

Court File No. CV-19-614593-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

BETWEEN:

CORNER FLAG LLC

APPLICANT

- and -

ERWIN HYMER GROUP NORTH AMERICA, INC.

RESPONDENT

SECOND REPORT TO COURT
OF ALVAREZ & MARSAL CANADA INC.
IN ITS CAPACITY AS COURT-APPOINTED RECEIVER AND MANAGER
OF ERWIN HYMER GROUP NORTH AMERICA, INC.

JUNE 10, 2019

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1.0 INTRODUCTION

- 1.1 This report (the “**Second Report**”) is filed by Alvarez & Marsal Canada Inc. (“**A&M**”) in its capacity as Court-appointed receiver and manager (in such capacity, the “**Receiver**”) without security, of all of the assets, undertakings and properties of Erwin Hymer Group North America, Inc. (“**EHGNA**” or the “**Company**”).
- 1.2 Pursuant to an order (the “**Appointment Order**”) of the Ontario Superior Court of Justice (the “**Court**”) made on February 15, 2019 (the “**Receivership Date**”) pursuant to an application by Corner Flag LLC (“**Corner Flag**”), A&M was appointed as Receiver of EHGNA. A copy of the Appointment Order dated February 15, 2019 is attached hereto as **Appendix “A”**. A copy of the First Report to Court of the Receiver dated March 20, 2019 (the “**First Report**”), without appendices, is attached hereto as **Appendix “B”**.
- 1.3 Background information with respect to EHGNA and the circumstances leading to the appointment of the Receiver are provided in the First Report.
- 1.4 On March 27, 2019, this Court made an Order (the “**Sales Process Order**”) attached to this Second Report as **Appendix “C”**, which among other things, approved, *nunc pro tunc*, the sales process described in Appendix “E” to the First Report (the “**Sales Process**”). Pursuant to the Sales Process, bids in respect of EHGNA’s Property (as defined in the Appointment Order) or any part or parts thereof, in the form of binding Letters of Intent (“**LOIs**”), were required to be submitted to the Receiver no later than 5:00 p.m. (Eastern

Time) on April 3, 2019, or such other later date or time as may be agreed by the Receiver with the consent of Corner Flag (the “**LOI Deadline**”).

1.5 The purpose of this Second Report is to:

- (a) provide an update on the Sales Process;
- (b) support the Receiver’s motion for orders, among other things:
 - (i) approving the Roadtrek APA and Roadtrek TSA (both as defined and described below);
 - (ii) approving the La Mesa Bill of Sale (as defined and described below);
 - (iii) approving the Infinity APA (as defined and described below);
 - (iv) authorizing but not obligating the Receiver to assign EHGNA into bankruptcy, and authorizing but not obligating A&M to act as trustee in bankruptcy;
 - (v) authorizing the Receiver to make an interim distribution to Corner Flag following the closing of some or all of the Transactions and to make such further distributions to Corner Flag as the Receiver deems appropriate without further Order of the Court (as described in greater detail below);
 - (vi) approving certain payments, *nunc pro tunc*, made by the Receiver, and authorizing the Receiver to make certain payments, in each case, to MBFS

and MBFS US in respect of MBFS Financed Collateral and MBFS US Financed Collateral (each as defined and described below), respectively, without further order of the Court;

- (vii) sealing **Confidential Appendices “A”, “B” and “C”** (each as described below) until further order of this Court;
 - (viii) approving the fees and disbursements of the Receiver for the period February 7, 2019 to May 18, 2019, and those of its legal counsel, Osler, Hoskin & Harcourt LLP (“**Osler**”), for the period February 10, 2019 to May 17, 2019; and
 - (ix) approving this Second Report and the activities of the Receiver described herein;
- (c) provide a general update on key aspects of the receivership proceedings (“**Receivership Proceedings**”), including the Receiver’s ongoing work with respect to RV Inventory (as defined below) and the respective claims of the Primary Secured Creditors (as defined below); and
- (d) describe the Receiver’s activities since the date of the First Report (March 20, 2019) to the date of this Second Report.

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this Second Report, the Receiver has relied upon unaudited financial information, books and records and other documents provided by, and discussions with, certain former management of EHGNA (collectively, the “**Information**”).
- 2.2 The Receiver has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Receiver 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 Canada Handbook, and accordingly, the Receiver expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.
- 2.3 This Second Report has been prepared for use by the Court and EHGNA’s stakeholders as general information relating to the Receivership Proceedings and to assist the Court in considering the relief sought herein. Accordingly, the reader is cautioned that this Second Report may not be appropriate for any other purpose. The Receiver will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Second Report different than the provisions of this paragraph.
- 2.4 The information contained in this Second Report is not intended to be relied upon by any investor or purchaser in any transaction with the Receiver.

- 2.5 All defined terms not otherwise defined in this Second Report are as defined in the Appointment Order or the First Report.
- 2.6 Unless otherwise stated, all monetary amounts contained in this Second Report are expressed in Canadian dollars.
- 2.7 Further information about EHGNA, its background and copies of all materials filed in the Receivership Proceedings are available on the Receiver's website at: www.alvarezandmarsal.com/ehgna (the "Case Website").

3.0 SALES PROCESS – ROADTREK TRANSACTION

- 3.1 Paragraph 3(n) of the Appointment Order authorized the Receiver to market any or all of the Property (as defined in the Appointment Order), including advertising and soliciting offers in respect of the Property or any part or parts thereof, and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate.
- 3.2 As described in the First Report, as authorized by the Appointment Order, the Receiver undertook the following initial steps to commence the Sales Process:
- developed a listing and contacted those parties that may be interested in acquiring some or all of the Property on a "turnkey" basis with a view to restarting some or all of the Company's former operations. This list was based on the Receiver's research of those parties that had participated in prior sales processes involving the Company, including the Global Sale Process, primary and secondary participants in the RV manufacturing

industry, financial sponsors with a focus on distressed businesses, and certain parties that had proactively expressed interest to the Receiver. The Receiver contacted 50 parties in total;

- negotiated Confidentiality Agreements (“**CAs**”) with interested parties and compiled information which was posted to an electronic data room (the “**Data Room**”). The Data Room was opened on March 3, 2019 for access by those parties that had executed a CA; and
- sent the Process Letter to the parties who executed CAs describing the proposed Sales Process, which Process Letter was attached as Appendix “F” to the First Report. The Receiver advised that the proposed Sales Process described in the Process Letter would be brought forward for Court approval.

3.3 On March 27, 2019, this Court made the Sales Process Order approving the Sales Process, *nunc pro tunc*, and authorized and directed the Receiver to implement the Sales Process.

3.4 In accordance with the Sales Process Order, bids in the form of binding Letters of Intent (“**LOIs**”) were required to be submitted to the Receiver no later than 5:00 p.m. (Eastern Time) on April 3, 2019, or such other later date or time as may be agreed by the Receiver with consent by Corner Flag (the “**LOI Deadline**”).

3.5 In addition to soliciting LOIs within the Sales Process for “turnkey” bids, on March 22, 2019, the Receiver wrote to a group of 17 liquidators by email as follows:

We are writing to you in our capacity as Court-appointed receiver and manager (“Receiver”) of Erwin Hymer Group North America, Inc. (“EHGNA”). EHGNA is an RV manufacturer with four facilities in and around Cambridge, Ontario.

The Receiver has initiated a Sales Process for the property, assets and undertakings of EHGNA and has been in contact with certain interested parties. On March 20, 2019, we served a Motion Record to, among other things, seek Court approval for the Receiver to further conduct and formalize the terms of the Sales Process. The motion is returnable on March 27, 2019. The Sales Process includes a deadline for submission of binding letters of intent by not later than 5:00 p.m. (Eastern Time) on April 3, 2019 (the “Bid Deadline”). The First Report of the Receiver and other information related to the receivership are available on the case website at: <https://www.alvarezandmarsal.com/ehgna>

While the Sales Process is focused on soliciting “turnkey” bids where a purchaser would restart a portion of EHGNA’s business and operations, the Receiver is also seeking liquidation bids in the event that a satisfactory “turnkey” bid does not emerge. To that end, if you are interested in participating in the process to submit a liquidation bid by the Bid Deadline, we ask that you execute and return the attached Confidentiality Agreement and we can then coordinate site visits at EHGNA’s facilities. We are in the process of preparing an Asset Parcel Information Package which will include parcel information, terms and conditions of sale, bid form, etc. We anticipate that the primary asset parcels will be: (i) raw materials inventory; (ii) manufacturing equipment; (iii) tow trailers; and (iv) office furniture and equipment.

- 3.6 In aggregate, the Receiver contacted or received inbound inquiries from 67 parties with potential interest in the Sales Process. Of those 67 parties, 33 executed CAs and were provided access to the Data Room. This group was comprised of: (i) 13 strategic parties that operate within the RV industry; (ii) 5 financial sponsors; and (iii) 15 liquidators. A separate data room was established specifically for liquidators.
- 3.7 During the period leading up to the LOI Deadline, the Receiver worked extensively with interested parties to coordinate site visits and meetings with former management, and to

respond to diligence information requests and questions. Ultimately, 9 parties (2 strategic turnkey bidders and 7 liquidators) submitted bids by the LOI Deadline. Neither Corner Flag (a secured creditor and sole shareholder), Thor Industries Inc. (“**Thor**”) (the acquirer of the shares of Erwin Hymer Group SE (“**EHG SE**”)), EHG SE (a secured creditor and former shareholder) or any related party submitted bids in the Sales Process.

- 3.8 During the days immediately following the LOI Deadline, the Receiver: (i) analyzed the bids received; (ii) discussed with the two turnkey bidders their respective bids to clarify certain aspects of their bids, including the assets proposed to be included and excluded from such turnkey transactions; and (iii) prepared a summary of all of the qualified bids received for discussion with Corner Flag, including the two turnkey bids. A summary of the bids received is provided in **Confidential Appendix “A”** attached hereto, which Confidential Appendix “A” the Receiver requests be sealed by this Court. The Receiver’s rationale for such request is provided in Section 17.0 of this Second Report.
- 3.9 After analyzing the bids and consulting with Corner Flag, the Receiver determined that the bid submitted by Rapido Groupe (“**Rapido**”) was a Qualified Bid pursuant to the terms of the Sales Process and is superior to the other offers submitted for a number of reasons, including, but not limited to:
- (a) the purchase price;
 - (b) the nature and limited number of conditions precedent, and the extent of further due diligence required, to negotiate an asset purchase agreement and close a transaction;

- (c) the provision of meaningful future employment opportunities for former employees of EHGNA; and
 - (d) the estimated net realizable value of the assets excluded from the bid, which would thereby remain available for the Receiver to sell and generate further recoveries.
- 3.10 The Rapido bid contemplates the acquisition of that part of EHGNA's business relating to the manufacturing, distribution and advertising of "Roadtrek" style and branded motorhome models in Canada and the United States (the "**Roadtrek Business**"). The results of the Sales Process with respect to the remaining assets of EHGNA are addressed in later sections of this Second Report.
- 3.11 Rapido is headquartered in Mayenne Cedex, France. It is the second largest RV company in France and the fourth largest in Europe, with over 1,500 employees. Rapido was founded in 1948 by the Rousseau family and remains 100% family owned.
- 3.12 On April 12, 2019, the Receiver and Rapido concluded a binding LOI (the "**Rapido LOI**"), subject to a series of conditions precedent including the completion of certain specific diligence by May 15, 2019 (the "**Additional Diligence Period**"), negotiation of a mutually acceptable form of asset purchase agreement, and the issuance of an approval and vesting order in form and substance satisfactory to Rapido by no later than June 14, 2019 (the latter condition being the "**Vesting Order Condition**"). Rapido concluded the Additional Diligence Period by May 15, 2019 and confirmed to the Receiver in writing on that date (as required under the Rapido LOI) its intention to proceed with the proposed transaction

set forth in the Rapido LOI (the “**Roadtrek Transaction**”). By execution of the Roadtrek APA, Rapido was deemed to have satisfied or waived all of the conditions precedent set out in the Rapido LOI, other than the Vesting Order Condition. The Vesting Order Condition was extended to June 17, 2019 by mutual agreement of the parties in writing. The proposed Roadtrek Transaction remains subject to the limited conditions set forth in the Roadtrek APA as described below, including the Vesting Order Condition.

- 3.13 On June 4, 2019, the Receiver and RT Acquisition Corp. (the “**Roadtrek Buyer**”), a special purpose entity incorporated by Rapido for the purpose of effecting the Roadtrek Transaction, executed an asset purchase agreement (the “**Roadtrek APA**”). A redacted copy of the Roadtrek APA is appended hereto as **Appendix “F”**. Key aspects of the Roadtrek APA are summarized in the following table (capitalized terms have the meanings ascribed to them in the Roadtrek APA):

Purchase Price	The balance of the Purchase Price, net of the Deposit and subject to any Purchase Price adjustment, to be paid on Closing.
Deposit	15% of the Purchase Price, refundable to the Roadtrek Buyer only in the event that the Receiver declines a Purchase Price adjustment or on termination of the Roadtrek APA by the Roadtrek Buyer in the event of a material breach by the Receiver.
Purchase Price Adjustment	The Roadtrek Buyer may request a Purchase Price reduction if new warranty issues are discovered between the execution date of the Roadtrek APA and the Closing, and only where the warranty issues exceed a \$500,000 materiality threshold and impact the Roadtrek Buyer Warranty described below. The Receiver, with the consent of Corner Flag, may either accept the Purchase Price reduction or terminate the Roadtrek APA.
Closing Date	No later than July 5, 2019, or such later date as agreed to by the Receiver, the Roadtrek Buyer and Corner Flag.

Purchased Assets	<p>The Roadtrek Buyer is purchasing the following assets relating to the Roadtrek Business:</p> <ul style="list-style-type: none"> a. “Roadtrek” branded recreational vehicle inventory, including raw chassis, work-in-process and finished goods and all related raw material and spare part inventory located in Ontario; b. fixed assets and equipment; c. certain prototype vehicles; d. the lease for 20 Tyler Street, Cambridge, Ontario (the “Lease”), including the security deposit but excluding tenant inducements; e. intellectual property solely relating to the Roadtrek Business; f. information technology systems, including hardware, software, licences and associated contracts; g. goodwill; h. business records; i. motor vehicles; and j. all dealer tags in the Receiver’s possession.
Assumed Liabilities	<p>The Roadtrek Buyer is assuming only the following liabilities:</p> <ul style="list-style-type: none"> a. cure costs under the Lease and other assumed contracts (which the Receiver expects to be minimal); b. post-Closing obligations under the Lease; c. post-Closing obligations relating to the Purchased Assets and the operation of the Roadtrek Business; d. certain post-Closing environmental liabilities relating to the Roadtrek Business and the Purchased Assets; e. post-Closing liabilities relating to the New Hires (as defined below);

	<p>f. post-Closing tax obligations relating to the Purchased Assets (excluding income tax) and 50% of any taxes payable with respect to the acquisition of the Purchased Assets under the Roadtrek APA;</p> <p>g. the Roadtrek Buyer Warranty obligations; and</p> <p>h. all liabilities relating to Permitted Encumbrances.</p>
Roadtrek Buyer Warranty	<p>The Roadtrek Buyer will honour warranty claims of up to \$1,500 per unit on “Roadtrek” vehicles forming part of the Purchased Assets for a two-year warranty period starting on the date of purchase by a consumer, but only for warranty claims made by the original purchaser. No warranty shall be provided in respect of certain itemized vehicles identified as Excluded Warranty Vehicles under the Roadtrek APA, which shall include vehicles potentially subject to the second row seating issue (described in Section 10.0 below).</p>
Transition Agreements	<p>The Roadtrek APA contemplates that the Receiver and the Roadtrek Buyer will enter into a transition services and occupation agreement (the “Roadtrek TSA”) on the Closing Date to provide for certain transition services between the parties. The Roadtrek Buyer will assist the Receiver in the preparation of tax returns, the preparation of employee forms (T4s and Records of Employment), and the collection of any pre-Closing accounts receivable, and will provide the Receiver with access to the Cambridge Facility to remove Excluded Assets and will assist in the removal of Excluded Assets. The Roadtrek Buyer’s employees will also facilitate the Receiver accessing the books and records conveyed to the Roadtrek Buyer for the purposes of discharging the Receiver’s duties in these Receivership Proceedings (and to any trustee in bankruptcy appointed in any bankruptcy proceedings). The Receiver will assist the Roadtrek Buyer in the remittance of any funds received by the Receiver post-Closing that constitute Purchased Assets and the transfer of any necessary licenses or permits post-Closing, and will provide the Roadtrek Buyer with access to the Company’s premises to remove Purchased Assets and will assist in the relocation of any Purchased Assets to the Cambridge Facility.</p> <p>Under the Roadtrek TSA, the Receiver will grant the Roadtrek Buyer a temporary license to occupy the premises at 25 Reuter Drive until August 31, 2019 for the purposes of transitioning the Roadtrek Business, which license period may be extended with the Receiver’s consent at the sole cost of the Roadtrek Buyer.</p>
Employees	<p>The Roadtrek APA contemplates that the Roadtrek Buyer may, but is not required to, offer employment to current or former employees of the</p>

	Company (such employees who accept employment offers being “ New Hires ”). The Receiver understands that the Roadtrek Buyer intends on offering employment to approximately 100-110 of these employees upon Closing or when production resumes post-Closing, with the stated goal of growing its workforce to more than 200 employees by the end of 2020.
Closing Conditions	<p>The Closing of the Roadtrek Transaction is subject to the following conditions precedent:</p> <ul style="list-style-type: none"> a. the proposed Approval and Vesting Order shall have been issued and entered; b. there shall be no Order, and no pending claim, proceeding or investigation, by a governmental authority preventing the Closing; c. the representations and warranties in the Roadtrek APA shall continue to be true in all material respects; and d. the Parties shall have performed their respective covenants in all material respects. <p>The Receiver notes that although the Roadtrek Buyer has covenanted to use its best efforts to seek a consent to the assignment of the Lease to the Roadtrek Buyer by the Closing Date, consent to such assignment is not a condition precedent to Closing.</p>

3.14 An initial deposit of 5% of the proposed purchase price was delivered by Rapido to the Receiver on April 3, 2019 on submission of its bid. A further 5% deposit was delivered by Rapido following execution of the Rapido LOI. A final 5% deposit was delivered by Rapido after expiry of the Additional Diligence Period.

3.15 The parent company of the Roadtrek Buyer, VDL Participation SAS (the “**Roadtrek Guarantor**”), has guaranteed the payment and performance of the Roadtrek Buyer’s obligations under the Roadtrek APA, the Roadtrek TSA and all related ancillary closing documents up to a maximum amount of the purchase price under the Roadtrek APA, less

the deposit; provided that the Roadtrek Guarantor has unconditionally guaranteed the Roadtrek Buyer's indemnity obligations under such documents. The Roadtrek Guarantor has provided the Receiver with satisfactory evidence of its financial wherewithal to satisfy its obligations under such guarantee.

3.16 It is a requirement of the Roadtrek APA that the Purchased Assets are conveyed to the Roadtrek Buyer free and clear of construction liens registered against title to the 20 Tyler Street premises. In addition, in order to grant consent to the assignment of the Lease to the Roadtrek Buyer, the Landlord requires that the Construction Liens (hereinafter defined) be vacated.

3.17 There are three construction lien claims registered on title to the 20 Tyler Street premises that are demised to the Company under the Lease:

- (a) WR1167102 registered on February 1, 2019 in favour of Jay Fencing Ltd. in the amount of \$65,002.12;
- (b) WR1169694 registered on February 19, 2019 in favour of Travis Mitchell (o/a Ash Electrical) ("**Ash Electrical**") in the amount of \$817,125.36; and
- (c) WR1174846 registered on March 22, 2019 in favour of Toromont Industries Ltd. ("**Toromont**") in the amount of \$14,064.92,

(collectively, the "**Construction Liens**").

- 3.18 The Receiver understands that Toromont acted as a subcontractor to Ash Electrical in respect of the services subject to the above-noted lien. Accordingly, the amount asserted to be owing by EHGNA in Toromont's lien may already be subsumed within the amount claimed by Ash Electrical. The Receiver understands that Ash Electrical has entered into bankruptcy proceedings, and MNP LLP has been appointed as the bankruptcy trustee.
- 3.19 Pursuant to the Lease, EHGNA is entitled to total tenant inducements of \$1.2 million, plus sales taxes (if applicable), subject to the terms and conditions contained in the Lease. The Lease further provides that the tenant inducements shall be available in up to three advances in accordance with applicable construction lien legislation, subject to a 10% holdback on each such advance, and shall be paid within thirty days of written request by EHGNA accompanied by paid invoices and a statutory declaration setting forth certain matters set forth in the Lease. Prior to the Receivership Proceedings, EHGNA made two draws against the tenant inducements totaling \$800,000, resulting in Gateway Business Campus Limited Partnership (the "**Landlord**") advancing \$720,000 to EHGNA net of the 10% holdback. As at the date hereof, the undrawn balance of tenant inducements under the Lease totals \$480,000. The Receiver has advised the Landlord that it is seeking payment of the tenant inducements.
- 3.20 The Receiver is presently in discussions with the Landlord and the Roadtrek Buyer with respect to the availability of such undrawn balance, the funding mechanism with respect to same and the completion of the work required to achieve office occupancy at the 20 Tyler Street premises. To the extent that the tenant inducements are not sufficient to satisfy the

Construction Lien claims, the Roadtrek Buyer has covenanted to fund up to \$150,000, if necessary.

- 3.21 The Receiver has reviewed the Construction Liens with Osler and has engaged in discussions with the Construction Lien claimants (and in the case of Ash Electrical, MNP LLP). The Receiver is presently gathering requisite documentation to validate the amounts owed to the Construction Lien claimants. Based on the Receiver's preliminary view, it appears that the Construction Liens are overstated as the value of the work performed is less than the value of the Construction Liens.
- 3.22 To address the Roadtrek Buyer's requirement that the liens be vacated, the proposed Approval and Vesting Order contemplates that the Construction Liens shall be vacated from title to the 20 Tyler Street premises and shall reattach to a reserve established from the net proceeds of the Roadtrek Transaction in an amount equal to the face value of the Construction Liens together with security for costs calculated in accordance with section 44(1) of the *Construction Act*. No amounts will be distributed from this reserve to Corner Flag or any other creditor in these proceedings until the Construction Lien claims have been fully and finally settled and discharged by mutual agreement between the Receiver and the holders of the Construction Liens, or on further order of the Court.
- 3.23 The Receiver is of the view that the Roadtrek Transaction is in the best interests of the stakeholders and recommends that this Court approve the Roadtrek Transaction as set out in the Roadtrek APA for the following reasons:

- (a) the proceeds realizable through the Roadtrek Transaction are meaningful and superior to all other bids received following a rigorous Court-approved Sales Process, and the Roadtrek Buyer has demonstrated its financial ability to close the Roadtrek Transaction on a timely basis;
- (b) the Receiver believes that the market has been thoroughly canvassed pursuant to the Court-approved Sales Process and the prior Global Sales Process and does not believe that further marketing will provide a superior offer for the estate;
- (c) the only remaining condition to closing is the Vesting Order Condition;
- (d) no further diligence is required by the Roadtrek Buyer in order to complete the Roadtrek Transaction;
- (e) the Roadtrek Transaction is expected to provide future employment opportunities for a meaningful number of former employees of EHGNA;
- (f) as demonstrated below, the Receiver was able to secure realizable value for the assets excluded from the Roadtrek Transaction, thereby generating further recoveries; and
- (g) the Roadtrek Transaction is supported by Corner Flag.

4.0 SALES PROCESS – LA MESA TRANSACTION

- 4.1 As previously indicated, as part of the comprehensive Sales Process, the Receiver in addition to soliciting turnkey bids also solicited offers for all property, assets and undertakings of the Company.
- 4.2 Certain assets excluded from the Roadtrek APA include, among other things, Hymer branded finished goods RV units (the “**Hymer RV Inventory**”). While the Receiver has continued to sell Hymer RV Inventory in the normal course throughout the Receivership Proceedings, the Receiver also sought opportunities to sell substantially all of the Hymer RV Inventory through three main channels, including:
- (a) soliciting interest from Thor, which had been the ultimate purchaser of the Hymer brand through its acquisition of EHG SE following the Global Sale Process;
 - (b) seeking proposals to sell substantially all of the Hymer RV Inventory from the three liquidators who had submitted liquidation offers to the Receiver during the Sales Process; and
 - (c) soliciting interest in the Hymer RV Inventory from Finished Product Dealers and former Finished Product Dealers of EHGNA.
- 4.3 Thor declined any interest in purchasing the Hymer RV Inventory. Based on the values contained in the indicative proposals received from the three liquidators in comparison to the multiple proposals received from Finished Product Dealers for some or all of the Hymer

RV Inventory, the Receiver determined that selling the Hymer RV Inventory through the existing Finished Product Dealer network would provide for the highest realizations in respect of the Hymer RV Inventory.

- 4.4 Due to the significant logistical issues, variations in pricing and timeframe that would be required to sell the Hymer RV Inventory on a piecemeal basis, the Receiver approached several large Finished Product Dealers in an effort to facilitate an “*en bloc*” purchase of the Hymer RV Inventory which could be transacted on a more expedited timeline. Following extensive discussions and negotiations, on June 6, 2019, the Receiver entered into a bill of sale (the “**La Mesa Bill of Sale**”) to sell substantially all of the Hymer RV Inventory to La Mesa R.V. Center, Inc. (“**La Mesa**”), subject to the terms and conditions described below (the “**La Mesa Transaction**”).
- 4.5 Below is a summary of certain provisions of the La Mesa Bill of Sale, which is attached to this Second Report as **Appendix “G”**. Due to the commercial sensitivity and confidential nature of the purchase price provided for in the La Mesa Transaction, both for individual RV units and in aggregate, exact values have been redacted in the La Mesa Bill of Sale.
- 4.6 The La Mesa Transaction contemplates the sale of 113 completed RV units (subject to potential adjustments as a result of the inspection period) using the “Hymer” or “Carado” brand are being purchased by La Mesa through the La Mesa Transaction, which represent substantially all of the Company’s remaining Hymer RV Inventory that is Finished Product.

- 4.7 The La Mesa Bill of Sale requires that the Receiver apply to the Court for approval of the La Mesa Transaction and the vesting of the Hymer RV Inventory to La Mesa free and clear of all claims, liens, charges and encumbrances.
- 4.8 Given the number of vehicles involved, and the logistics of transferring the same, the closing of the La Mesa Transaction shall occur in tranches, as summarized below (capitalized terms have the meanings ascribed to them in the La Mesa Bill of Sale):

Tranche	Number of RV Units	Closing Date
First Tranche Vehicle Inventory	28	Initial Closing Date: Earlier of June 21, 2019 and first Business Day following issuance of the proposed Approval and Vesting Order
Second Tranche Vehicle Inventory	28	Second Tranche Closing Date: Business Day following the Purchaser confirming delivery across the Canada/US border of the last vehicle of the First Tranche Vehicle Inventory
Third Tranche Vehicle Inventory	28	Third Tranche Closing Date: Business Day following the Purchaser confirming delivery across the Canada/US border of the last vehicle of the Second Tranche Vehicle Inventory
Fourth Tranche Vehicle Inventory	10	Fourth Tranche Closing Date: Business Day following the Purchaser confirming delivery across the Canada/US border of the last vehicle of the Third Tranche Vehicle Inventory
Fifth Tranche Vehicle Inventory	19	Fifth Tranche Closing Date: Business Day following the Purchaser confirming delivery across the Canada/US border of the last vehicle of the Fourth Tranche Vehicle Inventory, but no later than July 29, 2019
Total	113	

- 4.9 The Receiver will assist La Mesa in arranging the shipping and logistics of the Hymer RV Inventory to locations in the United States directed by La Mesa, which shall be at La Mesa's cost. The purchase price for any units that are not successfully shipped across the Canada/US border shall be refunded from the purchase price (or the La Mesa Deposit) received by the Receiver in respect thereof. Upon confirmation that the respective unit has crossed the Canada/US border and the expiry of any refund right, the Receiver will pay a portion of the purchase price received in respect of the First Tranche Vehicle Inventory and the Second Tranche Vehicle Inventory to Beaver Motors, Inc. ("**Beaver Motors**") in respect of any amounts owed by EHGNA to Beaver Motors for the raw chassis underlying the Hymer RV Inventory being sold in such tranches, in order to obtain the requisite title documentation to transfer to La Mesa. In order to gain sufficient access to the RV Inventory contemplated by the La Mesa Transaction for La Mesa to conduct their inspection and for the Receiver to address any deficiencies identified by La Mesa, the Receiver has paid Challenger Motor Freight Inc. ("**Challenger**") in full for any storage amounts owed in respect of the Hymer RV Inventory sold through the La Mesa Transaction (for which Challenger had a valid priority lien).
- 4.10 Following the closing of each tranche, the Receiver expects to issue a Receiver's Certificate to La Mesa (which Receiver's Certificate shall be filed with the Court) confirming that all conditions to the applicable closing have occurred and thereby effecting the vesting of the RV Inventory included in such tranche to La Mesa free and clear of all claims, liens, charges and encumbrances.

- 4.11 La Mesa has provided a deposit in the amount of US\$1 million (the “**La Mesa Deposit**”), which amount shall be released to the Receiver on the Initial Closing Date. The La Mesa Deposit shall be applied against the purchase price in respect of the Fifth Tranche Vehicle Inventory (the final tranche in the La Mesa Transaction).
- 4.12 Completion of the proposed La Mesa Transaction will enable the Receiver to realize upon a substantial portion of the remaining assets of the Company not included in the Roadtrek Transaction, on a timely and “*en bloc*” basis, allowing the Receiver to conclude this aspect of the Receivership Proceedings. The La Mesa Transaction contains limited conditions, a substantial deposit and is supported by Corner Flag.
- 4.13 The Receiver believes that completing the La Mesa Transaction is in the best interests of the Company’s stakeholders and recommends that this Court approve the La Mesa Transaction as set out in the La Mesa Bill of Sale for the following reasons:
- (a) the proceeds realizable through the La Mesa Bill of Sale are superior to the other bids received for such assets;
 - (b) the Receiver believes that the market has been thoroughly canvassed pursuant to the Court-approved Sales Process and the prior Global Sales Process and does not believe that further marketing will provide a superior offer for the estate; and
 - (c) the efficient nature of an “*en bloc*” sale of a substantial portion of the remaining assets of the Company not included in the Roadtrek Transaction enables a timely resolution of this aspect of the Sales Process.

5.0 SALES PROCESS – INFINITY ASSET SOLUTIONS TRANSACTION

- 5.1 As noted above, the Roadtrek APA provides for the sale of assets connected to the Roadtrek Business. It specifically excludes certain manufacturing equipment and raw materials inventory that are not connected to the Roadtrek brand or required by the Roadtrek Buyer to restart manufacturing operations at the 20 Tyler Street premises. It also specifically excludes certain office furniture and equipment. In order to realize upon the remaining assets of the Company (collectively, the “**Non-Acquired Assets**”) and to enable the Receiver to vacate the three (3) leased facilities (25 Reuter Drive in Cambridge, 100 Shirley Avenue in Kitchener and 400 Southgate Drive in Guelph) (the “**Remaining Premises**”) excluded from the Roadtrek Transaction, the Receiver contacted three (3) of the liquidators that had submitted bids in the Sales Process and asked them to re-submit bids for the Non-Acquired Assets only.
- 5.2 The Receiver provided these liquidators with an updated Asset Parcel Information Package that included, among other things, asset listings, parcel information, terms and conditions of sale, and a bid form. As the liquidators had previously visited EHGNA’s premises as part of the Sales Process and were familiar with EHGNA’s assets, the Receiver requested that the new liquidation offers be submitted to the Receiver no later than 4:00 p.m. (Eastern Time) on May 31, 2019 (the “**New Liquidation Bid Deadline**”).
- 5.3 During the time leading up to the New Liquidation Bid Deadline, the Receiver worked with the liquidators to arrange additional site visits, and to respond to updated diligence

information requests and questions. All three (3) liquidators submitted bids by the New Liquidation Bid Deadline.

- 5.4 During the days immediately following the New Liquidation Bid Deadline, the Receiver:
- (i) analyzed the bids received; (ii) discussed the bids with the liquidators to clarify certain aspects of the bids; (iii) prepared a summary of the bids received; and (iv) discussed same with Corner Flag. A summary of the bids received is provided in **Confidential Appendix “B”** attached hereto, which Confidential Appendix “B” the Receiver requests be sealed by this Court. The Receiver’s rationale for such request is provided in Section 17.0 of this Second Report.
- 5.5 After analyzing the bids and consulting with Corner Flag, the Receiver determined that the bid submitted by Infinity Asset Solutions Inc. (“**Infinity**”) is superior to the other offers submitted for a number of reasons including, but not limited to the following:
- (a) the proposed purchase price and ability of Infinity to complete the transaction;
 - (b) the estimated time for conducting an auction and ultimately enabling the Receiver to vacate the Remaining Premises; and
 - (c) the nature and limited number of conditions and further due diligence required to negotiate a definitive agreement.
- 5.6 On June 10, 2019, the Receiver and Infinity executed an Agreement of Purchase and Sale (the “**Infinity APA**”), which is attached to this Second Report as **Appendix “H”**. Infinity

also provided the Receiver with a deposit in an amount equal to approximately 19% of the purchase price thereunder. Key aspects of the Infinity APA are summarized below (capitalized terms have the meanings ascribed to them in the Infinity APA):

Purchase Price	The balance of the purchase price, net of the deposit and subject to any purchase price adjustment, to be paid on closing.
Deposit	19% of the purchase price, refundable to Infinity only on termination of the Infinity APA by Infinity in the event of either substantial damage to the purchased assets or a material breach by the Receiver.
Purchase Price Adjustment	The purchase price may be reduced if the Receiver excludes any purchased asset subject to an actual, pending or threatened claim by a third party, or as a result of loss or damage to the purchased assets prior to Closing.
Closing Date	No later than June 21, 2019, or such later date as agreed to by the Receiver and Infinity.
Purchased Assets	The purchased assets consist of certain machinery and equipment excluded from the Roadtrek Transaction, and certain non-Roadtrek parts and raw material inventory and certain other assets.
Conduct of Liquidation	Infinity will be permitted to have non-exclusive access to the Remaining Premises during the Liquidation Period, at no charge, to conduct a public auction of the purchased assets. Infinity has covenanted to leave the Remaining Premises in a clean and broom swept condition, and to be responsible for the first \$50,000 of cleanup costs relating thereto including for any remaining Purchased Assets. Infinity may add other equipment and machinery to enhance the sale of the Purchased Assets from the Premises during the Liquidation Period.
Liquidation Period	Infinity will have access to the Southgate facility and the Shirley facility until 4:30 pm on July 31, 2019, and access to the Reuter facility until 4:30 pm on August 15, 2019 to conduct the sale and removal of the purchased assets.
Closing Conditions	The closing of the Infinity transaction is subject to the following conditions precedent: <ul style="list-style-type: none"> a. the proposed Approval and Vesting Order shall have been issued and entered;

	<ul style="list-style-type: none"> b. there shall be no pending or threatened action or proceeding preventing the closing or the right of Infinity to own the purchased assets after closing; c. the representations and warranties in the Infinity APA shall continue to be true in all material respects; d. the Parties shall have performed their respective covenants in all material respects; and e. the Receiver shall not have lost its ability to convey the purchased assets to Infinity.
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5.7 The Receiver is of the view that the transaction contemplated under the Infinity APA is in the best interests of the stakeholders and recommends that this Court approve the entering into of the Infinity APA for the following reasons:

- (a) the amount and certainty of the purchase price, being superior to the other bids received, including liquidation bids received with net minimum guarantees;
- (b) the Receiver believes that the market has been thoroughly canvassed pursuant to the Court-approved Sales Process and the prior Global Sales Process and does not believe that further marketing will provide a superior offer for sales or liquidation bids for the estate;
- (c) the Liquidation Period; and
- (d) the “*en bloc*” nature of the sale and removal of a majority of the remaining assets of the Company not included in the Roadtrek Transaction or the La Mesa Transaction enables a timely resolution of this aspect of the Sales Process.

6.0 SALES PROCESS – REMAINING ASSETS

- 6.1 Certain RV Inventory and receivables relating to the sale of RV Inventory have been excluded from the Roadtrek Transaction, the La Mesa Transaction and the Infinity APA. This RV Inventory consists of Raw Chassis, WIP and Finished Product located in Canada and the United States. The Receiver intends to continue to settle outstanding receivables and sell this remaining RV Inventory on a piecemeal basis using the Company's existing dealer network and other sources to realize on the value thereof.

7.0 EMPLOYEES

- 7.1 The Receiver's activities with respect to EHGNA's former employees during the first 5 weeks of the Receivership Proceedings were described in the First Report. Since March 20, 2019 (the date of the First Report), the Receiver has continued to oversee and coordinate, with the assistance of certain former employees: (i) the administration of final payments to employees for amounts owed for wages, vacation pay and reimbursable expenses as of the Receivership Date; (ii) the issuance of Records of Employment; (iii) the issuance of T4s for 2018 and 2019; and (iv) the submission of claims by former employees under the Wage Earners Protection Program.
- 7.2 In total, the Receiver has re-engaged, at various points in time, a total of 42 former employees (as many as 31 at one time) (the "**Former Employees**") for various periods during the Receivership Proceedings, to maintain the "warm idle" status of the Company's operations and to assist in finance, operations and human resource duties, completion of

WIP inventory, reconciliation of claims by Chassis Dealers, identification and realization of Finished Product inventory, collection of accounts receivable, and assisting in the Sales Process.

- 7.3 The Former Employees have been instrumental in securing the Roadtrek Buyer as a turnkey buyer through assistance with diligence items, preparation of a go-forward business plan, preparation of a transition plan, and in providing other operational and financial insights.
- 7.4 The number of Former Employees and the functions of people engaged by the Receiver at any one time fluctuates depending on the tasks at hand, and the length of time to complete those tasks. The Receiver currently engages 26 former employees who will assist in realization of remaining assets, the closing of the Roadtrek Transaction, the La Mesa Transaction and the Infinity APA, and assist in transition activities, including but not limited to, the movement of inventory, equipment, books and records and other assets, vacating the leased premises, and the sale and shipment of inventory.

8.0 RV INVENTORY

- 8.1 Upon the appointment of the Receiver, multiple parties immediately advised the Receiver that they claimed title to certain of EHGNA's Class B recreational vehicle inventory, including raw material chassis, work-in-process units and finished goods inventory (the "**RV Inventory**"), and urgently sought the return of same. As described in detail in the First Report, the Receiver, in conjunction with Osler, carried out a factual and legal review and reconciliation (the "**Inventory Analysis**") of the RV Inventory in order to develop a

comprehensive understanding of the condition, state of completion, location, payment status, whereabouts of manufacturer's certification documentation and actual title to the RV Inventory, in order to determine EHGNA's right, title and interest in and to such RV Inventory. This assessment included discussions with the various Chassis Dealers and Finished Product Dealers (each as defined in the First Report) and those dealers' respective floor plan financing parties, as well as providers of warehousing services. It also included a review of all available documentation, which in many cases was lacking or not forthcoming. This extensive review was critical in order to determine which RV Inventory could be included in any potential sale of EHGNA's business and/or assets, and which RV Inventory, if any, should be returned on the basis of legal entitlement. The considerations incorporated in that exercise are described in extensive detail in the First Report.

- 8.2 The Inventory Analysis necessitated, among other things, identification of each unit of RV Inventory by its vehicle identification number ("**VIN**"), and a determination of the party in physical possession of the relevant unit and the associated Manufacturer's Statement of Origin ("**MSO**") for RV Inventory for sale in the United States or New Vehicle Information Statement ("**NVIS**") for RV Inventory for sale in Canada. The Receiver has completed its reconciliation of the RV Inventory and the persons holding the MSO or NVIS with the information provided by the Chassis Dealers and Finished Product Dealers and/or their respective floor plan financiers.

- 8.3 Based on the Inventory Analysis, the proposed transactions described herein, and the considerations described in the First Report, the Receiver has been and continues to address Raw Chassis, WIP and Finished Product as outlined below.

Raw Chassis

- 8.4 As noted in the First Report, after appointment, the Receiver became aware of more than 900 total Raw Chassis which were designated for production by EHGNA and which were (i) physically in transit, (ii) at third party storage warehouses, or (iii) at EHGNA's premises. EHGNA had paid for less than 35 of the Raw Chassis identified by the Receiver.
- 8.5 The Receiver has been dealing with such Raw Chassis as follows:
- (a) any non-Mercedes financed Raw Chassis for which EHGNA had not paid the respective Chassis Dealer have been made available for pick-up by such Chassis Dealer, in exchange for provision to the Receiver of appropriate releases (to the extent able to be obtained) and payment or other settlement by these Chassis Dealers of any storage and related charges. The Receiver has been working with the relevant Chassis Dealers to return or otherwise release such Raw Chassis;
 - (b) as reported in the First Report, there are Raw Chassis which have been financed by Mercedes-Benz Financial Services, a business unit of Mercedes-Benz Financial Services Canada Corporation ("MBFS") and Mercedes-Benz Financial Services USA LLC ("MBFS US"), held by EHGNA at its premises or in third party storage warehouses. The Receiver is working with MBFS and MBFS US to negotiate and

finalize releases and other mutually acceptable arrangements for the pick-up by MBFS and MBFS US of their respective Raw Chassis;

- (c) certain Raw Chassis are being sold to the Roadtrek Buyer pursuant to the Roadtrek Transaction, or to other third-party buyers. To the extent that EHGNA or the Receiver has not previously paid for such Raw Chassis, the Receiver proposes to provide the proceeds received in respect of such Raw Chassis to the relevant Chassis Dealer who originally supplied same (to the extent of the amount owing), in order to obtain the relevant title documentation for transfer to the purchaser thereof; and
- (d) the Receiver is in possession or control of certain Raw Chassis and associated title documentation not subject to the Roadtrek Transaction for which EHGNA had previously paid. The Receiver continues to market these Raw Chassis for sale to other customers; and
- (e) the Receiver understands that there are certain Raw Chassis supplied by Fiat Chrysler (“FCA”) that are located at storage facilities owned by Challenger (the “FCA Raw Chassis”). EHGNA was never invoiced for the FCA Raw Chassis and has not paid for same. Accordingly, the Receiver has notified FCA that such FCA Raw Chassis are not Property of EHGNA, that the Receiver does not claim any interest in such FCA Raw Chassis and that accordingly FCA should make arrangements with Challenger for the release and return of same. Where any of the

FCA Raw Chassis are located on EHGNA's premises, the Receiver will make arrangements with FCA for pickup of same.

WIP and Finished Product

8.6 The Receiver has been dealing with WIP and Finished Product as follows:

- (a) with respect to Finished Product where (i) a Chassis Dealer (including MBFS or MBFS US, as applicable) has been paid in full for the underlying Raw Chassis, and (ii) the Finished Product Dealer has paid EHGNA for the Finished Product in full, the Finished Product Dealer is entitled to the RV unit and the associated MSO/NVIS. Accordingly, the Receiver continues to arrange for delivery of such Finished Product and/or the associated MSO/NVIS to the relevant Finished Product Dealer, to the extent such Finished Product remains in EHGNA's possession;
- (b) with respect to WIP or Finished Product where (i) a Chassis Dealer (including MBFS or MBFS US, as applicable) has been paid in full for the underlying Raw Chassis, and (ii) a Finished Product Dealer has not yet paid EHGNA for the Finished Product, EHGNA is entitled to the MSO/NVIS, and the RV unit constitutes EHGNA's property (subject to the rights of secured creditors and any valid storer's lien). To the extent that this RV Inventory is not included in the Purchased Assets under the Roadtrek APA or in the purchased Hymer RV Inventory under the La Mesa Bill of Sale, the Receiver continues to market these assets for sale to third parties;

- (c) with respect to WIP or Finished Product where (i) the Chassis Dealer (including MBFS or MBFS US, as applicable) in respect of the underlying Raw Chassis has not been paid, and (ii) such WIP or Finished Product are being sold as part of the proposed Roadtrek Transaction or the La Mesa Transaction, the Receiver intends to pay the respective Chassis Dealer in respect of the underlying Raw Chassis on or prior to the applicable closing dates in order to obtain the relevant title documentation for the Roadtrek Buyer or La Mesa, as applicable;
- (d) with respect to WIP or Finished Product where (i) the Chassis Dealer (excluding MBFS or MBFS US) in respect of the underlying Raw Chassis has not been paid, and (ii) the WIP or Finished Product is not included in the proposed Roadtrek Transaction or the La Mesa Transaction, the Receiver continues to engage with the relevant Chassis Dealers to make arrangements to return or sell any such WIP or Finished Product. If such WIP or Finished Product is not returned, the Receiver will continue to sell such remaining assets;
- (e) with respect to WIP or Finished Product where (i) MBFS or MBFS US financed the underlying Raw Chassis, (ii) MBFS or MBFS US, as applicable, has not been paid, and (iii) where such WIP or Finished Product is not included in the proposed Roadtrek Transaction or the La Mesa Transaction, the Receiver proposes to deal with such WIP and Finished Product in the manner described in Section 15.0 below, in accordance with MBFS' and MBFS US' respective secured creditor priorities;

- (f) with respect to Finished Product shipped to Finished Product Dealers pre-receivership for which EHGNA or the Receiver has not been paid, the Receiver is attempting to collect from such Finished Product Dealers and/or sell the respective Finished Product to other Finished Product Dealers. If the Receiver receives proceeds in respect of these units and amounts owing for the underlying Raw Chassis have not been paid, the Receiver intends to pay for the underlying Raw Chassis on or prior to the applicable closing dates in order to obtain the relevant title documentation;
- (g) with respect to Finished Product shipped to Finished Product Dealers pre-Receivership for which EHGNA has been paid but for which amounts remain owing to the underlying Chassis Dealer (other than MBFS and MBFS US), the Receiver does not claim any interest in such Finished Product and the Receiver does not intend to pay such underlying Chassis Dealer for amounts owed;
- (h) the Receiver understands that certain original vehicle manufacturers have been delivering the required MSO/NVIS to retail consumers who have paid for and are in possession of a Finished Product RV (having purchased same from a Finished Product Dealer prior to the Receivership Date), but who are missing the requisite MSO/NVIS that would enable such consumer to use and drive the RV. The Receiver has facilitated the delivery of the MSO/NVIS that must be delivered by EHGNA along with the MSO/NVIS from the manufacturer (and, where applicable, the Chassis Dealer); and

- (i) the Receiver has released to EHG SE all Finished Product RVs paid for by EHG SE under the EHG SE Wells Fargo Guarantee in connection with the Vendor Agreement between EHGNA and Wells Fargo Commercial Distribution Finance, LLC, in exchange for appropriate releases.

8.7 A summary of the status of the Raw Chassis, WIP and Finished Product described above is outlined below:

<i>Expected Unit Outcome</i>	La Mesa Transaction	Roadtrek Transaction	To Be Realized Upon or Returned	Shipped to Dealers, Unpaid	Other	Total
<i>Unit Type</i>						
FG	113	41	8	16	-	178
WIP and R&D	-	31	20	-	2	53
Raw Chassis	-	23	9	-	-	32
Total	113	95	37	16	2	263

8.8 The Receiver has provided regular updates to Corner Flag, EHG SE and where relevant, MBFS and MBFS US in respect of the foregoing.

9.0 TOW TRAILERS

9.1 In August, 2018, EHGNA began selling its own manufactured “tow-behind” trailer, the “Hymer Touring”. The Hymer Touring is an ultralight-weight travel trailer with an expandable pop-up roof, intended to be towed behind smaller SUVs or light trucks. The Receiver understands that there have been quality issues with respect to the manufacturing

of these trailers. The Receiver is not aware of how many Hymer Touring trailers are owned by retail consumers.

- 9.2 The Receiver became aware in early March, 2019 that the running gear on the Hymer Touring trailers (the axle, brakes, hitch and breakaway device) had not been not tested by EHGNA for compliance with the CAN3-3313 standard required to be met by Transport Canada for all trailers. The Canadian Standards Association (the “CSA”) (the regulatory body for RVs sold in Canada) enforces this standard for house trailers. In the United States, the Department of Transportation does not require that trailers meet this standard; however, the RVIA (regulatory body for RVs sold in the U.S.) does require that trailers meet this standard in order to bear an RVIA certification mark.
- 9.3 The Receiver issued a notice on March 21, 2019 to all dealers known from the Company’s books and records to have purchased Hymer Touring trailers, which notice outlined the regulatory situation with respect to the running gear issue and indicated that further information could be obtained from the Receiver upon request. On several occasions, the Receiver has connected the manufacturer of the running gear with the purchaser of the Hymer Touring trailer to understand what, if anything, can be done to address this issue.
- 9.4 The Receiver analyzed the potential costs and benefits of engaging a third-party automotive testing company to test the running gear on the Hymer Touring trailers in EHGNA’s locations. Given the expected significant costs of such testing (and that the supplier of the running gear was demanding payment of pre-filing amounts owing by EHGNA before cooperating with the completion of such testing) and strong market demand for the trailers

in their existing state, the Receiver decided to sell the trailers on an “as-is, where-is” basis with full disclosure of the running gear issue to prospective purchasers.

9.5 The Receiver has sold 43 Hymer Touring trailers on this “as-is, where-is” basis. At the time of the sale, the Receiver required each purchaser to explicitly acknowledge that a component of the running gear (which includes the axle, brakes, hitch, and breakaway device) used in the Hymer H550 trailer has not been tested by the supplier or by EHGNA for compliance with the CAN3-D313-Trailer Running Gear Standard, which testing is required by Transport Canada.

9.6 The Receiver notes that the remaining Hymer Touring trailers and related components located at EHGNA’s premises that are not subject to sales agreements are included as Purchased Assets in the Infinity APA.

10.0 SECOND ROW SEATING ISSUE

10.1 In late April, 2019, during the Additional Diligence Period, the Roadtrek Buyer was provided with a test report dated November 30, 2016 (the “**2016 Test Report**”) by a former employee of EHGNA, on an unsolicited basis and without knowledge of the Receiver. Such former employee was never employed by the Receiver and was not authorized by EHGNA to be in possession of such report. Prior to the disclosure of the 2016 Test Report, neither management nor any former employee of EHGNA had alerted the Receiver of this issue.

- 10.2 The 2016 Test Report appeared to indicate that the second row seating in certain Roadtrek brand RV Inventory, such second row seating having been installed by EHGNA on the Mercedes 3500 Raw Chassis, did not pass Canadian Motor Vehicle Safety Standard (CMVSS) and Federal Motor Vehicle Safety Standard (FMVSS) 207, S4.2 (c) – Simultaneous application of required forces and S4.2.1 – Hold of adjustment position during the test (colloquially known as the “**Pull Tests**”). Upon review by the Receiver, it was determined that the Pull Tests were conducted in relation to a prototype seat pedestal that was in fact never put into production by EHGNA.
- 10.3 However, due to obvious heightened concern by the Receiver and the Roadtrek Buyer surrounding this potential issue, the Receiver and certain Former Employees conducted an extensive search of EHGNA’s books and records to attempt to ascertain whether passing Pull Tests had been conducted on the second row seats as in fact constructed by EHGNA. Upon such review of EHGNA’s books and records and following discussions with several Former Employees and former engineering partners, the Receiver was unable to locate any record of any Pull Tests which proved either passing or failing results in respect of this issue for Roadtrek brand RV Inventory.
- 10.4 Promptly following the review of the Company’s books and records, the Receiver contacted several third-party engineering firms to determine the time required to complete the required Pull Tests of the second row seats in Roadtrek Brand RV Inventory, either via simulation or via actual pull testing. The Receiver determined that the earliest possible date that Pull Tests could be completed would be June 5 and 6, 2019.

- 10.5 As a result of the uncertainty surrounding the construction of the second row seats, the Roadtrek Buyer excluded all RV Inventory potentially affected by this issue from any future warranty or other obligation assumed by the Roadtrek Buyer through the Roadtrek Transaction.
- 10.6 On June 6, 2019, the Receiver was informed by the engineering firm retained by the Receiver that the design as historically constructed by EHGNA and its predecessors did not pass the Pull Tests.
- 10.7 The Receiver understands that this configuration of second row seating could have been installed in over 1900 RV Inventory units sold by EHGNA between 2013 and 2019. The Receiver is not aware of any historical claims being made against EHGNA related to the second row seating.
- 10.8 The Receiver is in the process of formally notifying Transport Canada and the National Highway Transportation Safety Administration (“**NHTSA**”) regarding this issue pursuant to their respective guidelines, which will include notification to Finished Product Dealers and end customers. The Receiver will report further on this issue.

11.0 INSURANCE CLAIM

- 11.1 As further detailed in the First Report, Roadtrek Motorhomes Inc. (“**Roadtrek**”) was acquired by the Erwin Hymer Global Group in February, 2016 to facilitate an expansion by the Erwin Hymer Global Group into the North American market. Pursuant to a share

purchase agreement dated February 17, 2016 (the “SPA”), EHGNA acquired all of the outstanding shares of Roadtrek. Subsequent to the acquisition, EHGNA and Roadtrek merged to continue as EHGNA.

- 11.2 Following the issuance of the Appointment Order, the Receiver became aware that as part of the SPA and related purchase transaction, EHGNA acquired a buyer-side “representations and warranties” insurance policy issued by ACE INA Insurance (now Chubb Insurance Company of Canada (“**Chubb**”)) in respect of certain representations and warranties made by Roadtrek pursuant to the SPA (the “**R&W Policy**”).
- 11.3 The R&W Policy has a coverage limit of US\$7.5 million, subject to a Retention of US\$735,000.
- 11.4 Upon review of the R&W Policy, in consultation with counsel to Corner Flag, and in the context of the allegations of financial irregularities, it was determined by the Receiver that Roadtrek may have breached several representations to EHGNA, including representations with respect the fact that Roadtrek’s financial statements presented fairly, in all material respects, the operations and cash flows of the Company for the years ended December 31, 2013, December 31, 2014 and for the 10 month period ended October 31, 2015.
- 11.5 Accordingly, on March 25, 2019, the Receiver filed a claim under the R&W Policy, informing Chubb of a breach or possible breach of the SPA, which may constitute a Loss under the R&W Policy.

- 11.6 The Receiver has had some preliminary correspondence with Chubb and continues to consider this matter in consultation with its Primary Secured Creditors.

12.0 CHAPTER 11 PROCEEDINGS OF JRV GROUP USA L.P.

- 12.1 JRV Group USA L.P. (“**JRV**”), formerly Erwin Hymer Group Holding USA L.P., a United States affiliate of EHGNA, filed a voluntary petition under Chapter 11 of Title 11 of the United States Bankruptcy Code, in the United States Bankruptcy Court for the District of Delaware (the “**US Court**”) on May 13, 2019 (the “**Petition Date**”).
- 12.2 As described in the Declaration of Andrew De Camara (the Chief Restructuring Officer of JRV) in Support of First Day Motions, filed with the US Court:
- (a) JRV was established in January 2015 to carry on the business of Erwin Hymer Group in the United States. However, in 2016, all business activities of JRV were stopped, and it became a shell company, while EHG Global built out its Canadian operations through EHGNA. JRV resumed operating activities in November, 2017 acquiring assets to be used to “upfit” Jeep Wranglers. It operated as a second-tier original equipment manufacturer and alterer, focused on adding features to Jeep Wranglers, such as a tent for camping, that would make them more desirable for recreational vehicle dealers to sell to end users/customers. JRV operates from leased facilities in Ontario, California;

- (b) JRV owns approximately 323 Jeep Wranglers that it modified prepetition. However, the Receiver understands that the great majority of the modified Jeeps are not in compliance with United States safety regulations, because they exceed applicable gross vehicle weight ratings (“**GVWRs**”). On March 7, 2019, JRV notified the NHTSA that approximately 145 non-compliant modified Jeeps had been delivered to dealers. Beginning on March 8, 2019, JRV notified the dealers not to sell any of the modified Jeeps. Thereafter, beginning on March 15, 2019, JRV began contacting consumer purchasers of modified Jeeps to inform them that they must stop driving the vehicles. The Receiver understands that 8 of 11 of such consumer purchasers had been contacted as of the Petition Date;
- (c) in March, 2019, JRV terminated approximately 46 employees, reducing the total employee count from approximately 73 to 28 employees. The employee count as of the Petition Date was 26;
- (d) prior to the commencement of the Chapter 11 proceedings, in order to minimize risk to public safety, ensure an efficient disposition of JRV’s vehicle inventory and otherwise maximize value for creditors and other stakeholders, Corner Flag provided secured funding to pay for advisors, satisfy JRV’s near term liquidity needs, evaluate potential wind-down alternatives (in or out of Court) and initiate the recall process for the non-compliant vehicles; and
- (e) JRV retained Sherwood Partners Inc. (“**Sherwood**”), a financial advisory firm, to assess the operations and financial condition of JRV. Mr. De Camara is a Senior

Managing Director of Sherwood. Ultimately following such assessment, it was determined to wind-down JRV's affairs in Chapter 11. Corner Flag has agreed to fund the wind-down in Chapter 11, subject to the terms of a DIP Financing Motion, in order to continue to enable JRV to achieve the goals of minimizing any harm from non-compliant vehicles and maximizing value for creditors and other stakeholders, including through efficient disposition of JRV's inventory.

- 12.3 Prior to the Receivership Date, EHGNA provided certain administrative/shared service functions to JRV, including vehicle purchasing, sales invoicing and accounts receivable administration. Also, JRV utilized a third-party payroll processor to administer its payroll, and, rather than establishing its own account for a small number of employees, EHGNA arranged for JRV to provide payroll processing (through its payroll processor) for approximately ten (10) sales employees of EHGNA that were domiciled in the United States.
- 12.4 Relevant to the Receivership Proceedings, over the latter part of 2018, EHGNA paid a US dealer for approximately 479 Jeeps that were delivered directly to JRV in Ontario, California. EHGNA recorded the purchases as an intercompany receivable due from JRV and JRV similarly recorded the purchases as an intercompany payable due to EHGNA. The Jeeps were shown on JRV's books as assets. As at December 31, 2018, the books and records of EHGNA showed an intercompany receivable due from JRV in the amount of approximately US\$10.5 million.

- 12.5 Following extensive review of available accounting records and other supporting documentation, as well as discussions with former management/accounting personnel of EHGNA and JRV, the Receiver, with the assistance of Osler, has concluded that title to the Jeeps rests with JRV. The Receiver engaged with counsel to Corner Flag and EHG SE, as its assessment of title would affect any economic interest the two secured creditors could potentially claim in the Jeeps. Both secured creditors confirmed to the Receiver that they supported the Receiver's assessment in this regard. In addition, at this time, JRV advised the Receiver that insolvency alternatives were being assessed. Cash flow forecast information provided to the Receiver by Sherwood showed that, within an insolvency proceeding, realizations from JRV's assets may be insufficient to repay DIP borrowings required to implement the recall and wind-down JRV's business and operations.
- 12.6 Based on the foregoing, the Receiver entered into a Confirmation & Release Agreement dated May 9, 2019 with JRV, wherein: (i) the Receiver confirmed that the Jeeps and their MSOs do not form any part of the Property of EHGNA and quitclaimed any and all interests and/or ownership right, if any, in the Jeeps and their MSOs to JRV; and (ii) JRV released the Receiver from any claims in respect of and arising from or in connection with the Jeeps, MSOs and the NHTSA recall process.
- 12.7 The Receiver will continue to monitor developments in the Chapter 11 proceedings on behalf of EHGNA. BMC Group, Inc. has been appointed as the Claims and Noticing Agent for JRV (the "**Claims Agent**"). All Court-filed documents in the Chapter 11 proceeding are available on the Claims Agent's website at: www.bmcgroup.com/jrvgroup.

13.0 PROPOSED BANKRUPTCY ASSIGNMENT

- 13.1 The Receiver has received correspondence from the Canada Revenue Agency (“**CRA**”) on April 8, 2019 (the “**April 8 CRA Letter**”), wherein the CRA is raising an assessment pursuant to paragraph 296(1)(b) of the *Excise Tax Act*. Enclosed with the April 8 CRA Letter was a final statement of audit adjustments to be made to EHGNA’s HST return for the period January 1 to 31, 2019, where the CRA will disallow GST/HST not paid to Canadian suppliers based on the list of unsecured creditors attached as Appendix A to the Notice and Statement of the Receiver (the “**Creditors’ Notice**”) required pursuant to subsections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (“**BIA**”). The adjustment shown in the April 8 CRA Letter is \$4,534,385 and was calculated based on 13/113 of \$39,414,270, being CRA’s determination of Canadian suppliers listed in Appendix A to the Creditors’ Notice. The April 8 CRA Letter states that the Receiver has thirty (30) days from the date of the letter to submit additional representations or explanations which the CRA will consider before (re)assessing the return.
- 13.2 The Appointment Order does not specifically authorize the Receiver to assign EHGNA into bankruptcy.
- 13.3 The Receiver expects that, if a full analysis of EHGNA’s HST/GST liability was conducted, it would prove to be materially different than the amounts asserted in the April 8 CRA Letter after taking into account: (i) amounts actually claimed on EHGNA’s HST returns prior to the Receivership Proceedings, as compared to amounts included in the

statement of adjustments; (ii) whether input tax credits were applicable to all creditors included in the statement of adjustments; (iii) invoices relating to goods returned to vendors during the course of the Receivership Proceedings; and (iv) reductions for bad debts on sales that were not collected but where the sale was recorded in HST returns prior to the Receivership Proceedings.

- 13.4 Notwithstanding the foregoing, the Receiver is seeking the authority (but not the obligation) from the Court to assign EHGNA into bankruptcy, in order to facilitate the scheme of creditor priorities provided for pursuant to the BIA.

14.0 RECEIVER'S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 14.1 A summary of the Receiver's Interim Statement of Receipts and Disbursements for the period March 9, 2019 to June 1, 2019 (the "**Reporting Period**") is provided below (all amounts are inclusive of HST where applicable):

Receipts & Disbursements	CAD	USD
Receipts		
Account Receivable Collections	\$ 396	\$ 1,212
Fixed Asset Sales	6	-
Other	165	-
Sale of Company Vehicles	1,524	507
Total Receipts	\$ 2,090	\$ 1,719
Disbursements		
Costs of Goods Sold	\$ (704)	\$ (360)
Payroll and Employee Amounts	(1,425)	(143)
Professional Fees	(2,172)	(2)
SG&A and Other	(519)	(67)
Utilities & Occupancy Costs	(1,555)	-
Total Disbursements	\$ (6,375)	\$ (572)
Net Cash Flow (CAD)	\$ (4,285)	\$ 1,147
Opening Cash Balance	\$ 3,906	\$ 528
Net Cash Flow	(4,285)	1,147
Ending Cash Balance	\$ (379)	\$ 1,675

Receipts – March 9, 2019 to June 1, 2019

14.2 Receipts for the period, excluding deposits received in connection with the Roadtrek APA and the La Mesa Bill of Sale, totaled approximately \$2.1 million and US\$1.7 million, comprised primarily of:

- (a) accounts receivable collections for amounts that had existed as at the Receivership Date of approximately \$396,000 and US\$1.2 million;
- (b) fixed asset and other inventory sales of approximately \$6,000;
- (c) other sales and collections of approximately \$165,000; and

- (d) sale of 64 RV Inventory units to dealers for net proceeds of approximately \$1.5 million and US\$500,000.

Disbursements – March 9, 2019 to June 1, 2019

14.3 Disbursements for the period totaled approximately \$6.4 million and US\$572,000, comprised primarily of:

- (a) costs of goods sold relating to the sale of RV Inventory and collection of accounts receivable (including payment for underlying Raw Chassis for Finished Product sold to facilitate delivery of the underlying MSO or NVIS) of \$704,000 and US \$360,000;
- (b) payroll and related amounts of \$1.4 million for Canadian EHGNA employees and US\$143,000 for a small number of EHGNA employees domiciled in the United States;
- (c) professional fees including payments of invoices rendered by the Receiver and by Osler during the Reporting Period (inclusive of HST);
- (d) selling, general & administrative costs including security, storage, and IT service costs of \$519,000 and US\$67,000; and
- (e) utility & occupancy costs for April, May and June of approximately \$1.6 million.

14.4 Corner Flag provided funding to the Receiver pursuant to the terms of a Court-approved Receiver's Term Sheet. The Initial Term of the Receiver's Term Sheet has been extended

to June 19, 2019. Provided the relief requested herein is granted, Corner Flag has indicated that it would further extend the Receiver's Term Sheet to July 5, 2019.

- 14.5 The Receiver expects to have sufficient cash available to fund the Receivership Proceedings during the anticipated remainder of these Receivership Proceedings, provided the transactions contemplated by the Roadtrek APA, the La Mesa Bill of Sale and the Infinity APA (collectively, the "**Transactions**") close as contemplated herein.

15.0 CREDITOR PRIORITIES

- 15.1 As described in detail in the First Report, Corner Flag, EHG SE, MBFS and MBFS US claim security over the Property of EHGNA (collectively, the "**Primary Secured Creditors**"). Subject to usual and customary qualifications and assumptions, Osler has confirmed to the Receiver that the security held by these secured creditors is valid and enforceable in respect of the collateral covered by their respective security. In addition to reviewing the security, Osler has considered the relative priorities of the Primary Secured Creditors to assist the Receiver in understanding the respective rights of the Primary Secured Creditors, and certain other creditors, prior to seeking approval of the Court in respect of any distributions to such secured creditors.

Corner Flag

- 15.2 As of the date of this Second Report, there is currently approximately \$5.1 million (plus any other chargeable amounts) owing to Corner Flag under the EHGNA Promissory Note, which is secured by the Corner Flag Security (each as defined in the First Report).
- 15.3 As noted above, Corner Flag also provided financing to the Receiver in its capacity as Receiver of EHGNA pursuant to the terms of the Receiver's Term Sheet. Amounts borrowed under the Receiver's Term Sheet are secured by the Receiver's Borrowings Charge and are to be repaid in priority to other amounts owing to Corner Flag and EHG SE, in accordance with the terms of the Appointment Order (which provides that borrowings under the Receiver's Term Sheet shall be repaid in priority to any secured creditors who received notice of the initial application in these Receivership Proceedings, being Corner Flag and EHG SE).
- 15.4 As of the date of this Second Report, there is currently approximately \$3.3 million (plus any other chargeable amounts) outstanding pursuant to advances made under the Receiver's Term Sheet.

EHG SE

- 15.5 As of the date of this Second Report, the Receiver understands that approximately \$6.5 million and US\$1.3 million remain owing to EHG SE under the TD Loan Agreement, as assigned to EHG SE, which amounts are secured by the EHGNA TD Security and the EHG Chassis TD Security.

- 15.6 In addition to the amounts owing in respect of the TD Loan Agreement, and as previously described in the First Report, EHGNA also borrowed approximately \$1.8 million from EHG SE to fund immediate net payroll obligations (the “**EHG SE Payroll Advance**”), which amounts remain outstanding as of the date of this Second Report and are secured by the EHG SE GSA.
- 15.7 EHG SE has also asserted that it is owed in excess of \$32.3 million above the amount owing under the TD Loan Agreement and the amount of the EHG SE Payroll Advance. The Receiver understands that this claim consists of payments that have been made by EHG SE since the date of the Appointment Order in respect of certain secured guarantee obligations. The Receiver will continue to work with EHG SE in respect of their claims.

MBFS

- 15.8 MBFS extended credit to EHGNA pursuant to the MBFS Financing Agreement to finance, among other things, the purchase of raw chassis, which amounts are secured by the EHGNA MBFS Security and the EHG Chassis MBFS Security. MBFS has asserted a secured claim in the amount of approximately \$2.2 million in respect of the MBFS Financed Collateral.
- 15.9 In addition, the Receiver sold four (4) Finished Product units built on MBFS Raw Chassis, and subsequently paid MBFS the chassis balance owing on these units of \$236,645.96 to obtain the required title documentation to transfer the purchased assets to the unit purchaser.

- 15.10 Pursuant to the Inventory Analysis described above, the Receiver is coordinating the return to MBFS of all Raw Chassis constituting MBFS Financed Collateral previously in the possession of EHGNA or at its storage facilities, in exchange for a release of claims in respect of these Raw Chassis in the amount of \$350,256.16.
- 15.11 In addition, the Receiver proposes to pay MBFS \$1,093,430.96 to obtain the required title documentation to transfer the purchased assets under the Roadtrek Transaction to the Roadtrek Buyer, which is necessary to complete the Roadtrek Transaction.
- 15.12 As a result, the Receiver expects that MBFS will have a revised secured claim of approximately \$500,312.26 after payment of these amounts.

MBFS US

- 15.13 EHG Chassis was independently financed by MBFS US under the MBFS US Financing Agreement to facilitate the acquisition and holding, *inter alia*, of chassis, attachments and accessories. Amounts borrowed by EHG Chassis are secured by the EHG Chassis MBFS US Security. EHGNA guaranteed any obligations of EHG Chassis under the MBFS US Financing Agreement pursuant to a Continuing Cross-Guaranty in favour of MBFS US and Daimler Trust dated February 19, 2016 (the “**EHGNA MBFS US Guarantee**”).
- 15.14 The Receiver understands that Raw Chassis financed by MBFS US would, in the normal course, ultimately be shipped to Canada for production by EHGNA.

- 15.15 MBFS US has asserted a secured claim against EHG Chassis, and a corresponding unsecured claim against EHGNA under the EHGNA MBFS US Guarantee, of approximately US\$2.8 million in respect of the MBFS US Financed Collateral.
- 15.16 As indicated above, and in accordance with the Inventory Analysis, the Receiver is negotiating arrangements with MBFS US to coordinate the return of any Raw Chassis in its possession (or in the possession of third-party storage warehouses) constituting MBFS US Financed Collateral in exchange for a release of claims in respect of these Raw Chassis in the amount of US\$726,753.
- 15.17 The Receiver sold one (1) Finished Product built on MBFS US Raw Chassis post-receivership, and paid US\$46,776 to MBFS US in respect of such underlying MBFS US Raw Chassis in order to obtain the required title documentation to transfer to the purchaser. The Receiver also notes that certain third parties paid US\$98,723 in respect of two (2) Finished Products sold to end consumers on behalf of EHG Chassis in order to obtain the required title documentation for such end consumers.
- 15.18 In addition, the Receiver proposes to pay MBFS US US\$499,377 to obtain the required title documentation to transfer the purchased assets under the Roadtrek Transaction to the Roadtrek Buyer, which is necessary to complete the Roadtrek Transaction.
- 15.19 As a result, the Receiver expects that MBFS US will have a revised unsecured claim against EHGNA of approximately US\$1,236,709 after payment of these amounts. To the extent the Receiver sells additional RV Inventory financed by MBFS US, it will pay MBFS US

for any amounts owed in respect of the underlying Raw Chassis and their claim will be reduced by a corresponding amount.

Claims against EHGNA amongst the Primary Secured Creditors

- 15.20 As described in the First Report, EHG SE and Corner Flag entered into the EHG SE Subordination Agreement, whereby they agreed that the EHG SE Security (as defined in the First Report) is postponed and subordinated to the Corner Flag Security to the extent of the Senior Debt owing to Corner Flag (as the term “Senior Debt” is defined in the EHG SE Subordination Agreement, which term includes the amounts loaned under the EHGNA Promissory Note). Any amounts loaned by Corner Flag to EHGNA that do not constitute Senior Debt under the EHG SE Subordination Agreement are not subject to such subordination arrangements.
- 15.21 In addition, EHG SE (as assignee of TD), EHGNA, EHG Chassis and MBFS are party to the MBFS Priority Agreement, which provides that any security held by EHG SE is postponed and subordinated to the EHGNA MBFS Security and the EHG Chassis MBFS Security, to the extent that the EHGNA MBFS Security or the EHG Chassis MBFS Security, as applicable, consists of present and after acquired inventory and equipment financed by MBFS, and certain credits and contracts relating thereto (the “**MBFS Financed Collateral**”). Conversely, with respect to all other collateral, the EHGNA MBFS Security and the EHG Chassis MBFS Security are postponed and subordinated to any security held by EHG SE, namely, the EHG SE Security.

- 15.22 The MBFS Priority Agreement provides that any proceeds received by EHG SE or MBFS in respect of their respective security interests is to be dealt with in accordance with the priorities described therein (and summarized above). The EHG SE Subordination Agreement also provides that any proceeds received by EHG SE or Corner Flag in respect of their respective security interests shall be dealt with in accordance with the priorities described in the EHG SE Subordination Agreement (and summarized above).
- 15.23 Corner Flag did not enter into a subordination agreement directly with MBFS. Corner Flag registered a financing statement in respect of its security after the financing statement registered in favour of MBFS. Further, the Receiver's Borrowings Charge was not intended to prime the interests of MBFS, as MBFS was not served with the initial Application Record. As such, pursuant to the MBFS Priority Agreement and the timing of security registrations, MBFS appears to hold a secured claim ranking in priority to the secured claims of Corner Flag in respect of the MBFS Financed Collateral and proceeds thereof.
- 15.24 With respect to the non-MBFS Financed Collateral, based solely on the timing of registrations under the *Personal Property Security Act* (Ontario) ("**PPSA**"), MBFS holds a first ranking secured claim among the Primary Secured Creditors to distributions of proceeds of non-MBFS Financed Collateral. However: (i) any proceeds received by MBFS are required to be turned over to EHG SE (as assignee of TD) pursuant to the MBFS Priority Agreement, and (ii) any such proceeds received by EHG SE must be paid to Corner Flag pursuant to the EHG SE Subordination Agreement. Accordingly, Corner Flag is effectively entitled to any proceeds arising from any present and after acquired personal

property of EHGNA subject to either the Corner Flag Security or the EHG SE Security that is not MBFS Financed Collateral.

15.25 Based on the above, the Receiver understands that the respective priorities among the Primary Secured Creditors in the MBFS Financed Collateral are as follows:

- (a) MBFS;
- (b) Corner Flag, to the extent of the Senior Debt;
- (c) EHG SE; and
- (d) Corner Flag, with respect to any amounts owed by EHGNA that do not constitute Senior Debt.

The Receiver understands that Corner Flag is not owed any amounts that would not constitute Senior Debt under the EHG SE Subordination Agreement.

15.26 With respect to the Property of EHGNA that is non-MBFS Financed Collateral, including the value of any improvements to any Raw Chassis, the Receiver understands that the relative priorities among the Primary Secured Creditors are as follows:

- (a) Corner Flag, to the extent of the Senior Debt;
- (b) EHG SE;
- (c) MBFS; and
- (d) Corner Flag, with respect to any other obligations.

Claims against EHG Chassis amongst the Primary Secured Creditors

- 15.27 As described in the First Report, the primary business of EHG Chassis is the purchase of Raw Chassis from Chassis Dealers in the United States in connection with the business of EHGNA. EHG Chassis is a wholly owned subsidiary of EHGNA. EHG Chassis itself does not form part of these Receivership Proceedings, but the Receiver understands that EHGNA ran the operations of itself and EHG Chassis from its Canadian offices. As indicated above, the Chassis Dealers delivered directly to EHGNA and not to EHG Chassis. As such, the Receiver and its counsel have had to consider the secured claims of the secured creditors of EHG Chassis in its review of creditor priorities.
- 15.28 EHG SE (as assignee of TD), EHG Chassis and MBFS US are party to the MBFS US Priority Agreement, which provides that the EHG Chassis TD Security is postponed and subordinated to the EHG Chassis MBFS US Security, to the extent that the EHG Chassis MBFS US Security consists of present and after acquired inventory and equipment financed by MBFS US, and certain credits and contracts relating thereto (the “**MBFS US Financed Collateral**”). Conversely, the EHG Chassis MBFS US Security is postponed and subordinated to the EHG Chassis TD Security on all present and future assets of EHG Chassis other than the MBFS US Financed Collateral.
- 15.29 Corner Flag does not have a security interest against the assets of EHG Chassis. Further, EHG SE was not granted security over the assets of EHG Chassis in connection with the EHG SE Payroll Advance. Therefore, the MBFS US Priority Agreement governs the

relative priorities between EHG SE (as successor in interest to TD) and MBFS US with respect to the parties' claims against EHG Chassis' assets.

15.30 However, due to the course of conduct between EHGNA and EHG Chassis, the MBFS US Financed Collateral and proceeds thereof are held by EHGNA, not EHG Chassis, and are under the Receiver's possession and control. Accordingly, the Receiver and its counsel have considered the relative priorities of the Primary Secured Creditors in respect of MBFS US Financed Collateral (including proceeds thereof) held by EHGNA. The Receiver is not in possession of any assets of EHG Chassis that are not MBFS US Financed Collateral or proceeds thereof.

15.31 As described above, with respect to Raw Chassis financed by MBFS US in EHGNA's possession for which MBFS US holds the associated MSOs, and for which amounts remain owing to MBFS US, the Receiver intends to return such Raw Chassis in exchange for appropriate releases in favour of EHGNA and the Receiver.

15.32 In respect of WIP and Finished Product being sold as part of the Roadtrek Transaction where the underlying Raw Chassis was financed by MBFS US and amounts remain owing to MBFS US by EHG Chassis, the Receiver proposes to pay MBFS US for such amounts on the closing of the Roadtrek Transaction in exchange for the associated MSOs, which will be transferred to the Roadtrek Buyer on closing and upon receipt of appropriate releases from MBFS US.

- 15.33 In respect of WIP and Finished Product not sold as part of the Roadtrek Transaction or the La Mesa Transaction, for which the underlying Raw Chassis were financed by MBFS US and EHG Chassis failed to pay for same, the Receiver is of the view that Corner Flag has a priority claim to any proceeds of such WIP or Finished Product based on the timing of registrations under the PPSA. MBFS US did not register a financing statement under the PPSA against EHGNA until February 20, 2019, following the date of Corner Flag's and EHG SE's registration.
- 15.34 Accordingly, Corner Flag would have a priority claim to any distributions in respect of proceeds of such WIP and Finished Product. Following payment to Corner Flag in full, any proceeds then distributed to EHG SE would, in the Receiver's view, be subject to the terms of the MBFS US Priority Agreement, which provides that any proceeds received by EHG SE in respect of collateral subject to MBFS US's security is to be turned over to MBFS US.
- 15.35 In any event, MBFS US continues to hold the MSOs associated with such WIP and Finished Product, and MBFS US has asserted an ownership claim to the Raw Chassis underlying the WIP and Finished Product. Without payment in full to MBFS US in exchange for such MSOs, it would be difficult for the Receiver to sell such WIP and Finished Product.
- 15.36 Accordingly, following payment in full of Corner Flag, the Receiver proposes to repay MBFS US for any amounts owed in respect of any WIP and Finished Product sold where

proceeds were received by the Company pre-receivership or the Receiver through sales to third-parties post-receivership.

Summary of Claims and Proposed Payments

15.37 Below is a summary of the Receiver's position regarding the claims of the Primary Secured Creditors, and the proposed approach to be taken by the Receiver to satisfy same.

Type of Claim	Amount Owed	Summary Discussion
<i>1. MBFS and MBFS US – Roadtrek Transaction</i>		
MBFS Financed Collateral – Units sold where proceeds will be received through Roadtrek Transaction	\$1,093,431	To be paid to MBFS by Receiver on closing of Roadtrek Transaction because such amounts must be paid in order to transfer the respective NVISs to the Roadtrek Buyer.
MBFS US Financed Collateral – Units sold where proceeds will be received through Roadtrek Transaction	US\$499,377	To be paid to MBFS US by Receiver on closing of Roadtrek Transaction because such amounts must be paid in order to transfer the respective MSOs to the Roadtrek Buyer.
<i>2. Other MBFS Claims</i>		
MBFS Financed Collateral – Raw Chassis	\$350,256	Raw chassis being returned by Receiver. Release obtained by MBFS. Total MBFS secured claim amount to be reduced by \$350,256.
MBFS Financed Collateral – Units sold to third parties pre-receivership where proceeds received by EHGNA	\$435,635	\$435,635 to be paid by Receiver to MBFS because, under the MBFS Priority Agreement, MBFS has priority over the MBFS Financed Collateral and proceeds thereof, whether direct or indirect. Any NVISs remaining in MBFS'

		possession to be released to such third party buyers.
MBFS Financed Collateral – Units sold to third parties post-receivership where proceeds received by Receiver	\$236,646	\$236,646 has been paid by Receiver to MBFS in respect of MBFS Raw Chassis for Finished Product sold in the normal course post-receivership. NVISs previously in MBFS' possession were released to such third party buyers.
MBFS Financed Collateral – Unit sold where proceeds remain owing to EHGNA	\$64,677	Receiver attempting to realize upon this unit. Proceeds collected to be remitted to MBFS in respect of and up to MBFS outstanding claim.
3. Corner Flag Claims		
Receiver Term Sheet	\$3,282,000 (plus any other chargeable amounts)	To be repaid by the Receiver to Corner Flag following receipt of proceeds from Roadtrek Transaction. The Appointment Order provides that the Receiver's Borrowings Charge ranks in priority to other secured claims of Corner Flag and EHG SE, but does not rank in priority to MBFS secured claims.
EHGNA Promissory Note	\$5,085,000 (plus any other chargeable amounts)	To be repaid following repayment of amounts owing under the Receiver's Term Sheet in accordance with Corner Flag's priority with respect to proceeds of non-MBFS Financed Collateral to the extent of its Senior Debt (which includes the amounts owing under the EHGNA Promissory Note).
4. Other MBFS US Claims		
MBFS US Financed Collateral – Raw Chassis (To be returned)	US\$726,753	Raw Chassis to be returned to MBFS US, subject to receipt of appropriate releases. Guarantee claim against EHGNA to be reduced by US\$726,753 upon return.
MBFS US Financed Collateral – Raw Chassis (Returned to MBFS US)	US\$153,366	Raw Chassis have been released to MBFS US by a third party storage provider. The Receiver understands that the guarantee claim against

		EHGNA should be correspondingly reduced by US\$153,366.
MBFS US Financed Collateral – Units sold to third parties pre-receivership where proceeds received by EHGNA	US\$622,314	Following payment in full of amounts owing to Corner Flag, the Receiver intends to distribute up to US\$622,314 to MBFS US pursuant to the provisions of the MBFS US Priority Agreement. Upon payment, any MSOs remaining in MBFS US' possession to be released to such third party buyers.
MBFS US Financed Collateral – Unit sold to third party post-receivership where proceeds received by Receiver	US\$46,776	US\$46,776 has been paid by Receiver to MBFS US in respect of MBFS US Raw Chassis for Finished Product sold in the normal course post-receivership. MSO previously in MBFS' possession released to third party buyer.
MBFS US Financed Collateral – Units sold pre-receivership that were paid for by a third party	US\$98,723	US\$98,723 has been paid to MBFS US by a third party in respect of MBFS US Raw Chassis for two Finished Products sold by EHGNA pre-receivership. The Receiver understands that the guarantee claim against EHGNA should be correspondingly reduced by US\$98,723.
MBFS US Financed Collateral – Units sold where proceeds remain owing to EHGNA	US\$295,875	Receiver attempting to collect outstanding A/R. Any proceeds collected should be remitted to MBFS US (following payment in full of Corner Flag).
MBFS US Financed Collateral – Unsold WIP or Finished Product	US\$318,520	Receiver attempting to sell any unsold Finished Product. Proceeds collected should be remitted to MBFS US (following payment in full of Corner Flag). Receiver negotiating with MBFS US to potentially return such unsold WIP or Finished Product to MBFS US (with claim reduced accordingly).

5. EHG SE Claims		
TD Loan Agreement	\$6,500,000 and US\$1,300,000	To be repaid following repayment of proceeds collected in respect of MBFS US Financed Collateral, <i>pari passu</i> with other amounts owing to EHG SE.
EHG SE Payroll Advance	\$1,800,000	To be repaid following repayment of proceeds collected in respect of MBFS US Financed Collateral, <i>pari passu</i> with other amounts owing to EHG SE.
Other Claims	Current claim of approx. \$32,300,000.	To be confirmed with EHG SE.

15.38 The Receiver has reviewed the applicable loan and security documentation, including the priority agreements and PPSA registrations described above, with the Primary Secured Creditors and has shared its proposed resolution of the Primary Secured Creditors' claims. Corner Flag and MBFS have confirmed their support. MBFS US does not object to the foregoing approach but has reserved all of its rights in respect of same.

Other Creditors

15.39 The Receiver also notes that certain other parties have made PPSA registrations against EHGNA, which consist of various specific equipment and vehicle lease registrations. The Receiver has returned the leased equipment or settled with the majority of these PPSA registrants.

15.40 In respect of the PPSA registration of C.F. Maier Systems, Inc. ("**CF Maier**"), it is the Receiver's position that CF Maier has improperly perfected its claim and that it ranks in

priority behind the interests of the Primary Secured Creditors. The Receiver is providing CF Maier with notice of this motion and intends to vest out its registration. The proposed Approval and Vesting Order provides that any claim CF Maier may have would instead attach to proceeds.

15.41 The Receiver understands that RS Finishing Systems Inc.'s ("**RS Finishing**") PPSA registration was registered in respect of certain replacement heat exchangers relating to paint booths at the 100 Shirley Avenue premises. The Receiver has reached out to RS Finishing to gather further information in respect of this claim and is providing RS Finishing with notice of this motion.

15.42 According to EHGNA's books and records, and as noted in the Notice and Statement of the Receiver, posted to the Case Website, as at the Receivership Date EHGNA's unsecured obligations totaled approximately \$259 million. At present, in light of the quantum of secured claims asserted by the Primary Secured Creditors, the Receiver believes it is unlikely that there will be sufficient proceeds to make any distribution to unsecured creditors. As such, the Receiver does not intend to implement a claims process at this time.

16.0 PROPOSED INTERIM DISTRIBUTIONS

16.1 As disclosed in the First Report, the Receiver has sold RV units in the normal course of the Receivership Proceedings. The Receiver has paid MBFS and MBFS US for the underlying Raw Chassis to enable the Receiver to transfer the associated title

documentation as part of these normal course sales. The Receiver seeks the approval, *nunc pro tunc*, for such payments. In addition, as described above, the Receiver proposes to repay MBFS and MBFS US in respect of amounts owed to them for the underlying Raw Chassis of any RV Inventory sold as part of the Roadtrek Transaction in order to enable the Receiver to transfer the associated title documentation to the Roadtrek Buyer. Further, the Receiver proposes to: (i) repay MBFS in respect of amounts owing for MBFS Financed Collateral sold to third parties where proceeds were received by the Company pre-receivership, (ii) following payment in full of amounts owing to Corner Flag, repay MBFS US in respect of amounts owing by EHG Chassis for MBFS US Financed Collateral sold to third parties where proceeds were received by the Company pre-receivership; and (iii) repay MBFS or MBFS US, as applicable, in respect of amounts owing for MBFS Financed Collateral or MBFS US Financed Collateral sold to third parties from the date of this Second Report. The Receiver seeks the Court's authorization to make these payments without further order of the Court.

- 16.2 The Receiver expects that the proceeds from the Transactions should be sufficient to repay, at a minimum, the amounts owed to Corner Flag under the Receiver's Term Sheet. Based on the relative priorities described above, the Receiver seeks the Court's approval to make an interim distribution or distributions to Corner Flag to repay the approximately \$3.3 million owed to Corner Flag, plus interest and other associated chargeable amounts, in satisfaction of all amounts owing by the Company in respect of the Receiver's Term Sheet. As described above, the Receiver expects to have sufficient financing following the closing of the Transactions to fund the remainder of the Receivership Proceedings.

16.3 The Receiver also seeks the Court's approval to make future interim distributions, in its discretion, to Corner Flag in respect of amounts owing under the EHGNA Promissory Note and the Corner Flag Security. Any such distributions will depend on the proceeds realized and the costs incurred and expected to be incurred by the Receiver to fund the remainder of these Receivership Proceedings. Any distributions by the Receiver will be subject to appropriate holdbacks in respect of costs of the Receivership Proceedings. The Receiver intends to return to Court prior to making any further distributions to other creditors.

17.0 SEALING ORDER

17.1 The Receiver requests that certain confidential and commercially sensitive information related to the Sales Process and the transactions for which approval is sought, including information regarding the bids received through the Sales Process and the liquidation bids, should be sealed. Such confidential information is contained in **Confidential Appendices "A" and "B"** to this Second Report. The Receiver has also redacted the purchase prices (including individual unit purchase prices), deposits and certain other commercially sensitive deal terms in the Roadtrek APA attached as **Appendix "F"** to this Second Report, the La Mesa Bill of Sale attached as **Appendix "G"** to this Second Report, and the Infinity APA attached as **Appendix "H"** to this Second Report. Unredacted terms are included in **Confidential Appendix "C"** to this Second Report, which Confidential Appendix "C" the Receiver requests be sealed by this Court. The Receiver believes that the test for a sealing

order for these three Confidential Appendices has been satisfied, as set out in the Receiver's notice of motion filed in connection with this Second Report.

- 17.2 In the view of the Receiver, information about the amount of the consideration to be paid for the Transactions could, if disclosed, be harmful and materially prejudicial to the Receivership estate and EHGNA's stakeholders. In addition, in the view of the Receiver, certain deal terms contained in the Transactions could also have a material effect on the Receivership estate or the respective purchasers' interests if disclosed. With respect to the estate, significant and specific prejudice could arise: (i) with respect to the continued marketing of EHGNA's remaining assets, and (ii) in the event of any further marketing of any of EHGNA's assets if one or more of the Transactions does not close as anticipated.

18.0 RECEIVER'S ACTIVITIES

- 18.1 In addition to the activities described above, the activities of the Receiver since the commencement of the Receivership Proceedings have included the following:

- controlling receipts and disbursements, and managing the Receiver's trust accounts;
- continuing the re-engagement of former employees to assist with, among other things, the closing of the various transactions (currently 26 are engaged);
- coordinating the collecting of outstanding accounts receivable;

- conducting extensive discussions and reconciliations with suppliers of Raw Chassis and in some instances their floor plan financiers;
- conducting extensive discussions with Finished Product Dealers and in some circumstances, their third-party financiers, and negotiating and coordinating the sale of finished units to Finished Product Dealers and facilitating delivery of MSOs and NVISs;
- engaging with the warehousing parties in respect of their liens;
- assisting in communications with key stakeholders, including former employees, dealers, customers, landlords and suppliers, and where applicable, making appropriate arrangements for go-forward services;
- liaising with the CRA, HST and payroll tax auditors;
- working with the Company's tax advisors to coordinate the preparation of unfiled tax returns;
- liaising with EHGNA's insurance broker to arrange for continued coverage for the Property;
- regularly communicating with Osler on matters relating to the Receivership Proceedings;

- providing regular updates to Corner Flag and consulting with Corner Flag and its counsel as deemed appropriate;
- establishing and maintaining the Case Website; and
- preparing this Second Report and bringing this motion.

19.0 PROFESSIONAL FEES AND DISBURSEMENTS

19.1 Pursuant to paragraphs 19 and 20 of the Appointment Order, the Receiver and its legal counsel are entitled to be paid their reasonable fees and disbursements at their standard rates and charges, and are required to pass their accounts from time to time.

19.2 The Receiver is seeking the Court's approval of its fees and disbursements, and those of Osler, in connection with the performance of their duties in these Receivership Proceedings, as follows:

- (a) the Receiver in the amount of \$1,752,149.76, including disbursements and HST, for the period February 7, 2019 to May 18, 2019 (the "**A&M Application Period**"); and
- (b) Osler in the amount of \$1,016,320.43, including disbursements and HST, for the period February 10, 2019 to May 17, 2019 (the "**Osler Application Period**").


- 19.3 The Fee Affidavit of Alan J. Hutchens sworn June 10, 2019 (the “**Hutchens Affidavit**”) attests to the fees and disbursements of the Receiver for the A&M Application Period. A copy of the Hutchens Affidavit is attached hereto as **Appendix “D”**.
- 19.4 The Receiver believes that the invoices attached to the Hutchens Affidavit accurately reflect the work that was done in connection with this matter and that all of the time spent by the Receiver was reasonable and necessary.
- 19.5 The Fee Affidavit of Tracy C. Sandler sworn June 10, 2019 (the “**Sandler Affidavit**”) attests to the fees and disbursements of Osler for the Osler Application Period. A copy of the Sandler Affidavit is attached hereto as **Appendix “E”**.
- 19.6 The Receiver confirms that the fees and disbursements set out in the Sandler Affidavit relate to advice and assistance sought by the Receiver. It is the Receiver’s view that the fees and disbursements of Osler are reasonable and appropriate in the circumstances.

20.0 CONCLUSIONS AND RECOMMENDATIONS

- 20.1 Based on the foregoing, the Receiver respectfully recommends that the Court make the orders granting the relief sought in the Receiver’s Notice of Motion and described in paragraph 1.5 of this Second Report.

All of which is respectfully submitted this 10th day of June, 2019.

**Alvarez & Marsal Canada Inc., in its capacity as Receiver and Manager of
Erwin Hymer Group North America, Inc., and not in its personal capacity**


Per: Alan J. Hutchens
Senior Vice-President


Per: Stephen Ferguson
Senior Vice-President