

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

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

JULY 27, 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**

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

JULY 27, 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 other 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; 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 (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**"); 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 (the "**Final Cash Management Order**");

- (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 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, excluding the Debtors’ North American retail assets (the “**Purchased Assets**”), to CB Marathon Opco, LLC (the “**Purchaser**”), an affiliate of Charlesbank Equity Fund IX, Limited Partnership (“**Charlesbank**”), 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 the certain contracts and leases 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 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 (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.

II. PURPOSE OF REPORT

14. The purpose of this third report of the Information Officer (the "**Third Report**") is to provide the Canadian Court with information concerning:
- (a) the motion of the Foreign Representative returnable July 30, 2018, for recognition in Canada of the Lease Rejection Order, the Claims Bar Date Order and the Edmonton Real Property Stipulations Order (each as hereinafter defined);
 - (b) an update on the Adversary Proceeding (as defined hereinafter);
 - (c) an update on matters relating to Rockport Canada; and
 - (d) the activities of the Information Officer to date.

III. TERMS OF REFERENCE

15. In preparing this Third 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 for the Chapter 11 Proceedings (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in the Third 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.

16. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars, which is the Debtors' common reporting currency.
17. 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.
18. Capitalized terms not otherwise defined herein are as defined in the application materials, including the affidavit of Paul Kosturos, interim Chief Financial Officer of the Debtors, sworn July 26, 2018 (the "**July 26 Kosturos Affidavit**") filed in support of the Foreign Representative's motion. This Third Report should be read in conjunction with the July 26 Kosturos Affidavit, as certain information contained in the July 26 Kosturos Affidavit has not been included herein in order to avoid unnecessary duplication.

IV. ORDERS OF THE U.S. COURT FOR WHICH RECOGNITION IS SOUGHT

19. On July 24, 2018, the US Court entered the following orders without a hearing, as all informal comments received by the Debtors were resolved prior to the scheduled hearing date to the satisfaction of the interested parties:
 - (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**").
20. The Lease Rejection Order, the Claims Bar Date Order and the Edmonton Real Property Stipulations Order, each of which are attached as an exhibit to the July 26 Kosturos Affidavit, are addressed further below.

Lease Rejection Order

21. On May 15, 2018, the Debtors filed a motion (the “**Store Closing Motion**”) with the US Court seeking authority to conduct store closing sales (the “**Store Closing Sales**”) at each of the Debtors’ North American retail locations (the “**Closing Stores**”, and each a “**Closing Store**”), with the goal of completing the Store Closing Sales and vacating the Closing Stores by July 31, 2018. The Information Officer understands a copy of the Store Closing Motion was served on each of the landlords for the Closing Stores, including those in Canada.
22. On June 13, 2018, the US Court entered the Store Closing Order and authorized the implementation of the Store Closing Sales, which order was recognized by the Canadian Court on June 14, 2018. The Store Closing Order also authorized the Debtors, including Rockport Canada, to enter into agreements with any landlord modifying the US Sale Guidelines with respect to a specific Closing Store. Rockport Canada entered into an agreement, after discussions with counsel for various Canadian landlords, with respect to the conduct of the Store Closing Sales in Canada (the “**Canadian Landlord Agreement**”), which agreement is for the benefit of all landlords for the Closing Stores in Canada. A copy of the form of Canadian Landlord Agreement was previously filed as exhibit Q to the affidavit of Paul Kosturos sworn June 13, 2018.
23. On or about June 15, 2018, the Debtors commenced the Store Closing Sales at the Closing Stores pursuant to the Store Closing Order and the US Sales Guidelines (or Canadian Landlord Agreement, as applicable). The Information Officer understands the Debtors anticipate concluding the Stores Closing Sales at all of the Closing Stores on or before July 31, 2018, with all retail inventory being sold or removed from the Closing Stores prior to that date.
24. On July 5, 2018, the Debtors filed an omnibus motion (the “**Lease Rejection Motion**”) with the US Court seeking authority to reject the underlying leases and any subleases (the “**Leases**”) for each of the Closing Stores effective as of the later of (i) July 31, 2018 or (ii) the date that the Debtors unequivocally surrender possession of the leased premises to the applicable Lease counterparty (the “**Rejection Date**”). The Information Officer understands that the Debtors would be liable for payment of August rent for any Closing Store not vacated and surrendered to the applicable landlord by July 31, 2018. The Information Officer understands a copy of the Lease Rejection Motion was served on landlords for the Closing Stores, including those in Canada.
25. The Debtors also seek authority to abandon certain surplus or burdensome assets (collectively, the “**Surplus Assets**”) remaining at the Closing Stores upon conclusion of the Store Closing Sales. The Information Officer understands the Surplus Assets will primarily consist of miscellaneous furniture, fixtures or equipment, advertising displays, and other store equipment that is of inconsequential value or benefit to the Debtors’ estate or would be cost prohibitive to remove. Any landlord or other designee will be free to dispose of the Surplus Assets after the Rejection Date or after

completion of the applicable Closing Store closures without notice or liability to any party. The Information Officer notes that the abandonment of the Surplus Assets is common in other similar retail liquidations in Canada.

26. Prior to the objection deadline of July 19, 2018, the Information Officer understands the Debtors received informal comments from certain of the Debtors' landlords in the U.S., all of which were resolved prior to the entry of the Lease Rejection Order.
27. As there are 33 retail stores in Canada, the Foreign Representative seeks recognition of the Lease Rejection Order in order to ensure consistency in the treatment of landlords in both Canada and the U.S. The Information Officer notes that while the disclaimer process in the U.S. differs from the process in Canada, the Debtors have provided notice of the intended disclaimers as of July 31, 2018 since the commencement of the Chapter 11 Proceedings, and will pay rent through to the Rejection Date. As such, the Canadian landlords are placed in a similar position as they would have been had the disclaimers been implemented through any other insolvency proceeding in Canada.

Claims Bar Date Order

28. On June 18, 2018, the Debtors filed their schedules of liabilities and statements of financial affairs with the US Court, as amended on June 29, 2018 (collectively, the "**Schedules**").
29. The Debtors requested that the US Court establish a general bar date (the "**General Bar Date**") to be designated by the Debtors, which shall be no earlier than the first business day that is at least thirty (30) days after the date of service (the "**Service Date**") of the notice (the "**Bar Date Notice**") of the Bar Dates (as defined hereinafter). In the Debtors' view, this will provide all creditors with adequate time to review the Schedules and their own records, and file a proof of claim with the Claims Agent, if necessary, before the earliest of the Bar Dates (as defined hereinafter).
30. The Claims Bar Date Order provides for, *inter alia*, the following:
 - (a) all creditors holding claims against the Debtors that arose before the Petition Date, except for governmental units and certain other exceptions as noted below, must file a proof of claim with the Claims Agent by 5:00pm Eastern Time on the General Bar Date;
 - (b) all governmental units holding claims against the Debtors that arose prior to the Petition Date must file a proof of claim with the Claims Agent by 5:00pm Eastern Time on November 12, 2018 (the "**Governmental Bar Date**");
 - (c) all parties asserting claims arising from the rejection of executory contracts or unexpired leases are required to file a proof of claim by the later of: (i) the General Bar Date, or (ii) 5:00pm Eastern Time on the date that is 30

days from the date that the Debtors provide written notice of the rejection date to the affected creditor (unless the order authorizing such rejection provides otherwise) (the “**Rejection Bar Date**”); and

(d) all parties asserting claims against the Debtors that are affected by an amendment to the Schedules filed by the Debtors after the Service Date are required to file a proof of claim by the later of: (i) the General Bar Date, or (ii) 5:00pm Eastern Time on the date that is 30 days following the date on which the Debtors provide notice of such amendment to the affected creditor (the “**Amended Schedules Bar Date**”, and together with the General Bar Date, the Governmental Bar Date and the Rejection Bar Date, the “**Bar Dates**”).

31. On July 25, 2018, the Debtors filed the Bar Date Notice on the US docket, which established August 20, 2018 as the General Bar Date.
32. Pursuant to the Claims Bar Date Order, any creditor holding a claim against the Debtors that arose prior to the Petition Date and whose claim is either: (i) not listed on the Schedules, (ii) listed on the Schedules as disputed, contingent, unliquidated, or with an unknown or zero amount, or (iii) the creditor disagrees with the amount, nature, obligator and/or priority listed in the Schedules, must file a proof of claim with the Claims Agent prior to the applicable Bar Date.
33. The Information Officer understands that the Debtors intend to mail claims packages, including a copy of the Bar Date Notice, on or before August 1, 2018 to, among others, all known creditors of Rockport Canada (as listed on the Schedules), taxing authorities for the jurisdictions in which the Debtors conduct business in Canada, and all current employees and all former employees who were employed by the Debtors’ within the two years prior to the Petition Date. Further, the Debtors will publish notice (the “**Publication Notice**”) of the Bar Dates in the Globe & Mail, national edition, as soon as practical after recognition of the Claims Bar Date Order. A copy of the Bar Date Notice and the Publication Notice are attached as exhibits to the July 26 Kosturos Affidavit.
34. The Information Officer will also post a copy of the Claims Bar Date Order, along with the Bar Date Notice and blank proof of claim form, to its website in order to provide additional notice to creditors in Canada of the claims process and Bar Dates.
35. Pursuant to the Claims Bar Date Order, the Information Officer notes that the rights and claims of Canadian creditors will be determined and governed by the provisions of the Bankruptcy Code. The Information Officer has sought to be updated by the Debtors in respect of a Plan of Reorganization pursuant to Chapter 11 of the Bankruptcy Code and the proposed treatment of Canadian creditors therein, and will report further to the Canadian Court as information becomes available.

36. The Foreign Representative seeks recognition of the Bar Date Order in Canada in order to give effect to a uniform claims process and claims bar date for the coordination of the within ancillary proceedings with the Chapter 11 Proceedings for the identification and quantification of the claims of creditors against the Debtors.

Edmonton Real Property Stipulations Order

37. On May 16, 2017, Rockport Canada and Ivanhoe entered into a real property lease (the “**Edmonton Lease**”) for a retail store location at the Premium Outlet Collection Edmonton International Airport (the “**Leased Premises**”). The Information Officer understands Rockport Canada took possession of the Leased Premises on March 1, 2018 to commence implementing leasehold improvements to open a retail store in May 2018, but discontinued such work prior to the Petition Date. As the store was not in use by the Debtors, there would be no inventory located at the Leased Premises, and it would be excluded from the Store Closing Sales. Accordingly, after the Petition Date, Rockport Canada sought to negotiate a consensual termination of the Edmonton Lease with Ivanhoe.
38. On May 22, 2018, Dama registered a lien (the “**Lien**”) against the leasehold interest of Rockport Canada pursuant to the Builders’ Lien Act (Alberta) at the Leased Premises. The Lien claimed by Dama is in the amount of CAD\$139,892.27 (the “**Lien Amount**”). Dama registered the Lien, claiming amounts in respect of the discontinued leasehold improvements performed at the Leased Premises. Following discussions among the interested parties, Dama agreed to effect a discharge of the Lien on the basis that Rockport Canada paid the Lien Amount to the Information Officer, in trust, pending an assessment of the validity and enforceability of the Lien.
39. On June 4, 2018, Sunco Drywall Ltd (“**Sunco**”), a subcontractor of Dama, registered a builders’ lien in the amount of CAD\$29,563.47 (the “**Second Lien**”). Sunco has agreed that discharge of the Lien automatically operates to discharge the Second Lien.
40. Ivanhoe agreed to enter into an agreement (the “**Ivanhoe Stipulation**”) with Rockport Canada to terminate the Edmonton Lease, but has conditioned such termination on the discharge of the Lien, as more fully described in the July 26 Kosturos Affidavit. The Debtors also sought authority to abandon certain surplus assets, primarily furniture, fixtures and equipment, accumulated at the Leased Premises as part of the Ivanhoe Stipulation. The Ivanhoe Stipulation was approved by the US Court pursuant to the Edmonton Real Property Stipulations Order.
41. Following discussions among the interested parties, Dama agreed to enter into an agreement (the “**Dama Stipulation**”) to effect a discharge of the Lien on the basis that Rockport Canada paid the Lien Amount to the Information Officer, in trust, as more fully described in the July 26 Kosturos Affidavit. Pursuant to the Dama Stipulation, the Lien Amount will stand in the place and stead of the Lien, with the same priority as it had as if the Lien has not been discharged. Upon payment of the Lien Amount to the Information Officer, Dama will discharge the Lien

and the Debtors can proceed with termination of the Edmonton Lease pursuant to the Ivanhoe Stipulation. As noted, the discharge of the Lien pursuant to the Dama Stipulation shall encompass the discharge of the Second Lien.

42. Pursuant to the Dama Stipulation, the Information Officer shall hold the Lien Amount pending an assessment of the validity and enforceability of the Lien and shall make no distributions of all or any portion of the Lien Amount, unless there is an agreement between Rockport Canada and Dama or further order of the Canadian Court.
43. The Ivanhoe Stipulation contemplates that Ivanhoe will terminate the Edmonton Lease. However, the stay of proceedings currently imposed pursuant to the Supplemental Order prevents the termination from being effective. As a result, it is necessary to lift the stay of proceedings for the limited purpose of permitting Ivanhoe to fulfill its obligations pursuant to the Ivanhoe Stipulation. As such, Rockport Canada not only consents to the stay being lifted for this limited purpose, but the Foreign Representative is seeking recognition of the Edmonton Real Property Stipulations Order to do so in order to assist with the implementation of the Ivanhoe Stipulation and the Dama Stipulation.

V. UPDATE ON CERTAIN OTHER MATTERS IN THE CHAPTER 11 PROCEEDINGS

Adidas Adversary Proceeding

44. On June 28, 2018, adidas AG and its subsidiary Reebok International Ltd. (collectively "**Adidas**") filed an objection (the "**Adidas Objection**") in connection with the Debtors motion for the Sale Order. Adidas and Reebok sold the Rockport business to Relay Intermediate, LLC (now known as The Rockport Group, LLC) in 2015.
45. On July 10, 2018, the Debtors filed an emergency complaint with the US Court (in the "**Debtors' Complaint**") for declaratory judgement against Adidas (the "**Adversary Proceeding**"). Contemporaneously with the Debtors' Complaint, the Debtors filed a motion to expedite the Adversary Proceeding.
46. On July 17, 2018, the parties had conferred and reached agreement on the terms of an Order Expediting Adversary Proceeding, which set out the schedule for discovery and established trial dates with the US Court for August 8 and August 9, 2018.
47. On July 20, 2018, counsel to the Debtors advised the Canadian Court that Adidas and the Debtors had just reached a settlement (the "**Settlement**") in connection with the Adversary Proceeding. The Settlement, among other things, requires the Debtors to pay, or cause to be paid, \$8 million to Adidas in full and final satisfaction of all claims of Adidas against the Debtors.
48. The Information Officer understands that the Settlement removes any impediment that the claims raised by Adidas in either the Adidas Objection or the Adversary Proceeding may have on the Debtors' ability to close the Sale

Transaction. As a result, the Information Officer understands the Debtors and the Purchaser have agreed to work towards a closing date of August 1, 2018.

49. On July 24, 2018, the Debtors filed with the US Court motions (the “**Settlement Motions**”) for:
 - (a) an Order Authorizing and Approving the Settlement Agreement By and Between the Rockport Parties, the Adidas Parties and the Noteholder Parties Filed by The Rockport Company, LLC; and
 - (b) an Order Shortening Notice and Objection Periods for Motion of Debtors for Entry of an Order Authorizing and Approving the Settlement Agreement By and Between the Rockport Parties, the Adidas Parties and the Noteholders.
50. The US Court has scheduled a hearing at 2:00pm EST on July 30, 2018 in respect of the Settlement Motions. The Information Officer will report further to the Canadian Court in respect of the Settlement Motions as part the Foreign Representative’s motion returnable on August 1, 2018 for an order seeking recognition of any orders granted by the US Court in connection therewith.

VI. UPDATE ON CERTAIN MATTERS RELATING TO ROCKPORT CANADA

51. Subsequent to the granting of the Supplemental Order, the Debtors have provided weekly reporting to the Information Officer with respect to the cash flows of Rockport Canada. For the ten (10) weeks ended July 21, 2018, Rockport Canada had total cash receipts of approximately CAD\$19.1 million (as compared to forecasted cash receipts of CAD\$13.1 million) and total operating cash disbursements of CAD\$5.9 million (as compared to forecasted operating cash disbursements of \$5.2 million), for a net operating cash inflow of CAD\$13.3 million (as compared to forecasted net cash inflow of CAD\$7.9 million) over the period.
52. Additionally, Rockport Canada had made approximately CAD\$10.7 million in non-operating cash disbursements over the ten week period ending July 21, 2018, primarily in connection with the following:
 - (a) CAD\$4.5 million in Permitted Rockport Canada Intercompany Transactions (as defined in the Final Cash Management Order) on account of inventory purchased postpetition from the US Debtors, as necessary for Rockport Canada’s ongoing operations, including a mark-up on the cost of inventory for postpetition back office services provided by the US Debtors; and
 - (b) a \$4.5 million (approximately CAD\$6.0 million) Initial Intercompany Transfer to the US Debtors pursuant to the Intercompany Payment Order.
53. As at July 21, 2018, the Information Officer understands that Rockport Canada had approximately CAD\$3.9 million of cash on hand.

VII. ACTIVITIES OF THE INFORMATION OFFICER

54. The activities of the Information Officer since the Second Report include:

- (a) responding to creditor inquiries regarding the Chapter 11 Proceedings and the CCAA proceedings;
- (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 CCAA proceedings;
- (c) communicating with Canada Revenue Agency in connection with the sales tax accounts for Rockport Canada;
- (d) reviewing materials filed by various parties in the Chapter 11 Proceedings in connection with the Lease Rejection Order, the Claims Bar Date Order, and the Edmonton Real Property Stipulations Order;
- (e) attending before the Canadian Court in connection with recognition of the Houlihan Retention Order, the Sale Order and the Intercompany Payment Order;
- (f) reviewing materials provided by the Debtors in connection with the Adversary Proceeding; and
- (g) preparing this Third Report.

VIII. INFORMATION OFFICER'S RECOMMENDATION

55. Based on the Information received and reviewed to date, the Information Officer is of the view that it is reasonable to recognize the Lease Rejection Order, the Claims Bar Date Order and the Edmonton Real Property Stipulations Order, and respectfully recommends that this Court grant the recognition orders sought by the Foreign Representative.

All of which is respectfully submitted on this 27th day of July, 2018.

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



Adam Sherman, MBA, CIRP, LIT



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

**THIRD REPORT OF THE INFORMATION
OFFICER, JULY 27, 2018**

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