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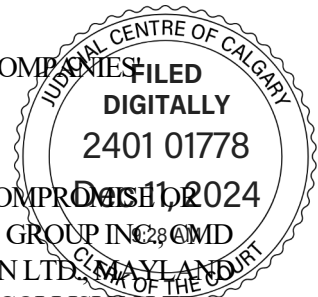
COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

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



AND IN THE MATTER OF A PLAN OF COMPROMISE AND  
ARRANGEMENT OF COLLISION KINGS GROUP INC., CMD  
HOLDINGS INC., EAST LAKE COLLISION LTD., MAYLAND  
HEIGHTS COLLISION LTD., SUNRIDGE COLLISION LTD.,  
ARROW AUTO BODY LTD., CMD GLASS LTD., ROYAL VISTA  
COLLISION LTD., STATHKO INVESTMENTS LTD., 219931  
ALBERTA LTD., COLLISION KINGS 3 LTD., NICK'S REPAIR  
SERVICE LTD., 10026923 MANITOBA LTD. and BUNZY'S AUTO  
BODY LTD.

DOCUMENT

FIFTH REPORT OF FTI CONSULTING CANADA INC., IN ITS  
CAPACITY AS MONITOR OF COLLISION KINGS GROUP INC.,  
CMD HOLDINGS INC., EAST LAKE COLLISION LTD.,  
MAYLAND HEIGHTS COLLISION LTD., SUNRIDGE  
COLLISION LTD., ARROW AUTO BODY LTD., CMD GLASS  
LTD., ROYAL VISTA COLLISION LTD., STATHKO  
INVESTMENTS LTD., 219931 ALBERTA LTD., COLLISION  
KINGS 3 LTD., NICK'S REPAIR SERVICE LTD., 10026923  
MANITOBA LTD. and BUNZY'S AUTO BODY LTD.

**December 10, 2024**

ADDRESS FOR SERVICE AND  
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# FIFTH REPORT OF THE MONITOR

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## INTRODUCTION

1. On February 7, 2024, Collision Kings Group Inc. (“**CKGI**”), CMD Holdings Inc. (“**CMD Holdings**”), East Lake Collision Ltd. (“**East Lake**”), Mayland Heights Collision Ltd. (“**Mayland Heights**”), Sunridge Collision Ltd. (“**Sunridge**”), Arrow Auto Body Ltd. (“**Arrow**”), CMD Glass Ltd. (“**CMD Glass**”), Royal Vista Collision Ltd. (“**Royal Vista**”), Stathko Investments Ltd. (“**Stathko Investments**”), 2199931 Alberta Ltd. (“**219 Alberta**”), Collision Kings 3 Ltd. (“**CK3L**”), Nick’s Repair Service Ltd. (“**Nick’s Repair**”), 10026923 Manitoba Ltd. (“**100 Manitoba**”) and Bunzy’s Auto Body Ltd. (“**Bunzy’s**”) (collectively, the “**Applicants**” or the “**Collision Kings Group**”) were granted an initial order (the “**Initial Order**”) to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).
2. The Initial Order, granted, among other things, the following relief:
  - a. a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicants until February 17, 2024;
  - b. appointed FTI Consulting Canada Inc. as Monitor (the “**Monitor**”) in these CCAA Proceedings;
  - c. approved the procedures for a sales and investment solicitation process (the “**SISP**”) and stalking horse purchase agreement (the “**Stalking Horse APA**”) dated January 31, 2024, between some of the Applicants and Lift Auto Group Operating Corporation (“**Lift**”);
  - d. granted certain priority charges for individuals identified as critical to the operations and success of these CCAA Proceedings (collectively, the “**CCAA Charges**”). The CCAA Charges included:
    - i. first, an Administration Charge of \$500,000;

- ii. second, a charge (the “**Interim Lender’s Charge**”) in favour of The Toronto Dominion Bank (“**TD Bank**”) which authorized the Applicants to obtain and borrowing funds up to \$600,000 under a credit facility (the “**Interim Facility**”) in order to finance the Applicants’ operations and restructuring efforts within these CCAA Proceedings; and
    - iii. third, a Directors Charge of \$400,000.
- 3. At the comeback hearing held on February 14, 2024, this Court granted the following relief:
  - a. an amended and restated Initial Order (the “**ARIO**”) which provided for among other things:
    - i. an increase to the Interim Facility and the Interim Lender’s Charge from \$600,000 to \$1,125,000;
    - ii. the granting of a fourth-ranking charge against the Applicants’ property for a retention and incentive plan (“**RIP**”) in the amount of \$425,000;
    - iii. an extension of the Stay of Proceedings until and including March 29, 2024; and
    - iv. a declaration that pursuant to section 5(5) of the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s.1 (“**WEPPA**”) that the Applicants and their former employees meet the criteria established by section 3.2 of the Wage Earner Protection Program Regulations, SOR/2008-222 (the “**WEPP Regulations**”) as of the date of the granting of the Stay Extension and WEPPA Order; and
  - b. a conditional sale approval and vesting order (the “**Stalking Horse SAVO**”) approving the Stalking Horse APA (including any amendments resulting from the Stalking Horse Bidder’s participation in the Auction (as defined below)) and

authorizing the Applicants to enter into the transaction contemplated therein, in the event the Stalking Horse APA was determined to be the Successful Bidder (as defined below).

4. The SISP resulted in a bid from a new purchaser that was superior to the Stalking Horse APA, which triggered an auction (“**Auction**”) pursuant to the terms of the SISP, which was held on March 13, 2024. After several rounds of bidding, Lift was determined to be the Successful Bidder, and certain of the Applicants and Lift entered into a revised asset purchase agreement (“**Enhanced Stalking Horse APA**”), which substantially enhanced the economic recovery for the Collision Kings Group’s creditors as compared to the initial Stalking Horse APA.
5. On March 27, 2024, this Court granted the following relief:
  - a. an order (the “**March Stay Extension Order**”), which among other things:
    - i. extended the Stay of Proceedings until and including July 25, 2024;
    - ii. directed the receipts from the Enhanced Stalking Horse APA to be held in trust by the Monitor;
    - iii. authorized and empowered (but did not oblige) the Monitor to apply any part of the receipts from the Enhanced Stalking Horse APA to: (i) repay any amounts owing under the Interim Financing Facility; (ii) pay the professional fees of the Monitor, counsel to the Monitor, and counsel to the Applicants, in each case at their standard rates and charges; and/or (iii) pay any operating costs and wind down costs relating the business of the Applicants, as necessary; and
    - iv. expanded the Monitor’s powers to allow the Monitor to execute, assign, issue and endorse documents in respect of the Property and/or Business; and

- b. an order (the “**Royal Vista Vesting Order**”) vesting the assets included in the asset purchase agreement (the “**Royal Vista APA**”) between Royal Vista and CMD Holdings (collectively, the “**Royal Vista Vendors**”) and 5807698 Manitoba Ltd and 10191777 Manitoba Ltd. (collectively the “**Royal Vista Purchaser**”) in the name of the Royal Vista Purchaser.
6. On July 18, 2024, this Court granted an order extending the Stay of Proceedings until and including October 31, 2024.
7. On October 17, 2024, this Court granted the following relief:
  - a. an order (the “**October Stay Extension Order**”) extending the Stay of Proceedings until and including December 17, 2024; and
  - b. an interim distribution order (the “**Interim Distribution Order**”) authorizing and directing the Monitor to distribute certain receipts of the Applicants’ estate to the Applicants’ secured creditors (the “**Interim Distributions**”). The Interim Distributions consisted of final distributions to certain secured creditors and an interim distribution to TD Bank.
8. On December 10, 2024, the Applicants filed a notice of application returnable on December 16, 2024, (the “**December 16 Application**”), seeking the following orders:
  - a. an order (the “**Final Allocation and Distribution Order**”), which among other things is seeking to:
    - i. abridge the time for service of the December 16 Application;
    - ii. authorize and direct the Monitor to pay from the proceeds being held by the Monitor the RIP of up to \$525,318.18, which will satisfy the RIP;

- iii. approve the fees and disbursements of the Monitor, the Monitor’s legal counsel, and the Applicants’ legal counsel;
  - iv. approve the Monitor’s final allocation of all of the costs of the CCAA Proceedings, including those costs, fees and disbursements covered by the Charges (as defined in the ARIO) (collectively, the “**CCAA Costs**”) as against the Property of the individual Applicant entities as described in paragraphs 51 and 52 (the “**Final Allocation**”); and
  - v. authorize and direct the Monitor to complete a final distribution to TD Bank (“**Final TD Distribution**”) in respect of its secured claim of all available funds that are allocated to the TD Secured Debtors (as defined below) pursuant to the Final Allocation;
  - vi. approve the Monitor’s activities as set out in this Report; and
- b. an order (the “**SARIO**”) further amending and restating the ARIO to enhance the powers of the Monitor and extend the Stay of Proceedings until April 30, 2025.

## **PURPOSE**

9. The purpose of this report (this “**Report**” or the “**Fifth Report**”) is to provide the Court and the Applicants’ stakeholders with information regarding the Applicants’ ongoing CCAA Proceedings and the Monitor’s comments with respect to materials filed by the Applicants in support of the December 16 Application, including:
- a. a summary of the Monitor’s activities since its report dated October 9, 2024 (the “**Fourth Report**”);
  - b. a summary of the status of the Enhanced Stalking Horse APA;

- c. a summary of the Applicants’ actual cash receipts and disbursements for the 9 week period ending December 8, 2024, as compared to the Fourth Cash Flow Statement that was presented to this Court as attached to the Fourth Report;
- d. a summary of the receipts and disbursements of the funds held by the Monitor (the **“Funds in Trust”**);
- e. a summary of the Final Allocation, including the amounts recommended to be distributed pursuant to the proposed Final TD Distribution and held back pursuant to the MB Unsecured Holdback (as herein defined) for a future distribution to the unsecured creditors of 100 Manitoba and Bunzy’s, following a claims process; and
- f. the Monitor’s conclusions and recommendations with respect to the relief requested by the Applicants at the December 16 Application.

## **TERMS OF REFERENCE**

- 10. In preparing this report, the Monitor has relied upon certain information (the **“Information”**) including the Applicants’ unaudited financial information, books and records and discussions with senior management of the Collision Kings Group (**“Management”**).
- 11. Except as described in this report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
- 12. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.



13. Future oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

## ACTIVITIES OF THE MONITOR

15. The Monitor's activities since the date of the Fourth Report have included the following:
  - a. ongoing discussions with Management, the Applicants' counsel, (MLT Aikins LLP), Lift and various creditors regarding the Applicants' business and financial affairs, the completion of the Enhanced Stalking Horse APA (including settling the final working capital adjustment) and the wind-down of the Applicants' operations;
  - b. reviewing and monitoring the Applicants' cash flows and providing liquidity to the Applicants from the Funds in Trust, as contemplated in the Fourth Cash Flow Statement;
  - c. monitoring and assisting the Applicants in their efforts to wind-down operations and complete final administrative matters in the CCAA Proceedings;
  - d. mediating the dispute between the Applicants and Lift in regard to the working capital calculation (the "**Working Capital Calculation**") in accordance with s. 3.7(a) of the Enhanced Stalking Horse APA;
  - e. reviewing submissions by the Applicants and Lift and making a final determination on the value of the working capital included in the Enhanced Stalking Horse APA (the "**Final Working Capital Amount**") in accordance with s. 3.7(b) of the Enhanced Stalking Horse APA;

- f. preparing the Final Allocation and preparing an analysis on the funds which will be distributed to the creditors of the Distribution Parties (as defined below); and
- g. preparing this Report.

## **STATUS OF THE ENHANCED STALKING HORSE APA**

- 16. On March 15, 2024, the transaction contemplated under the Enhanced Stalking Horse APA between the Applicants and Lift closed, which included the purchase of the Applicants' working capital. The Enhanced Stalking Horse APA included a mechanism whereby the Final Working Capital Amount would be estimated on an interim basis at closing and would be finally determined through a reconciliation process 90 days after closing.
- 17. The reconciliation process for the Final Working Capital Amount required Lift to complete the initial calculation, the Applicants were to review such initial calculation and respond with any objections, and the parties then had an opportunity to settle any differences. If the parties could not agree on the Final Working Capital Amount, the matter was to be finally determined by the Monitor. According to the Enhanced Stalking Horse APA the Monitor's determination is to be final and binding on the parties and once the Final Working Capital Amount is determined it is to be paid within 5 business days.
- 18. On October 2, 2024, the Monitor was advised that the parties could not agree on the Final Working Capital Amount and on October 16, 2024, the Monitor sent a letter to both Lift and the Applicants stating the following with respect to the Monitor's intended steps to come its determination on the Final Working Capital Amount:
  - a. each party shall prepare a written analysis that sets out their position on the Final Working Capital Amount, including the amounts in dispute on or before October 25, 2024; and
  - b. the Monitor had until November 8, 2024 to review each parties' submissions and ask clarifying questions on the submissions.

19. On December 2, 2024, after receiving and reviewing submissions from Lift and the Applicants the Monitor issued its final determination (the “**Monitor’s Final Determination**”) that the value of the Final Working Capital Amount is \$1,591,815.58 to be paid by Lift to the Monitor on behalf of the Applicants. A copy of the Monitor’s Final Determination is attached to this Report as Appendix A.
20. Pursuant to the Enhanced Stalking Horse APA, Lift must pay the Final Working Capital Amount on the “Adjustment Payment Date,” which is defined as being the fifth business day after the Final Working Capital Amount is determined. As the Monitor issued the Monitor’s Final Determination on December 2, 2024, the Adjustment Payment Date is December 12, 2024. As at the date of this Report, the Monitor has not yet received the Final Working Capital Amount but has been in contact with counsel to Lift regarding same.
21. The Monitor’s Final Determination included a conclusion that the accounts receivable (the “**CARSTAR AR**”) owed by CARSTAR Automotive Canada Inc., CARSTAR Canada Partnership LP, CARSTAR Canada Partnership Inc., CARSTAR Canada SPV LP (or any affiliated, subsidiaries or related parties) (collectively, “**CARSTAR**”) are collectible by the Applicants and/or the Monitor and should either: (i) not be removed from the Closing Date Working Capital (as defined in the Enhanced Stalking Horse APA); or (ii) excluded as a purchased asset from the Enhanced Stalking Horse APA (with no corresponding purchase price reduction, other than the removal of these amounts from the Closing Date Working Capital) and collected directly but the Applicants or the Monitor for the benefit of the Applicant’s estate. The Monitor is operating on the assumption that Lift will not object to excluding the CARSTAR AR as a purchased assets under the Enhanced Stalking Horse APA and has requested confirmation of same from Lift but has not yet received a response as at the date of this Report. Assuming that the CARSTAR AR will be excluded as a purchased asset under the Enhanced Stalking Horse APA, the Final Allocation assumes, upon the enhancement of its powers, the Monitor will collect the CARSTAR AR directly.

22. If the CARSTAR AR is excluded as a purchased asset under the Enhanced Stalking Horse APA, the Monitor is of the view that the Applicants (or the Monitor on the Applicants' behalf) and Lift will need to execute a short amendment to the Enhanced Stalking Horse APA (the "**CARSTAR AR Amendment**") to reflect the exclusion of the CARSTAR AR. The Monitor, through its counsel, has circulated a draft CARSTAR AR Amendment to counsel to each of the Applicants and Lift, but has yet to receive signed copies of the CARSTAR AR Amendment as at the date of this Report.

## SECURITY REVIEW

23. As described in further detail in the Fourth Report, the Monitor's counsel has reviewed the security documents and registrations relating to the assets of the Applicants and has provided the Monitor with the independent Security Review, subject to customary assumptions and qualifications.
24. The Monitor's counsel has reviewed the security held by the Applicants' secured creditors and opined that TD Bank holds valid and enforceable security interest (the "**TD Security Interest**") in and to all present and after acquired personal property of CMD Holdings, East Lake, Mayland Heights, Sunridge, Arrow, CMD Glass, Royal Vista, Stathko Investments, 219 Alberta and CK3L (collectively, the "**TD Secured Debtors**") in Alberta and Manitoba. Additionally, TD Bank holds a first in time registration in each of the Alberta and Manitoba personal property registries against the TD Secured Debtors in relation to the TD Security Interest. TD Bank does not hold any security in relation to the property of 100 Manitoba, Nick's Repair and Bunzy's.
25. The Monitor's counsel has reviewed the security held by the Applicants' secured creditors in Manitoba and opined the following in regard to their relative priority:
- a. the security held by Royal Bank of Canada ("**RBC**") with respect to the property of 100 Manitoba and Nick's Repair is valid and enforceable, and RBC has a first in time registration in relation to the property subject to the RBC security;

- b. the security held by Gail White and Garth White (collectively, the “**Whites**”) with respect to the property of 100 Manitoba is valid and enforceable, and the Whites have a second in time registration in relation to the property subject to the White security;
  - c. the security held by Access Credit Union (“**ACU**”) with respect to the property of Bunzy’s is valid and enforceable and ACU has a first in time registration in relation to the property subject to the ACU security.
26. For ease of reference the Monitor has prepared the table in next paragraph to summarize the secured creditors with security over the various legal entities within the Collision Kings Group.
27. The TD Secured Debtors, Nick’s Repair, 100 Manitoba and Bunzy’s (collectively, the “**Distribution Parties**”) encompass all of the entities of Applicants who had assets which were realized. The Distribution Parties are separated into 4 groupings based on which creditors hold security against the assets of those entities. The name and priority of the secured creditors for each of the Distribution Parties is shown in the table below:

**Summary of Secured Creditor Priority**

	Manitoba			
	Nick's Repair	100 Manitoba	Bunzy's	TD Secured Debtors
First Secured	RBC	RBC	ACU	TD Bank
Second Secured		Whites		

## FOURTH CASH FLOW STATEMENT BUDGET TO ACTUAL

28. The Applicants' actual cash flow in comparison to those contained in the Fourth Cash Flow Statement for the period of October 7, 2024 to December 8, 2024 are summarized below:

<b>9 Week Period Ending Dec 8, 2024</b>			
<i>(CAD\$)</i>	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>RECEIPTS</b>			
Receipts	\$ -	\$ -	\$ -
<b>DISBURSEMENTS</b>			
<i>Operating Disbursements</i>			
Employee Expenses	(24,626)	(22,000)	(2,626)
Operating Expenses	(13,538)	(77,658)	64,120
<i>Total Operating Disbursements</i>	(38,164)	(99,658)	61,493
<b>Net Operating Cash Flow</b>	<b>\$ (38,164)</b>	<b>\$ (99,658)</b>	<b>\$ 61,493</b>
<i>Non-Operating Receipts &amp; Disbursements</i>			
Professional Fees	(107,648)	(172,172)	64,524
<i>Total Non-Operating Receipts &amp; Disbursements</i>	(107,648)	(172,172)	64,524
<b>NET CASH FLOWS</b>	<b>\$ (145,812)</b>	<b>\$ (271,829)</b>	<b>\$ 126,017</b>
<b>CASH</b>			
Beginning Balance	4,778	4,778	-
<i>Interim Financing (Draw)</i>	-	-	-
Use of Sale Proceeds	145,000	355,000	(210,000)
Net Cash Inflows / (Outflows)	(145,812)	(271,829)	126,017
<b>ENDING CASH</b>	<b>\$ 3,966</b>	<b>\$ 87,949</b>	<b>\$ (83,983)</b>

29. The material variances in actual receipts and disbursements as compared to the Fourth Cash Flow Statement are primarily due to the following:
- a. a favourable permanent variance for disbursements of approximately \$61,000, primarily comprised of the following:
    - i. an unfavourable variance of approximately \$3,000 relating to employee expenses being higher than forecast due to work related to the Working Capital Calculation; and

- ii. a favourable variance of approximately \$64,000 of which approximately \$70,000 relates to amounts owing to CARSTAR which is expected to be deducted from the CARSTAR AR instead of being paid out of the Applicants' cash on hand and \$6,000 of which relates to software expenses which were incurred for a longer period than forecast as the Applicants completed work on the Working Capital Calculation;
  - b. the favourable variance for professional fees of approximately \$64,000 relates to the timing of payment of invoices for professionals and is expected to reverse in future periods; and
  - c. the Applicants' net cash flow showed a positive variance of approximately \$126,000 which resulted in the Applicants' draw against the Funds in Trust being \$210,000 less than forecast.
- 30. As at December 8, 2024, the Applicants have an ending cash balance of approximately \$4,000.

## MONITOR'S RECEIPTS AND DISBURSEMENTS OF THE FUNDS IN TRUST

31. The Monitor's interim statement of cash receipts and disbursements for the period of March 7, 2024 to November 30, 2024 is summarized below:

Interim Statement of Receipts and Disbursements For the period of March 7 to November 30, 2024	
<i>(\$C 000's)</i>	
<b>Receipts</b>	
Proceeds	
Enhanced Stalking Horse APA	\$ 10,188
Royal Vista APA	115
CK Auto Ramsay Transaction Proceeds	17
CK Auto Foothills Equipment Sales	9
Bank Account Interest	230
<b>Total Receipts</b>	<b>\$ 10,558</b>
<b>Disbursements</b>	
Interim Distribution to TD	(5,500)
Proceeds advanced to Company for Operations	(1,680)
Repayment of DIP	(1,183)
Final Distributions to MB Secured Creditors	(825)
Payment of CRA Priority Charges	(246)
Burnsland Closing Costs	(70)
<b>Total Disbursements</b>	<b>\$ (9,504)</b>
<b>Cash on Hand</b>	<b>\$ 1,055</b>

32. As at November 30, 2024, the Monitor has collected receipts which total approximately \$10.3 million following the closing of the Enhanced Stalking Horse APA, Royal Vista APA and sales of the assets related to CK Auto Ramsay and CK Auto Foothills (collectively the "**Remaining Asset Sales**"). The Monitor has also collected interest in its trust account of approximately \$230,000, for total receipts of approximately \$10.6 million.
33. In accordance with the March Stay Extension Order, the Monitor has made the following distributions:



- a. approximately \$1.7 million to the Applicants to fund operations and for the payment of professional fees as laid out in greater detail in the previous section of this Report; and
  - b. repayment of the Interim Facility in the amount of approximately \$1.2 million. The amounts repaid under the Interim Facility include the principal borrowings, accrued interest and fees and disbursements owed to the TD Bank as lender of the Interim Facility.
34. The proceeds from the Enhanced Stalking Horse APA are shown gross of the approximately \$70,000 in closing costs related to Arrow's operations, for purposes of the allocation analysis presented later in this Report.
35. In accordance with the Interim Distribution Order, the Monitor has made the following distributions:
  - a. to TD Bank, as an interim distribution, in the amount of \$5.5 million;
  - b. final distributions to the secured creditors of Nick's Repair, 100 Manitoba and Bunzy's totaling approximately \$825,000 in full satisfaction of their debt, which were made up of the following individual distributions:
    - i. RBC in the amount \$223,325 with respect to Nick's Repair;
    - ii. the Whites in the amount of \$114,982 with respect to 100 Manitoba; and
    - iii. ACU in the amount of \$486,250 with respect to Bunzy's.
  - c. to the Receiver General of Canada in full satisfaction of each of the deemed trust claims and unpaid source deductions owed individually by the Applicants which totaled \$246,080.

36. The Monitor is holding approximately \$1.1 million of Funds in Trust as at November 30, 2024.

**FINAL ALLOCATION OF SALE PROCEEDS**

**FINAL SALE PROCEEDS**

37. As at the date of this Report, the Applicants have realized on all of their assets and the Monitor has collected, on the Applicants’ behalf, \$10.3 million in proceeds from the Enhanced Stalking Horse APA, the Royal Vista APA and the Remaining Asset Sales (collectively, the “**Sale Proceeds**”). The Monitor expects to collect an additional approximately \$1.6 million from Lift as payment of the Final Working Capital Amount and a maximum of \$657,370 from CARSTAR. The Sale Proceeds, once all collected by the Monitor will total up to \$12.5 million (the “**Final Sale Proceeds**”).

**Sale Proceeds**

	<b>Total</b>
Sale Proceeds	\$ 10,258,768
Final Working Capital Amount	1,591,816
CARSTAR AR	657,370
<b>Final Sale Proceeds</b>	<b>\$ 12,507,954</b>

38. In the Fourth Report, the Monitor presented an interim allocation of the Sale Proceeds (the “**Interim Allocation**”) which was used to determine the Interim Distributions. With the Final Sale Proceeds now determined, the Monitor has recalculated the final allocation percentages (“**Final Allocation Percentages**”) of the Sale Proceeds between the Distribution Parties as set out in the table below. The Monitor proposes to use the Final Allocation Percentages to allocate all CCAA Costs, up to and including the December 16 Application, to each of the Distribution Parties.

	Nick's Repair	100 Manitoba	Bunzy's	TD Secured Debtors	Total
Sale Proceeds	\$ 47,500	\$ 600,000	\$ 1,045,000	\$ 8,566,268	\$ 10,258,768
Final Working Capital Amount	7,105	-	73,566	1,511,145	1,591,816
CARSTAR AR				657,370	657,370
<b>Final Sale Proceeds</b>	<b>\$ 54,605</b>	<b>\$ 600,000</b>	<b>\$ 1,118,566</b>	<b>\$10,734,784</b>	<b>\$ 12,507,954</b>
<i>Percentage of Sale Proceeds</i>	<i>0.4%</i>	<i>4.8%</i>	<i>8.9%</i>	<i>85.8%</i>	

39. The Final Allocation Percentages between the Distribution Parties are based on the following:

a. Sales Proceeds have been allocated as follows:

- i. receipts from the Enhanced Stalking Horse APA are allocated based on the purchase price allocation included as Schedule 3.2 of the Enhanced Stalking Horse APA;
- ii. cure costs relating to Arrow's lease agreements which was transferred to Lift through the Enhanced Stalking Horse APA were allocated to Arrow which is one of the TD Secured Debtors;
- iii. receipts from Royal Vista APA have been allocated to Royal Vista, which is included as part of the TD Secured Debtors;
- iv. receipts from the Remaining Asset Sales have been allocated to the locations the proceeds related to, which are Mayland and CMD Glass, both of which are part of the TD Secured Debtors; and

b. expected receipts relating to the Final Working Capital Amount and the CARSTAR AR are allocated to the individual Applicant for which the working capital balance relates.

**TOTAL FUNDS FOR DISTRIBUTION**

40. The Final Sale Proceeds show total gross recoveries generated by the Applicants from the sale of their assets and business operations through these CCAA Proceedings. From these amounts, there have been additional transactions which have been for the shared cost/benefit of the estate as a whole, the Monitor has summarized these transactions in the table below to calculate the net amounts available for distribution, prior to any previously made distributions (the “**Total Funds for Distribution**”).

**Total Funds for Distribution**

	Manitoba			TD Secured Debtors	Total
	Nick's Repair	100 Manitoba	Bunzy's		
<b>Final Sale Proceeds</b>	\$ 54,605	\$ 600,000	\$ 1,118,566	\$ 10,734,784	\$ 12,507,954
<b>CCAA Costs / (Receipts)</b>					
Bank Account Interest	1,003	11,019	20,543	197,152	229,718
Funds held by Applicants' counsel	196	2,159	4,024	38,621	45,000
Applicants' cash on hand	17	190	355	3,403	3,966
Repayment of the Interim Facility	(5,165)	(56,757)	(105,810)	(1,015,452)	(1,183,185)
Proceeds utilized for CCAA Wind-down	(7,334)	(80,589)	(150,240)	(1,441,837)	(1,680,000)
<b>Sub-total Distribution Funds</b>	<b>\$ 43,322</b>	<b>\$ 476,023</b>	<b>\$ 887,438</b>	<b>\$ 8,516,670</b>	<b>\$ 9,923,453</b>
<b>Adjustments</b>					
Manitoba Security Review	82	902	1,682	16,141	18,808
<b>Total Funds for Distribution</b>	<b>\$ 43,404</b>	<b>\$ 476,925</b>	<b>\$ 889,120</b>	<b>\$ 8,532,812</b>	<b>\$ 9,942,260</b>

41. The additional transactions which are included Total Funds for Distribution are:
- a. bank account interest earned on the Funds in Trust held by the Monitor;
  - b. the addition of approximately \$45,000 which is being held by the Applicants' counsel for the payment of legal fees and is not required by the Applicants' counsel;
  - c. the addition of the Applicants' cash on hand to the funds being held by the Monitor;
  - d. repayment of the Interim Facility; and

- e. proceeds utilized for the CCAA wind-down which paid post-filing trade payables, general and administrative costs and professional fees after the Interim Facility was repaid.
42. The Total Funds for Distribution are approximately \$9.9 million.
43. The Monitor has identified one expense paid by the Applicants as having a disproportional benefit to the creditors of the Manitoba Applicants. This expense of approximately \$19,000 is the cost incurred by the Monitor’s counsel to complete the security review of the Applicants’ assets in Manitoba (the “**Manitoba Security Review**”). The costs of the Manitoba Security Review are contained within the CCAA Costs and the Monitor has reversed its allocation to all of the Distribution Parties (for a later allocation just between Nick’s Repair, 100 Manitoba and Bunzy’s) to arrive at the Total Funds for Distribution. The Monitor has summarized the calculation of the Total Funds for Distribution below.

#### REMAINING FUNDS

44. The Monitor has previously made court approved Interim Distributions of the Total Funds for Distribution to various secured creditors. The table below shows the Interim Distributions made and calculates the remaining funds available (“**Remaining Funds**”).

##### Remaining Funds

	Nick's Repair	100 Manitoba	Bunzy's	TD Secured Debtors	Total
<b>Final Allocation</b>					
Allocation % from Final Proceeds	0.4%	4.8%	8.9%	85.8%	
<b>Total Distribution Funds</b>	<b>\$ 43,404</b>	<b>\$ 476,925</b>	<b>\$ 889,120</b>	<b>\$ 8,532,812</b>	<b>\$ 9,942,260</b>
Manitoba Security Review	(6,269)	(6,269)	(6,269)	-	(18,808)
<b>Allocated Net Distribution Funds</b>	<b>37,135</b>	<b>470,656</b>	<b>882,851</b>	<b>8,532,812</b>	<b>9,923,453</b>
<b>Interim Distributions</b>					
Deemed Trust Claims	(10,967)	-	(9,430)	(225,682)	(246,080)
RBC	(26,168)	(197,158)			(223,325)
Whites		(114,982)			(114,982)
ACU			(486,249.56)		(486,250)
TD Bank				(5,500,000)	(5,500,000)
<b>Remaining Funds</b>	<b>\$ -</b>	<b>\$ 158,516</b>	<b>\$ 387,171</b>	<b>\$ 2,807,129</b>	<b>\$ 3,352,816</b>

45. The Monitor notes at the time of this Report it has not yet collected all of the Remaining Funds. Once the receipts expected to be received from the Final Working Capital Amount and CARSTAR AR are collected, the Monitor will be holding the total amount of the Remaining Funds, as outlined in the table below:

<b>Remaining Funds</b>	
	<b>Total</b>
Monitor's Cash on Hand	\$ 1,054,664
<b>Receipts to be collected</b>	
Final Working Capital Amount	1,591,816
CARSTAR AR	657,370
Funds held by Applicants' counsel	45,000
Applicants' cash on hand	3,966
<b>Remaining Funds</b>	<b>\$ 3,352,816</b>

46. The Monitor intends to utilize the Remaining Funds as follows:

- a. holdback funds to pay for professional fees to administer the CCAA Proceedings through the December 16 Application (the “**Professional Fee Holdback**”). This includes the professional fees of the Monitor, Monitor’s counsel and the Applicants’ counsel which have been incurred and not yet been paid and to be incurred in connection with the December 16 Application;
- b. payment of the RIP (the “**RIP Payment**”) - the RIP Payment is calculated to be up to \$525,318.18 and consists of a base payment of \$425,000 plus 4% of the amount of Final Sale Proceeds in excess of \$10.0 million to be shared between Mark Jones and Shane Dearden. The RIP Payment is calculated on the total Sale Proceeds which includes the Final Working Capital Amount and the CARSTAR AR which have not yet been collected. Accordingly, the Monitor proposes to make an initial instalment of the RIP Payment in the amount of \$435,350.74 following the granting of the Final Allocation and Distribution Order, which will satisfy the RIP, and then subsequent payments equal to 4% of the Final Working Capital Amount and the CARSTAR AR when these receipts are collected, as further shown in the table below;

**RIP Payment**

	Proceeds			Timing of Payment
	Collected	Terms	RIP Payment	
Sale Proceeds	\$ 10,000,000	\$425,000.00	425,000	Upon Court Approval
Sale Proceeds in excess of \$10 million	258,768	4.0%	10,351	Upon Court Approval
Final Working Capital Amount	1,591,816	4.0%	63,673	On Collection
CARSTAR AR	657,370	4.0%	26,295	On Collection
<b>Total RIP Payment</b>	<b>\$ 12,507,954</b>		<b>\$ 525,318</b>	

- c. Final TD Distribution - make a final secured distribution of up to \$2,230,333.38 to TD Bank who has a first secured charge over the TD Debtors; and
  - d. MB Unsecured Holdback – holdback the funds remaining in the 100 Manitoba and Bunzy’s estates (the “**MD Unsecured Holdback**”) totaling \$450,411.69 to be held and distributed to unsecured creditors of these estates after the completion of a claims process and net of all CCAA Costs incurred past December 16, 2024, including the costs to run the claims process (as further described below).
47. For clarity, the Professional Fee Holdback will encompass the final set of CCAA Costs allocated to the TD Secured Parties in these CCAA Proceedings. The collection of the Final Sale Proceeds from Lift and CARSTAR (unless there are issues in the collection of these final receipts) and the making of the Final TD Distribution are the only remaining tasks relating to the TD Secured Debtors (the “**TD Secured Debtors Remaining Tasks**”). The time and costs required for the TD Secured Debtors Remaining Tasks are included in the Professional Fee Holdback. Outside of the TD Secured Debtors Remaining Tasks, all further CCAA Costs will be for the benefit of the creditors of 100 Manitoba and Bunzy’s and therefore will be paid out of the MB Unsecured Holdback, with the CCAA Costs incurred after December 16, 2024 being allocated on the pro-rata percentage of the MB Unsecured Holdback between 100 Manitoba (27.4%) and Bunzy’s (72.6%), as shown in the table below.

#### Allocation of MB Unsecured Holdback

	100			Total
	Nick's Repair	Manitoba	Bunzy's	
<b>MB Unsecured Holdback</b>	\$ -	\$ (123,343)	\$ (327,069)	\$ (450,412)
<i>Percentage of Sale Proceeds</i>	-	27.4%	72.6%	100.0%

48. As stated in the Affidavit of Shane Dearden dated February 2, 2024 (the “**Dearden Affidavit**”), the RIP is payable on the earlier of: (i) the implementation of the Plan of Arrangement or Compromise; (ii) the conversion of the CCAA to a different process; and (iii) the completion of any realization process through the CCAA. Following the collection of the Final Working Capital Amount and the CARSTAR AR, the realization of the Applicants’ assets will be complete.
49. Based on the Monitor’s review of the Dearden Affidavit and the fact that the realization of the Applicants’ assets will be complete following the collection of the Final Working Capital Amount and the CARSTAR AR, the Monitor is supportive of the relief being sought by the Applicants to authorize the Monitor to make the RIP Payment, provided the RIP Payment is paid in stages as these Final Working Capital Amount and the CARSTAR AR are collected.
50. In the below table, the Monitor presents is proposed use of the Remaining Funds:

#### Use of Remaining Funds

	Manitoba			TD Secured Debtors	Total
	Nick's Repair	100 Manitoba	Bunzy's		
<b>Funds for Final Distribution</b>	\$ -	\$ 158,516	\$ 387,171	\$ 2,807,129	\$ 3,352,816
Professional Fee Holdback		(7,680)	(13,124)	(125,948)	(146,753)
RIP Payment		(27,493)	(46,978)	(450,847)	(525,318)
Final TD Distribution				(2,230,333)	(2,230,333)
MB Unsecured Holdback		(123,343)	(327,069)		(450,412)
<b>Remaining Estate Balances</b>	\$ -	\$ -	\$ -	\$ -	\$ -



## FINAL ALLOCATION SUMMARY

51. To summarize, the Monitor is seeking approval to allocate the CCAA Costs incurred prior to December 16, 2024 as amongst the Applicant entities as follows:
- a. Nick's Repair – 0.4%;
  - b. 100 Manitoba – 4.8%
  - c. Bunzy's – 8.9%
  - d. TD Secured Debtors – 85.5%
52. After December 16, 2024, the Monitor is seeking approval to allocate the CCAA Costs incurred as amongst the Applicant groups as follows:
- a. Nick's Repair – 0.0%;
  - b. 100 Manitoba – 27.4%
  - c. Bunzy's – 72.6%
  - d. TD Secured Debtors – 0.0%

## FINAL TD DISTRIBUTION

53. The Monitor is proposing to make the Final TD Distribution in increments as the receipts from Lift and CARSTAR are collected. The receipts owed by CARSTAR include a holdback of \$200,000, which is subject to reduction for potential warranty claims that arise before the one year holdback period expires. The Monitor notes that the amounts collected from CARSTAR may be less than \$657,370 based on these potential warranty claims as the holdback period does not expire until March 2025. Once the holdback period expires the holdback amount (less any amounts paid for warranty claims) will be released by

CARSTAR to the Monitor and paid to TD Bank. Accordingly, the Monitor is requesting to make distributions to TD Bank of up to \$2,230,333.38, however these distributions will be made over time as funds are collected.

54. TD Bank will suffer a shortfall on their secured debt. TD Bank provided a payout statement as at September 25, 2024 showing a balance owing of \$14.1 million. Since then, TD Bank received an Interim Distribution of \$5.5 million with the proposed Final TD Distribution of up to \$2.2 million TD Bank's total recoveries will be a maximum of \$7.7 million resulting in a substantial shortfall of at least \$6.4 million.

### **MB UNSECURED HOLDBACK**

55. The Interim Distribution Order, which was previously approved by this Court, included distributions which fully satisfied all of the secured obligations of 100 Manitoba and Bunzy's. TD Bank does not hold a security interest in relation to the property of 100 Manitoba and Bunzy's. Following the payment of all secured creditors of 100 Manitoba and Bunzy's, there are funds remaining in the estates of 100 Manitoba and Bunzy's (defined as the MB Unsecured Hold Back above). Accordingly, the Monitor intends to bring a further application to seek the approval of a claims process ("**MB Claims Process**") in respect of the unsecured creditors of 100 Manitoba and Bunzy's. It is anticipated that the Monitor will seek the approval of a reverse claims process and to distribute the MB Unsecured Holdback to the unsecured creditors of 100 Manitoba and Bunzy's (net of CCAA Costs) following the completion of the claims process. As noted previously, after December 16, 2025, the CCAA Costs (including those associated with the MB Claims Process) are proposed to be allocated based on the pro-rata percentage of the MB Unsecured Holdback between 100 Manitoba and Bunzy's, 27.4% and 72.6% respectively).

### **NEXT STEPS**

56. The steps necessary to complete the administration of the CCAA Proceedings (the "**Next Steps**") include:

- a. collecting the Final Working Capital Amount and the CARSTAR AR and making the Final TD Distribution;
- b. making the RIP Payment;
- c. the Monitor's administration of the MB Claims Processes, including applying to this Court to seek orders approving the claims processes; and
- d. applying to this Court to seek the discharge of the Monitor and the termination of these CCAA Proceedings.

## **ENHANCED MONITOR'S POWERS**

57. As described previously in this Report, the operations of the Applicants have been essentially fully wound-down with the exception of the collection of the Final Working Capital Amount and the CARSTAR AR. As noted above, the Monitor intends to bring a further application to seek approval to run the MB Claims Process at a later date.
58. The Final Allocation and Distribution Order also contemplates the payment of the RIP as the tasks required of the individuals that the RIP relates to (the "**RIP Beneficiaries**") are nearly complete. Without continued financial incentive, the RIP Beneficiaries, which include the key members of Management, may not be available/willing to assist the Monitor in the Next Steps. Additionally, the Monitor understands that Shane Dearden, who is the sole director of CKGI, intends to resign subsequent to the December 16 Application.
59. Pursuant to the March Stay Extension Order, the Monitor was granted certain expanded powers to allow the Monitor to execute, assign, issue and endorse documents in respect of the Property and/or Business (the "**Monitor's Powers**").
60. The Monitor's Powers were sufficient with respect to assisting the Applicants in the wind-down of their operations, however, the Monitor is seeking the further enhanced powers and protections set out in the SARIO (the "**Enhanced Monitor's Powers**") to ensure that the

Monitor has all necessary powers to complete the MB Claims Process, attend to the Next Steps and properly respond to and address any other unforeseen items within these CCAA Proceedings.

61. The Applicants and the Monitor have had discussions with key stakeholders to discuss the expanded role, including the TD Bank, who are supportive of the Application for the Second ARIO.

#### **APPROVAL OF THE ACTIVITIES OF THE MONITOR**

62. The proposed Final Allocation and Distribution Order seeks the approval of the conduct and activities of the Monitor since the Fourth Report, including those described in this Report.
63. As outlined in this Report (as well as the Monitor's previous reports to this Court), the Monitor and its counsel have played, and continue to play, a significant role in these CCAA Proceedings. The Monitor respectfully submits that its actions, conduct and activities and those of the Applicants in these CCAA Proceedings have been carried out in good faith and in accordance with the provisions of the orders issued therein and should therefore be approved.

#### **APPROVAL OF THE FEES OF THE MONITOR, MONITOR'S COUNSEL AND APPLICANTS' COUNSEL**

64. Pursuant to paragraphs 29 of the ARIO, the Monitor, the Monitor's counsel and the Applicants' counsel shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these CCAA Proceedings.
65. The total fees and disbursements of the Monitor for the period from October 1, 2024 to November 30, 2024 are \$53,750.55 inclusive of GST in the amount of \$2,559.55. The total fees and disbursements of the Monitor's Counsel for the period from October 1, 2024 to

November 30, 2024 are \$23,348.64 inclusive of GST in the amount of \$1,109.94. The Monitor and its counsel will make copies of their accounts available upon request.

66. The total fees and disbursements of the Applicants' counsel for these CCAA Proceedings for the period from October 1, 2024 to November 30, 2024 are \$34,914.42 inclusive of GST and PST in the amount of \$3,705.10. The Applicants' counsel will make copies of their accounts available upon request.
67. The Monitor respectfully submits that the fees and disbursements incurred by the Monitor, its counsel and the Applicants' counsel, as described above, are fair and reasonable in light of the following:
  - a. the Monitor's role in collecting and holding the Funds in Trust as well as advancing portions to the Applicants to fund the wind-down of their operations;
  - b. the Applicants' counsel in finalizing the October Stay Extension Order and the Interim Distribution Order;
  - c. the Applicants' counsel's role in preparing for and conducting the negotiations in regard to the Working Capital Calculation;
  - d. the Applicants' role in preparing and filing the applicant materials for the December 16 Application;
  - e. the Monitor's and Monitor's counsel's role in preparing and issuing the Monitor's Determination in regard to the Working Capital Calculation, preparing the Final Allocation and the analysis with respect to the Final Allocation to Distribution Parties; and
  - f. drafting and reviewing various materials in respect of these CCAA Proceedings.

68. The Monitor intends to seek approval for the fees and disbursements of the Monitor, its counsel and the Applicants' counsel incurred since December 1, 2024 and yet to be incurred in the complete the administration of these CCAA Proceedings at a later application.

#### **EXTENSION OF THE STAY OF PROCEEDINGS**

69. The Monitor has considered the Applicants' application for the extension of the Stay of Proceedings to April 30, 2025, and has the following comments:
- a. with access to the MB Unsecured Holdback, the Monitor will have sufficient available liquidity to fund the administrative expenses related to the MB Claims Process and making a distribution to the unsecured creditors of 100 Manitoba and Bunzy's;
  - b. there will be no material prejudice to the Applicants' creditors and other stakeholders as a result of the extension of the Stay of Proceedings;
  - c. the Applicants have acted and continue to act in good faith and with due diligence;
  - d. the extension of the Stay of Proceedings allows the Monitor and the Applicants the time required collect the entirety of the Final Sale Proceeds from Lift and CARSTAR and to make the Final TD Distribution;
  - e. the Monitor intends to seek approval for and complete the administration of the MB Claims Process; and
  - f. the length of the proposed Stay of Proceedings of approximately four and a half months is reasonable given the timelines necessary to complete the Next Steps.

## CONCLUSIONS AND RECOMMENDATIONS

70. The Monitor is of the view that the relief requested by the Applicants is necessary, reasonable and justified in the circumstances.
71. Accordingly, the Monitor respectfully recommends that this Court grant:
- a. the Final Allocation and Distribution Order; and
  - b. the Second ARIO.

\*\*\*\*\*

All of which is respectfully submitted this 10<sup>th</sup> day of December 2024.

**FTI Consulting Canada Inc.,**  
in its capacity as Monitor of  
the Collision Kings Group  
and not in its personal or corporate capacity



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Dustin Olver, CA, CPA, CIRP, LIT  
Senior Managing Director  
FTI Consulting Canada Inc.

# **Appendix A**



December 5, 2024

**Via Email**

**MLT Aikins LLP**

360 Main St. 30th Floor  
Winnipeg, Manitoba R3C 4G1

Attention: JJ Burnell and Chris Nyberg

**Lawson Lundell LLP**

1800-1631 Dickson Avenue  
Kelowna, British Columbia V1Y 0B5

Attention: Alexis Teasdale and Aaron Dow

Dear Sirs/ Madams:

**RE: Court File No. 2401-01778**

**In the Matter of Collision Kings Group Inc., CMD Holdings Inc., East Lake Collision Ltd., Mayland Heights Collision Ltd., Sunridge Collision Ltd., 2199931 Alberta Ltd., Collision Kings 3 Ltd., Arrow Auto Body Ltd., CMD Glass Ltd., Royal Vista Collision Ltd., Stathko Investments Ltd., Nick's Repair Service Ltd., 10026923 Manitoba Ltd. and Bunzy's Auto Body Ltd. (collectively, the "Companies")**

As you are aware, FTI Consulting Canada Inc. is the Court appointed Monitor (with enhanced powers) of the Companies. In accordance with section 3.7 (b) of the Assets Purchase Agreement dated March 13, 2024 (the "**APA**") between certain of the Companies, as vendors (collectively, "**CKG**"), and Lift Auto Group Operating Corporation, as purchaser ("**Lift**"), the Monitor has been asked to make a final determination of the Closing Date Working Capital. As part of its analysis, and in an effort to understand the source of disputes between the parties to the APA, the Monitor sent a letter to CKG and Lift requesting that each party prepare a written analysis that sets out their position on the Closing Date Working Capital, including the amounts in dispute. The following table provides a summary of each parties' position, identifies the areas in dispute and provides the Monitor's final determination of the disputed items. The Monitor determined the final Closing Date Working Capital to be \$1,591,815.58 owing from Lift to the CKG. The Monitor's analysis, support and reasons for determination with respect to each disputed item is provided herein.

Sincerely,



Dustin Olver

FTI Consulting Canada Inc.  
in its capacity as Monitor

of the Companies and not in its personal capacity

### Monitor's Working Capital Determination

	Opening Submission		Final Positions		Monitor Determination	Notes
	Lift	CKG	Lift	Variance		
<b>AR pre-adjustment</b>	<b>\$ 2,594,534.52</b>	<b>\$ 2,594,534.52</b>	<b>\$ 2,594,534.52</b>	<b>\$ -</b>	<b>\$ 2,594,534.52</b>	
Additional AR	-	123,740.40	123,740.40	-	123,740.40	
Paid to CK prior to Mar 15	(170,327.16)	(229,455.94)	(229,455.94)	-	(229,455.94)	
No approval for RO	(188,290.37)	(188,290.37)	(188,290.37)	-	(188,290.37)	
No RO in BSC	(190,478.57)	(199,359.67)	(199,359.67)	-	(199,359.67)	
Supplement req's > 6. mos.	(7,820.06)	(7,820.06)	(7,820.06)	-	(7,820.06)	
Vendors (1)	(879,368.16)	-	(840,056.20)	840,056.20	(396,849.75)	1
Customer Pay	(62,285.51)	(62,285.51)	(62,285.51)	-	(62,285.51)	
Misc. uncollectable	(54,011.33)	(61,582.38)	(61,582.38)	-	(61,582.38)	
Insurance Discounts	(20,234.71)	(24,789.30)	(24,789.30)	-	(24,789.30)	
CARSTAR withholding Payment	(395,284.70)	-	(382,073.57)	382,073.57	(382,073.57)	2
Open RO payments received (2)	(1,194,190.39)	-	-	-	-	
25% discount	-	-	-	-	-	
Additional RO's	-	187,708.48	187,708.48	-	187,708.48	
Additional work to be done	-	(13,656.66)	(13,656.66)	-	(13,656.66)	
Expected Carstar Payments	-	-	(260,359.07)	260,359.07	(260,359.07)	2
<b>AR Balance</b>	<b>(567,756.44)</b>	<b>2,118,743.51</b>	<b>636,254.67</b>	<b>1,482,488.84</b>	<b>1,079,461.12</b>	
Less 25% discount	(156,608.49)	(529,686)	(159,064)	(370,622.21)	(269,865)	
Prepayments - Non WIP related	-	-	(191,415)	191,414.73	-	3
<b>Total Accounts Receivable</b>	<b>(724,364.93)</b>	<b>1,589,057.63</b>	<b>285,776.27</b>	<b>1,303,281.36</b>	<b>809,595.84</b>	
<b>Work In Progress</b>						
Grande Prairie	120,338.87	82,521.48	23,902.73	58,618.75	82,521.48	3
Lloyd AB	73,355.62	56,662.86	44,640.07	12,022.79	56,662.86	3
Lloyd SK	258,735.35	212,632.75	170,878.90	41,753.85	199,337.45	3,4
Burnsland	79,828.07	18,311.10	(73,727.78)	92,038.88	18,311.10	3
East Lake	149,840.95	58,250.05	(73,915.25)	132,165.30	56,467.83	3,4
Sunridge	141,780.98	77,394.05	(20,504.39)	97,898.44	71,709.71	3,4
CMD Express - Ramsay	-	-	-	-	-	
Foothills (Meridian)	-	-	-	-	-	
Downtown	93,499.20	77,181.82	54,805.68	22,376.14	77,181.82	3
Royal Oak	23,312.53	22,045.09	2,592.81	19,452.28	22,045.09	3
Bunzys	-	-	-	-	-	
Nicks	-	-	-	-	-	
<b>Total Work in Progress</b>	<b>940,691.57</b>	<b>604,999.20</b>	<b>128,672.77</b>	<b>476,326.43</b>	<b>584,237.34</b>	
<b>Prepaid Expense</b>						
Arrow Auto Body Ltd. - Burnsland	22,447.83	22,447.83	22,447.83	-	22,447.83	
Sunridge Collision Ltd.	(8,630.00)	12,000.00	-	12,000.00	12,000.00	5
East Lake Collision Ltd.	-	15,029.97	15,029.97	-	15,029.97	
CMD Glass Ltd.	-	6,544.23	-	6,544.23	6,544.23	6
Mayland Heights Collision Ltd.	-	26,966.40	-	26,966.40	26,966.40	6
Stathko Investments Ltd. - Downtown	19,604.00	19,604.00	19,604.00	-	19,604.00	
Royal Vista Collision Ltd.	-	15,029.97	-	15,029.97	15,029.97	6
Collision Kings 3 - GP	13,475.00	13,475.00	13,475.00	-	13,475.00	
2199931 Alberta Ltd - Lloyd AB	66,885.00	66,885.00	66,885.00	-	66,885.00	
<b>Total Prepaid Expense</b>	<b>113,781.83</b>	<b>197,982.40</b>	<b>137,441.80</b>	<b>60,540.60</b>	<b>197,982.40</b>	
<b>Total Working Capital</b>	<b>\$ 330,108.47</b>	<b>\$ 2,392,039.23</b>	<b>\$ 551,890.84</b>	<b>\$ 1,840,148.39</b>	<b>\$ 1,591,815.58</b>	

## Monitor's comments on Working Capital Determination

The Monitor provides the following commentary in support of its determination on disputed line items in the working capital calculation pursuant to the APA. The numbering refers to the Notes included in the Monitor's Summary Table above.

### 1. OFF-SET OF VENDOR ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

#### Monitor Conclusion:

The accounts receivable ("AR") included in the Closing Date Working Capital should be reduced for specific accounts where the customer also has an offsetting account payable ("AP") but only to the extent the AP owing to a customer is owed by the same legal entity within the Collision Kings Group who holds the AR with that same customer.

#### Monitor Rationale:

Lift's position is that:

- the definition of "Working Capital" under the APA includes, the "book value of the Accounts Receivable (such value to be determined based on the principals set out in the Accounting Standards for Private Enterprises, consistently applied)" [emphasis added].
- As per ASPE section 3856.16: "At the end of each reporting period, an enterprise shall assess whether there are any indications that a financial asset, or group of similar financial assets, measured at cost or amortized cost or using the cost method may be impaired. When there is an indication of impairment, an enterprise shall determine whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets."
- There is a significant adverse change in the expected amount of future cash flows from these accounts as the AR balances from these vendors are uncollectible.
- As per ASPE section 3856.17, when an enterprise identifies a significant adverse change in the expected amount of future cash flows from a financial asset, or group of similar assets, it shall reduce the carrying amount of the asset or group of assets to the highest of the three amounts listed in ASPE subsections 3856.17(a) to (c) and the carrying amount of the asset, or group of assets, shall be reduced directly or through the use of an allowance account.
- Because CKG did not pay certain vendors the AP owing to them, those vendors are unwilling to pay the AR owing to CKG. Consequently, the amount that can be realized by this group of assets is nil.
- In reaching to foregoing conclusion, Lift also notes that these vendors have historically offset amounts they owe to CKG against the balances due to them.

In the Monitor's view, Lift's argument hinges, at least in part, on the premise that there is a valid legal basis to offset the AP and AR (in other words that the AP and AR are subject to contractual, legal or equitable set off, such that these AR amounts would be

uncollectable). If there is no valid legal basis to offset the AP and AR, the Monitor disagrees that the AR is “uncollectable” and therefore would not constitute a “significant adverse change” within the meaning of ASPE section 3856.16 that would trigger the availability of ASPE section 3856.17.

**Availability of Set-off:** Based on the facts known to the Monitor, neither contractual nor legal set off are available in the circumstances. As such, the Monitor has considered the availability of the vendors to argue equitable set off for two different fact patterns.

- **Where the AR and the AP are owed and held by the same vendor** – In the Monitor’s view, the fact that the obligations were at one time mutual is indicative of the requisite close connection between the obligations, which is required for equitable set off. Usually (but not always) where an obligation has been assigned to a third party and, but for that assignment, would have been set off by a competing obligation owed by the assignor to the obligor, that obligation will be offset by the competing obligation. Whether or not a competing claim will give rise to a right of equitable offset depends in part (whether on the facts) there is a sufficiently close connection between the claims. For the purposes of its analysis, the Monitor has assumed such a close connection exists and that equitable set off would be available where the AR and AP are owed and held by the same legal entity, making the AR “uncollectable” and therefore triggering the availability of ASPE section 3856.17.
- **Where the AR is “uncollectable” due to an AP owed by a CKG entity other than the entity that assigned the AR** – In the Monitor’s view, vendors would not have the right to equitable set off where a vendor owes an AR to one entity in the CKG group and is owed an AP by a different entity in the CKG group. Courts have consistently held that while mutuality is not strictly required in equitable set-off, membership in a corporate group in and of itself is not sufficient to create the “close-connection” needed for equitable set off. In the context of equitable set off, Courts have also found that individually incorporated subsidiaries exist separately from their parent companies, regardless of the extent of ownership by the parent and that a debt owed by a subsidiary to a third party therefore cannot be set-off against amounts owed by the third party to the parent corporation or other affiliate.
- Based on the facts known to the Monitor, where a vendor owes an AR to one entity in the CKG group and is owed an AP by a different entity in the CKG group, set off would not be available to that vendor and the AR is properly collectable, meaning that ASPE section 3856.17 is not triggered.

The Monitor concludes that it is appropriate to remove the AR from the Closing Date Working Capital where there is a corresponding AP owed by the same CKG entity to whom the AR is owed. Accordingly, the Monitor has reduced the AR included in the Closing Date Working Capital by \$396,849.75.

## 2. ACCOUNTS RECEIVABLE OWED BY CARSTAR

### Monitor Conclusion:

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The CARSTAR AR is collectable by CKG. As such, either: (i) the CARSTAR AR should not be removed from the Closing Date Working Capital; or (ii) the CARSTAR AR should be excluded as a purchased asset from the APA (with no corresponding purchase price reduction, other than the removal of these amounts from the Closing Date Working Capital) and collected directly but CKG/the Monitor for the benefit of CKG's estate, to be held by the Monitor subject to a future distribution order.

The Monitor has assumed that it is the Parties' preference to proceed with option (ii) and has removed the CARSTAR AR from the Closing Date Working Capital on this basis. The Monitor has reduced AR by \$642,432.64 to remove the CARSTAR AR. The Monitor will require a written acknowledgment from Lift in relation to CARSTAR AR being removed from the APA.

**Monitor Rationale:**

Lift's position is that because these vendor AR balances were invoiced by CKG, the invoices specified that vendor payments were to be issued to CKG or CARSTAR, not to Lift. Lift therefore will not receive (and has not received) these payments. For payments issued to CARSTAR, CARSTAR will not remit payments to a non-franchisee entity, such that payment will be redirected from CARSTAR to CKG. Lift and CKG have already agreed in the course of their negotiations on working capital calculation adjustments to remove CARSTAR paid accounts, and all other CARSTAR paid accounts were already omitted from the Accounts Receivable balance used to calculate the Working Capital.

The Monitor is agreeable to removing the CARSTAR AR from the Closing Date Working Capital to the extent it is not collectable for the reasons set out above. However, the removal of the CARSTAR AR from the Closing Date Working Capital should be conditional upon: (i) the CARSTAR AR being removed as a purchased assets from the APA with no corresponding change in the purchase price (other than the foregoing adjustment to the Closing Date Working Capital); and (ii) Lift acknowledging that CKG is entitled to collect and retain any CARSTAR AR for inclusion in the CKG estate and that Lift will not make any claim to any CARSTAR AR collected by CKG.

**3. CUSTOMER DEPOSITS ON ACCOUNTS RECEIVABLE AND WORK IN PROGRESS****Monitor Conclusion:**

All reviews of Working Capital must be completed on a repair order by repair order basis. Deposits must be set off against applicable Work in Progress or AR and a bulk approach to setting off all customer deposits (irrespective of if those deposits are associated with any Work in Progress or AR) is inconsistent with the intention of the APA. The language "net of any customer deposits" in section 1.1(vvv) of the APA should be interpreted to mean any customer deposits associated with Work in Progress. This is further supported by the language in section 3.7(d) of the APA, which states that "no adjustment shall result in the Working Capital being a negative number." If a bulk approach were taken and all customer

deposits were removed from the Working Capital regardless of whether there was corresponding Work in Progress or AR, it is theoretically possible that the Working Capital number could be a negative number in contravention of section 3.7(d) of the APA.

**Monitor Rationale:**

Lift's position is that all customer deposits paid to CKG should be held in favour of Lift and the amount of all customer deposits should be removed from the Closing Date Working Capital.

**Definition of Working Capital:** The Monitor notes the definition of Working Capital in the APA includes "Work in Progress (net of any customer deposits)" and that the Working Capital Calculation pursuant to section 3.7 (d) states "Any such adjustments shall constitute an adjustment to the Purchase Price. For certainty, no adjustment shall result in the Working Capital being a negative number". In the Monitor's view customer deposits should only be applied to reduce Working Capital to the extent that those deposits directly relate to Work in Progress or AR purchased by Lift. The word any should be interpreted to mean any customer deposits related to the Work in Progress purchased by Lift, not all customer deposits held by CKG.

**Nature of the agreement:** The nature of the inclusion of a working capital adjustment is to provide incremental value to CKG. In the Monitor's view, any analysis on the value of the working capital calculation, must be completed at the individual repair order level as the inclusion of any individual repair order in the working capital would only be done so by CKG to the extent that it provided incremental recoveries to the estate.

**Lift's Implied Contract with Customer's having posted a deposit with CKG:** The Monitor disagrees with Lift's position that Lift was required (whether by implied agreement or otherwise) to perform work for customers who paid a deposit to CKG pre-closing but where such deposit was not associated with any Work in Progress or AR purchased by Lift under the APA. Pursuant to the APA, Lift only agreed to assume the "Assumed Liabilities" and specifically did not assume the "Excluded Liabilities". As per the APA, the Assumed Liabilities include those liabilities relating to the Purchased Assets (among other things). As per the definition of "Purchased Assets" in the APA, Lift did not agree to assume any obligations to complete "work" other than the Work in Progress. As such, unless an obligation to perform work related to Work in Progress, there was no obligation on Lift to complete such work under the terms of the APA and those obligations would fall within the definition of "Excluded Liabilities".

The Monitor's conclusion is that customer deposits must be considered on a repair order by repair order basis and customer deposits can only be removed from the Working Capital Calculation if the deposits relate to Work in Progress or AR purchased by Lift under the APA. Any adjustments made relating to customer deposits cannot reduce any individual repair order to less than \$0.

#### 4. ANALYSIS OF CUSTOMER DEPOSITS DID NOT INCLUDE RC REPORTING

**Monitor Conclusion:**

The customer deposits from Repair Centre that were initially missed should be applied to reduce the Work in Progress to the extent there was corresponding Work in Progress purchased by Lift. Any adjustments for customer deposits from the Repair Centre should be applied in a manner consistent with those principles outlined in Section 3 above.

**Monitor Rationale:**

The Monitor asked CKG to re-run the analysis of customer deposits vs Work in Progress and for 3 shops (Lloydminster Saskatchewan, East Lake and Sunridge) there were additional customer deposits relating to Work in Progress or AR purchased by Lift, which were not initially considered as a result of CKG's original analysis not including reporting from the "Repair Centre" software. Reporting from Repair Centre has now been accounted for in the Work in Progress for these three shops.

#### 5. CHANGES TO THE EXTERIOR OF SUNRIDGE SHOP

**Monitor Conclusion:**

The deposit for the Sunridge shop should not be removed from the Working Capital Calculation as it constitutes a "Prepaid Expense" within the meaning of the APA.

**Monitor Rationale:**

Lift argues that due to actions taken by the CKG, the deposit paid pursuant to the lease for the Sunridge shop (the "**Sunridge Lease**") is not recoverable to Lift. According to Lift, because the deposit for the Sunridge Lease is not recoverable, the deposit does not have a "continuing benefit to the Purchaser after Closing" in accordance with the definition of Prepaid Expenses under the APA and should therefore not be included in the Closing Date Working Capital. The Monitor disagrees that the deposit does not have a continuing benefit to Lift.

**Continuing Benefit of the Deposit:** Lift assumed the Sunridge Lease, which lease requires that a deposit be paid. If the deposit didn't exist or wasn't transferred and Lift wanted to assume the Sunridge Lease, Lift would have needed to replace or pay the deposit to the landlord. The fact that there are potential concerns with the Sunridge Lease that mean the deposit will be kept by the landlord, does not mean the deposit doesn't have a continuing benefit to Lift. For example, if Lift completes the repairs (estimated by Lift to be \$20,000), then it would be entitled to the return of the deposit by the Landlord. Alternatively, if Lift does not complete the repairs and the landlord keeps the deposit, then Lift will not be required to complete the repairs or will need to pay less for the repairs depending on the terms of the Sunridge Lease. Because the Sunridge Lease was assumed by Lift on an "as is where is basis", the Lift is responsible for any lease issues and the existence of the deposit is clearly a benefit to Lift. Lift had sufficient time to complete due diligence and include a provision for this issue in the APA if it deemed it appropriate to do so.

The Monitor concludes that the deposit paid under the Sunridge Lease provides a continuing benefit to Lift and therefore meets the criteria of a Prepaid Expense under the APA and should be included in the Closing Date Working Capital.

## 6. CONTINUING BENEFIT OF LEASE DEPOSITS FOR EXCLUDED SHOPS

### Monitor Conclusion:

The deposits related to the Royal Vista, CMD Glass and Mayland Heights shops should be included in the Closing Date Working Capital.

### Monitor Rationale:

Lift argues that because it did not purchase the leases for the Royal Vista Collision Ltd., CMD Glass Ltd. And Mayland Heights Collision Ltd. (collectively, the “**Excluded Entities**”) shops (collectively, the “**Excluded Leases**”) as part of the APA, there is no continuing benefit to Lift for the prepaid deposits associated with the Excluded Leases and these deposits therefore do not fall within the definition of a “Prepaid Expense” and should be excluded from the Closing Date Working Capital.

**Auction Negotiations:** Each of the Excluded Entities were not parties to Lift’s original stalking horse purchase agreement. However, the Superior Bid received by the Companies from 5807698 Manitoba Ltd. (“**580 MB**”) did include the Excluded Entities. During the Auction, and as part of Lift’s first overbid, Lift agreed to purchase the working capital for all of the locations (including the Excluded Entities) in order make its bid comparable to 580 MB’s Superior Bid. The deposits for the Excluded Leases have a continuing benefit to Lift as it was the agreement to assume all working capital relating to the Excluded Entities (among other things) that allowed Lift to ultimately become the Successful Bidder at the Auction. Further the Monitor notes that, CKG allowed Lift access to certain of locations governed by the Excluded Leases at the request of Lift to complete/transfer Work in Progress so that Lift could achieve the benefit of the Working Capital associated with those locations and the Excluded Entities.

The Monitor concludes that because of (among other things) the negotiations at the Auction and the final APA submitted by Lift, Lift agreed to purchase the Working Capital for all of the locations, including those locations governed by the Excluded Leases, which Working Capital would include the prepaid deposits for the Excluded Leases.



# **Appendix B**

**Extract of Schedule 3.2 from the Enhanced Stalking Horse APA  
Final Purchase Price Allocation as agreed to by the Applicants and Lift**

	<b>Proposed Allocation of Value</b>									
	<u>Nicks</u>	<u>Bunzies</u>	<u>East Lake</u>	<u>Burnsland</u>	<u>Downtown</u>	<u>Sunridge</u>	<u>GP</u>	<u>Lloyd- SK</u>	<u>Lloyd - AB</u>	<u>Total</u>
Property	600,000.00	1,000,000.00	-	-	-	-	-	-	-	1,600,000.00
Equipment	25,000.00	25,000.00	450,000.00	550,000.00	350,000.00	350,000.00	500,000.00	350,000.00	500,000.00	3,100,000.00
Vehicles	20,000.00	15,000.00	-	2,500.00	15,000.00	-	-	-	30,000.00	82,500.00
Furniture & Fixtures	2,500.00	5,000.00	2,500.00	15,000.00	2,500.00	2,500.00	2,500.00	-	-	32,500.00
Leasehold Improvements	-	-	10,000.00	25,000.00	50,000.00	50,000.00	2,500.00	-	-	137,500.00
Goodwill	-	-	714,652.84	706,727.95	765,465.94	792,092.14	663,433.19	638,227.07	955,247.16	5,235,846.28
	<b>\$ 647,500.00</b>	<b>\$ 1,045,000.00</b>	<b>\$ 1,177,152.84</b>	<b>\$ 1,299,227.95</b>	<b>\$ 1,182,965.94</b>	<b>\$ 1,194,592.14</b>	<b>\$ 1,168,433.19</b>	<b>\$ 988,227.07</b>	<b>\$ 1,485,247.16</b>	<b>\$ 10,188,346.28</b>