

Court File No. CV-18-597987-00CL

**ROCKPORT BLOCKER, LLC, THE ROCKPORT GROUP HOLDINGS, LLC, TRG 1-P HOLDINGS, LLC, TRG INTERMEDIATE HOLDINGS, LLC, TRG CLASS D, LLC, THE ROCKPORT GROUP, LLC, THE ROCKPORT COMPANY, LLC, DRYDOCK FOOTWEAR, LLC, DD MANAGEMENT SERVICES LLC AND ROCKPORT CANADA ULC**

**FIFTH REPORT OF THE INFORMATION OFFICER  
RICHTER ADVISORY GROUP INC.**

**DECEMBER 20, 2018**

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

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

**AND IN THE MATTER OF ROCKPORT BLOCKER, LLC, THE ROCKPORT GROUP HOLDINGS, LLC, TRG 1-P  
HOLDINGS, LLC, TRG INTERMEDIATE HOLDINGS, LLC, TRG CLASS D, LLC, THE ROCKPORT GROUP, LLC, THE  
ROCKPORT COMPANY, LLC, DRYDOCK FOOTWEAR, LLC, DD MANAGEMENT SERVICES LLC AND ROCKPORT  
CANADA ULC**

**APPLICATION OF ROCKPORT BLOCKER, LLC, UNDER SECTION 46 OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**FIFTH REPORT OF THE INFORMATION OFFICER  
RICHTER ADVISORY GROUP INC.**

**DECEMBER 20, 2018**

## I. INTRODUCTION

1. On May 14, 2018 (the “**Petition Date**”), Rockport Blocker, LLC (“**Rockport Blocker**”), The Rockport Group Holdings, LLC, TRG 1-P Holdings, LLC, TRG Intermediate Holdings, LLC, TRG Class D, LLC, The Rockport Group, LLC, The Rockport Company, LLC, Drydock Footwear, LLC, DD Management Services LLC (collectively, the “**US Debtors**”), and Rockport Canada ULC (“**Rockport Canada**” and together with the US Debtors, the “**Rockport Group**” or the “**Debtors**”), commenced voluntary reorganization proceedings (the “**Chapter 11 Proceedings**”) in the United States Bankruptcy Court for the District of Delaware (the “**US Court**”) by each filing a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. 101-1532 (the “**Bankruptcy Code**”).
2. Also on the Petition Date, the Debtors filed various motions for interim and/or final orders (the “**First Day Motions**” and the orders granted by the US Court in respect thereof, the “**First Day Orders**”) in the Chapter 11 Proceedings to permit the Debtors to advance their reorganization. The First Day Orders included an order authorizing Rockport Blocker to act as the foreign representative (in such capacity, the “**Foreign Representative**”) of the Debtors for the within proceedings (the “**Foreign Representative Order**”).
3. On May 15, 2018, the US Court granted the Foreign Representative Order and certain First Day Orders. Also on May 15, 2018, Rockport Blocker, in its capacity as Foreign Representative, commenced an application before the Ontario Superior Court of Justice (Commercial List) (the “**Canadian Court**”) pursuant to Part IV of the *Companies’ Creditors Arrangement Act* (R.S.C. 1985, c. C-36, as amended) (the “**CCAA**”).
4. On May 16, 2018, the Canadian Court granted an initial recognition order (the “**Initial Recognition Order**”), which, among other things: (i) declared that Rockport Blocker is a “foreign representative” as defined in section 45 of the CCAA; (ii) declared that the centre of main interest for the Rockport Group is the United States and the Chapter 11 Proceedings are recognized as a “foreign main proceeding” under the CCAA (the “**Recognition Proceedings**”); and (iii) granted a stay of proceedings against the Rockport Group in Canada.
5. Also on May 16, 2018, the Canadian Court granted a supplemental order (the “**Supplemental Order**”), pursuant to section 49 of the CCAA which, among other things: (i) appointed Richter Advisory Group Inc. (“**Richter**”) as the information officer (the “**Information Officer**”) in respect of these proceedings, (ii) stayed any proceeding, rights or remedies against or in respect of the Rockport Group, the business and property of the Rockport Group, the directors and officers of the Rockport Group in Canada, and the Information Officer, (iii) restrained the right of any person or entity to, among other things, discontinue or terminate any supply of products or services required by the Rockport Group in Canada, (iv) granted a super-priority charge over the Debtors’ property in Canada in favour of the Information Officer and its counsel, as security for their professional fees and disbursements incurred in respect of these proceedings, up to a maximum amount of \$300,000 (the “**Administration Charge**”), (v) granted a super-priority charge over the Debtors’

property in Canada in favour of the DIP ABL Lenders to secure obligations of the Rockport Group, including Rockport Canada, under the DIP ABL Facility (the “**DIP ABL Lenders’ Charge**”), and (vi) recognized and gave full force and effect in Canada to certain of the First Day Orders.

6. On June 5, 2018, the US Court granted an order (A) Approving Bidding Procedures for Sale of Substantially All of the Debtors Assets, (B) Approving Stalking Horse Bid Protections, (C) Scheduling Auction for, and Hearing to Approve, Sale of Substantially All of the Debtors Assets, (D) Approving Form and Manner of Notice of Sale, Auction and Sale Hearing, (E) Approving Assumption and Assignment Procedures and (F) Granting Related Relief (the “**Bidding Procedures Order**”).
7. On June 12, 2018 and June 13, 2018, the US Court entered various orders sought by the Debtors at their “second day hearings” (the “**Second Day Orders**”).
8. On June 14, 2018, the Canadian Court granted an order which recognized and gave full force and effect in Canada to (i) the Bidding Procedures Order and (ii) the following Second Day Orders:
  - (a) a final Order (I) Prohibiting Utility Companies from Altering or Discontinuing Service on Account of Prepetition Invoices, (II) Deeming Utility Companies Adequately Assured of Future Performance and (III) Establishing Procedures for Resolving Requests for Additional Adequate Assurance;
  - (b) a final Order Authorizing (I) Debtors to Pay Certain Prepetition Taxes, Governmental Assessments and Fees and (II) Financial Institutions to Honor and Process Related Checks and Transfers;
  - (c) a final Order Authorizing (I) Debtors to Pay Claims of Critical and Foreign Vendors in the Ordinary Course of Business and (II) Financial Institutions to Honor and Process Related Checks and Transfers;
  - (d) a final Order Authorizing (I) the Debtors to (A) Pay Certain Employee Compensation and Benefits, (B) Maintain and Continue Such Benefits and Other Employee-Related Programs, and (C) Pay Prepetition Claims of Independent Contractors and Temporary Workers and (II) Financial Institutions to Honor and Process Related Checks and Transfers;
  - (e) a final Order (I) Authorizing the Debtors to Continue and Renew Their (A) Insurance Programs and Premium Financing and (B) Surety Bond Program and to Pay All Obligations With Respect Thereto, (II) Modifying the Automatic Stay with Respect to the Workers’ Compensation Program and (III) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers;
  - (f) a final Order (I) Authorizing Continued Use of Existing Cash Management System and Bank Accounts, (II) Waiving Certain United States Trustee Requirements, (III) Authorizing Continued Performance of Intercompany Transactions, and (IV) Granting Related Relief;

- (g) an Order Authorizing Employment and Compensation of Professionals Utilized in Ordinary Course of Business, Effective *nunc pro tunc* to the Petition Date;
  - (h) an Order Authorizing the Employment and Retention of Prime Clerk LLC as Administrative Advisor *nunc pro tunc* to the Petition Date;
  - (i) a final Order Authorizing (I) the Debtors to Pay (A) Certain Prepetition Claims of Shippers and Warehousemen and (B) Import Charges and (II) Financial Institutions to Honor and Process Related Checks and Transfers;
  - (j) an Order (I) Authorizing the Debtors to (A) Conduct Store Closing Sales at their North American Retail Locations (the “**Store Closing Sales**”) and (B) Pay Store Closing Bonuses to Employees at the Closing Stores and (II) Granting Related Relief (the “**Store Closing Order**”);
  - (k) an Order (I) Authorizing the Retention and Employment of HYPERAMS, LLC as Liquidation Consultant *nunc pro tunc* to May 25, 2018 and (II) Modifying Certain Reporting Requirements under the Local Rules; and
  - (l) an Order Authorizing the Debtors to (A) Retain Alvarez & Marsal North America, LLC to Provide the Debtors an Interim Chief Financial Officer, Interim Chief Operating Officer and Additional Personnel and (B) Designate Paul Kosturos as Interim Chief Financial Officer and Josh Jacobs as Interim Chief Operating Officer for the Debtors *nunc pro tunc* to the Petition Date.
9. On June 29, 2018, the US Court granted a Final Order (I) Authorizing The Debtors To (A) Obtain Postpetition Financing On A Super-Priority, Senior Secured Basis And (B) Use Cash Collateral, (II) Granting (A) Liens And Super-Priority Claims And (B) Adequate Protection To Certain Prepetition Lenders, (III) Modifying The Automatic Stay and (IV) Granting Related Relief (the “**Final DIP Financing Order**”).
  10. On July 5, 2018, the US Court granted an Order Pursuant to Sections 327(A) and 328(A) of the Bankruptcy Code (A) Authorizing the Employment and Retention of Houlihan Lokey Capital, Inc. as Financial Advisor and Investment Banker to the Debtors, *Nunc Pro Tunc* to the Petition Date, (B) Waiving Certain Time-Keeping Requirements Pursuant to Local Rule 2016-2(h) and (C) Granting Related Relief (the “**Houlihan Retention Order**”).
  11. On July 16, 2018, the US Court heard the Debtors motion for an order authorizing and approving the sale (the “**Sale Transaction**”) of substantially all of the Debtors’ assets to CB Marathon Opco, LLC (the “**Purchaser**”), pursuant to an asset purchase agreement dated May 13, 2018 (the “**Asset Purchase Agreement**”), free and clear of all liens, claims, interests and encumbrances (except certain permitted encumbrances as determined by the Debtors and the Purchaser), and authorizing the assumption and assignment of certain of the Debtors’ contracts and leases to the Purchaser in connection with the Sale Transaction.
  12. On July 18, 2018, the US Court entered the following orders sought by the Debtors:

- (a) an Order (A) Approving Sale of Substantially All of the Debtors' Assets Free and Clear of All Liens, Claims, Interests and Encumbrances, (B) Approving Assumption and Assignment of Executory Contracts and Unexpired Leases and (C) Granting Related Relief (the "**Sale Order**"); and
  - (b) an Order Approving Stipulation Modifying Final Cash Management Order to Permit Intercompany Transfers Between Rockport Canada ULC and The Rockport Company, LLC (the "**Intercompany Payment Order**").
13. On July 20, 2018, the Canadian Court granted an order which recognized and gave full force and effect in Canada to the Final DIP Financing Order, the Houlihan Retention Order, the Sale Order and the Intercompany Payment Order.
14. On July 24, 2018, the US Court entered the following orders sought by the Debtors:
- (a) an Order (I) Authorizing Rejection of Certain Unexpired Leases of Nonresidential Real Property, (II) Authorizing Abandonment of Certain Property in Connection Therewith and (II) Granting Related Relief (the "**Lease Rejection Order**");
  - (b) an Order Establishing Bar Dates and Related Procedures for Filing Proofs of Claims (Including for Administrative Expense Claims Arising Under Section 503(b)(9) of the Bankruptcy Code) and Approving the Form and Manner of Notice Thereof (the "**Claims Bar Date Order**"); and
  - (c) an Order Approving Stipulations with (I) IC SPG POC at Edmonton LP ("**Ivanhoe**"), and (II) 90287939 Quebec Inc. cob as DAMA Construction ("**Dama**"), Regarding Lease of Non-Residential Real Property Located at Edmonton International Airport, Unit 438 (the "**Edmonton Real Property Stipulations Order**").
15. On July 30, 2018, the Canadian Court granted an order which recognized and gave full force and effect in Canada to the Lease Rejection Order, the Claims Bar Date Order, and the Edmonton Real Property Stipulations Order.
16. On July 30, 2018, the US Court entered an Order Authorizing and Approving the Settlement Agreement By and Between the Rockport Parties, the Adidas Parties and the Noteholder Parties (the "**Adidas Settlement Order**").
17. On August 1, 2018, the Canadian Court granted an order which recognized and gave full force and effect in Canada to the Adidas Settlement Order.
18. On August 24, 2018, the US Court entered an order authorizing the Debtors to amend the caption used in the Chapter 11 Proceedings to reflect the change of the Debtors' corporate names (the "**Case Caption Change Order**").
19. On October 1, 2018, the US Court entered an order Authorizing the Debtors to Reject Certain Contracts (the "**Omnibus Contract Rejection Order**") that were not assumed by Purchaser pursuant to the Sale Transaction.

20. On September 21, 2018, the Debtors filed with the US Court a Combined Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code (as amended and supplemented from time to time, the “**Plan**”) and the Disclosure Statement for the Plan (as amended from time to time, the “**Disclosure Statement**”). On October 16, 2018, the US Court entered an order (A) Approving the Combined Plan and Disclosure Statement on an Interim Basis, (B) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject the Combined Plan and Disclosure Statement, (C) Approving the Forms of Ballots and Solicitation Materials, (D) Establishing the Voting Record Date, (E) Scheduling a Confirmation Hearing and Deadline for Filing Objections to Final Approval of the Combined Plan and Disclosure Statement and Confirmation Thereof and (F) Approving the Related Form of Notice on an interim basis (the “**Interim Disclosure Statement Order**”).

## II. PURPOSE OF REPORT

21. The purpose of this fifth report of the Information Officer (the “**Fifth Report**”) is to provide the Canadian Court with information concerning:
- (a) the motion of the Foreign Representative returnable December 21, 2018, for recognition in Canada of the Case Caption Change Order, the Omnibus Contract Rejection Order, and the Confirmation Order (as hereinafter defined);
  - (b) an update on matters relating to the Edmonton Real Property Stipulations Order;
  - (c) the anticipated next steps in the Recognition Proceedings; and
  - (d) the activities of the Information Officer since the third report dated July 27, 2018 (the “**Third Report**”).

## III. TERMS OF REFERENCE

22. In preparing this Fifth Report, the Information Officer has relied solely on information and documents provided by the Debtors and their advisors, including unaudited financial information, declarations and affidavits of the Debtors’ executives and other information provided on the U.S. docket in connection with the Chapter 11 Proceedings (collectively, the “**Information**”). In accordance with industry practice, except as otherwise described in the Fifth Report, Richter has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, Richter has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards (“**GAAS**”) pursuant to the *Chartered Professional Accountant of Canada Handbook* and, as such, Richter expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.



23. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars, which is the Debtors' common reporting currency.
24. The Information Officer has established a website at <http://www.richter.ca/en/folder/insolvency-cases/r/rockport-canada> to make available copies of the orders granted in these proceedings as well as motion materials and reports of the Information Officer. Additionally, there is a link on the Information Officer's website to the Debtors' restructuring website maintained by Prime Clerk LLC, the claims and noticing agent (the "**Claims Agent**") in the Chapter 11 Proceedings, which includes copies of the US Court materials and orders, notices and additional information in respect of the Chapter 11 Proceedings.
25. Capitalized terms not otherwise defined herein are as defined in the application materials, including the affidavit of Paul Kosturos, the interim Chief Financial Officer of the Debtors, sworn December 19, 2018 (the "**December 19 Kosturos Affidavit**") filed in support of the Foreign Representative's motion. This Fifth Report should be read in conjunction with the December 19 Kosturos Affidavit, as certain information contained in the December 19 Kosturos Affidavit has not been included herein in order to avoid unnecessary duplication.

#### **IV. RECOGNITION OF THE CONFIRMATION ORDER**

##### **Summary Overview of the Plan<sup>1</sup>**

26. As noted above, on September 21, 2018, the Debtors filed the Plan and the Disclosure Statement, and on October 16, 2016, the US Court approved the Disclosure Statement on an interim basis and related solicitation procedures for voting on the Plan. Amended versions of the Plan and the Disclosure Statement were filed with the US Court on October 16, 2018, December 17, 2018, and December 19, 2018, in part to address certain of the objections to the Plan, as described below. On November 9, 2018, the Debtors filed a supplement (the "**Plan Supplement**") to the Plan with the US Court.
27. The Plan is the culmination of extensive negotiations between the Debtors, the holders of the senior secured notes (the "**Prepetition Noteholders**"), the Official Committee of Unsecured Creditors of the Debtors (the "**UCC**"), and other key constituents of the Debtors' estates, including the Information Officer, resulting in this liquidating Chapter 11 plan.
28. Pursuant to the terms of the Final DIP Financing Order, the Prepetition Noteholders agreed to fund a \$2.5 million wind-down reserve (the "**Wind-Down Reserve**") to be used to pay the professional fees and other administrative costs incurred by the US Debtors after the closing of the Sale Transaction to Plan confirmation, with the balance of the Wind-Down Reserve to be made available for the benefit of the general unsecured creditors of the US Debtors. While the

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<sup>1</sup> The following paragraphs are intended to provide a summary overview of certain key aspects of the Plan and is qualified entirely by the actual terms of the Plan. Detailed disclosure by the Debtors of the terms of the Plan and the proposed treatment of claims and interests is provided in the Disclosure Statement, and creditors should refer to the Disclosure Statement and the Plan for a complete understanding of same.

Plan is consistent with the terms of the Final DIP Financing Order, the amount of the Wind-Down Reserve, which was based on the parties' best estimates at the time, proved insufficient to cover the actual amount of administrative and priority claims, including professional fees, against the US Debtors asserted in the Chapter 11 Proceedings. As such, the Prepetition Noteholders have consented to the additional use of their cash collateral (over and above the Wind-Down Reserve) to fund the payment of these amounts. These additional contributions from the Prepetition Noteholders are essential to the Plan's feasibility, absent which the Debtors would be unable to confirm the Plan, and there would likely be no prospect of a recovery to the general unsecured creditors of the US Debtors.

29. In the view of the Debtors, the Plan provides the most efficient means to conclude the Chapter 11 Proceedings and distribute available assets to the holders of allowed claims. Further, the liquidation of the Debtors' estates pursuant to the Plan avoids the unnecessary delay and additional costs that would have been incurred if the Chapter 11 Proceedings were converted to a Chapter 7 proceeding.
30. The effective date of the Plan is defined as the date (the "**Effective Date**") on which the conditions precedent to implementation of the Plan have been satisfied or waived pursuant to the terms of the Plan, including but not limited to:
  - (a) the Confirmation Order shall have become a Final Order in the U.S.;
  - (b) the Canadian Court shall have made an order recognizing the Confirmation Order, and such order shall have become a Final Order in Canada;
  - (c) the Liquidating Trust Agreement shall have been executed by the Liquidating Trustee; and
  - (d) the Rockport Canada Plan Administrator Agreement shall have been executed by the Rockport Canada Plan Administrator.
31. The Information Officer understands the Debtors anticipate the Effective Date to occur on or before December 31, 2018. The Information Officer will file a certificate (the "**Plan Implementation Certificate**") with the Canadian Court once the Plan has been implemented.
32. The chart below provides a summary of the treatment of claims and interests under the Plan:

Class	Claim/Interest	Status under the Plan	Voting Status	Anticipated Recovery
1(a)	Other Secured Claims against US Debtors	Unimpaired	Deemed to Accept	100%
1(b)	Other Secured Claims against Rockport Canada	Unimpaired	Deemed to Accept	100%
2	Prepetition Note Secured Claims against US Debtors	Impaired	Entitled to Vote	26% - 28%
3(a)	Other Priority Claims against US Debtors	Unimpaired	Deemed to Accept	100%
3(b)	Other Priority Claims against Rockport Canada	Unimpaired	Deemed to Accept	100%
4(a)	General Unsecured Claims against US Debtors	Impaired	Entitled to Vote	0% - 2%
4(b)	General Unsecured Claims against Rockport Canada	Impaired	Entitled to Vote	68% - 78%
5(a)	Intercompany Claims against US Debtors	Impaired	Deemed to Reject	No Distribution
5(b)	Intercompany Claims against Rockport Canada	Impaired	Deemed to Reject	No Distribution
6(a)	Equity Interests in US Debtors	Impaired	Deemed to Reject	No Distribution
6(b)	Equity Interests in Rockport Canada	Impaired	Deemed to Reject	No Distribution

33. As noted in the table above, only members of Class 2 (Prepetition Note Secured Claims against US Debtors), Class 4(a) (General Unsecured Claims against the US Debtors) and Class 4(b) (General Unsecured Claims against Rockport Canada) (collectively, the “**Voting Classes**”) were entitled to vote to accept or reject the Plan. Holders of claims in Class 1 (Other Secured Claims) and Class 3 (Other Priority Claims) are unimpaired under the Plan and, consequently, are deemed to have accepted the Plan pursuant to the Bankruptcy Code. Holders of claims or interests in Class 5 (Intercompany Claims) and Class 6 (Equity Interests) are not entitled to receive a distribution or retain any property under the Plan and, consequently, are conclusively deemed to have rejected the Plan pursuant to the Bankruptcy Code.
34. For purposes of voting, confirmation and making distributions under the Plan, the Plan provides for and is premised upon the substantive consolidation of the US Debtors and their estates. Rockport Canada shall not be substantively consolidated with the US Debtors for the purposes of the Plan and any allowed claims or interests against Rockport Canada shall be separately classified in a separate class.

35. The Plan, which has been confirmed by the US Court, contemplates, among other things, the creation of (i) a trust (the “**Liquidating Trust**”) from which distributions shall be made for the benefit of holders of allowed claims against the US Debtors, and (ii) a fund (the “**Rockport Canada Fund**”) from which distributions shall be made for the benefit of the holders of allowed claims against Rockport Canada.
36. Additional details on the Plan, including the third party releases contained in the Plan, and the injunctions and exculpations contemplated by the Plan, are discussed extensively in the December 19 Kosturos Affidavit and not repeated herein.

### **The Liquidating Trust**

37. As noted above, the Plan contemplates the creation of the Liquidating Trust on the Effective Date for the primary purpose of prosecuting the U.S. Litigation Claims, liquidating the Liquidating Trust Assets and making distributions to holders of allowed claims against the US Debtors in accordance with the Plan. The Liquidating Trust shall be administered by the Liquidating Trustee pursuant to the Liquidating Trust Agreement. The Liquidating Trustee was appointed by the UCC, in consultation with the Debtors and the Prepetition Noteholders, as noted in the Plan Supplement.
38. The operating costs for the Liquidating Trust, including the fees and disbursements of the Liquidating Trustee, shall be the responsibility of and paid by the Liquidating Trust in accordance with the Liquidating Trust Agreement. A Post-Effective Date Trust Reserve will be established by the Debtors on or prior to the Effective Date in the amount of \$485,000, which may be used by the Liquidating Trustee, subject to the terms of the Liquidating Trust Agreement, to pay any Liquidating Trust Operating Expenses and/or to make a distribution to the general unsecured creditors of the US Debtors (i.e. Class 4(a)). Based on the estimates provided by the Debtors in the Disclosure Statement and the Plan, general unsecured creditors of the US Debtors (i.e. Class 4(a)) are projected to receive a recovery of between 0% and 2% on their prepetition claims.

### **The Rockport Canada Fund**

39. As noted above, the Plan provides for the creation of the Rockport Canada Fund to make distributions to holders of allowed claims and interests against Rockport Canada. The Rockport Canada Fund is to be funded with the proceeds from (i) the Rockport Canada Allocation Amount (as hereinafter defined), (ii) the Rockport Canada Litigation Proceeds and (iii) any Insurance Policies with respect to Rockport Canada.
40. The Rockport Canada Fund will be administered by the Rockport Canada Plan Administrator pursuant to the Rockport Canada Plan Administrator Agreement, a copy of which is attached to the December 19 Kosturos Affidavit as Exhibit “F”. As noted in the Plan Supplement and the December 19 Kosturos Affidavit, the Debtors have nominated Richter to act as Rockport Canada Plan Administrator, which appointment was confirmed in the Confirmation Order and shall be

effective as of the Effective Date, subject to recognition by the Canadian Court. The proposed Rockport Canada Plan Administrator role is discussed in greater detail at paragraphs 74 to 78 of this Fifth Report.

41. The Plan and the Rockport Canada Fund incorporates the settlement (the “**Allocation Agreement**”) reached among the Debtors, the Prepetition Noteholders and the Information Officer with respect to the allocation, among the US Debtors and Rockport Canada, of:
  - (a) the obligations under the Debtors’ revolving credit agreement, dated July 31, 2015 (as amended, supplemented, restated or otherwise modified from time to time, the “**Prepetition ABL Facility**”) among certain of the Debtors, including Rockport Canada, and Citizens Business Capital, as administrative agent and collateral agent for the lenders;
  - (b) the costs of the Chapter 11 Proceedings;
  - (c) the net proceeds available from Sale Transaction, after factoring in certain adjustments permitted under the Asset Purchase Agreement; and
  - (d) the gross distributable assets at Rockport Canada, which included the proceeds of the Store Closing Sales pursuant to the Store Closing Order, the reimbursement of the payments made to the US Debtors pursuant to the Intercompany Transfer Order, and the cash on hand at Rockport Canada.
42. The Allocation Agreement was the result of ongoing discussions between the Debtors, the Prepetition Noteholders and the Information Officer since the onset of the Chapter 11 Proceedings with respect to the allocation of debt, costs and proceeds. The Information Officer notes that the Debtors original plan filed on September 21, 2018 included a waterfall analysis that proposed a settlement amount of \$5,181,000 being allocated to Rockport Canada as part of the Rockport Canada Fund. As discussed in greater detail in the December 19 Kosturos Affidavit, the Debtors, the Information Officer and the Prepetition Noteholders ultimately arrived at an agreed allocation that resulted in \$6,007,000 (the “**Rockport Canada Allocation Amount**”) being made available to the Rockport Canada Fund. Prior to finalizing the Allocation Agreement, the Information Officer updated and sought comments from certain of the significant general unsecured creditors of Rockport Canada.
43. The Allocation Agreement represents a final settlement as to the allocation of the debt, costs and proceeds, and the Debtors, the Information Officer and the Prepetition Noteholders have agreed that there will be no reconsideration of or adjustments to the Rockport Canada Allocation Amount. The entry of the Confirmation Order constitutes the US Court’s approval of the Allocation Agreement pursuant to Section 105 of the Bankruptcy Code and Bankruptcy Rule 9019(a). At the hearing for the Confirmation Order, the US Court specifically considered and approved the Allocation Agreement.
44. The Rockport Canada Fund will first be used to fund claims and interests against Rockport Canada related, but not limited, to:

- (a) all Other Secured Claims (Class 1(b)), if any;
  - (b) all administrative expense and priority claims, including priority tax claims of governmental taxing authorities in Canada;
  - (c) any statutory fees payable to the US Trustee (as hereinafter defined) for distributions made from the Rockport Canada Plan Administrator from and after the Effective Date;
  - (d) all professional fees incurred as part of the Recognition Proceedings from the Closing Date (as hereinafter defined) to the date of termination of the Recognition Proceedings, as these costs are excluded from the Wind-Down Reserve; and
  - (e) the administrative costs of the Rockport Canada Fund, including the fees and disbursements of the Rockport Canada Plan Administrator, its legal counsel and any other professionals retained pursuant to the Rockport Canada Plan Administration Agreement.
45. After payment of the above claims and interests, the balance of the Rockport Canada Fund will be used to fund a distribution to holders of allowed general unsecured claims against Rockport Canada. Based on the estimates provided by the Debtors in the Disclosure Statement and the Plan, general unsecured creditors of Rockport Canada (i.e. Class 4(b)) are projected to receive a recovery of between 68% and 78% on their prepetition claims.
46. As part of the Allocation Agreement, the US Debtors have waived their rights to any distributions on account of their intercompany claims against Rockport Canada. Accordingly, the only circumstance under which any portion of the Rockport Canada Fund would be returned to the US Debtors would be in the event that the holders of the Class 4(b) claims are paid in full and there is a distribution to The Rockport Company, LLC on account of its equity interest in Rockport Canada.
47. The Information Officer was actively involved in the negotiation of the Allocation Agreement and is of the view that the Allocation Agreement and the Rockport Canada Allocation Amount are fair and reasonable in the circumstances. Absent such settlement, the parties may have commenced time-consuming and costly litigation, both before the US Court and the Canadian Court, as to the appropriate allocation of debt, costs and proceeds as among the US Debtors and Rockport Canada.
48. To reflect the payment obligations in respect of the Recognition Proceedings, and the Rockport Canada Plan Administrator Agreement as referred to above, the draft recognition order included in the Foreign Representative's motion materials contemplates:
- (a) the existing Administration Charge in favour of the Information Officer and its counsel will continue to remain in effect over the Rockport Canada Fund, pending further order of the Canadian Court;

- (b) the fees of the Rockport Canada Plan Administrator and its counsel are to be paid from the Rockport Canada Fund; and
- (c) the Foreign Representative is seeking a charge to be granted against the Rockport Canada Fund in favour of Borden Ladner Gervais LLP (“BLG”), Canadian counsel to Rockport Canada, in respect of its fees and disbursements incurred in the Recognition Proceedings. The Information Officer understands BLG’s fees up to July 31, 2018 have been approved and paid through the Chapter 11 Proceedings, and BLG expects this to continue through to the Effective Date. From the Effective Date to the date of termination of the Recognition Proceedings, the fees and disbursements of BLG will be paid from the Rockport Canada Fund. It is contemplated that the Recognition Proceedings will be terminated by the end of January, 2019, as discussed at paragraph 80 of this Fifth Report.

**Plan Solicitation Process**

- 49. There was no separate Plan voting process for Canadian holders of claims or interests in the Debtors and, as such, Canadian creditors were subject to the voting process set out in the Interim Disclosure Statement Order, which process was conducted by the Claims Agent.
- 50. The chart below provides a summary of the timeline for the Plan solicitation process, as set out in the Disclosure Statement:

<b>Event</b>	<b>Date</b>
Voting Record Date	October 12, 2018
Solicitation Date	October 19, 2018
Plan Voting Deadline	November 19, 2018

- 51. The Information Officer understands the Disclosure Statement materials and Plan solicitation and voting materials (as prescribed by the Interim Disclosure Statement Order) were mailed to holders of claims and interests in the Debtors, including holders of general unsecured claims against Rockport Canada, on October 19, 2018.
- 52. The Disclosure Statement Order established November 19, 2018 at 5:00pm (prevailing Eastern Time) as the deadline for holders of claims in the Voting Classes to cast their votes to accept or reject the Plan. On December 17, 2018, the Claims Agent filed a declaration containing a tabulation of all ballots cast by the Voting Classes, as summarized below:

Class	Claim/Interest	Number Accepting (%)	Number Rejecting (%)	Amount Accepting (%)	Amount Rejecting (%)	Class Result	Voting
2	Prepetition Note Secured Claims against US Debtors	100%	0%	100%	0%	Accept	
4(a)	General Unsecured Claims against US Debtors	81.13%	18.87%	97.64%	2.36%	Accept	
4(b)	General Unsecured Claims against Rockport Canada	85.19%	14.81%	97.72%	2.28%	Accept	

53. As detailed in the table above, the Debtors received acceptance of the Plan by each of the Voting Classes. Additionally, on December 19, 2018, the Debtors entered into a stipulation whereby the votes of Federal Insurance Company, Great Northern Insurance Company, Pacific Indemnity Company, and ACE American Insurance Company (collectively, the “**Chubb Companies**”) were modified from rejection of the Plan to acceptance of the Plan. The voting results demonstrate the support of the Plan from the general unsecured creditors of the Debtors, including those creditors of Rockport Canada.

#### **Plan Confirmation Hearing**

54. On December 19, 2018, the US Court held a hearing to consider, on a final basis, whether the Disclosure Statement contained adequate information within the meaning of Section 1125(a) of the Bankruptcy Code, and confirmation of the Plan. Prior to the hearing, the Debtors received the following objections or informal comments in respect of the order (I) Approving Revised Combined Disclosure Statement and Chapter 11 Plan of Liquidation as Containing Adequate Information on a Final Basis and (II) Confirming Revised Combined Disclosure Statement and Chapter 11 Plan of Liquidation (the “**Confirmation Order**”):

- (a) objection from the Chubb Companies, that issued certain insurance policies to the Debtors as named insureds prior to the Petition Date, on the treatment of such insurance policies under the Plan, specifically the use of proceeds therefrom to fund the Liquidating Trust and the Rockport Canada Fund;
- (b) objection from the UCC, which was filed under seal, that the Plan was administratively insolvent and unconfirmable on the basis that the Wind-Down Reserve would not be sufficient to satisfy, in full, the administrative and priority claims filed against the US Debtors;
- (c) informal comments from the U.S. Securities and Exchange Commission;
- (d) informal comments from the Office of the United States Trustee for the District of Delaware (the “**US Trustee**”); and



- (e) informal comments from Attune Consulting USA, Inc.
55. The Information Officer understands that all objections and informal comments were resolved by the Debtors prior to, or at the confirmation hearing, or addressed by the revisions contained in the revised Plan filed by the Debtors on December 17, 2018 and further revised on December 19, 2018. On December 19, 2018, the US Court approved the Plan, found that each of the required elements of the Bankruptcy Code were satisfied by the Plan, and granted the Confirmation Order.
56. In granting the Confirmation Order, the US Court specifically addressed the tests outlined in the December 19 Kosturos Affidavit, including but not limited to:
- (a) voting thresholds, solicitation procedures, and acceptance by certain classes;
  - (b) good faith;
  - (c) Plan was in the best interests of creditors;
  - (d) approval of the Allocation Agreement; and
  - (e) appropriateness of the releases and exculpation language in the Plan.
57. The US Court also considered the request for substantive consolidation of the estates of the US Debtors, and confirmed that the amendments to the Plan made after the initial Disclosure Statement did not require further disclosure or voting.
58. The Information Officer supports the Plan and recommends the recognition of the Confirmation Order by the Canadian Court for the following reasons:
- (a) the Allocation Agreement embodied in the Plan provides for an equitable resolution of the issues of allocation debt, costs and proceeds as among the US Debtors and Rockport Canada;
  - (b) the projected recoveries by the general unsecured creditors of Rockport Canada are fair and equitable in the circumstances; and
  - (c) the Voting Classes, included the General Unsecured Claims against Rockport Canada, voted in favour of acceptance of the Plan.

## **V. OTHER ORDERS OF THE US COURT FOR WHICH RECOGNITION IS SOUGHT**

### **Case Caption Change Order**

59. The Sale Transaction with the Purchaser closed on August 2, 2018 (the “**Closing Date**”). Pursuant to section 8.17 of the Asset Purchase Agreement, the Debtors were required to cease using the name “Rockport” and any derivations thereof within ten days of the Closing Date. In addition, the Asset Purchase Agreement required the Debtors to file a

motion with the US Court seeking to change the case caption to remove any references to “Rockport” within ten days of the Closing Date.

60. Accordingly, in compliance with the Sale Order, and as required under the Asset Purchase Agreement, on or around August 8, 2018, the Debtors filed the necessary documentation in the applicable jurisdictions changing the corporate names of certain of the Debtors to the following:

Old Company Name	New Company Name
The Rockport Company, LLC	The Relay Company, LLC
Rockport Blocker, LLC	Relay Blocker, LLC
The Rockport Group Holdings, LLC	The Relay Group Holdings, LLC
TRG 1-P Holdings, LLC	Relay 1-P Holdings, LLC
TRG Intermediate Holdings, LLC	Relay Intermediate Holdings, LLC
TRG Class D, LLC	Relay Class D, LLC
The Rockport Group, LLC	The Relay Group, LLC
Rockport Canada ULC	Relay Opco Canada ULC

61. On August 24, 2018, the US Court granted the Case Caption Change Order, which, among other things, authorized the Debtors to amend the caption used in the Chapter 11 Proceedings to reflect the change of the Debtors’ corporate names.
62. The Foreign Representative seeks recognition of the Case Caption Change Order in an effort to coordinate these proceedings in the U.S. and Canada.

**Omnibus Contract Rejection Order**

63. On August 24, 2018, the Debtors filed an omnibus motion seeking entry of an order authorizing the Debtors to reject certain executory contracts (the “**Contracts**”) that were not assumed by the Purchaser as part of the Sale Transaction.
64. As of the Closing Date, the Debtors effectively ceased operations and were focused on winding down their estates for the benefit of all stakeholders. In light of the expected wind-down of the Debtors’ estates, the Debtors determined that they no longer required the goods and services provided in the Contracts as many related to the Debtors’ North American retail business that was liquidated pursuant to the Store Closing Order. As a result, the Debtors believed that the Contracts were burdensome and of no value to the Debtors and their estates, and, in their business judgment, sought to reject the Contracts.

65. On October 1, 2018, the US Court granted the Omnibus Contract Rejection Order, which, among other things, approved the rejection of the Contracts. While the majority of the Contracts relate to the US Debtors, the Information Officer understands that four of the Contracts are related to Rockport Canada, as described in the December 19 Kosturos Affidavit.
66. The Foreign Representative seeks recognition of the Omnibus Contract Rejection Order in order to ensure consistency in the treatment of contract counterparties in both Canada and the U.S.

## VI. OTHER MATTERS

### Interim Disclosure Statement Order

67. On September 21, 2018, the Debtors filed a motion for entry of an order approving, among other things, (i) the adequacy of the Disclosure Statement and the Plan filed contemporaneously therewith, on an interim basis, and for solicitation purposes only, (ii) establishing procedures for the solicitation and tabulation of votes to accept or reject the Plan and the Disclosure Statement, and (iii) approving the forms of ballot and solicitation materials.
68. The motion to approve solicitation procedures in connection with the Disclosure Statement and the Plan sought to establish the timeline for the Plan solicitation process and the classification and treatment of claims and interests in the Debtors, as described in section IV of this Fifth Report.
69. On October 16, 2018, the US Court entered the Interim Disclosure Statement Order approving, among other things, the Disclosure Statement on an interim basis, the procedures and timeline for the Plan solicitation process, and the vote tabulation procedures.

### Dama Distribution

70. On July 30, 2018, the Canadian Court granted an order which recognized and gave full force and effect in Canada to the Edmonton Real Property Stipulations Order, which approved a stipulation (the “**Dama Stipulation**”) to effect the discharge of a lien (the “**Lien**”) registered by Dama against the leasehold interest of Rockport Canada pursuant to the Builders’ Lien Act (Alberta) at a retail store location at the Premium Outlet Collection Edmonton International Airport. The Lien registered by Dama is in the amount of CAD\$139,892.27 (the “**Lien Funds**”). A copy of the Edmonton Real Property Stipulations Order is attached to the December 19 Kosturos Affidavit as Exhibit “G”.
71. Pursuant to the Dama Stipulation, upon payment of the Lien Funds to the Information Officer, Dama would discharge the Lien and Lien Funds would stand in the place and stead of the Lien, pending an assessment of the validity and enforceability of the Lien by the Debtors. Further, the Information Officer was required to hold the Lien Funds, in trust,

and not make distributions of all or any portion of the Lien Funds, unless there is an agreement between Rockport Canada and Dama, or further order of the Canadian Court.

72. The Information Officer received the Lien Funds from the Debtors on August 9, 2018 and the Lien was discharged thereafter.
73. Canadian counsel for Rockport Canada has reviewed the validity and enforceability of the Lien and, in consultation with Rockport Canada and the Information Officer, determined that the Lien is valid and enforceable, representing a priority claim in the Canadian proceedings. Accordingly, the Foreign Representative is seeking an order authorizing and directing the Information Officer to release the Lien Funds to Dama upon the filing of the Plan Implementation Certificate.

#### **Rockport Canada Plan Administrator**

74. As noted above, the Debtors have nominated Richter to act as the Rockport Canada Plan Administrator pursuant to the Rockport Canada Plan Administrator Agreement, which appointment was approved by the Confirmation Order and shall become effective on the Effective Date, subject to recognition by the Canadian Court.
75. Prior to accepting this nomination, Richter consulted certain of the significant general unsecured creditors of Rockport Canada. The major creditors did not express any concern with Richter accepting this role as the Rockport Canada Plan Administrator.
76. In its capacity as the Rockport Canada Plan Administrator, Richter's duties will include:
  - (a) receiving and administering the Rockport Canada Fund;
  - (b) resolving all Disputed Claims and any Claim objections with respect to Rockport Canada, including the power to object to Claims against Rockport Canada;
  - (c) calculating and making distributions to the holders of allowed Claims against Rockport Canada as provided for in the Plan;
  - (d) making decisions regarding the retention of professionals, including legal counsel, to assist with administering the Plan with respect to Rockport Canada; and
  - (e) undertaking administrative functions of Rockport Canada and the ultimate closing of the Chapter 11 Proceedings for Rockport Canada.
77. As noted above, the Rockport Canada Plan Administrator shall be compensated from the Rockport Canada Fund. The payment of the reasonable fees and expenses of the Rockport Canada Plan Administrator shall be made in the ordinary course of business and shall not be subject to the approval of the US Court or the Canadian Court.

78. As all Claims will be administered in accordance with the Bankruptcy Code, the US Court shall retain jurisdiction over all matters arising out of, and related to, the Plan to the extent permitted by law, including, but not limited to, the interpretation, implementation, and enforcement of the provisions of the Rockport Canada Plan Administrator Agreement. In the proposed recognition order, the Information Officer has requested the ability to return to the Canadian Court for directions should any local issues arise.

### **Anticipated Next Steps in the Recognition Proceedings**

79. As the implementation of the Plan will be the final step in the winding down of the affairs of the Debtors and the Chapter 11 Proceedings, the functions of the Information Officer will no longer be required after the Effective Date in respect of the Recognition Proceedings. Accordingly, the Information Officer believes it is appropriate to seek an order discharging Richter as Information Officer and relieving it from any further duties in respect of the Recognition Proceedings, in the near future.

80. As noted above, the Information Officer anticipates that it will a motion in January, 2019 seeking approval of, among other things, the Information Officer's reports and activities, the fees and disbursements of Information Officer and its counsel, discharging Richter in its capacity as Information Officer and terminating the Recognition Proceedings.

## **VII. ACTIVITIES OF THE INFORMATION OFFICER**

81. The activities of the Information Officer since the Third Report include:

- (a) responding to creditor inquiries regarding the Chapter 11 Proceedings, the Recognition Proceedings and the Plan;
- (b) communicating with the Debtors' advisors and the Information Officer's counsel regarding the status of matters related to the Chapter 11 Proceedings and the Recognition proceedings;
- (c) communicating with Canada Revenue Agency in connection with the sales tax accounts for Rockport Canada;
- (d) communicating with the Debtors in connection with the sales tax and corporate tax accounts for Rockport Canada;
- (e) reviewing materials filed by various parties in the Chapter 11 Proceedings in connection with the Case Caption Change Order, the Omnibus Contract Rejection Order, and the Confirmation Order;
- (f) attending before the Canadian Court in connection with recognition of the Adidas Settlement Order;
- (g) preparing the fourth report of the Information Officer dated July 31, 2018;
- (h) reviewing materials provided by the Debtors in connection with the Allocation Agreement, including preparing and presenting resolutions to the Debtors and the Prepetition Noteholders in connection with same;
- (i) discussions with Canadian counsel for Rockport Canada regarding the Lien;

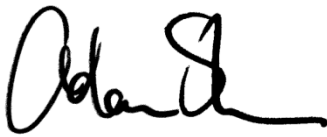
- (j) reviewing and commenting on the Plan, and any amendments thereto, and the Plan Supplement;
- (k) reviewing and commenting on the Rockport Canada Plan Administrator Agreement; and
- (l) preparing this Fifth Report.

## VIII. INFORMATION OFFICER'S RECOMMENDATION

82. Based on the Information received and reviewed to date, the Information Officer is of the view that it is reasonable to recognize the Case Caption Change Order, the Omnibus Contract Rejection Order and the Confirmation Order, and respectfully recommends that this Court grant the relief sought by the Foreign Representative.

All of which is respectfully submitted on this 20<sup>th</sup> day of December, 2018.

**Richter Advisory Group Inc.**  
**in its capacity as Information Officer of**  
**Rockport Canada ULC *et al***  
**and not in its personal capacity**



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Adam Sherman, MBA, CIRP, LIT



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Pritesh Patel, MBA, CFA, CIRP, LIT

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

Court File No. CV-18-597987-00CL

AND IN THE MATTER OF ROCKPORT BLOCKER, LLC, THE ROCKPORT GROUP HOLDINGS, LLC, TRG 1-P HOLDINGS, LLC, TRG INTERMEDIATE HOLDINGS, LLC, TRG CLASS D, LLC, THE ROCKPORT GROUP, LLC, THE ROCKPORT COMPANY, LLC, DRYDOCK FOOTWEAR, LLC, DD MANAGEMENT SERVICES LLC AND ROCKPORT CANADA ULC

APPLICATION OF ROCKPORT BLOCKER, LLC, UNDER SECTION 46 OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**FIFTH REPORT OF THE INFORMATION  
OFFICER, DECEMBER 20, 2018**

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