

**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 YRC FREIGHT CANADA COMPANY, YRC LOGISTICS  
INC., USF HOLLAND INTERNATIONAL SALES CORPORATION AND 1105481  
ONTARIO INC.**

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

**FIRST REPORT OF THE INFORMATION OFFICER  
ALVAREZ & MARSAL CANADA INC.**

**SEPTEMBER 27, 2023**

## **TABLE OF CONTENTS**

<b>1.0</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>2.0</b>	<b>TERMS OF REFERENCE AND DISCLAIMER .....</b>	<b>3</b>
<b>3.0</b>	<b>PURPOSE OF THIS REPORT .....</b>	<b>4</b>
<b>4.0</b>	<b>ORDERS FOR WHICH RECOGNITION IS BEING SOUGHT.....</b>	<b>5</b>
<b>5.0</b>	<b>BIDDING PROCEDURES ORDER.....</b>	<b>11</b>
<b>6.0</b>	<b>ACTIVITIES OF THE INFORMATION OFFICER .....</b>	<b>15</b>
<b>7.0</b>	<b>RECOMMENDATIONS.....</b>	<b>17</b>

## **APPENDICES**

**Appendix “A” – Pre-Filing Report**

## 1.0 INTRODUCTION

- 1.1 On August 6, 2023 (the “**Petition Date**”), Yellow Corporation (“**Yellow Parent**”) and certain of its subsidiaries and affiliates (collectively, the “**Debtors**”) commenced cases in the United States Bankruptcy Court for the District of Delaware (the “**U.S. Bankruptcy Court**”) by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “**Chapter 11 Cases**”).
- 1.2 The purpose of the Chapter 11 Cases is to facilitate an orderly wind-down of the Debtors’ operations and the liquidation of their assets, including the assets of their Canadian subsidiaries, YRC Freight Canada Company (“**YRC Freight Canada**”), YRC Logistics Inc. (“**YRC Logistics**”), USF Holland International Sales Corporation (“**USF**”) and 1105481 Ontario Inc. (“**1105481**”) (collectively, the “**Canadian Debtors**”). Each of the Canadian Debtors are also Debtors in the Chapter 11 Cases.
- 1.3 On August 8, 2023, upon the application of the Yellow Parent in its capacity as the proposed foreign representative of the Chapter 11 Cases (the “**Foreign Representative**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an order (the “**Interim Stay Order**”) pursuant to Part IV of the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) and Section 106 of the *Courts of Justice Act*, providing for an interim stay of proceedings in respect of the Canadian Debtors and the Yellow Parent, and their respective directors and officers, in Canada.

- 1.4 The proceedings commenced by the Yellow Parent under the CCAA are referred to herein as the “**CCAA Recognition Proceedings**”, and together with the Chapter 11 Cases, the “**Restructuring Proceedings**”.
- 1.5 On August 9, 2023, the U.S. Bankruptcy Court granted certain orders (the “**First Day Orders**”), including the Foreign Representative Order authorizing Yellow Parent to act as the Foreign Representative of the Debtors. Following the First Day Hearing, the U.S. Bankruptcy Court also granted certain additional interim orders.<sup>1</sup>
- 1.6 On August 29, 2023, this Court made two orders (the “**Initial Recognition Order**” and the “**Supplemental Order**”) that, among other things: (a) recognized the Chapter 11 Cases as a “foreign main proceeding” under the CCAA; (b) recognized Yellow Parent as the “foreign representative” of the Canadian Debtors; (c) stayed all proceedings in respect of the Canadian Debtors and the Yellow Parent, and their respective directors and officers, in Canada; (d) appointed Alvarez & Marsal Canada Inc. (“**A&M Canada**”) as the information officer (the “**Information Officer**”); (e) recognized and gave effect in Canada to certain of the First Day Orders and second interim orders issued by the U.S. Bankruptcy Court; and (f) granted the Administration Charge, the D&O Charge, and the DIP Charge (each as defined in the Supplemental Order).

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<sup>1</sup> Copies of orders granted in the Chapter 11 Cases and other documents related to such proceedings are available at the website maintained by Epiq: <https://dm.epiq11.com/case/yellowcorporation>.

1.7 A&M Canada, in its capacity as Proposed Information Officer, filed with this Court a report dated August 25, 2023 (the “**Pre-Filing Report**”) to provide this Court with, among other things, certain background information with respect to the Canadian Debtors and the Chapter 11 Cases. A copy of the Pre-Filing Report is attached hereto as **Appendix “A”** and is available on the Information Officer’s case website at: [www.alvarezandmarsal.com/YRCFreightCanada](http://www.alvarezandmarsal.com/YRCFreightCanada) (the “**Case Website**”).

## 2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this report (the “**First Report**”), A&M Canada has relied solely on information and documents provided by the Foreign Representative and other Debtors, as well as their Canadian legal counsel and publicly available documents filed with the U.S. Bankruptcy Court (collectively the “**Information**”). Except as otherwise described in this First Report:

- (a) the Information Officer has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Information Officer has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants of Canada Handbook* (the “**Handbook**”) and accordingly, the Information Officer expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

- (b) some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Handbook, has not been performed.

2.2 This First Report should be read in conjunction with the Affidavit of Matthew A. Doheny sworn on September 22, 2023 (the “**Third Doheny Affidavit**”). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the in the Third Doheny Affidavit, as applicable.

2.3 Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars.

### **3.0 PURPOSE OF THIS REPORT**

3.1 The purpose of this First Report is to provide this Court with information regarding the following:

- (a) the Foreign Representative’s motion for an order (the “**Second Supplemental Order**”) recognizing and giving effect in Canada by this Court pursuant to the CCAA certain orders that have been granted by the U.S. Bankruptcy Court as discussed below; and
- (b) a summary of the activities of the Information Officer since the date of its appointment.

#### **4.0 ORDERS FOR WHICH RECOGNITION IS BEING SOUGHT**

- 4.1 In connection with a hearing before the U.S. Bankruptcy Court (the “**Final First Day Hearing**”) on September 15, 2023, the Debtors sought and obtained: (a) final versions of the various interim orders previously granted (the “**Final First Day Orders**”); and (b) certain additional orders (the “**Additional Orders**,” and collectively, the “**U.S. Orders**”). The Foreign Representative is now seeking recognition of certain of U.S. Orders by this Court, and a hearing before this Court has been scheduled for September 29, 2023 for this purpose.
- 4.2 The Information Officer and its legal counsel have reviewed the terms of each of the U.S. Orders that the Foreign Representative is seeking recognition of and supports the recognition of such U.S. Orders by this Court.
- 4.3 Each of the U.S. Orders for which recognition of this Court is being sought is defined and further described in the Third Doheny Affidavit and copies are attached as schedules thereto.
- 4.4 The Information Officer notes that the Final First Day Orders for which the Foreign Representative is seeking recognition are, for the most part, common in Chapter 11 proceedings and are substantially consistent with the interim orders previously recognized by this Court pursuant to the Supplemental Order.
- 4.5 This First Report includes pertinent information regarding the Final DIP Order as well as certain of the Additional Orders for which the Foreign Representative is seeking

recognition, including the Bar Date Order, Omnibus Rejection Order, Bidding Procedures Order and Real Estate Stalking Horse Order.

Final DIP Order

- 4.6 A summary of the DIP Facilities and the Interim DIP and Cash Collateral Order, including the Information Officer’s assessment of their reasonableness and the basis on which the Information Officer recommended that this Court recognize the Interim DIP and Cash Collateral Order, was provided in the Pre-Filing Report.
- 4.7 The Final DIP Order, which is substantially similar to the Interim DIP Order, was granted by the U.S. Bankruptcy Court on September 15, 2023 and authorizes the Debtors to utilize the DIP Facilities on a final basis, including certain additional amounts that could only be drawn following the granting of the Final DIP Order. While four responses/objections were filed in respect of the Final DIP Order, each response or objection was resolved prior to the hearing. None of the responsive pleadings were filed by Canadian stakeholders or addressed issues specific to the Canadian Debtors.
- 4.8 As described in the Pre-Filing Report, the DIP Facilities provide for up to \$212.5 million in new money DIP financing, consisting of:
- (a) a \$100 million senior secured facility (the “**Postpetition B-2 Facility**”);
  - (b) a \$42.5 million junior secured facility (the “**Junior DIP Facility**”); and



- (c) incremental financing of \$70 million under the Junior DIP Facility if such funding is required. Such incremental financing would rank junior to all of the Debtors' existing prepetition secured debt.
- 4.9 As at the date of this First Report, the Information Officer understands that the Debtors have drawn the full amount of \$142.5 million provided under the Postpetition B-2 Facility and the Junior DIP Facility, and the \$70 million incremental amount is forecast to be drawn in late October or early November, as required by the Debtors.
- 4.10 As described in the Pre-Filing Report, pursuant to the Final DIP Order, the Debtors are not permitted to make payments in respect of accrued vacation obligations on account of employees terminated prior to the Petition Date until all of the Debtors' secured funded debt obligations (including the pre-filing secured debt obligations) have been fully repaid in cash. In Canada, the accrued vacation pay obligations on account of employees terminated or laid off prior to the Petition Date totaled approximately CAD\$2.45 million.
- 4.11 As discussed in the Third Doheny Affidavit, legal counsel to Teamsters Local Union 938, Teamsters Local Union No. 879, General Teamsters Local Union No. 979, Teamsters Local Union No. 362, and Unifor Canada and its Local 4209 (the "**Unions**") representing the employees and former employees of the Canadian Debtors expressed concerns with respect to the foregoing restrictions, including whether such restrictions are consistent with the CCAA.
- 4.12 The Debtors' Canadian counsel, together with the Information Officer and its counsel, have been engaged in active discussions with counsel to the Unions and the lenders under the

DIP Agreements (the “**DIP Lenders**”) in respect of the Final DIP Order to address the Unions’ concerns. The Information Officer understands that the parties are in discussions regarding a reservation of rights with respect to unpaid prepetition vacation pay as a means of addressing the concerns for purposes of recognition of the Final DIP Order.

- 4.13 The Information Officer understands that the Debtors will provide a further update to the Court at the hearing.

Bar Date Order

- 4.14 The Bar Date Order is described in the Third Doheny Affidavit and is attached thereto as Exhibit “P”. The Bar Date Order sets out the categories of claimants holding a claim against any of the Debtors that must file a Proof of Claim, along with applicable deadlines for each category, as set out below. Key dates and terms include the following:

- (a) Proofs of Claim must be submitted on or before November 13, 2023 (the “**General Bar Date**”);
- (b) governmental agencies and authorities must file Proofs of Claim on or before February 5, 2024 (the “**Governmental Bar Date**”);
- (c) if the Debtors amend or supplement the schedules of assets and liabilities filed in the Chapter 11 Cases (the “**Schedules**”) which results in a reduction in the amount of a claim, a change in the nature or classification of a claim, or adds a new claim, affected creditors must file Proofs of Claim on the later of: (i) the General Bar Date or the Governmental Bar Date, as applicable; and (ii) 21 days from the date on

which the Debtors provide notice of the amendment to Schedules (the “**Amended Schedules Bar Date**”);

- (d) unless ordered otherwise, entities with claims arising from the rejection of executory contracts and unexpired leases must file a Proof of Claim on the later of:
  - (i) the General Bar Date; and (ii) the date that is 30 days after the later of: (A) entry of an order approving the rejection; or (B) the effective date of a rejection (the “**Rejection Damages Bar Date**”); and
- (e) under the Bar Date Order, the Debtors are required to send the Bar Date Notice to all known creditors, including creditors of the Canadian Debtors.

4.15 The Information Officer notes:

- (a) to ensure that Canadian domiciled creditors have notice of the Bar Date Order, the Information Officer has posted notice of the General Bar Date and Governmental Bar Date, as well as the Proof of Claim form, Bar Date Order, and Bar Date notice material (the “**Bar Date Package**”), to its Case Website;
- (b) in Order to avoid confusion that may arise from the Recognition Proceedings, the Bar Date Order specifically provides that Canadian creditors are required to comply with the Bar Date Order;
- (c) the Bar Date is approximately 6 weeks after the date of the hearing on the recognition motion;

- (d) the Bar Date Order does not provide for a process for determination of claims, but does provide that any party failing to file a proof of claim will be barred from receiving a distribution on account of such claim; and
- (e) the Debtors have already provided notice to all known creditors, including Canadian creditors.

#### Omnibus Rejection Order

- 4.16 On September 14, 2023, the U.S. Bankruptcy Court entered the Omnibus Rejection Order authorizing the Debtors to: (a) reject certain executory contracts; (b) reject certain unexpired leases; and (c) abandon certain equipment and other assets that may be located at the surrendered property. A copy of the Omnibus Rejection Order is attached as Exhibit “Q” to the Third Doheny Affidavit.
- 4.17 The Omnibus Rejection Order includes the rejection of 95 contracts and 37 leases, including one Canadian contract and four Canadian leases.
- 4.18 The single Canadian contract which the Debtors rejected is in respect of a software provider. The four Canadian rejected leases include three where YRC Freight Canada was the tenant, and one where YRC Inc. (a U.S. Debtor) was the tenant. As of August 31, 2023, the Debtors have surrendered and exited each of the four rejected Canadian leases.
- 4.19 As described in the Third Doheny Affidavit, the rejected contracts and rejected leases were determined by the Debtors, in consultation with their advisors, to be burdensome, to

provide no economic value to the Debtors' estates and to be unnecessary to the Debtors' wind-down efforts.

- 4.20 The Information Officer understands that the landlords and counterparties to the contracts received notice of the Debtors' intention to reject the contracts and leases through the initial motion in respect of the Omnibus Rejection Order filed on August 31, 2023 and that the Debtors contacted the landlords to provide a courtesy notice that such rejection materials had been filed. Although the notice period provided to the counterparties to the contracts and landlords was less than the 30-days' notice required when disclaiming pursuant to section 32 of the CCAA, the Information Officer understands that there is no prescribed notice period in Chapter 11 proceedings. In addition, the Canadian counterparty and the Canadian landlords are being treated in the same manner as the Debtors' U.S.-based counterparties and landlords whose leases and contracts are being rejected.

## **5.0 BIDDING PROCEDURES ORDER**

- 5.1 As described above, the purposes of the Restructuring Proceedings are to allow the Debtors to facilitate an orderly wind-down of their operations and the liquidation of their assets. In this regard, prior to the Petition Date, the Debtors, together with their investment banker, Ducera Partners LLC, commenced a process to market all of the Debtors' assets, comprised of significant real estate holdings, rolling stock assets, intellectual property and certain other assets.
- 5.2 As part of this sale process, the Debtors have developed bidding procedures designed to maximize the value of their assets through a competitive sale process (the "**Bidding**

**Procedures**”). As described further below, these Bidding Procedures include a stalking horse purchase agreement for the Debtors’ real estate holdings (the “**Real Estate Stalking Horse APA**”).

#### Bidding Procedures

- 5.3 The Bidding Procedures Order, among other things: (a) approves the Bidding Procedures and the associated dates and deadlines; (b) approves the Bid Protections (as defined in the Bidding Procedures) for the stalking horse bidder under the Real Estate Stalking Horse APA; (c) schedules an auction (if one is required) and approves the form and manner of notice thereof; (d) approves the procedures regarding the assumption and assignment of executory contracts and leases; (e) schedules a sale hearing and approves the form and manner of notice thereof; and (f) approves that any sale of the Debtors’ assets would be free and clear of any liens, claims, interests and encumbrances.
- 5.4 The Bidding Procedures Order is described in the Third Doheny Affidavit and a copy is attached thereto as Exhibit “V”. The timeline and key processes contemplated by the Bidding Procedures are summarized as follows:

<b>Bidding Procedures Order – Key Dates</b>	
<b>Rolling Stock Timeline</b>	
October 11, 2023	Cure Notice Deadline for Rolling Stock
<b>October 13, 2023 at 5:00 p.m. Eastern Time</b>	<b>Bid Deadline for Rolling Stock</b>
October 18, 2023 at 10:00 p.m. Eastern Time	Auction(s) (if required) for Rolling Stock begin
October 23, 2023	Notice of Winning Bidder(s) for Rolling Stock
October 25, 2023 at 5:00 p.m. Eastern Time	Sale Objection Deadline and Cure Objection Deadline for Winning Bid(s) for Rolling Stock

October 31, 2023	Sale Hearing as to Winning Bid(s) for Rolling Stock
As soon as practicable following Sale Hearing but no later than November 3, 2023	Sale Consummation for UST Rolling Stock
As soon as practicable following Sale Hearing	Sale Consummation for B-2 Rolling Stock
<b>Real Estate and all Other Assets Timeline</b>	
October 26, 2023	Cure Notice Deadline for Non-Rolling Stock Assets
<b>November 9, 2023 at 5:00 p.m. Eastern Time</b>	<b>Bid Deadline for Non-Rolling Stock Assets (including Real Property Assets, Intellectual Property, and Other Assets)</b>
November 9, 2023 at 5:00 p.m. Eastern Time	Cure Objection Deadline for Leased Properties
November 28, 2023 at 9:00 a.m. Eastern Time	Auction(s) (if required) for Non-Rolling Stock Assets
December 1, 2023	Notice of Winning Bidder(s) for Non-Rolling Stock Assets
December 8, 2023 at 5:00 p.m. (E.T.)	Sale Objection and Adequate Assurance Objection Deadline for Winning Bid(s) (or Back-Up Bid(s), as applicable) for Non-Rolling Stock Assets
December 12, 2023 at 10:00 a.m. (E.T.)	Sale Hearing as to Winning Bid(s) (or Back-Up Bid(s), as applicable) for Non-Rolling Stock Assets
As soon as practicable following Sale Hearing	Sale Consummation for Non-Rolling Stock Assets

5.5 The Foreign Representative is seeking recognition by this Court of the Bidding Procedures Order. The Information Officer considered the following in assessing the reasonableness of the Bidding Procedures Order:

- (a) in the Information Officer’s view, the contemplated sale process and the Bidding Procedures are commercially reasonable, consistent with procedures approved by this Court in both Canadian-only and cross-border insolvency proceedings, and have been designed to maximize value through a competitive sale process while also mitigating against downside risk for stakeholders by setting a meaningful price floor for the Debtors’ real estate holdings pursuant to the Real Estate Stalking Horse APA;

- (b) the Bid Deadlines provide sufficient time to ensure potential bidders are able to perform diligence and prepare and submit their bids;
- (c) the Bidding Procedures encompass the assets of the Canadian Debtors and the Information Officer will be kept apprised of bids related to the Canadian assets; and
- (d) the Information Officer does not believe the creditors of the Canadian Debtors would be materially prejudiced by the Bidding Procedures.

5.6 Based on the foregoing, the Information Officer believes the Bidding Procedures Order is fair and reasonable and recommends that this Court recognize the Bidding Procedures Order.

#### Real Estate Stalking Horse APA

5.7 As described above, the sale process governed Bidding Procedures, as it relates to the owned real property of the Debtors, will be conducted with the benefit of the Real Estate Stalking Horse APA, which was entered into by the Debtors and Estes Express Lines (the “**Real Estate Stalking Horse Bidder**”) on September 15, 2023, following a number of discussions and negotiations the Debtors held with various other bidders.

5.8 The Real Estate Stalking Horse APA is described in the Third Doheny Affidavit. A copy of the Real Estate Stalking Horse APA is attached as Exhibit A to the Real Estate Stalking Horse Order, which is attached to the Third Doheny Affidavit as Exhibit “Z”. Key terms and components of the Real Estate Stalking Horse APA include the following:



- (a) cash purchase price of \$1.525 billion, subject to certain potential adjustments;
- (b) acquired assets include: (i) all of the Debtors' 174 owned real property assets, including three properties located in Canada; and (ii) certain additional contracts and interests as scheduled in the Real Estate Stalking Horse APA;
- (c) assumed liabilities include: (i) all cure costs required to be paid; and (ii) certain other additional liabilities and obligations that the Real Estate Stalking Horse Bidder has agreed to assume including certain environmental liabilities; and
- (d) the Real Estate Stalking Horse Bidder is not acquiring any employees and has excluded all employee claims, former employee claims, pension claims, or claims from or related to any collective bargaining agreements.

5.9 The closing of the transactions contemplated in the Real Estate Stalking Horse APA are conditional on, among other things, the Court having granted an Order pursuant to the CCAA, recognizing and giving effect in Canada to the Sale Order. Depending on the results of the sale process, the Canadian Debtors will return to Court at the appropriate time to seek an order or orders of the Court in respect of the applicable transactions.

## **6.0 ACTIVITIES OF THE INFORMATION OFFICER**

6.1 The activities of the Information Officer since being appointed have included:

- (a) establishing a website at <https://www.alvarezandmarsal.com/YRCFreightCanada> to make available copies of the Orders granted in the CCAA Recognition

Proceedings as well as other relevant motion materials, reports, and information. In addition, there is a link on the Information Officer's website to the Debtors' restructuring website maintained by Epiq that includes copies of all U.S. Court materials and orders, petitions, notices, and other materials;

- (b) coordinating publication of the notice of the Chapter 11 Cases and CCAA Recognition Proceedings in *The Globe & Mail (National Edition)* newspaper, on September 1 and September 8, 2023;
- (c) monitoring the Epiq website for activity in the Chapter 11 Cases;
- (d) responding to stakeholder inquiries regarding the Restructuring Proceedings;
- (e) discussions with Debtors' Canadian legal counsel and advisors, including A&M U.S., regarding matters relevant to the Chapter 11 Cases;
- (f) together with Debtors' Canadian legal counsel, responding to inquiries from various legal counsel to employee unions regarding concerns raised over vacation pay outstanding and related issues;
- (g) providing assistance to the Foreign Representative in respect of employee related matters;
- (h) providing other such assistance to the Foreign Representative in the performance of its duties as the Foreign Representative may reasonably request;

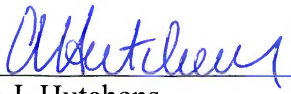
- (i) reviewing and commenting on the Debtors' draft motions and orders in the Chapter 11 Cases; and
- (j) preparing this First Report and reviewing draft materials of the Foreign Representative in connection with the CCAA Recognition Proceedings.

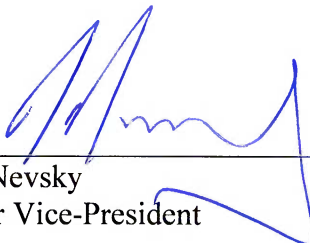
## **7.0 RECOMMENDATIONS**

- 7.1 The Information Officer understands that the recognition of the U.S. Orders and the other relief sought in the Second Supplemental Order are necessary to advance the Restructuring Proceedings, including the Debtors' efforts to maximize the value of their estate via the wind-down and liquidation of their assets.
- 7.2 The Information Officer and its legal counsel have reviewed each of the U.S. Orders and believe that the recognition of the U.S. Orders is reasonable and appropriate in the circumstances. Based on the foregoing, the Information Officer respectfully recommends that this Court grant the relief requested by the Foreign Representative.

All of which is respectfully submitted to the Court this 27<sup>th</sup> day of September, 2023.

**ALVAREZ & MARSAL CANADA INC.,  
Information Officer of the Canadian Debtors  
and not in its personal or corporate capacity**

Per:   
Alan J. Hutchens  
Senior Vice-President

Per:   
Josh Nevsky  
Senior Vice-President

# APPENDIX A

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
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**REPORT OF THE PROPOSED INFORMATION OFFICER  
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**AUGUST 25, 2023**

## **TABLE OF CONTENTS**

<b>1.0</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>2.0</b>	<b>TERMS OF REFERENCE AND DISCLAIMER .....</b>	<b>3</b>
<b>3.0</b>	<b>A&amp;M’S QUALIFICATIONS TO ACT AS INFORMATION OFFICER.....</b>	<b>5</b>
<b>4.0</b>	<b>BACKGROUND .....</b>	<b>6</b>
<b>5.0</b>	<b>CENTRE OF MAIN INTEREST .....</b>	<b>13</b>
<b>6.0</b>	<b>DIP FACILITIES.....</b>	<b>13</b>
<b>7.0</b>	<b>ADDITIONAL ORDERS FOR WHICH RECOGNITION IS BEING SOUGHT... </b>	<b>18</b>
<b>8.0</b>	<b>COURT ORDERED CHARGES SOUGHT IN THE SUPPLEMENTAL ORDER </b>	<b>18</b>
<b>9.0</b>	<b>PROPOSED INITIAL ACTIVITIES OF THE INFORMATION OFFICER.....</b>	<b>20</b>
<b>10.0</b>	<b>RECOMMENDATIONS.....</b>	<b>21</b>

## **APPENDICES**

**Appendix “A” – Summary of DIP Facilities**

## 1.0 INTRODUCTION

- 1.1 On August 6, 2023 (the “**Petition Date**”), Yellow Corporation (“**Yellow Parent**”) and certain of its subsidiaries and affiliates (collectively, the “**Debtors**”) commenced cases in the United States Bankruptcy Court for the District of Delaware (the “**U.S. Bankruptcy Court**”) by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “**Chapter 11 Cases**”).
- 1.2 The purpose of the Chapter 11 Cases is to facilitate an orderly wind-down of the Debtors’ operations and the liquidation of their assets, including their Canadian subsidiaries, YRC Freight Canada Company (“**YRC Freight Canada**”), YRC Logistics Inc. (“**YRC Logistics**”), USF Holland International Sales Corporation (“**USF**”) and 1105481 Ontario Inc. (“**1105481**”) (collectively, the “**Canadian Debtors**”). Each of the Canadian Debtors are also Debtors in the Chapter 11 Cases.
- 1.3 On August 8, 2023, upon the application of Yellow Parent in its capacity as the proposed foreign representative in respect of the Chapter 11 Cases (the “**Foreign Representative**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an order (the “**Interim Stay Order**”) pursuant to Part IV of the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) and Section 106 of the *Courts of Justice Act*, providing for an interim stay of proceedings in respect of the Canadian Debtors and Yellow Parent, and their respective directors and officers, in Canada.



- 1.4 The proceedings commenced by Yellow Parent under the CCAA are referred to herein as the “**CCAA Recognition Proceedings**”, and together with the Chapter 11 Cases, the “**Restructuring Proceedings**”. Other than the Chapter 11 Cases and these CCAA Recognition Proceedings, there are currently no other foreign proceedings in respect of the Debtors.
- 1.5 On August 9, 2023, following a hearing in respect of the first day motions filed by the Debtors (the “**First Day Hearing**”), the U.S. Bankruptcy Court granted certain orders (the “**First Day Orders**”), including the Foreign Representative Order authorizing Yellow Parent to act as the Foreign Representative of the Debtors. Following the First Day Hearing, the U.S. Bankruptcy Court also granted certain additional interim orders, including the Interim DIP and Cash Collateral Order (as discussed below) (collectively with the First Day Orders, the “**U.S. Orders**”).<sup>1</sup>
- 1.6 The purpose of this Report of the Proposed Information Officer (the “**Pre-Filing Report**”) is to provide this Court with background information with respect to the Debtors and the Restructuring Proceedings, and to assist the Court in considering the Foreign Representative’s request for the following relief:

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<sup>1</sup> Copies of each of the Chapter 11 Orders and other documents related to the Chapter 11 Cases are available at the website maintained by Epiq: <https://dm.epiq11.com/case/yellowcorporation>.

- (a) an order, among other things, recognizing the Chapter 11 Cases as “foreign main proceedings” in respect of the Canadian Debtors (the “**Initial Recognition Order**”); and
- (b) an order, among other things: (i) recognizing certain of the U.S. Orders entered in the Chapter 11 Cases; (ii) granting a stay of proceedings in respect of the Canadian Debtors and the Yellow Parent, and their respective directors and officers, in Canada; (iii) appointing Alvarez & Marsal Canada Inc. (“**A&M Canada**”) as information officer in respect of these proceedings (in such capacity, the “**Information Officer**”); and (iii) granting the Administration Charge, the D&O Charge and the DIP Charge (each as defined below) (the “**Supplemental Order**”).

## **2.0 TERMS OF REFERENCE AND DISCLAIMER**

2.1 In preparing this Pre-Filing Report, A&M Canada has relied solely on information and documents provided by the Foreign Representative and other Debtors, as well as their Canadian legal counsel and publicly available documents filed with the U.S. Bankruptcy Court (collectively the “**Information**”). Except as otherwise described in this Pre-Filing Report:

- (a) the Proposed Information Officer has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Information Officer has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the

*Chartered Professional Accountants of Canada Handbook* (the “**Handbook**”) and accordingly, the Proposed Information Officer expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

- (b) some of the information referred to in this Pre-Filing Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Handbook, has not been performed.

2.2 Future-oriented financial information referred to in this Pre-Filing Report was prepared based on estimates and assumptions made by Yellow Parent’s management. Readers are cautioned that, since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, and the variations could be significant.

2.3 This Pre-Filing Report should be read in conjunction with the initial Affidavit of Matthew A. Doheny, sworn on August 7, 2023 (the “**Initial Doheny Affidavit**”), and the Affidavit of Matthew A. Doheny, sworn on August 24, 2023 (the “**Second Doheny Affidavit**”). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Initial Doheny Affidavit or the Second Doheny Affidavit, as applicable.

2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars.

### **3.0 A&M’S QUALIFICATIONS TO ACT AS INFORMATION OFFICER**

- 3.1 Alvarez & Marsal North America, LLC (“**A&M US**”) was engaged to act as consultant to Yellow Parent and its subsidiaries in July 2023. A&M US’s activities have included assisting Yellow Parent with financial planning and analysis, preparation of cash flow forecasts, and assisting with contingency and restructuring planning, including with respect to the commencement of the Chapter 11 Cases.
- 3.2 A&M Canada and A&M US are related to Alvarez & Marsal Holdings, LLC. Alvarez & Marsal Holdings, LLC is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. A&M Canada became involved with Yellow Parent as it became clearer that CCAA Recognition Proceedings would be necessary. The personnel of A&M Canada had not previously been involved in the activities of A&M US in respect of its engagement by Yellow Parent.
- 3.3 Through its recent engagement, the Proposed Information Officer has become familiar with the business and operations of the Canadian Debtors, and the key issues and stakeholders in the CCAA Recognition Proceedings. This familiarity will enhance the efficiency of the CCAA Recognition Proceedings.
- 3.4 A&M Canada is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and has significant experience in connection with proceedings under the CCAA, including acting as Information Officer in recognition proceedings of Sungard Availability Services, Knotel Canada, Brooks Brothers Canada,

Pier 1 Imports, Jack Cooper Ventures, Payless Shoes, Modular Space Holdings, LightSquared, Durabla Canada and others.

- 3.5 The senior A&M Canada professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants, Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees, who have acted in cross-border restructurings and CCAA matters of a similar nature in Canada.
- 3.6 The Proposed Information Officer has retained Cassels Brock & Blackwell LLP (“**Cassels**”) to act as its independent legal counsel.
- 3.7 A&M Canada has consented to act as Information Officer should this Court approve the requested Initial Recognition Order and the Supplemental Order. A copy of the consent is attached as Tab 4 to the Yellow Parent’s Application Record.

#### **4.0 BACKGROUND**

##### Company Overview

- 4.1 The Debtors, including the Canadian Debtors, are part of a 100-year-old trucking and logistics company (the “**Company**”), with one of the largest less-than-truckload (“**LTL**”) networks in North America that provided customers with regional, national and international shipping and LTL services. In 2022, the Company transported approximately 14.2 million shipments, for approximately 250,000 customers and generated more than \$5.2 billion in operating revenue.

- 4.2 Prior to the Petition Date, the Company employed nearly 30,000 people, of which approximately two thirds are members of the International Brotherhood of Teamsters, primarily comprised of drivers and dock, maintenance and clerical workers.
- 4.3 The Canadian Debtors were a relatively small part of the broader integrated corporate group. For the year ended December 31, 2022, the Canadian Debtors represented approximately 2% of the Company's consolidated revenue and approximately 2% of its workforce.
- 4.4 Prior to the commencement of the Chapter 11 Cases, the Canadian Debtors had 584 employees (563 full-time and 21 part-time), approximately 420 of which are unionized. In the days leading to the Chapter 11 Cases, the Debtors either terminated or placed on lay-off the majority of its workforce. In Canada, all of the unionized employees were placed on lay-off and all but approximately 65 non-unionized employees were terminated. Prior to the Petition Date, the Debtors paid approximately CAD\$4 million in respect of severance and statutory termination pay to the former Canadian employees.
- 4.5 The Canadian Debtors own three transportation service centres, two in Ontario and one in Quebec, and lease 13 additional transportation service centres in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. The Canadian Debtors' other assets consist primarily of cash, accounts receivable, operating leases, equipment and certain intercompany balances as between other Debtors. A summary balance sheet for the Canadian Debtors is attached to the Second Doheny Affidavit as Exhibit I.

4.6 Based on the Canadian Debtors' books and records, on or around the Petition Date, approximately CAD\$3.5 million was payable to unsecured trade creditors, primarily comprised of: (a) approximately CAD\$2.5 million payable to vendors, including parts suppliers, mechanics, landlords, logistics and service providers, and others; and (b) approximately CAD\$1.0 million payable to third-party owner/operators performing shipments on behalf of the Canadian Debtors.

4.7 A detailed discussion of the Debtors' business, including the events leading up to the Restructuring Proceedings, is provided in the Initial Doheny Affidavit.

#### Secured Credit Facilities

4.8 As of the Petition Date, the Debtors owed approximately \$1.2 billion in aggregate outstanding secured debt as summarized below. The Canadian Debtors have guaranteed the obligations under each of the facilities.

Facility	Approximate Outstanding Principal Amount
B-2 Term Loan Facility	\$485.3 million
UST Tranche A	\$337.0 million
UST Tranche B	\$400.0 million
ABL Facility	\$0.9 million
<b>Total</b>	<b>\$1,223.2 million</b>

4.9 Each of the Credit Facilities (as defined below) is described in detail in the Initial Doheny Affidavit. Key terms and components of the facilities include the following:

<b>Yellow's Prepetition Secured Credit Facilities</b>	
<b>B-2 Term Loan Facility</b>	
Borrower	<ul style="list-style-type: none"> <li>Yellow Parent</li> </ul>
Lender/Agent	<ul style="list-style-type: none"> <li>Alter Domus, as administrative agent and collateral agent.</li> <li>Apollo Global Management, LLC, as lead lender. As described below, Citadel Credit Master Fund LLC has acquired this position.</li> </ul>
Principal Outstanding	<ul style="list-style-type: none"> <li>\$485.3 million</li> </ul>
Security & Guarantors	<ul style="list-style-type: none"> <li>Perfected first-priority security interest in certain assets of the Company, including, but not limited to, all of the Company's wholly owned terminals and tractors and trailers (other than those certain tractors and trailers funded by the UST Tranche B loan, subject to limited exceptions).</li> <li>The Canadian Debtors are guarantors of and have granted security in respect of the B-2 Term Loan agreements.</li> </ul>
<b>UST Tranche A &amp; UST Tranche B</b>	
Borrower	<ul style="list-style-type: none"> <li>Yellow Parent</li> </ul>
Lender/Agent	<ul style="list-style-type: none"> <li>United States Treasury</li> <li>The Bank of New York Mellon, as administrative agent and collateral agent.</li> </ul>
Principal Outstanding	<ul style="list-style-type: none"> <li>UST Tranche A: \$337.0 million</li> <li>UST Tranche B: \$400.0 million</li> </ul>
Security & Guarantors	<ul style="list-style-type: none"> <li>The obligations under the UST Tranche A and UST Tranche B agreement are secured by: (a) perfected first-priority security interest in the controlled escrow or accounts supporting the respective UST Credit Facility; (b) a perfected junior priority security interest in substantially all other assets of the Company and guarantors; and (c) solely in the case of the UST Tranche B credit agreement, a perfected first priority interest in certain tractors and trailers that were funded with the proceeds of the UST Tranche B facility.</li> <li>The Canadian Debtors are guarantors of and have granted security in respect of the UST Tranche A and UST Tranche B obligations.</li> </ul>
<b>ABL Facility</b>	
Borrowers	<ul style="list-style-type: none"> <li>Yellow Parent, YRC Inc., USF Reddaway Inc., USF Holland Inc., New Penn Motor Express, Inc.</li> </ul>
Lender	<ul style="list-style-type: none"> <li>Citizens Business Capital, as administrative and collateral agent.</li> </ul>
Balance Outstanding	<ul style="list-style-type: none"> <li>\$0.9 million; plus</li> <li>\$359 million of undrawn Letters of Credit issued and outstanding.</li> </ul>



Security & Guarantors	<ul style="list-style-type: none"> <li>• Perfected first-priority security interest in accounts receivable, cash, deposit accounts and other assets related to accounts receivable of the loan parties.</li> <li>• Second-priority security interest in substantially all remaining assets of the borrowers and guarantors.</li> <li>• The Canadian Debtors are guarantors of and have granted security in respect of the ABL Facility obligations.</li> </ul>
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### Security Review

4.10 The Proposed Information Officer requested that Cassels, as counsel for the Proposed Information Officer, conduct a review of the Canadian law governed security delivered by the Canadian Debtors to the applicable agents (collectively “**Agents**”) in connection with each of the credit facilities described above (the “**Credit Facilities**”). For the security documents governed by the laws of the Province of Quebec and Quebec lien filings, Cassels retained Lapointe Rosenstein to conduct a review of such matters. Subject to customary qualifications and assumptions set out therein, Cassels and Lapointe Rosenstein delivered written reports and opinions to the Proposed Information Officer which confirmed the matters below. A copy of the reports will be made available to the Court upon request.

- (a) the real property charges against YRC Freight Canada’s owned real property in Ontario (which attach demand debentures which are governed by Ontario law) create valid charges of YRC Freight Canada’s interest in such owned real properties in favour of the Agents, and such charges have been registered against title to each of such owned real properties;

- (b) the personal property security agreements (which are governed by Ontario law) delivered by the Canadian Debtors to the Agents create valid security interests in the personal property collateral of the Canadian Debtors described therein and in respect of which the applicable PPSA applies in each of Ontario, Alberta and British Columbia, and subject to the immediately following sentence, such security interests have been perfected by the filing of PPSA financing statements by each applicable Agent in each of Ontario, Alberta and British Columbia. The agent for the ABL Facility (the “**ABL Agent**”) did not file an Ontario PPSA financing statement against USF, and accordingly, does not have a perfected security interest in the tangible assets of USF located in the Province of Ontario. USF is a dormant company with no operations, employees or assets, and accordingly, the non-filing has no practical effect; and<sup>2</sup>
- (c) the security documents delivered to the Agents and governed by the laws of the Province of Quebec (collectively, the “**Quebec Security Documents**”) create valid movable hypothecs by YRC Freight Canada and USF in favour of each Agent and each Agent filed registrations in the Quebec Movable Register (Quebec’s movable/personal property lien register) against the correct names of YRC Freight

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<sup>2</sup> Cassels is not licensed to practice law in the Provinces of Saskatchewan, Manitoba or Nova Scotia and did not deliver any opinions regarding the creation of valid security interests or the perfection of same in such provinces. However, Cassels did confirm that each Agent filed an “all asset” financing statements against each Canadian Debtor which correctly list the applicable Canadian Debtor’s name as the debtor, in the provinces in which the applicable Canadian Debtor is organized or in which the security documents indicate that such Canadian Debtor has assets.

Canada and USF to render the hypothecs opposable to third parties. The Quebec Security Documents create valid immovable (real property) hypothecs against the real property municipally known as 930 Route 147, Dixville Quebec (the “**Quebec Owned Real Property**”), and the Quebec real property search for the Quebec Owned Real Property current to August 11, 2023, confirmed that the Quebec Security Documents were registered against title to the Quebec Owned Real Property in favour of the Agents to render those hypothecs opposable to third parties.

#### Cash Management Systems

- 4.11 As described in the Initial Doheny Affidavit, the Debtors maintain two cash management systems (the “**USA Cash Management System**” and the “**Canada Cash Management System**”, collectively, the “**Cash Management Systems**”).
- 4.12 The Canada Cash Management System is comprised of fourteen bank accounts that handle the primary collection and disbursement of funds throughout the Canada Cash Management System (the “**Canada Bank Accounts**”). The Canada Bank Accounts are administered by the Debtors’ treasury department in the United States.
- 4.13 As at the Petition Date, the Canada Bank Accounts held a total of approximately \$1.8 million.

## **5.0 CENTRE OF MAIN INTEREST**

- 5.1 The Debtors, including the Canadian Debtors, are managed in the United States as an integrated group from a corporate, strategic and management perspective.
- 5.2 The Initial Doheny Affidavit describes the Debtors' integrated business. The Canadian Debtors are wholly dependent on Yellow Parent and other Debtors located in the United States for key leadership and managerial, accounting, finance and other critical functions typically performed by a corporate head office. The Initial Doheny Affidavit confirms that payroll for employees of YRC Freight Canada is processed in the United States and that the most significant creditors of each of the Canadian Debtors – being the prepetition secured creditors—are common creditors with the U.S. based-debtors.
- 5.3 Based on the foregoing, the Proposed Information Officer is of the view that it would be appropriate to recognize the Chapter 11 Cases as “foreign main proceedings” pursuant to the CCAA.

## **6.0 DIP FACILITIES**

- 6.1 During the period immediately leading to the commencement of the Chapter 11 Cases, the Debtors negotiated a DIP financing arrangement with certain of the lenders under the prepetition B-2 Term Loan Facility. The proposed DIP financing would have provided the Debtors with access to an aggregate amount of \$142.5 million of new money.
- 6.2 As discussed further in the Second Doheny Affidavit, in advance of the First Day Hearing the Debtors received two unsolicited, and in certain respects more favourable, alternative

DIP financing proposals from: (a) MFN Partners, L.P. (“**MFN Partners**”), Yellow Parent’s largest existing shareholder; and (b) Estes Express Lines (“**Estes**”), a third-party competitor to the Company. To further explore and consider these alternatives, the Debtors adjourned the scheduled DIP Motion hearing.

6.3 On August 17, 2023, a status conference was held before the U.S. Bankruptcy Court, at which, the Debtors advised that Citadel Credit Master Fund LLC (“**Citadel**”) had acquired all of the outstanding obligations under the B-2 Term Loan Facility, and that the Debtors had reached agreement in principle on a further revised DIP financing that was supported by all of the Debtors’ prepetition lenders. Debtors’ counsel advised that Citadel and MFN Partners had agreed to provide DIP financing on improved terms and that the Debtors had reached an agreement with a third party to act as a stalking horse purchaser for certain assets.

6.4 On August 18, 2023, after further negotiation, the Debtors filed under certification of counsel, and the U.S. Bankruptcy Court entered, the Interim DIP and Cash Collateral Order and the Interim UST Cash Collateral Order (each as discussed below). The DIP Term Sheet attached to the Interim DIP and Cash Collateral Order also contemplates that the Debtors will enter into a stalking horse purchase agreement with a different third-party for certain of the Debtors’ real property, but no relief is currently being sought from this Court in respect of any stalking horse purchase agreement.

Interim DIP and Cash Collateral Order

6.5 A copy of the Interim DIP and Cash Collateral Order is attached as Exhibit M to the Second Doheny Affidavit.

6.6 Pursuant to the Interim DIP and Cash Collateral Order, the Debtors are authorized, on an interim basis, to obtain \$142.5 million in new money DIP financing pursuant to the DIP Term Sheet. The DIP financing consists of the following:

Facility	Postpetition B-2 Facility	Junior DIP Facility	Total DIP Facility
Initial draw funded August 21	\$42.1 million	\$17.9 million	\$60 million
Second draw	\$26.3 million	\$11.2 million	\$37.5 million
Third draw	\$31.6 million	\$13.4 million	\$45 million
<b>Total</b>	<b>\$100 million</b>	<b>\$42.5 million</b>	<b>\$142.5 million</b>

6.7 The funding of the DIP financing is contemplated as follows:

- (a) the initial draw of \$60 million was funded on August 21, 2023, following the U.S. Bankruptcy Court’s entry of the Interim DIP and Cash Collateral Order;
- (b) the second draw of \$37.5 million can be borrowed following: (i) the Debtors filing an order approving bidding procedures for one or more sales of all or substantially all of the Debtors’ assets, such order to be acceptable to the DIP lenders; and (ii) the parties entering into final DIP Loan Documents; and
- (c) the third draw of \$45 million can be borrowed following a final order (the “**Final DIP Order**”) approving the DIP Facilities.

6.8 The DIP Term Sheet also provides for incremental financing of up to \$70 million under the Junior DIP Facility if such funding is required. Such incremental financing would be junior to all of the Debtors' existing prepetition secured debt.

6.9 The DIP Term Sheet is described in further detail in the Second Doheny Affidavit, and certain key terms and components are summarized and attached hereto in **Appendix "A"**. The DIP Term Sheet requires that the Foreign Representative obtain an order of this Court recognizing the Interim DIP and Cash Collateral Order within 15 days of the entry by the U.S. Bankruptcy Court.

Interim DIP and Cash Collateral Order

6.10 The Interim DIP and Cash Collateral Order, among other things: (a) authorizes the Debtors to use all Cash Collateral in accordance with the DIP Loan Documents and Approved Budget (each as defined in the Interim DIP and Cash Collateral Order); and (b) directs the Debtors to, on a daily basis, deliver 80% of the proceeds collected from the ABL Cash Collateral (as defined in the Interim DIP and Cash Collateral Order) to the Prepetition ABL Agent. The Interim DIP and Cash Collateral Order also authorizes the \$16.5 million paydown previously made by the Debtors to the Prepetition ABL Agent following the U.S. Bankruptcy Court's entry of the Interim Cash Collateral Order (which contemplated such paydown). As noted in the Second Doheny Affidavit, to date, all of the adequate protection payments to the Prepetition ABL Agent have been made by Debtors other than the Canadian Debtors.

6.11 As further discussed in the Second Doheny Affidavit, pursuant to the Interim DIP and Cash Collateral Order, the Debtors are not permitted to make payments in respect of accrued paid time off obligations on account of employees terminated prior to the Petition Date until all of the funded debt obligations, have been indefeasibly paid in full in cash. In Canada, the accrued vacation pay obligations on account of employees terminated or laid off prior to the Petition Date totaled approximately CAD\$2.45 million as of July 24, 2023.

#### DIP Charge

6.12 The DIP Term Sheet contemplates the granting of a court-ordered charge in favour of the DIP Secured Parties (as defined in the Interim DIP and Cash Collateral Order) on the Canadian Collateral, other than the UST Tranche B Priority Collateral (as defined in the DIP Term Sheet) (the “**DIP Charge**”), to secure the obligations outstanding from time to time under the DIP Facilities.

6.13 Accordingly, the Foreign Representative, requests the Court grant the DIP Charge over the Canadian Collateral (other than the UST Tranche B Priority Collateral), which would be subordinate to the proposed Administration Charge and the D&O Charge (each as defined below), and rank in priority to all other encumbrances, except: (a) to the extent of any encumbrances in favour of any person that did not receive notice of the application for the Supplemental Order; and (b) to the extent the Interim DIP and Cash Collateral Order provides that any such encumbrance ranks in priority to or *pari passu* with the liens granted in favour of the DIP Secured Parties pursuant to the Interim DIP and Cash Collateral Order.



## **7.0 ADDITIONAL ORDERS FOR WHICH RECOGNITION IS BEING SOUGHT**

7.1 In addition to the Interim DIP and Cash Collateral Order, the Foreign Representative is seeking recognition by this Court of several of the other U.S. Orders, each of which are, for the most part, common in Chapter 11 proceedings.

7.2 The Proposed Information Officer and its legal counsel have reviewed the terms of each of the U.S. Orders that the Foreign Representative is seeking recognition of and supports the recognition of such U.S. Orders by this Court.

7.3 Each of the orders for which recognition is being sought in the CCAA Recognition Proceedings is defined and further described in the Second Doheny Affidavit and copies are attached as Exhibits thereto.

## **8.0 COURT ORDERED CHARGES SOUGHT IN THE SUPPLEMENTAL ORDER**

8.1 In addition to the DIP Charge discussed above, through the Supplemental Order the Debtors are also seeking to establish an Administration Charge and the D&O Charge.

8.2 The priorities of the Charges are proposed to be as follows:

- (a) First – Administration Charge (to the maximum amount of CAD\$700,000);
- (b) Second – D&O Charge (to the maximum amount of CAD\$3.5 million); and
- (c) Third – DIP Charge.

### Administration Charge

- 8.3 The proposed Supplemental Order provides for the Administration Charge in the maximum amount of CAD\$700,000, securing the professional fees of Canadian counsel to the Debtors, the Information Officer and legal counsel to the Information Officer.
- 8.4 The Administration Charge is a customary protection provided to professionals assisting with insolvency proceedings. The Proposed Information Officer has reviewed the quantum of the proposed Administration Charge in this case and believes it is reasonable and appropriate in the circumstances.

### D&O Charge

- 8.5 The proposed Supplemental Order provides that the Canadian Debtors will indemnify their directors and officers against obligations and liabilities that they may incur in their capacity as directors and officers of the Canadian Debtors from the commencement of these CCAA Recognition Proceedings, which includes any obligations and liabilities for wages, vacation pay or termination or severance pay due to employees of the Canadian Debtors under the *Canada Labour Code* R.S.C., 1985, c. L-2, whether or not any such employee was terminated prior to or after the commencement of the Restructuring Proceedings except to the extent that any obligation or liability was incurred as a result of gross negligence or willful misconduct, and provides for a charge on the Canadian Collateral (as defined in the Second Doheny Affidavit) in the amount of CAD\$3.5 million in favour of the Canadian Debtors' directors and officers as security for any such obligations or

liabilities arising after the commencement of these CCAA Recognition Proceedings (the “D&O Charge”).

- 8.6 The Proposed Information Officer assisted the Canadian Debtors in the calculation of the D&O Charge, taking into consideration the amount of the Canadian Debtors’ payroll and vacation pay, statutory termination and severance obligations and HST. The Proposed Information Officer is of the view that the D&O Charge is required and reasonable in the circumstances.

## **9.0 PROPOSED INITIAL ACTIVITIES OF THE INFORMATION OFFICER**

- 9.1 The Supplemental Order proposes that following its appointment, the initial activities of the Information Officer will include:

- (a) establishing a website at <https://www.alvarezandmarsal.com/YRCFreightCanada> to make available copies of the Orders granted in the CCAA Recognition Proceedings as well as other relevant motion materials, reports and information;
- (b) coordinating publication of the notice of the Chapter 11 Cases and CCAA Recognition Proceedings in *The Globe & Mail (National Edition)* newspaper, commencing within five business days from the date of the Initial Recognition Order, once a week for two consecutive weeks;
- (c) responding to creditor inquiries regarding the Restructuring Proceedings;

- (d) providing such assistance to the Foreign Representative in the performance of its duties as the Foreign Representative may reasonably request;
- (e) providing the Court with periodic reports on the status of the Chapter 11 Cases, 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
- (f) engaging independent legal counsel in respect of the exercise of its powers and the performance of its obligations.

## **10.0 RECOMMENDATIONS**

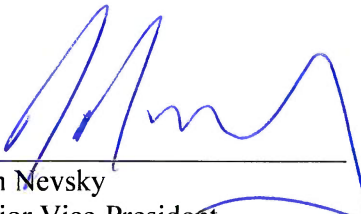
10.1 The Proposed Information Officer and its legal counsel have reviewed the terms of the Initial Recognition Order and the Supplemental Order, and believe that the relief sought by Yellow Parent, as set out in the form of orders submitted to the Court for approval, are fair and reasonable in the circumstances, having regard to the current status of the Canadian Debtors. The Proposed Information Officer believes that the terms of the Supplemental Order relating to its 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.

10.2 Based on the foregoing, the Proposed Information Officer respectfully recommends that this Court grant the relief requested by Yellow Parent in the Initial Recognition Order and the Supplemental Recognition Order.

All of which is respectfully submitted to the Court this 25th day of August, 2023.

**ALVAREZ & MARSAL CANADA INC.,**  
**Proposed Information Officer of the Canadian Debtors**  
**and not in its personal or corporate capacity**

Per:   
\_\_\_\_\_  
Alan J. Hutchens  
Senior Vice-President

Per:   
\_\_\_\_\_  
Josh Nevsky  
Senior Vice-President

## APPENDIX “A” SUMMARY OF DIP FACILITIES

DIP Facilities <sup>3</sup>	
Postpetition B-2 Facility	
Borrowers and Guarantors	<ul style="list-style-type: none"> <li>Yellow Parent, as borrower</li> <li>Each direct or indirect subsidiary which is a Loan Party, including the Canadian Debtors, as guarantors</li> </ul>
Lender	<ul style="list-style-type: none"> <li>Citadel (by its manager, Citadel Advisors LLC)</li> </ul>
Committed Financing	<ul style="list-style-type: none"> <li>\$100 million</li> </ul>
Interest & Fees	<ul style="list-style-type: none"> <li>Interest Rate: Alternate Base Rate + 8.5% per annum, cash paid</li> <li>Default Rate: Additional 2% per annum</li> <li>Upfront Fee equal to 4% of the Postpetition B-2 Facility (i.e., \$4.0 million) paid-in-kind in full on the Closing Date</li> </ul>
Security	<ul style="list-style-type: none"> <li>The Postpetition B-2 Facility shall have the same priority as the B-2 Secured Parties’ prepetition liens on all Collateral, as set forth in the Intercreditor Agreement and in the DIP Term Sheet, including, for the avoidance of doubt, first priority liens on all B-2 Priority Collateral, <i>pari passu</i> with the B-2 Secured Parties’ existing liens on the B-2 Priority Collateral, and senior to the Junior DIP Liens, and the liens of the Prepetition ABL Secured Parties and Prepetition UST Secured Parties, on the B-2 Priority Collateral.</li> </ul>
Junior DIP Facility	
Borrowers	<ul style="list-style-type: none"> <li>Yellow Parent, as borrower</li> <li>Each direct or indirect subsidiary which is a Loan Party, including the Canadian Debtors, as guarantors</li> </ul>
Lender	<ul style="list-style-type: none"> <li>MFN Partners, as lender</li> <li>Alter Domus Products Corp., as administrative agent and collateral agent</li> </ul>
Committed Financing	<ul style="list-style-type: none"> <li>\$42.5 million</li> </ul>

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<sup>3</sup> Capitalized terms used and not defined herein have the meanings given to them in the DIP Term Sheet.

Interest & Fees	<ul style="list-style-type: none"> <li>• Interest Rate: 15% per annum, cash paid</li> <li>• Default Rate: Additional 2% per annum</li> <li>• Closing Fee equal to 4% of the Junior DIP Facility (payable on the Maturity Date only if the B-2 Obligations have been paid in full)</li> </ul>
Security	<ul style="list-style-type: none"> <li>• Secured by, among other things: (a) a lien on the B-2 Priority Collateral that is junior to the B-2 Secured Parties' lien on such collateral, but senior to the Prepetition ABL Secured Parties' and Prepetition UST Secured Parties' lien on such collateral; and (b) junior liens on the Collateral securing the obligations of the Prepetition Secured Parties (other than as expressly set forth above with respect to the B-2 Priority Collateral).</li> </ul>
Maturity	<p>Borrowings shall be repaid in full and in cash, and the commitments shall terminate on the earliest of:</p> <ul style="list-style-type: none"> <li>• the Scheduled Maturity Date (which is expected to be in February 2024 and which may be extended pursuant to the DIP Term Sheet until 270 days from the Closing Date);</li> <li>• the effective date or the date of the substantial consummation (as defined in section 1102(2) of the Bankruptcy Code) of a chapter 11 plan in the Chapter 11 Cases that has been confirmed by an order of the Bankruptcy Court;</li> <li>• the date the Bankruptcy Court orders the conversion of the bankruptcy case of any of the Loan Parties to a liquidation under Chapter 7;</li> <li>• the date the Bankruptcy Court orders the dismissal of the bankruptcy case of any of the Loan Parties;</li> <li>• the acceleration of the loans or termination of the commitments under the DIP Facility, including as a result of the occurrence of an Event of Default; and</li> <li>• the date that is 45 calendar days after the Petition Date if the Final Order Entry Date shall not have occurred by such date; provided that no prepayment, repayment, repurchase, or exchange of borrowings under the Junior DIP Facility shall occur until the B-2 Obligations have first been indefeasibly paid in full in cash and any such prepayment, repayment, repurchase, or exchange shall otherwise be consistent with the priorities for liens and claims securing the DIP Facility.</li> </ul>

Milestones	<ul style="list-style-type: none"> <li>• No later than fifteen (15) calendar days after the Petition Date, the Bankruptcy Court shall have entered the Interim Order and the UST Adequate Protection Order, each in form and substance satisfactory to the Junior DIP Lender, the Junior DIP Agent, the B-2 Agent, and the B-2 Lenders.</li> <li>• By no later than fifteen (15) calendar days entry of the Interim Order, the Canadian Court shall have issued the Canadian Initial Recognition Order, the Canadian Supplemental Order and the Canadian Interim DIP Recognition Order.</li> <li>• No later than thirty (30) calendar days after the Petition Date, the Bankruptcy Court shall have entered the Bidding Procedures Order, in form and substance reasonably satisfactory to the Junior DIP Lender.</li> <li>• By no later than fifteen (15) calendar days after entry of the Final Order, the Borrower, in its capacity as foreign representative on behalf of the Debtors, shall have filed a motion with the Canadian Court for the recognition of, and the Canadian Court shall have issued, the Canadian Final DIP Recognition Order.</li> <li>• No later than forty-five (45) calendar days after the Petition Date, the Bankruptcy Court shall have entered the Final Order, in form and substance satisfactory in all material respects to the Junior DIP Lender, the Junior DIP Agent, the B-2 Agent, and the B-2 Lenders.</li> <li>• No later than ninety (90) calendar days after the Petition Date, the Debtors shall have received unique, non-duplicative binding cash bids for the B-2 Priority Collateral pursuant to the Bidding Procedures Order that would generate, in the aggregate, net cash proceeds of at least \$250 million.</li> <li>• No earlier than 120 calendar days after the Petition Date and no later than 150 days after the Petition Date (which deadlines may be extended pursuant to the terms of the DIP Term Sheet), the Debtors shall have consummated one or more sales of all or substantially all of their assets in accordance with the Bidding Procedures Order that generates net cash proceeds in respect of the B-2 Priority Collateral of at least 100% of outstanding obligations under the Junior DIP Facility and the B-2 Obligations and shall have indefeasibly repaid the B-2 Obligations and outstanding obligations under the Junior DIP Facility in full in cash.</li> </ul>
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF YRC FREIGHT CANADA COMPANY, YRC LOGISTICS INC., USF HOLLAND INTERNATIONAL SALES CORPORATION  
AND 1105481 ONTARIO INC.  
APPLICATION OF YELLOW CORPORATION UNDER SECTION 46 OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36,  
AS AMENDED

Court File No. CV-23-00704038-00CL

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

PROCEEDING COMMENCED AT  
TORONTO

**REPORT OF THE PROPOSED INFORMATION OFFICER**

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