCEEDINGS

20. The current stay of proceedings ("**Stay of Proceedings**") is scheduled to expire on February 28, 2024. The Monitor is seeking an extension of the stay period to May 31, 2024 (the "**Stay Period**"). This extension will allow the Monitor to:
 - a) Finalize the post-closing working capital adjustment;
 - b) Present the Groupe Gregor Application;
 - c) Implement the Claims Process; and
 - d) Depending on the outcome of the Claims Process and of the Gregor Application, consider the most appropriate means by which to proceed with distributions to creditors, including the possibility of filing a plan of arrangement in ResidualCo 2.
21. The Monitor did not prepare a cash flow statement as the Monitor does not anticipate any significant receipts or disbursements during the extension of the Stay Period sought.
22. The professional fees of the Monitor and its counsel continue to be secured by the Administration Charge.

F. CONCLUSIONS

23. The Monitor is of the view both the Claims Process and the proposed extension of the Stay Period are appropriate and necessary under the circumstances.¹
24. ResidualCo 1 and ResidualCo 2 have acted and continue acting in good faith and with due diligence.
25. The Monitor is of the view that no parties will suffer any material prejudice from the extension of the Stay Period.
26. The Monitor recommends that this Court extend the Stay Period to May 31, 2024 and issue the proposed Claims Process Order.



All of which is respectfully submitted this 15th day of February 2024.

KPMG Inc.

In its capacity as Monitor of 15695651 Canada Inc. & 15695724 Canada Inc.

And not in its personal capacity

Per:

A handwritten signature in blue ink, appearing to read 'David Malin', written over a horizontal line.

David Malin, CPA, CIRP, LIT

Senior Vice President