

THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C., 1985, C. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF OEM AUTOMOTIVE SOLUTIONS INC., OEM AUTOMOTIVE CORNWALL INC. AND OEM AUTOMOTIVE HOLDINGS INC.

Court File No. BK-33-03025642
Bankruptcy Estate File No. 33-3025642

January 17, 2024

ENDORSEMENT

On December 22, 2023, OEM Automotive Solutions Inc., OEM Automotive Cornwall Inc., and OEM Automotive Holdings Inc. (collectively “the Companies”) initiated proceedings by filing a notice of intention (NOI) to file a proposal under section 50.4 of the *Bankruptcy and Insolvency Act*. Operating a Volkswagen dealership in Cornwall, ON, the Companies faced financial strain in late 2023 due to a shareholder dispute, resulting in liquidity constraints. BMO, the primary creditor, formally demanded repayment on December 13, 2023. Unable to settle their debts, the Companies deemed these proceedings as the optimal means to preserve and realize value for all stakeholders. BMO proposed to act as the interim lender, offering additional funds to sustain the Companies' operations during the restructuring.

The Companies seek relief under six different headings, each warranting individual consideration. Submissions were made by BMO, the proposal trustee, and the companies' supportive shareholders, without opposition from any creditors.

1. Administrative consolidation of the Companies' NOI proceedings under a single title of proceeding.

The court acknowledges the high integration of the companies' operations and concurs that consolidating the proceedings secures the most expeditious and cost-effective determination of the matter on its merits.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY & INSOLVENCY)**

Proceedings commenced at Ottawa

**MOTION RECORD OF
OEM AUTOMOTIVE CORNWALL INC.,
OEM AUTOMOTIVE SOLUTIONS INC.,
AND OEM AUTOMOTIVE HOLDINGS INC.
(returnable January 17, 2024 @ 2:00pm)**

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2. Approval of the sale and investment solicitation process (SISP).

A SISP, developed with the assistance of the proposal trustee, BDO Canada, and with input from the shareholders and BMO, envisages engaging a sales agent for identification and solicitation of potential buyers. The Companies also seek approval to enhance the authority of the proposal trustee, arguing that such powers are necessary given potential bids from both shareholders. Granting enhanced powers, they contend, ensures impartial administration of the SISP and aims to maximize value for all stakeholders. The court deems the SISP necessary to evaluate the advantages of selling the business as a going concern compared to other options and hereby approves it.

3. Approval of interim financing term sheet and granting of interim financing charge.

BMO has offered a debtor-in-possession loan of \$500,000 to the Companies, and they seek approval of the interim financing term sheet. In addition, an interim financing charge is requested, ranking ahead of all other claims except the administration charge, pursuant to section 50.6 of the BIA. The court, considering section 50.6(5) factors, deems the charge necessary for financing the SISP and sustaining business operations during restructuring.

4. Administrative charge.

A \$400,000 administrative charge is sought to secure professionals' fees and disbursements engaged by the proposal trustee during proceedings. Section 64.2 of the BIA provides jurisdiction for such a charge. The court agrees that these professionals are essential to successful restructuring, and the charge ensures their participation.

5. Directors' charge.

A \$100,000 director's charge is sought to secure indemnification for possible liabilities incurred by directors and officers under section 64.1 of the BIA. The court agrees that directors' involvement is critical, and the charge is deemed fair and reasonable.

6. Extension of time for the companies to file a proposal.

The Companies request an extension until March 5, 2024, to file a proposal, with the current stay of proceedings expiring on January 20, 2024.

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Section 50.4(9) of the BIA allows the court to extend this time. The court deems the extension necessary for the Companies to execute the SISP and make a viable proposal, and considers that the extension would not cause material prejudice to any creditors.

Based on the foregoing reasons, the Companies' motion is granted.

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Justice A. Kaufman