

Court File No. \_\_\_\_\_

**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**

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

**MAY 16, 2018**

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## 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 other First Day Orders (as described below).
4. 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"**) for:
  - (a) an initial recognition order (the **"Initial Recognition Order"**), *inter alia*: (i) declaring that Rockport Blocker is a "foreign representative" as defined in section 45 of the CCAA; (ii) declaring that the Chapter 11 Proceedings are recognized as a "foreign main proceeding" under the CCAA; and (iii) granting a stay of proceedings against the Rockport Group in Canada; and
  - (b) a supplemental order (the **"Supplemental Order"**), pursuant to section 49 of the CCAA, *inter alia*: (i) recognizing and giving full force and effect in Canada to certain of the First Day Orders; (ii) appointing Richter Advisory Group Inc. (**"Richter"** or the **"Proposed Information Officer"**) as the information officer (the **"Information Officer"**) in respect of these proceedings; (iii) staying 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; (iv) restraining 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; (v) granting a super-priority charge over the Debtors' property in Canada in favour of the Proposed

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**”); and (vi) granting a super-priority charge over the Debtors’ property in Canada in favour of the DIP ABL Lenders (as hereinafter defined) to secure obligations of the Rockport Group, including Rockport Canada, under the DIP ABL Facility (as hereinafter defined) (the “**DIP ABL Lenders’ Charge**”).

5. Other than these proceedings (the “**CCAA Recognition Proceedings**”) and the Chapter 11 Proceedings, there are currently no other foreign proceedings in respect of the Rockport Group of which the Proposed Information Officer is aware.
6. The primary purpose of the Chapter 11 Proceedings is to facilitate the Rockport Group’s entry into an asset purchase agreement to sell substantially all of the Debtors’ assets to CB Marathon Opco, LLC, an affiliate of Charlesbank Equity Fund IX, Limited Partnership (“**Charlesbank**”), or another higher or otherwise better bidder pursuant to section 363 of the Bankruptcy Code.

## **II. PURPOSE OF REPORT**

7. The purpose of this report of the Proposed Information Officer (the “**Pre-Filing Report**”) is to assist the Canadian Court in considering the Foreign Representative’s request for the Initial Recognition Order and the Supplemental Order, and to provide the Canadian Court with certain background information concerning the Rockport Group, including:
  - (a) Richter’s qualifications to act as Information Officer;
  - (b) the Rockport Group’s business and operations, including its organizational structure and financing facilities;
  - (c) Rockport Canada, the sole Canadian incorporated member of the Rockport Group;
  - (d) the Debtors’ centre of main interest;
  - (e) the events leading up to the Chapter 11 Proceedings and the CCAA Recognition Proceedings;
  - (f) the First Day Orders of the US Court that the Debtors are seeking to have recognized pursuant to section 46 of the CCAA;
  - (g) the Proposed ABL Liability Allocation (as hereinafter defined);

- (h) the proposed Administration Charge and the DIP ABL Lenders' Charge; and
- (i) the proposed initial activities of the Information Officer.

### III. TERMS OF REFERENCE

8. In preparing this Pre-Filing Report, the Proposed 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 in the Chapter 11 Proceedings (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in the Pre-Filing 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.
9. Unless otherwise stated, all monetary amounts contained herein expressed in United States dollars, which is the Debtors' common reporting currency.
10. Capitalized terms not otherwise defined herein are as defined in the application materials, including the declaration of Paul Kosturos interim Chief Financial Officer of the Debtors in support of Debtors' Chapter 11 Petition and First Day Motions, sworn May 14, 2018 (the "**Kosturos US Declaration**") and the affidavit of Paul Kosturos, sworn May 15, 2018 (the "**Kosturos Cdn Affidavit**" and together with the Kosturos US Declaration the "**Kosturos Affidavits**") filed in support of the Foreign Representative's application. This Pre-Filing Report should be read in conjunction with the Kosturos Affidavits, as certain information contained in the Kosturos Affidavits has not been included herein in order to avoid unnecessary duplication.

### IV. RICHTER'S QUALIFICATION TO ACT AS INFORMATION OFFICER

11. Richter has significant experience in connection with proceedings under the CCAA, including acting as a Monitor or information officer in various cases.
12. Adam Sherman and Pritesh Patel, the individuals at Richter with primary carriage of this matter, are certified Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees. Further, Messrs. Sherman and Patel have acted in cross-border restructurings and CCAA matters of a similar nature in Canada.
13. Richter has consented to act as Information Officer should this Canadian Court approve the requested Supplemental Order.

## V. BACKGROUND

### Corporate Overview and Organizational Structure

14. The Proposed Information Officer understands that the Debtors, which were founded in 1971, are an integrated global designer, distributor and retailer of comfort footwear that operates in excess of fifty markets worldwide. The Debtors offer a wide assortment of men's and women's casual dress style shoes, boots, and sandals under the Rockport brand as well as their owned Aravon and Dunham brands.
15. The Debtors' operate a global, multi-channel business, organized by brand, geography and customer type, in the following market segments:
  - (a) **Wholesale Business** – the Debtors are a leading supplier of men's and women's footwear to well-known retailers across a variety of wholesale formats, including department stores, family retail outlets, internet retailers and independently-owned retailers. The Debtors' wholesale business accounts for approximately 57% of global sales.
  - (b) **Direct North American Retail Store Business** – The Debtors operate 8 full-price and 19 outlet stores in the United States and 14 full-price and 19 outlet stores in Canada.
  - (c) **Direct eCommerce Business** – the Debtors sell their footwear products directly through the following websites: <http://www.rockport.com> and <http://www.rockport.ca>.
  - (d) **International Business** – the Debtors have partnered with 22 distributors worldwide to sell their footwear products in 35 countries, including China, Indonesia, Egypt, South Africa, Mexico and Peru, without having to establish local operations. In addition, the Debtors' non-debtor foreign affiliates operate approximately 121 retail stores across the world.
16. The Rockport Group sources its inventory and other items related to its operations (collectively, the "**Merchandise**") from third-party manufacturers located primarily in China, Vietnam, India and Brazil. In addition, the Debtors rely on a global network of carriers, expeditors, consolidators, warehousemen and transportation service providers to transport, import and take delivery of the Merchandise on a worldwide basis.
17. In particular, the Debtors rely on warehouseman and logistics providers to (i) coordinate and process various import duties and related charges at ports or transportation centers around the world and (ii) transport and store Merchandise at the Debtors' warehousing and distribution centers located in the United States, Canada (in Brampton, Ontario) and internationally.

18. The Debtors' business in the United States is operated by The Rockport Company, LLC ("**Rockport US**") and the Debtors' Canadian business is operated by Rockport Canada, a British Columbia unlimited liability company. An organizational chart setting out the corporate structure of the Rockport Group is attached as Exhibit "P" to the Kosturos Cdn Affidavit.
19. Details of the Rockport Group, its incorporating jurisdictions and the location of its head offices are as follows:

<b>Debtor</b>	<b>Jurisdiction of Incorporation</b>	<b>Head Office</b>
Rockport Blocker, LLC	Delaware	West Newton, Massachusetts
The Rockport Group Holdings, LLC	Delaware	West Newton, Massachusetts
TRG 1-P Holdings, LLC	Delaware	West Newton, Massachusetts
TRG Intermediate Holdings, LLC	Delaware	West Newton, Massachusetts
TRG Class D, LLC	Delaware	West Newton, Massachusetts
The Rockport Group, LLC	Delaware	West Newton, Massachusetts
The Rockport Company, LLC	Delaware	West Newton, Massachusetts
Drydock Footwear, LLC	Delaware	West Newton, Massachusetts
DD Management Services LLC	Massachusetts	West Newton, Massachusetts
Rockport Canada ULC	British Columbia	West Newton, Massachusetts

20. Rockport Canada is the only Debtor incorporated in Canada.

### **Capital Structure – Debt Obligations**

21. As at the Petition Date, the Debtors' consolidated long-term debt obligations totaled approximately \$257 million. The Debtors' consolidated long-term debt obligations outstanding as at the Petition Date are outlined in the below table and in the paragraphs that follow:

<b>Indebtedness</b>	<b>Principal Outstanding (USD\$ millions)</b>
Prepetition ABL Facility	57.0
Prepetition Notes Facility	188.3
Prepetition Subordinated Note	11.9
<b>Total</b>	<b>257.2</b>

22. In addition to the above long-term debt obligations, as at the Petition Date, the Debtors estimate that they have unsecured obligations owing to trade creditors totaling approximately \$29.6 million



## Prepetition ABL Facility

23. As noted in the Kosturos Affidavits, the Debtors have outstanding secured debt to various lenders pursuant to a 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 (“**CBC**”), as administrative agent and collateral agent for the lenders. The Prepetition ABL Facility provides for borrowings of up to \$60 million in aggregate principal revolving loan commitments and a sublimit of \$10 million for letters of credit.
24. Although Rockport Canada’s borrowing availability under the Prepetition ABL Facility has been reduced to zero, Rockport Canada is jointly and severally liable both as a borrower and as a guarantor of the Rockport Group’s obligations under the Prepetition ABL Facility and has provided security over all of its assets to secure such obligations (the “**CBC Security**”).
25. Prior to the Petition Date, the Prepetition ABL Facility was used to fund the Rockport Group’s daily operations and the Debtors made daily requests to CBC to transfer available funds under the Prepetition ABL Facility into the Debtors’ primary operating account. In turn, Rockport would distribute funds to entities/affiliates of the Rockport Group, as needed by way of intercompany transfers.
26. Although Rockport Canada has not borrowed any monies directly under the Prepetition ABL Facility (Rockport Canada has guaranteed all amounts owing under the Prepetition ABL Facility), its assets were included in the facility’s borrowing base and funds received under the facility were used to, among other things, purchase Merchandise sold by Rockport Canada. As such, Rockport Canada’s access to the funding provided to other Debtors under the Prepetition ABL Facility was critical to its ability to operate as a going concern prior to the Petition Date.
27. As at the Petition Date, approximately \$57 million (including issued/outstanding letters of credit totaling approximately \$3.5 million) was outstanding under the Prepetition ABL Facility.
28. The Proposed Information Officer has received an opinion from its independent legal counsel, Stikeman Elliott LLP, confirming that subject to the typical qualifications and assumptions, the CBC Security is valid and enforceable in the provinces of Ontario and Quebec. At present, the Proposed Information Officer has not obtained an opinion regarding the validity and enforceability of the CBC Security in other provinces where Rockport Canada has operations. The Proposed Information Officer does note that, with the exception of CBC, there are no other registered security interests against Rockport Canada in the provinces where Rockport Canada has operations.

## **Prepetition Notes Facility**

29. As at the Petition Date, the Debtors (excluding Rockport Canada) have outstanding secured debt in respect of the senior secured notes issued by certain of the Debtors in 2015 (and due in 2022) in the original principal amount of \$130 million (the “**Initial Prepetition Notes**”). Prior to the Petition Date, approximately \$41 million in additional senior secured notes (the “**Additional Prepetition Notes**” and together with the Initial Prepetition Notes, the “**Prepetition Notes Facility**”) were issued to the holders (the “**Prepetition Noteholders**”) of the Initial Prepetition Notes. The Additional Prepetition Notes are senior in right of payment to the Initial Prepetition Notes. The Rockport Group (excluding Rockport Canada) has pledged all of its assets to secure the Debtors’ obligations under the Prepetition Notes Facility (the “**Notes Security**”). Pursuant to an Intercreditor Agreement dated July 31, 2015 between CBC and the Cortland Capital Market Services LLC (in its capacity as agent under the Prepetition Notes Facility), the CBC Security ranks in priority to the Notes Security in respect of the Revolving Priority Collateral (as defined therein) and the Notes Security ranks in priority to the CBC Security in relation to the Notes Priority Collateral (as defined therein) in relation to the same assets. As noted above, the Notes Security does not include the Rockport Canada assets.
30. As at the Petition Date, approximately \$188.3 million was outstanding under the Prepetition Notes Facility.
31. The Proposed Information Officer understands that the Prepetition Notes Facility was used to provide the Debtors with additional liquidity and to fund day-to-day operations.

## **Prepetition Subordinate Notes**

32. As at the Petition Date, the Debtors (excluding Rockport Canada) have outstanding obligations pursuant to certain promissory notes issued by certain of the Debtors in 2015 in favour of Reebok International Ltd. (the “**Prepetition Subordinated Notes**”). As at the Petition Date, approximately \$11.9 million was outstanding under the Prepetition Subordinated Notes.
33. The Prepetition Subordinated Notes are unsecured and, pursuant to an agreement dated July 31, 2015, subordinated to the Prepetition ABL Facility and the Prepetition Notes Facility.

## **Overview of Rockport Canada's Business**

34. Rockport Canada is an indirect wholly-owned subsidiary of Rockport US. Although Rockport Canada's registered office is located in Vancouver, British Columbia, the Proposed Information Officer understands that all material decisions regarding Rockport Canada and its business operations are made by Rockport US personnel in the United States.

35. Rockport Canada's operations include 14 retail (i.e. full-price) stores and 19 outlet stores, which are located in Alberta (6), British Columbia (3), Manitoba (2), Nova Scotia (1), Ontario (16), Prince Edward Island (1) and Quebec (4). All of Rockport Canada's retail/outlet locations are leased.
36. Rockport Canada operates a warehouse and distribution facility located in Brampton, Ontario, which is leased by Expeditors International of Washington, Inc. ("**Expeditors**"). Expeditors coordinates and processes import duties and arranges for transport of the Rockport Group's inventory, including the inventory of Rockport Canada in the Brampton warehouse.

### **Financial Position of Rockport Canada**

37. The Proposed Information Officer understands that Rockport Canada does not independently report its financial results. Rockport Canada's financial reporting is included as part of consolidated reporting for the Rockport Group.
38. As at February 28, 2018 (the date of the most recent internal unaudited financial information for Rockport Canada), Rockport Canada had assets with a book value of approximately CAD\$40.9 million and total liabilities of approximately CAD\$36.5 million.
39. As previously noted (although not reflected in the above internal unaudited financials), Rockport Canada is jointly and severally liable for all amounts owing under the Prepetition ABL Facility. As at the Petition Date, approximately \$57 million was outstanding under the Prepetition ABL Facility.
40. In addition, as at February 28, 2018, Rockport Canada's assets include approximately CAD\$24.3 million of inventory (on-hand and in-transit). As a result of Rockport Canada's dependence on the Rockport Group for corporate, managerial and other support functions, including sourcing and procurement of inventory, Rockport Canada's Merchandise is acquired by the Rockport Group such that Rockport Canada does not have significant third-party accounts payable. As at February 28, 2018, Rockport Canada's outstanding intercompany obligations to other Rockport Group entities represented approximately 90% of Rockport Canada's total indebtedness or approximately CAD\$32.6 million.
41. As at the Petition Date, the Proposed Information Officer understands that Rockport Canada has approximately CAD\$1.1 million of cash on hand.

## Employees of Rockport Canada

42. As at the Petition Date, Rockport Canada had 220 employees (4 salespersons and 216 retail employees). The Rockport Canada employees are not represented by a union and Rockport Canada does not sponsor any pension plans for its employees.
43. Rockport Canada maintains compensation and benefits programs for its employees, including an RRSP program. Pursuant to the RRSP program, the Rockport Group contributes an amount equal to 7.5% of a participating employee's earnings provided that the participating employee contributes at least 2.5% of his or her earnings. As at the Petition Date, Rockport Canada owes approximately \$140,000 in amounts due to its employees under its compensation and benefits programs. The Wages Order (as hereinafter defined) provides for the ongoing payment of wages and benefits to all employees of the Rockport Group.

## Rockport Canada's Cash Management System

44. The Rockport Group uses an integrated, centralized cash management system operated by the treasury team in the United States to collect, transfer and disburse funds generated by the Rockport Group (the "**Cash Management System**").
45. Rockport Canada maintains several bank accounts in Canada (HSBC Bank of Canada) denominated in both Canadian and US dollars (the "**Canadian Operations Accounts**").
46. Notwithstanding that the Canadian Operations Accounts largely operate as a self-contained cash management system within the broader Cash Management System of the Rockport Group, the cash management system of Rockport Canada is dependent upon the Rockport Group for all treasury and related services – no Rockport Canada employees have access to the Canadian Operating Accounts (other than to request deposit slips for the operating account).
47. Prior to the Petition Date, excess cash from the Canadian Operations Accounts was periodically transferred to accounts maintained by Rockport US in partial satisfaction of Rockport Canada's intercompany obligations to the US Debtors for supplied Merchandise. During the course of these proceedings, the Proposed Information Officer understands that Rockport US will cease the practice of sweeping excess cash from the Canadian Operations Accounts such that all funds generated from Rockport Canada's operations throughout these proceedings will remain available to Rockport Canada.
48. Further details regarding the Cash Management System, including Rockport Canada's cash management system, are provided in the Kosturos Affidavits.

## VI. CENTRE OF MAIN INTEREST

49. The Rockport Group operates a highly integrated business managed out of the United States where the Debtors maintain their head office. Although Rockport Canada's registered office is in Vancouver, British Columbia, the Proposed Information Officer understands:

- (a) all material decisions regarding the Rockport Canada business and its operations are managed by Rockport Group personnel located in the United States. In particular, all of Rockport Canada's treasury and financial decisions, including borrowing and pricing decisions are made at the Debtors' head office located in West Newton, Massachusetts (the "US Head Office");
- (b) the Rockport Group's human resources, legal, accounting, information technology, marketing and communications functions are primarily administered from the US Head Office;
- (c) Rockport Canada does not have any human resources personnel. Human resource matters for Rockport Canada are managed by the US Head Office;
- (d) there are no management personnel employed directly by Rockport Canada or located in Canada. Rockport Canada does, however, employ store managers and area managers to oversee day-to-day operations of Rockport Canada stores. The area managers oversee the posting of jobs and identifying staffing needs, but they cannot make decisions on hiring or terminating employees without the approval of the US Head Office;
- (e) other than the retail employees located at Rockport Canada stores across Canada, there are no customer service personnel employed by Rockport Canada. All customer service matters are managed by the US Head Office (other than in-store service);
- (f) all of Rockport Canada's accounts payable and accounts receivable are managed from the US Head Office;
- (g) Rockport Canada does not have any information technology personnel. All technology decisions and issues are managed by the US Head Office. Further, the Rockport Group's e-commerce sites are managed in the United States;
- (h) although Rockport Canada's inventory is distributed from a warehouse located in Brampton, Ontario, all decisions regarding inventory management are made at the US Head Office, which forecasts inventory needs and places orders on behalf of Rockport Canada;
- (i) all strategic decisions for Rockport Canada, including asset management, capital expenditure and planning decisions are made by the US Head Office;

- (j) Rockport Canada's sole director is Robert Infantino, a resident of West Newton, Massachusetts;
  - (k) Rockport Canada's officers are Robert Infantino, Karla Jarvis, Michael Smith and Georgina Wraight, each of whom are residents of West Newton, Massachusetts; and
  - (l) the Prepetition ABL Facility is a credit facility for the benefit of the Rockport Group, including Rockport Canada;
50. Based on the foregoing, the Proposed Information Officer believes it is reasonable to conclude that the Debtors' (including Rockport Canada) "centre of main interest" is in the United States.

## **VII. EVENTS LEADING TO THE CHAPTER 11 PROCEEDINGS AND CCAA RECOGNITION PROCEEDINGS**

51. The Proposed Information Officer understands that over the past several years, the Rockport Group has faced economic headwinds and operational challenges that significantly and adversely impacted the operating performance of the Debtors' business, including:
- (a) a costly and time consuming separation from the logistics and information technology networks of the former owners of the Rockport division of the Debtors' business;
  - (b) disruptive and costly supply chain interruptions; and
  - (c) the poor performance of certain retail locations.
52. In December 2017, the Rockport Group retained Houlihan Lokey, Inc. ("**Houlihan**"), an investment bank with experience in mergers and acquisitions, recapitalization and financial restructurings, to explore a potential sale of the Rockport Group's assets.
53. As part of this effort, Houlihan commenced a robust marketing process for the sale of all, or certain of the Rockport Group's assets and contacted 110 potential strategic and financial acquirers regarding the opportunity (the "**Potential Interested Parties**"). Approximately 60 Potential Interested Parties executed a non-disclosure agreement to review certain confidential business and financial information and access a data room containing preliminary diligence materials. 10 parties later submitted initial, non-binding indications of interest by the submission deadline of February 6, 2018, of which 7 were granted access to a data room containing additional confidential business and financial information and 6 met with senior management of the Rockport Group in person to review the opportunity and ask any questions in connection therewith.
54. On or before March 29, 2018, 3 parties submitted final letters of intent and a further verbal bid was received on April 4, 2018.

## The Transaction

55. After reviewing and carefully considering the bids received, the Rockport Group determined, in consultation with its advisors, that Charlesbank had submitted the highest or otherwise best offer, pursuant to which Charlesbank agreed to acquire substantially all of the Rockport Group's assets (other than the Rockport Group's North American retail assets) for a purchase price of (i) \$150,000,000 in cash (the "**Base Cash Amount**") subject to certain working capital adjustments; (ii) a warrant to purchase up to 5% of the common equity of the Purchaser (as defined in the Stalking Horse Agreement (as defined below)), at an exercise price equal to 2.5 times the price of the equity invested by the Equity Commitment Party (as defined in the Stalking Horse Agreement) in Parent Holdco (as defined in the Stalking Horse Agreement) as of the Closing Date (as defined in the Stalking Horse Agreement); and (iii) the assumption of certain liabilities.
56. Following good faith, arm's length negotiations between the parties and in consultation with their advisors and key stakeholders, the Rockport Group and Charlesbank entered into an Asset Purchase Agreement, dated as of May 13, 2018 (the "**Stalking Horse Agreement**"), pursuant to which Charlesbank will acquire the Purchased Assets (as defined in the Stalking Horse Agreement), subject to higher or otherwise better offers.
57. Under the terms of the Stalking Horse Agreement, the Rockport Group's North American retail assets (i.e. retail leases and related inventory in the US and Canada) are currently identified as excluded assets. Charlesbank is still considering whether it is interested in acquiring any portion of the Rockport Group's North American retail assets. The Stalking Horse Agreement provides that, for a period of 25 days following the Petition Date, the Rockport Group will not sell or otherwise dispose of any Inventory (as defined in the Stalking Horse Agreement) other than in the ordinary course of business (the "**No Liquidation Period**").
58. Although Charlesbank is contemplating acquiring a portion of the North American retail assets, the Proposed Information Officer understands that, based on the Rockport Group's discussions with Charlesbank, the Rockport Group is of the view that Charlesbank does not intend to acquire all or substantially all of the North American retail assets.
59. As part of the initial materials filed with the US Court, the Rockport Group has filed a motion seeking the approval of the US Court to conduct store closing sales for the Rockport Group's North American retail business, subject to the ability to remove any retail location from the relief granted to the extent necessary to comply with the Stalking Horse Agreement or otherwise maximize value in connection with the sale process. Draft sales guidelines governing the conduct of any North American retail store closures (the "**Sale Guidelines**") were negotiated and attached as a schedule to the Stalking Horse Agreement, and filed with the store closing sales motion. The Proposed Information Officer understands that the motion, if required, will be returnable on June 5, 2018. The Proposed Information Officer understands the US Debtors anticipate self-liquidating any retail stores not included in the Stalking Horse Agreement

(or higher or otherwise better offer identified through the sale process), with the assistance of a consultant to be identified by the Debtors.

60. In respect of the Stalking Horse Agreement and related sales process, the Rockport Group has filed with the US Court a motion seeking the US Court's approval of the bidding procedures designed to maximize the value received for the Rockport Group's assets (the "**Bidding Procedures Order**"), returnable on June 5, 2018. The Bidding Procedures Order, among other things:
- (a) seeks to establish bidding and auction procedures in connection with the sale of the Rockport Group's assets;
  - (b) seeks approval of the proposed bid protections, including the payment of a break-up fee in an amount equal to 3% of the Base Cash Amount (i.e. \$4.5 million), pursuant to the Stalking Horse Agreement;
  - (c) seeks reimbursement of certain expenses incurred by Charlesbank (up to \$2 million), in accordance with the Stalking Horse Agreement;
  - (d) schedules an auction and sets a date and time for the sale hearing; and
  - (e) establishes procedures for notice and to determine cure amounts for contracts and leases to be assumed and assigned in connection with any sale transaction.
61. The anticipated Bidding Procedures Order will also authorize, subject to the results of the auction, entry of an order to (a) approve and authorize a sale to the winning bidder; (b) authorize the assumption and assignment of certain contracts and leases; and (c) authorize the Rockport Group to enter into a transition services agreement, as contemplated by the Stalking Horse Agreement.
62. The anticipated timeline pursuant to the Bidding Procedures Order is:

<b>Date</b>	<b>Activity</b>
on or before June 5, 2018	Hearing to consider approval of the "Bidding Procedures" and entry of the "Bidding Procedures Order"
June 27, 2018 at 4:00 pm (EST)	Sale Objection Deadline
June 29, 2018 at 5:00 pm (EST)	Bid Deadline
July 3, 2018 at 5:00 pm (EST)	Deadline for Rockport Group to notify "Potential Bidders" of their status as "Qualified Bidders"
July 10, 2018 at 10:00 am (EST)	Auction to be held at the offices of Richard, Layton & Finger, P.A. (if necessary)
July 11, 2018	Target date for the Rockport Group to file with the US Court the "Notice of Auction Results"
July 13, 2018	Proposed date of the "Sale Hearing" to consider approval of the sale and entry of the "Sale Order"
on or after July 27, 2018	Closing Date (unless the "Successful Bidder" agrees to waive the 14-day stay of the "Sale Order")



63. The Proposed Information Officer has been in contact with Houlihan regarding the marketing process noted above. The Proposed Information Officer was also provided with and reviewed the confidential information memorandum provided by Houlihan to prospective purchasers, which contained certain limited information on the Rockport Group's operations, including Rockport Canada's operations, to assist with preliminary due diligence. Houlihan also informed the Proposed Information Officer of the identity of the Interested Parties and confirmed that the opportunity was presented to 1 Canadian strategic and 1 Canadian financial buyer, both of which declined the opportunity. Houlihan further advised that additional Canadian parties would not likely be contacted as part of the sales process, as the Rockport Group's assets were being marketed as a whole (as per the Stalking Horse Agreement) and the only likely Canadian buyers had already passed on the opportunity and it was unlikely that a buyer interested in Canadian only operations would be considered.
64. The Proposed Information Officer will seek additional information from the Rockport Group and Houlihan in respect of any expressions of interest received, as part of the proposed sales process, in respect of the Canadian operations.

## VIII. FIRST DAY ORDERS OF THE US COURT FOR WHICH RECOGNITION IS SOUGHT

65. The Foreign Representative is seeking recognition of the following First Day Orders that have been entered by the US Court in the Chapter 11 Proceedings, each of which is attached as an Exhibit to the Kosturos Cdn Affidavit:
- (a) an order directing the joint administration of the Chapter 11 cases of the Rockport Group in the US Proceedings (the "**Joint Administration Order**");
  - (b) an order appointing Prime Clerk LLC as claims and noticing agent in the Chapter 11 Proceedings (the "**Claims Agent Order**"). Pursuant to the Claims Agent Order, Prime Clerk is fully responsible for the distribution of notices and the maintenance, processing and docketing of proofs of claim, if any, filed in the Chapter 11 Proceedings;
  - (c) an order confirming the enforcement and applicability of the protections pursuant to sections 362, 365, 525 and 541(c) of the Bankruptcy Code (the "**Automatic Stay Order**"). The Automatic Stay Order enforced and restated the automatic stay provisions of the US Code and is appropriate and necessary for the Rockport Group to continue operations while it pursues its restructuring efforts;
  - (d) an order recognizing Rockport Blocker as the foreign representative of the Rockport Group in Canada (the "**Foreign Representative Order**");
  - (e) an interim order (i) authorizing, but not directing, the Rockport Group, in its sole discretion, to pay (a) all or a portion of the shipping and warehousing claims and (b) certain import charges; and (ii) authorizing applicable banks and other financial institutions to receive, process, honour and pay any and all cheques drawn on the

Debtors' general disbursement account and other transfers to the extent such cheques and transfers relate to any of the foregoing (the "**Shipping and Warehousemen Order**");

- (f) an interim order (i) authorizing, but not directing, the Rockport Group to pay prepetition obligations of certain (a) vendors, suppliers, service providers and similar entities that provide goods or services critical to the ongoing operation of the Debtors' business in an amount not to exceed \$2 million on an interim and final basis; and (b) foreign vendors, suppliers and service providers that provide goods or services critical to the ongoing operation of the Debtors' business in an amount not to exceed \$12 million on an interim basis and \$20 million on a final basis; and (ii) authorizing applicable banks and other financial institutions to receive, process, honour and pay any and all cheques drawn on the Debtors' general disbursement account and other transfers to the extent such cheques and transfers relate to any of the foregoing (the "**Critical and Foreign Vendors Order**");
- (g) an interim order (i) authorizing, but not directing, the Rockport Group, in its sole discretion, to pay Covered Taxes and Fees, whether arising prior to, on or after the commencement of the Chapter 11 cases; and (ii) authorizing applicable banks and other financial institutions to receive, process, honour and pay any and all cheques drawn on the Debtors' general disbursement account and other transfers to the extent such cheques and transfers relate to any of the foregoing (the "**Taxes Order**");
- (h) an interim order (i) authorizing, but not directing, the Rockport Group to continue to renew its (a) Insurance Programs, including Premium Financing, and (b) Surety Bond Program and honour all obligations under the Insurance and Surety Bond Programs; (ii) modifying the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to permit the Rockport Group's employees to proceed with any claims they may have under the Worker's Compensation Program; and (iii) authorizing applicable banks and other financial institutions to receive, process, honour and pay any and all cheques drawn on the Debtors' general disbursement account and other transfers to the extent such cheques and transfers relate to any of the foregoing (the "**Insurance Order**");
- (i) an interim order (i) authorizing the Rockport Group to (a) pay certain employee compensation and benefits, (b) maintain such benefits and other employee-related programs, and (c) pay the prepetition claims of independent contractors; and (ii) authorizing applicable banks and other financial institutions to receive, process, honour and pay any and all cheques drawn on the Debtors' general disbursement account and other transfers to the extent such cheques and transfers relate to any of the foregoing (the "**Wages Order**");
- (j) an order (i) authorizing, but not directing, the Rockport Group to (a) continue to administer certain Customer Programs and (b) honour or pay Customer Obligations; and (ii) authorizing applicable banks and other financial institutions to receive, process, honour and pay any and all cheques drawn on the Debtors' general

disbursement account and other transfers to the extent such cheques and transfers relate to any of the foregoing (the “**Customer Program Order**”);

- (k) an interim order (i) prohibiting the Rockport Group’s utility service providers from altering or discontinuing service; (ii) approving an adequate assurance deposit as adequate assurance of post-petition payment to the utilities; and (iii) establishing procedures for resolving any subsequent requests by the utilities for additional adequate assurance of payment (the “**Utilities Order**”);
- (l) an interim order authorizing the Rockport Group to continue to use its existing cash management system (the “**Cash Management System**”) and bank accounts; (ii) waiving certain bank account and related requirements of the Office of the United States Trustee for the District of Delaware; authorizing the Rockport Group to continue its existing deposit practices under the Cash Management System (subject to the Rockport Group’s implementation of certain reasonable changes to the Cash Management System); (iv) extending the time to comply with section 345(b) of the Bankruptcy Code; and (v) authorizing the continued performance of certain transactions between and among the Rockport Group and certain of its affiliates, subject to certain limitations set out therein (the “**Cash Management Order**”); and
- (m) an interim order, among other things, (i) approving post-petition financing; (ii) granting the liens and super-priority administrative expense claim status to CBC, as administrative and collateral agent for the DIP ABL Lenders (the “**Interim DIP Financing Order**”).

66. The Proposed Information Officer understands that Canadian parties/creditors were specifically identified and provided for in the various Orders (Warehouseman Liens, Critical Suppliers, Taxing Authorities, Wages Orders and Insurance Orders) and corresponding DIP budgets/cashflows.

67. Certain of the First Day Orders that may relevant to Canadian stakeholders are addressed further below.

#### **Foreign Representative Order**

68. The Foreign Representative Order authorizes Rockport Blocker to act as the Foreign Representative of the Rockport Group to, among other things, seek recognition of the Chapter 11 Proceedings in Canada. Pursuant to the Foreign Representative Order, the US Court requested the aid and assistance of the Canadian Court to recognize the Chapter 11 Proceedings as a “foreign main proceeding” and Rockport Blocker as a “foreign representative” under the CCAA.

### **Shipping and Warehousemen Order**

69. The Shipping and Warehousemen Order authorizes (but does not direct) the Rockport Group to pay all or a portion of certain prepetition shipping and warehousing claims and certain prepetition import charges. The Shipping and Warehousemen Order was made on an interim basis and will be subject to a further hearing and final order.
70. The Rockport Group relies on a network of common carriers, expeditors, consolidators, warehousemen and transportation service providers, and other related parties in carrying out its global business operations. As the Rockport Group sources substantially all of its inventory and other goods from foreign countries, the Rockport Group may be required to pay certain import charges, including but not limited to, customs duties, detention and demurrage fees, tariffs, excise taxes or other similar obligations on merchandise delivered from foreign countries. As a disruption in the Rockport Group's supply chain may cause harm to its business and impair its restructuring efforts, the Shippers and Warehousemen Order is required to ensure the continued supply of inventory and other goods to the Rockport Group.

### **Taxes Order**

71. The Taxes Order authorizes the Rockport Group to pay certain taxes whether arising prior to, on or after the Petition Date. In the ordinary course of the Rockport Group's operations it collects, withholds and incurs various taxes, including income taxes, sales and use taxes, employment and wage-related taxes, business taxes, property taxes and other taxes.
72. The Taxes Order applies to Canadian taxation authorities, including with respect to sales taxes. The Taxes Order was made on an interim basis and will be subject to a further hearing and final order.

### **Wages Order**

73. The Wages Order authorizes the Rockport Group to, among other things, pay prepetition wages and other amounts owed to its employees and claims of independent contractors, continue all employee benefit programs and to pay all withholding obligations as such obligations are due.
74. The Wages Order authorized Rockport Canada to continue to pay Rockport Canada's employees in the ordinary course. Pursuant to the Wages Order, any amounts owed to Rockport Canada employees, including amounts for vacation pay, expenses, and benefits are expected to be paid in the ordinary course. The Wages Order was made on an interim basis and will be subject to a further hearing and final order.

## Utilities Order

75. The Utilities Order approved adequate protection assurance for certain utilities providers, established procedures for resolving claims by utility providers and prohibited utility providers from terminating service solely on the basis the Rockport Group commenced the Chapter 11 Proceedings.
76. The Utilities Order includes certain Canadian utility providers. The Utilities Order was made on an interim basis and will be subject to a further hearing and final order.

## Cash Management Order

77. The Cash Management Order authorizes the Rockport Group to continue to operate its existing Cash Management System.
78. Subsequent to the Petition Date, Rockport Canada will continue to transfer funds to the Rockport Group on account of (i) merchandise purchased post-petition from the Rockport Group, as necessary for Rockport Canada's ongoing operations (paid on a COD basis); and (ii) post-petition back office services provided by the Rockport Group (paid in accordance with prior practice, as a mark-up on the cost of Merchandise supplied) (the "**Permitted Rockport Canada Intercompany Transactions**").
79. Other than the Permitted Rockport Canada Intercompany Transactions, Rockport Canada will not transfer funds to the Rockport Group on account of any prepetition intercompany transaction, unless otherwise ordered by the US Court.
80. The Proposed Information Officer notes that the current cashflows and budget in respect of the Canadian operations (as discussed below) reflect limited, if any, excess funds will be available in Rockport Canada until such time as the sales proceeds from the Stalking Horse Agreement (or higher or otherwise better offers) and/or liquidation sales are available.

## Interim DIP Financing Order

81. As at the Petition Date and based on the cash flow projections prepared by the Rockport Group (the "**DIP Cash Flow**"), which are attached as Exhibit "S" to the Kosturos Cdn Affidavit, the Rockport Group lacked sufficient liquidity to maintain normal course operations during the proposed sales process without access to additional financing.
82. In reviewing the DIP Cash Flow for Rockport Canada, the Proposed Information Officer noted the following:
  - (a) the DIP Cash Flow projects that Rockport Canada will experience a net cash outflow of approximately CAD\$170,000 between the Petition Date and July 14, 2018;

- (b) Rockport Canada is projected to make approximately CAD\$2.2 million in payments to Rockport US for Permitted Rockport Canada Intercompany Transactions. However, based on the information provided to the Proposed Information Officer, Rockport Canada is projected to receive Merchandise in excess of this amount over the same 9 week period; and
  - (c) the referenced cash outflow does not take into account professional fees related to these proceedings, all of which have been allocated to the cash flow of the US Debtors.
83. Notwithstanding that the DIP Cash Flow projects that Rockport Canada does not require additional funds to continue operating – assuming the prohibition on sweeps of excess funds in the Canadian Operations Accounts to the US Debtors and permission to continue using post-petition revenue generated from Canadian operations during these proceedings – it is the Proposed Information Officer’s view, due to the highly integrated nature of the Rockport Group business and the essential bank-office support functions carried out by Rockport US personnel on behalf of Rockport Canada, it would be extremely difficult for Rockport Canada to continue operations if the Rockport Group did not access additional capital.
84. The Interim DIP Financing Order (which is being sought on an interim basis, and will be subject to a further hearing and final order), should it be granted, among other things, provides the Rockport Group access to:
- (a) up to \$60 million under a DIP post-petition revolving credit facility (the “**DIP ABL Facility**”) pursuant to a senior secured superpriority DIP credit agreement (the “**DIP ABL Agreement**”) between certain of the Debtors, including Rockport Canada, and CBC (in such capacity the “**DIP ABL Lender**”); and
  - (b) up to \$20 million in new money (the “**DIP Note Facility**” and together with the DIP ABL Facility, the “**DIP Financing**”) under a senior secured post-petition DIP Note Purchase and Security Agreement (the “**DIP Note Agreement**”) between certain Rockport Group entities and the holders of the Prepetition Notes Facility (in such capacity the “**DIP Note Lenders**”).
85. The DIP Financing will provide the working capital necessary for the Rockport Group to continue its business until the conclusion of the proposed sales process. Rockport Canada is, however, only a party to the DIP ABL Agreement. Consistent with the Prepetition Notes Facility, Rockport Canada is not a party to the DIP Note Facility.
86. Similar to the Prepetition ABL Facility, while Rockport Canada is listed as a borrower under the DIP ABL Facility, it has no borrowing availability. Further, the obligations that Rockport Canada will undertake pursuant to the DIP ABL Facility correspond to its prepetition obligations – that is, Rockport Canada is a party to the DIP ABL Agreement and will be jointly and severally liable both as a borrower and as a guarantor of the obligations under that facility and security will be granted over Rockport Canada in such capacity.

87. The DIP ABL Facility contains a “roll-up” provision whereby following the US Court’s approval of the Interim DIP Financing Order, the Rockport Group intends to repay obligations owing under the Prepetition ABL Facility as a “creeping roll-up” by applying the collection of accounts receivable and other proceeds from the sale of the collateral in support thereof to satisfy the amounts due under the Prepetition ABL Facility and, in turn, free up borrowing availability under the DIP ABL Facility. Following the US Court’s approval of the final DIP Financing Order, the Rockport Group will use the proceeds from the next advance under the DIP ABL Facility to “roll-up” all remaining outstanding amounts due under the Prepetition ABL Facility.
88. As at the Petition Date, the Rockport Group (i) had no availability under the Prepetition ABL Facility; (ii) other than CBC, there are no other registered security interests against Rockport Canada; and (iii) other than the Permitted Rockport Canada Intercompany Transactions, Rockport Canada will not transfer any funds to the Rockport Group on account of any prepetition intercompany transaction. Accordingly, it does not appear that the “roll-up” and security provisions of the DIP ABL Agreement are detrimental to Rockport Canada’s creditors.
89. The DIP Note Facility that has been approved on an interim basis by the US Court does not provide for direct availability to Rockport Canada. The Proposed Information Officer notes that the Prepetition Note Facility, which forms a part of the DIP Note Facility, was not secured by Rockport Canada assets, and the Debtors are not seeking to secure the Canadian assets with any charges relating to the DIP Note Facility.

## **IX. PROPOSED ABL LIABILITY ALLOCATION**

90. In preparing for the filing, the Proposed Information Officer was advised that a term and condition of the granting of the DIP Note Facility to the Debtors was the determination of the allocation of amounts outstanding to CBC under the Prepetition ABL Facility as between the US Debtors and Rockport Canada, in order to determine potential available funds from Rockport Canada to support the obligation. The DIP Note Lenders required that an agreement be reached and approved by the US Court, and recognized by the Canadian Court, prior to the return of the final DIP Financing Order, scheduled for June 13, 2018.
91. The Proposed Information Officer was advised of the DIP Note Lenders requirement and participated in discussions with counsel for the DIP Note Lenders, the DIP ABL Lender and the Debtors relating to the manner in which this condition could be met or addressed by the respective Courts. On May 12, 2018, the parties agreed to seek the following paragraph in the Interim DIP Financing Order and Initial Recognition Order relating to this issue:

the amount of proceeds realized from the sale or liquidation of the ABL Collateral and/or the DIP ABL Collateral of Rockport Canada ULC which shall be paid to the ABL Lenders and/or the DIP ABL Lenders in partial satisfaction of the outstanding ABL Obligations (as determined immediately prior to the Petition Date) and/or DIP ABL Obligations shall be determined and agreed upon among (i) the Debtors, (ii) the ABL Lenders, and (iii) the Secured Noteholders, each acting reasonably (the "Allocation Agreement"), in advance of the hearing in respect of the Final Order (the "Final Order Hearing"). The Allocation

Agreement shall be placed before the Court for approval as part of the Final Order Hearing and thereafter the Canadian Court for recognition as part of the motion to recognize the Final Order. In the event that the foregoing parties have not reached the Allocation Agreement in advance of the Final Order Hearing, the issue shall be placed before the US Bankruptcy Court at the Final Order Hearing, and thereafter the Final Order shall be placed before the Canadian Court for recognition. Any Allocation Agreement or orders approving same shall be conditional upon and require the repayment in full at or prior to closing in cash of the ABL Obligations and/or DIP ABL Obligations. The granting of this Interim Order shall be without prejudice to future arguments in respect of the Allocation Agreement or any orders approving the same.

92. The Proposed Information Officer understood that discussions would continue between the Debtors, the DIP Note Lenders, and the DIP ABL Lender and any agreement reached between the parties would be disclosed to the other stakeholders and formal approval sought from the US Court and recognition by the Canadian Court.
93. The Proposed Information Officer notes the following term was granted by the US Court relating to the allocation issues:

No Marshaling: Application of Proceeds. The DIP Agents, the DIP Lenders, and the Prepetition Secured Parties shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the DIP Collateral and/or the Prepetition Collateral, as the case may be, and all proceeds shall be received and applied in accordance with the DIP Documents, the Prepetition Financing Documents, and the Prepetition Intercreditor Agreement. Notwithstanding anything to the contrary herein, the amount of proceeds realized from the sale or liquidation of the ABL Collateral (as determined immediately prior to the Petition Date) and/or the DIP ABL Collateral of Rockport Canada ULC which shall be paid to the ABL Lenders and/or the DIP ABL Lenders in partial satisfaction of the outstanding ABL Obligations (as determined immediately prior to the Petition Date) and/or DIP ABL Obligations shall be determined and agreed upon among (i) the Debtors, (ii) the ABL Lenders, and (iii) the Secured Noteholders, each acting reasonably (the "Proposed ABL Liability Allocation"), in advance of the Final Hearing. The Proposed ABL Liability Allocation shall be placed before the Court for approval as part of the Final Hearing and thereafter the Canadian Court for recognition as part of the motion to recognize the Final Order. Any Proposed ABL Liability Allocation or orders approving the same shall be conditional upon and require the repayment in full at or prior to closing of any sale as contemplated by the Sale Motion in cash of the ABL Obligations and/or DIP ABL Obligations. The granting of this Interim Order shall be without prejudice to future arguments in respect of the Proposed ABL Liability Allocation or any orders approving the same.

94. In reviewing the Kostorus US Affidavit (at paras 101-102), the Proposed Information Officer learned that the Debtors, the Prepetition Noteholders and CBC had reached a tentative agreement (the "**Proposed ABL Liability Allocation**"), which appears to have been framed as a share of obligations under the Prepetition ABL Facility, versus the allocation of proceeds contemplated above. The Proposed Information Officer was not a party to those discussions and is not in a position at this time to comment on the terms thereof. The Proposed Information Officer will report further on this matter in return of the motion seeking recognition of the final DIP Financing Order and the US Court's approval of the Proposed ABL Liability Allocation, when and if obtained.



## **IX. PROPOSED CHARGES**

95. Pursuant to the proposed Supplemental Order, Rockport Canada is seeking an Administrative Charge and a DIP Lenders' Charge.

### **Administration Charge**

96. The draft Supplemental Order contemplates an Administration Charge in respect of the fees and disbursements of the Information Officer and its counsel in an amount not to exceed CAD\$300,000. The Administration Charge is required to protect the Information Officer and its counsel in the event that their reasonable fees and expenses are unpaid. The Proposed Information Officer considers the amount of the proposed Administration Charge to be reasonable and appropriate in the circumstances. The Administration Charge would rank in priority to any other security interests, trust, liens, charges and encumbrances on the Debtors' property in Canada, including the DIP Lenders' Charge.

### **DIP Lenders' Charge**

97. As noted above, the draft Supplemental Order contemplates the granting of the DIP Lenders' Charge to secure amounts owing under the proposed DIP ABL Facility. The DIP Lenders' Charge would rank in priority to any other security interests, trust, liens, charges and encumbrances on Rockport Canada's assets except for the Administration Charge.

## **X. PROPOSED INITIAL ACTIVITIES OF THE INFORMATION OFFICER**

98. The draft Supplemental Order provides that following its appointment, the initial activities of the Information Officer will include, *inter alia*:

- (a) publishing a notice of the Chapter 11 Proceedings and the CCAA Recognition Proceedings in the Globe and Mail, National Edition, as soon as practical following date of the Supplemental Order, if granted, once a week for two consecutive weeks (as required by the Foreign Representative pursuant to subsection 53(b) of the CCAA);
- (b) providing such assistance to the Foreign Representative in the performance of its duties as the Foreign Representative may reasonably request;
- (c) reporting to the Canadian Court with respect to the status of these proceedings and the Chapter 11 Proceedings at such times and intervals as the Information Officer deems appropriate; which reports may include information relating to the property and the business of the Debtors or such other matters as may be relevant to these proceedings and the Proposed ABL Liability Allocation; and

- (d) establishing a website at <http://www.richter.ca/en/folder/insolvency-cases/r/rockport-canada> to make available copies of the Orders granted in the CCAA Recognition Proceedings, reports of the Information Officer, motion materials, and other materials as the Canadian Court may order or the Information Officer deems appropriate.

## **XI. PROPOSED INFORMATION OFFICER'S RECOMMENDATIONS**

99. The Proposed Information Officer is satisfied that the terms of the Initial Recognition Order relating to its proposed role as Information Officer are fair and reasonable, and consistent with the terms of appointments of information officers in other recognition proceedings under the CCAA.
100. Accordingly, the Proposed Information Officer respectfully recommends that the Canadian Court grant the relief requested by the Debtors in the Initial Recognition Order and the Supplemental Order.

All of which is respectfully submitted on this 16<sup>th</sup> day of May, 2018.

**Richter Advisory Group Inc.**  
**in its capacity as Proposed 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