

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

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

January 21, 2020

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1.0 INTRODUCTION

- 1.1 This report (the “**Third 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 A&M was appointed as Receiver of EHGNA pursuant to an order (the “**Appointment Order**”) of the Ontario Superior Court of Justice (the “**Court**”) granted on February 15, 2019 (the “**Receivership Date**”) following an application by Corner Flag LLC (“**Corner Flag**”). EHGNA was a manufacturer of recreational vehicles with facilities located in and around Cambridge, Ontario. The receivership proceedings of EHGNA are referred to herein as the “**Receivership Proceedings**”. A copy of the Appointment Order is attached hereto as **Appendix “A”**. A copy of the First Report of the Receiver dated March 20, 2019 (the “**First Report**”), without appendices, is attached hereto as **Appendix “B”**. A copy of the Second Report to Court of the Receiver dated June 10, 2019 (the “**Second Report**”), without appendices, which provided a comprehensive update on the status of the Receivership Proceedings, is attached hereto as **Appendix “C”**.
- 1.3 On June 17, 2019, this Court granted the Roadtrek Approval and Vesting Order, the La Mesa Approval and Vesting Order and the Infinity Approval and Vesting Order, which among other things, approved the transactions contemplated by the Roadtrek APA, the La Mesa Bill of Sale and the Infinity APA, respectively (collectively, the “**Transactions**”).

The Transactions, as well as sales of RV Inventory conducted by the Receiver in the normal course during the Receivership Proceedings, resulted in the sale of substantially all of EHGNA's remaining inventory and operating assets. The Transactions, and the Receiver's Sales Process resulting in such Transactions, are described in detail in the Second Report.

1.4 On June 17, 2019, this Court also granted an Order (the “**Ancillary Administration Order**”), which, among other things: (i) approved certain payments to be made by the Receiver to Mercedes-Benz Financial Services Canada Corporation (“**MBFS**”) and Mercedes-Benz Financial Services USA LLC (“**MBFS US**”) for amounts owed to them for certain underlying raw chassis of any RV Inventory sold by EHGNA or the Receiver; (ii) approved the Second Report and the activities set out therein; (iii) approved the fees and disbursements of the Receiver and its counsel; (iv) ordered that no amounts be distributed from the Construction Lien Reserve until each of the Construction Liens (as defined in the Roadtrek Approval and Vesting Order) are settled and discharged; and (v) sealed Confidential Appendix “A”, Confidential Appendix “B” and Confidential Appendix “C” to the Second Report, pending further Order of the Court. A copy of the Ancillary Administration Order is attached hereto as **Appendix “D”**.

1.5 On June 25, 2019, this Court granted an Order (the “**Bankruptcy Application and Interim Distribution Order**”), which, among other things: (i) authorized the Receiver to file an assignment in bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) on behalf of EHGNA at any time following delivery of the Receiver's Certificate (as defined in the Roadtrek Approval and Vesting Order) and authorized A&M to act as trustee

in bankruptcy of EHGNA in respect of any such bankruptcy proceedings; (ii) authorized and directed the Receiver to distribute to Corner Flag, in one or more distributions, the full amount of the indebtedness owing by the Receiver to Corner Flag under the Receiver Term Sheet from the net proceeds realized from the Transactions (provided that no amounts were to be distributed from the Construction Lien Reserve until each of the Construction Liens is settled and discharged) (collectively, the “**Net Proceeds**”), (iii) authorized the Receiver to distribute to Corner Flag, in its discretion and after payment of the amount owing in respect of the Receiver Term Sheet, the remaining Net Proceeds and any other amounts held by the Receiver, towards the reduction of the balance of the indebtedness owing by EHGNA to Corner Flag under the Corner Flag Promissory Note and Corner Flag Security; and (iv) authorized the Receiver to, in its sole discretion and following payment in full of amounts owing to Corner Flag, make one or more payments to MBFS US in respect of amounts owing by EHG Chassis (and guaranteed by EHGNA) for MBFS US Financed Collateral sold to third parties where proceeds were received by EHGNA prior to the receivership. A copy of the Bankruptcy Application and Interim Distribution Order is attached hereto as **Appendix “E”**.

- 1.6 The purpose of this Third Report is to: (i) provide an update on the Receiver’s activities since the date of the Second Report, including the closings of the Transactions, the Receiver’s distributions to Corner Flag, MBFS and MBFS US and the assignment into bankruptcy of EHGNA, (ii) summarize the outstanding matters related to the Receivership Proceedings, and (iii) support the Receiver’s motion for an order, among other things:

- (a) authorizing the Receiver to make a distribution or distributions to Erwin Hymer Group SE (“**EHG SE**”) in its capacity as a secured creditor of EHGNA;
- (b) approving the fees and disbursements of the Receiver for the period May 19, 2019 to November 30, 2019, and those of its legal counsel, Osler, Hoskin & Harcourt LLP (“**Osler**”), for the period May 18, 2019 to November 30, 2019;
- (c) unsealing Confidential Appendix “C” to the Second Report; and
- (d) approving this Third Report and the activities of the Receiver described herein.

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this Third Report, the Receiver has relied upon unaudited financial information and the books and records of EHGNA 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 Third 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 Third 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 Third Report different than the provisions of this paragraph.
- 2.4 The information contained in this Third 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 Third Report are as defined in the Appointment Order or the Second Report, unless otherwise indicated herein.
- 2.6 Unless otherwise stated, all monetary amounts contained in this Third 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 CLOSING OF THE TRANSACTIONS

- 3.1 Each of the Transactions were completed and closed in July and August 2019 in accordance with the terms of the respective agreements.

Roadtrek Transaction

- 3.2 Following the issuance of the Roadtrek Approval and Vesting Order, the Receiver worked closely with the Roadtrek Buyer to finalize outstanding matters related to the Roadtrek APA. This included entering into a transition services and occupation agreement (the “**Roadtrek TSA**”) between the Receiver and the Roadtrek Buyer and a consent agreement (the “**Consent Agreement**”) between the Roadtrek Buyer, the Receiver and Gateway Business Campus Limited Partnership, the landlord of the 20 Tyler Street location (the “**Landlord**”, and such location, “**20 Tyler Street**”) to assign the lease of 20 Tyler Street, Cambridge (“**20 Tyler Street Lease**”) to the Roadtrek Buyer and to address issues related to amounts owing by the Landlord for tenant inducements.
- 3.3 As described in the Second Report, there were three construction lien claims registered on title to the 20 Tyler Street premises that were demised to the Company under the 20 Tyler Street Lease:
- (a) WR1167102 registered on February 1, 2019 in favour of Jay Fencing Ltd. (“**Jay Fencing**”) in the amount of \$65,002.12 (the “**Jay Fencing Lien**”);
 - (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 (the “**Ash Electrical Lien**”); and
 - (c) WR1174846 registered on March 22, 2019 in favour of Toromont Industries Ltd. (“**Toromont**”) in the amount of \$14,064.92, (the “**Toromont Lien**”, and

collectively with the Jay Fencing Lien and the Ash Electrical Lien, the “**Construction Liens**”).

- 3.4 It was a requirement of the Roadtrek APA that the Purchased Assets be conveyed to the Roadtrek Buyer free and clear of the Construction Liens.
- 3.5 In accordance with the Roadtrek Approval and Vesting Order, the Receiver was required to establish a reserve in the amount of \$1,120,240.50 (being the aggregate amount of the Construction Liens plus security for costs), or such lesser amount as agreed between the Receiver and the respective Construction Lien Claimant (the “**Construction Lien Reserve**”). The Ancillary Administration Order ordered that no amounts shall be distributed from the Construction Lien Reserve until each of the Construction Liens has been paid out in the amount agreed between the Receiver and the applicable Construction Lien Claimant.
- 3.6 After the issuance of the Roadtrek Approval and Vesting Order, the Receiver entered into Settlement and Release Agreements with both Jay Fencing and Toromont. Each agreement provided that, in exchange for payment of an agreed settlement amount on the closing date of the Roadtrek Transaction, the claimant would vacate their respective construction liens from title to 20 Tyler Street.
- 3.7 The Ash Electrical Lien was not settled prior to the closing date of the Roadtrek Transaction. As a result, the Receiver established the Construction Lien Reserve in the

amount of \$1,021,406.70 (being the amount of the Ash Electrical Lien, plus security for costs).

- 3.8 The transaction contemplated by the Roadtrek APA closed on July 3, 2019 (the “**Roadtrek Closing Date**”). On the Roadtrek Closing Date, the Receiver received payment of the Purchase Price, the Top-Up Amount (as defined in the Roadtrek APA), certain occupation costs pursuant to the Roadtrek TSA, prepaid rent pursuant to the 20 Tyler Street Lease and partial payment of tenant inducements from the Landlord pursuant to the Consent Agreement.
- 3.9 On the Roadtrek Closing Date, the settlements in respect of the Jay Fencing Lien and the Toromont Lien became effective. In addition, the Receiver made payments to certain Chassis Dealers, including MBFS, MBFS US, Beaver Motors, Inc. (“**Beaver Motors**”), Olathe Fleet and EHG SE¹, in order to effect the transfer of all Purchased Assets to the Roadtrek Buyer free and clear of encumbrances.
- 3.10 On July 23, 2019, the Receiver entered into a settlement and release agreement with MNP Ltd., in its capacity as Licensed Insolvency Trustee for the estate of Ash Electrical, which provided for a payment of \$535,935.08 to the Ash Electrical Trustee from the Construction Lien Reserve in exchange for the discharge of the Ash Electrical Lien. This payment was

¹ Subsequent to the Receivership Date, EHG SE acquired the claims of Bustard Brothers Limited and Listowel Ford (2017) Ltd (collectively, “**Bustard**”) in respect of raw chassis supplied to EHGNA. As such, payments for raw chassis supplied by Bustard were directed to EHG SE.

made on July 25, 2019 and the remaining amounts held in the Construction Lien Reserve were released by the Receiver to be included as Net Proceeds.

- 3.11 After the closing of the Roadtrek Transaction, the Receiver and the Roadtrek Buyer worked cooperatively to remove and relocate the Purchased Assets to 20 Tyler Street, transfer necessary licenses and permits, convey books and records, and generally manage the transition of the Roadtrek business and assets to the Roadtrek Buyer. This transition process was generally completed by the end of August, 2019. The Receiver maintained a copy of the necessary books and records to complete the administration of these Receivership Proceedings.

La Mesa Transaction

- 3.12 The sale of RV Inventory contemplated by the La Mesa Bill of Sale was concluded on August 19, 2019. In aggregate, 111 RV units were sold in five tranches².
- 3.13 As described in the Second Report, a portion of the aggregate purchase price received in respect of the First Tranche Inventory and the Second Tranche Inventory sold under the La Mesa Bill of Sale was to be paid to Beaver Motors in respect of amounts owed by EHGNA to Beaver Motors for the raw chassis underlying the RV Inventory sold to La Mesa. Such

² While the La Mesa Bill of Sale originally contemplated the sale of 113 RV Units, two were ultimately excluded by La Mesa pursuant to the terms of the agreement.

payment was necessary in order to obtain the requisite title documentation for the inventory to transfer to La Mesa.

- 3.14 Following the execution of the La Mesa Bill of Sale, the parties agreed to reallocate the RV Inventory units being sold in each tranche. As a result of such reallocation, Beaver Motors was ultimately paid from the proceeds of each of the five tranches. No further payments are required to be made to Beaver Motors.

Infinity Transaction

- 3.15 The transaction contemplated by the Infinity APA for the purchase of certain machinery and equipment excluded from the Roadtrek Transaction, together with certain non-Roadtrek parts and raw material inventory, closed on June 21, 2019. The Receiver understands that Infinity Asset Solutions Inc. (“**Infinity**”) proceeded to conduct online and live auctions over a five-day period that ended on July 20, 2019. Following such auctions, the Receiver worked with Infinity to oversee the efficient removal of assets by the ultimate purchasers thereof and the return of each of the facilities to broom swept condition.
- 3.16 The liquidation process conducted by Infinity allowed the Receiver to vacate EHGNA’s remaining leased premises in a timely manner. The status of each of EHGNA’s leased facilities is as follows:
- (a) 20 Tyler Street, Cambridge: the lease for this facility was assumed by the Roadtrek

Buyer pursuant to the Roadtrek APA and the Consent Agreement;

- (b) 400 Southgate Drive, Guelph: this facility was vacated in broom swept condition and possession returned to the landlord on August 31, 2019;
- (c) 100 Shirley Avenue, Kitchener: this facility was vacated and possession returned to the landlord on August 11, 2019 (although the Receiver completed final debris removal and other minor clean-up of the premises through August 31, 2019 to put the premises into broom swept condition);
- (d) 25 Reuter Drive, Cambridge: this facility was vacated in broom swept condition and possession returned to the landlord on August 31, 2019; and
- (e) 2300 Shirley Drive, Kitchener: this facility was dormant as at the Receivership Date and was vacated by the Receiver on February 28, 2019 as described in the First Report.

4.0 OUTSTANDING MATTERS IN THESE RECEIVERSHIP PROCEEDINGS

Insurance Claim

- 4.1 As described in the First Report, Roadtrek Motorhomes Inc. (“**Roadtrek**”) was acquired by the Erwin Hymer Global Group in February 2016. 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.

- 4.2 As further detailed in the Second Report, 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**”). The R&W Policy has a coverage limit of US\$7.5 million, subject to a Retention of US\$735,000.
- 4.3 Upon review of the R&W Policy, in consultation with counsel to Corner Flag, and in the context of the allegations of financial irregularities detailed in the First Report, the Receiver determined that Roadtrek may have breached several representations to EHGNA. 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.
- 4.4 Chubb advised the Receiver that a forensic expert should be retained by the Receiver to investigate the breach or potential breach. Accordingly, on August 21, 2019, the Receiver, in consultation with EHG SE, engaged Cohen Hamilton Steger (“**Cohen Hamilton**”) to assist the Receiver in quantifying the financial losses, if any, incurred by EHGNA as a result of reliance on certain representations and warranties contained in the SPA.

- 4.5 The Receiver expects to receive the results of the Cohen Hamilton investigation in the coming weeks. Upon receipt of the Cohen Hamilton report, the Receiver intends to engage in further discussions with Chubb regarding the insurance claim under the R&W Policy, in the hope of recovering on this asset for the benefit of the estate.

Chapter 11 Proceedings of JRV Group USA L.P.

- 4.6 As described in the Second Report, 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.
- 4.7 Prior to the Receivership Date, EHGNA provided certain administrative/shared service functions to JRV, including vehicle purchasing, sales invoicing and accounts receivable administration. JRV also 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 sales employees of EHGNA that were domiciled in the United States.
- 4.8 JRV commenced a Court-approved claims process within its Chapter 11 proceedings (the “**JRV Claims Process**”) with a general bar date of September 27, 2019. Based on the books and records of EHGNA, the Receiver has filed a claim in the JRV Claims Process on behalf of EHGNA for approximately US\$12.9 million, representing the intercompany balance owing by JRV to EHGNA.

- 4.9 Pursuant to an Order of the US Court dated November 26, 2019, a settlement was approved as between Corner Flag, JRV and The Official Committee of Unsecured Creditors, which, subject to the negotiation and completion of definitive documents, is intended to ultimately lead to a confirmed plan of liquidation (a “**Confirmed Plan**”) and the establishment of a liquidation trust for the benefit of JRV’s general unsecured creditors.
- 4.10 The Receiver understands that recoveries to JRV’s unsecured creditors, including the Canadian receivership estate, will largely depend on the outcomes of a number of causes of action that are to be reserved and preserved under the Confirmed Plan. The Receiver will continue to monitor developments in the JRV Chapter 11 proceedings on behalf of EHGNA.
- 4.11 All Court-filed documents in the Chapter 11 proceedings are available on the website of BMC Group, Inc., the Claims and Noticing Agent for JRV, at: www.bmcgroup.com/jrvgroup.

Remaining Assets and Other Matters

- 4.12 Certain RV Inventory and accounts receivable relating to the sale of RV Inventory were excluded from the Transactions. Since the date of the Second Report, the Receiver has continued to settle outstanding receivables, and to sell the remaining RV Inventory on a piecemeal basis using the Company’s existing dealer network, the auction conducted by Infinity and other sources, to realize on those assets to the extent possible.

4.13 As of the date of this Report, the Receiver has realized on substantially all of the assets of EHGNA; however, there are certain minor issues in the Receivership Proceedings that the Receiver is still attempting to resolve, which are unlikely to result in significant receipts or disbursements to or from the receivership estate. In addition, the Receiver continues to work with the CRA to address outstanding tax filings, complete an audit of payroll and source deduction matters and to close all CRA accounts.

5.0 DISTRIBUTIONS BY THE RECEIVER

5.1 The Receiver has made certain distributions to the Primary Secured Creditors since the date of the Second Report in accordance with the creditor priorities described in the Second Report, and as authorized under the Ancillary Administration and Bankruptcy Application and Interim Distribution Orders.

5.2 The Ancillary Administration Order authorized the Receiver to make certain payments to MBFS and MBFS US. In accordance with this Order, the Receiver has been making payments to MBFS and MBFS US in respect of amounts owed to them for the underlying raw chassis of any RV Inventory sold by the Receiver as units are sold. In addition, on October 17, 2019, the Receiver made a payment of \$435,635 to MBFS in satisfaction of the amounts owed by EHGNA in respect of MBFS Financed Collateral sold to third parties where proceeds were received by EHGNA pre-receivership.

5.3 The Bankruptcy Application and Interim Distribution Order authorized and directed the Receiver to distribute to Corner Flag, in one or more distributions, from the Net Proceeds

realized from the Transactions, the full amount of indebtedness owing by the Receiver to Corner Flag under the Receiver Term Sheet, as soon as reasonably practical following receipt of such Net Proceeds.

- 5.4 Accordingly, on July 25, 2019 the Receiver made a distribution to Corner Flag in the amount of \$4,093,709.18 to fully repay amounts owed under the Receiver Term Sheet, including interest and professional costs.
- 5.5 The Bankruptcy Application and Interim Distribution Order also authorized the Receiver to distribute any remaining Net Proceeds or other amounts held by the Receiver to Corner Flag, to repay up to the maximum amount of the indebtedness owed by EHGNA to Corner Flag under the Corner Flag Promissory Note and Corner Flag Security (provided that no amounts are distributed from the Construction Lien Reserve until each of the Construction Liens is settled and discharged).
- 5.6 As described above, all Construction Liens were settled and discharged by July 25, 2019. Following the settlement of the last Construction Lien, the balance of the Construction Lien Reserve was released into the estate and became part of the Net Proceeds.
- 5.7 On October 16, 2019, the Receiver made a second distribution to Corner Flag in the amount of \$5,444,870.66 to fully repay amounts owing under the Corner Flag Promissory Note and Corner Flag Security. As a result, Corner Flag has been repaid in full and no longer has any secured or other claim to the assets of EHGNA.

5.8 The Bankruptcy and Interim Distribution Order further authorized the Receiver to make certain additional payments to MBFS US following repayment to Corner Flag in full. Accordingly, on January 8, 2020, the Receiver distributed US\$622,314 to MBFS US in satisfaction of the amounts owed by EHG Chassis (and guaranteed by EHGNA) in respect of MBFS US Financed Collateral sold to third parties where proceeds were received by EHGNA pre-receivership.

5.9 Below is an update of the chart contained in the Second Report which details the various claims of the Primary Secured Creditors and the actions taken by the Receiver in satisfaction of such claims since the date of the Second Report:

Type of Claim	Balance as of Second Report	Current Balance	Description
1. MBFS and MBFS US – Roadtrek Transaction			
MBFS Financed Collateral – Units sold where proceeds received through Roadtrek Transaction	\$1,093,431	\$0	Balance paid by the Receiver to MBFS on July 3, 2019 upon closing of the Roadtrek Transaction.
MBFS US Financed Collateral – Units sold where proceeds received through Roadtrek Transaction	US\$499,377	US\$0	Balance paid by the Receiver to MBFS US on July 3, 2019 upon closing of the Roadtrek Transaction.
2. Other MBFS Claims			
MBFS Financed Collateral – Raw Chassis	\$350,256	\$0	Raw Chassis returned to MBFS in exchange for a reduction of MBFS' claim.

MBFS Financed Collateral – Units sold to third parties pre-receivership where proceeds received by EHGNA	\$435,635	\$0	Balance paid to MBFS on October 17, 2019.
MBFS Financed Collateral – Units sold to third parties post-receivership where proceeds received by Receiver	\$236,646	\$0	Balance paid to MBFS on April 10, 2019 in respect of MBFS raw chassis for Finished Product sold in the normal course post-receivership.
MBFS Financed Collateral – Unit sold where proceeds remained owing to EHGNA at the date of the Second Report	\$64,677	\$0	Balance paid to MBFS on August 28, 2019 upon collection of the respective accounts receivable.
3. Corner Flag Claims			
Receiver Term Sheet	\$3,282,000 (plus any other chargeable amounts)	\$0	Balance paid by the Receiver on July 25, 2019 pursuant to the Bankruptcy Application and Interim Distribution Order.
EHGNA Promissory Note	\$5,085,000 (plus any other chargeable amounts)	\$0	Balance paid by the Receiver on October 17, 2019 pursuant to the Bankruptcy Application and Interim Distribution Order.

4. Other MBFS US Claims			
MBFS US Financed Collateral – Raw Chassis (Returned by Receiver)	US\$726,753	US\$0	Units released to MBFS US or its designated affiliates on June 20, 2019 in exchange for a reduction of MBFS US' claim.
MBFS US Financed Collateral – Raw Chassis (Returned by Third Party Storage Provider)	US\$153,366	US\$0	Units released to MBFS US or its designated affiliates on or before June 10, 2019. MBFS US claim reduced accordingly.
MBFS US Financed Collateral – Units sold to third parties pre-receivership where proceeds received by EHGNA	US\$622,314	US\$0	Balance paid by the Receiver on January 8, 2020 pursuant to the Bankruptcy Application and Interim Distribution Order.
MBFS US Financed Collateral – Unit sold to third party post-receivership where proceeds received by Receiver	US\$46,776	US\$0	Balance paid to MBFS US in respect of MBFS US raw chassis for Finished Product sold in the normal course post-receivership.
MBFS US Financed Collateral – Units sold pre-receivership that were paid for by a third party	US\$98,723	US\$0	Balance paid to MBFS US by a third party in respect of MBFS US raw chassis for two Finished Products sold by EHGNA pre-receivership.
MBFS US Financed Collateral – Units sold where proceeds remained owing to EHGNA at the date of the Second Report	US\$295,875	US\$197,446	US\$98,429 has been paid to MBFS US in respect of balance due on two units for which sale proceeds were collected by the Receiver. Amounts remain owing to EHGNA for four units sold pre-receivership.

MBFS US Financed Collateral – Unsold WIP or Finished Product	US\$318,520	US\$0	Six WIP/Finished Product units were returned to MBFS US or its designated affiliates on or before June 27, 2019 in exchange for a reduction of MBFS US' claim. Balance due on one unit paid by the Receiver to MBFS US on July 17, 2019 upon collection of sale proceeds.
5. EHG SE Claims			
TD Loan Agreement (as assigned to EHG SE)	Approximately \$6,500,000 and US\$1,300,000	Approximately \$6,500,000 and US\$1,300,000	The Receiver proposes to pay such amounts in the manner contemplated below in the event of Court approval of such distributions.
EHG SE Payroll Advance	\$1,800,000	\$1,800,000	The Receiver proposes to pay such amounts in the manner contemplated below in the event of Court approval of such distributions.
Other Claims	Current claim of approximately \$32,300,000.	Current claim of approximately \$48,800,000.	These claims have not been accepted as secured claims by the Receiver to date, and the Receiver is not proposing to make any distributions in respect of these claims at this time.

6.0 PROPOSED INTERIM DISTRIBUTION TO EHG SE

- 6.1 The Receiver and its counsel have reviewed the security and assessed the relative priorities of the claims of Corner Flag, MBFS, MBFS US and EHG SE (collectively, the “**Primary Secured Creditors**”) to the Property of EHGNA. The Receiver’s analysis is described at length in the Second Report and the ordering of the Primary Secured Creditors in the chart above is based on the relative priorities of such creditors.
- 6.2 As described above, Corner Flag and MBFS have now been repaid in full. MBFS US’ only remaining secured claim is for US\$197,446, which is in respect of specific MBFS US Financed Collateral sold where amounts remain owing to EHGNA or to EHG Chassis by the purchasers.
- 6.3 The Receiver understands that, in accordance with the MBFS US Priority Agreement, MBFS US is only entitled to be paid its remaining claim of US\$197,446 in priority to EHG SE if amounts are collected in respect of the specific MBFS US Financed Collateral subject to such claim. If such amounts are not collected, the Receiver understands that EHG SE would have a priority claim to any remaining proceeds of the estate.
- 6.4 Accordingly, if amounts are collected by the Receiver in respect of the MBFS US Financed Collateral subject to MBFS US’ remaining secured claim, the Receiver intends to pay MBFS US the balance due for the raw chassis underlying such units constituting MBFS US Financed Collateral, prior to making any distribution to EHG SE from such proceeds.

However, if such amounts are not collected, EHG SE will have a secured claim that ranks ahead of any other creditor to the remaining proceeds of the estate.

6.5 As of the date of this Third Report, the Receiver understands that:

- (a) 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, and
- (b) approximately \$1.8 million is owing to EHG SE pursuant to the EHG SE Payroll Advance, which is secured by the EHG SE GSA.

The EHGNA TD Security was perfected prior to the security granted by the EHG SE GSA. Accordingly, any distributions to EHG SE would first be applied to reduce the indebtedness under the TD Loan Agreement prior to the repayment of the EHG SE Payroll Advance.

6.6 The Receiver is therefore seeking the authority to distribute up to the maximum amount of the indebtedness owing by EHGNA to EHG SE under the TD Loan Agreement and the EHG SE Payroll Advance (which the Receiver understands is approximately \$8.3 million and US\$1.3 million plus applicable interest and costs) from the Net Proceeds or any other amounts held by the Receiver, provided that, in the event that any amounts are received in respect of the MBFS US Financed Collateral subject to MBFS US' claim, such amounts shall first be distributed to MBFS US.

6.7 As at the date of this Third Report, the Receiver has approximately \$6.3 million of cash on hand. Accordingly, should the proposed Order be granted, the Receiver proposes to distribute approximately \$4.5 million to reduce the secured indebtedness owed by EHGNA to EHG SE under the TD Loan Agreement. Following such distribution, the Receiver expects to have approximately \$1.85 million remaining to complete the administration of these Receivership Proceedings.

6.8 Should any additional amounts be received by the Receiver in respect of the remaining settlements being negotiated by the Receiver, the receivership estate's unsecured claim in the JRV Chapter 11 proceedings, the insurance claim or otherwise, the Receiver intends to distribute to EHG SE up to the maximum amount required to satisfy EHGNA's indebtedness to EHG SE under the TD Loan Agreement and the EHG SE Payroll Advance. Should such claims be satisfied, the Receiver proposes to return to Court for approval of any additional distributions to creditors.

7.0 RECEIVER'S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

7.1 A summary of the Receiver's Interim Statement of Receipts and Disbursements for the period June 2, 2019 to January 11, 2020 (the "**Reporting Period**") is provided below (figures in \$000's):

Receipts & Disbursements	CAD	USD
Receipts		
Sale of Company Inventory and Other Assets	\$ 15,705	\$ 6,896
Account Receivable Collections	65	264
HST Collected	254	-
Other Collections	26	35
Total Receipts	\$ 16,049	\$ 7,194
Disbursements		
Costs of Goods Sold	\$ (1,784)	\$ (2,884)
Receiver's Certificate Repayments	(3,410)	-
Professional Fees	(2,316)	-
Utilities and Occupancy Costs	(987)	-
Payroll and Employee Amounts	(647)	-
Lien Cure Costs	(608)	-
SG&A and Other	(468)	(3)
HST Paid	(413)	-
Total Disbursements	\$ (10,632)	\$ (2,887)
Net Cash Flow	\$ 5,417	\$ 4,307
Distributions to Secured Creditors		
Secured Creditor Distributions	\$ (436)	\$ (622)
Secured Note Repayments	(5,445)	-
Total Distributions	\$ (5,881)	\$ (622)
Net Cash Flow after Distributions	\$ (464)	\$ 3,685
Opening Cash Balance	\$ (379)	\$ 1,675
Net Cash Flow after Distributions	(464)	3,685
Transfer from (to) Account	5,266	(4,000)
Ending Cash Balance	\$ 4,423	\$ 1,359

Receipts – June 2, 2019 to January 11, 2020

7.2 Receipts for the period totaled approximately \$16.0 million and US\$7.2 million, which were comprised primarily of:

- (a) proceeds received from closing of the Transactions;

- (b) proceeds from the sale of other EHGNA vehicles of \$437,000 and US\$835,000;
- (c) accounts receivable collections for amounts that had existed as at the Receivership Date of approximately \$65,000 and US\$264,000; and
- (d) other sales and collections of approximately \$26,000 and US\$35,000.

Disbursements – June 2, 2019 to January 11, 2020

7.3 Disbursements for the period totaled approximately \$10.6 million and US\$2.9 million, which were 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 \$1.8 million and US\$2.9 million;
- (b) repayment in full of the funding, and all associated interest, provided pursuant to the Receiver's Certificates issued by Corner Flag under the Receiver Term Sheet of \$3.4 million;
- (c) professional fees, including payments of invoices rendered by the Receiver, Osler, and Corner Flag's legal counsel during the Reporting Period;
- (d) utility and occupancy costs for June through December of approximately \$987,000;

- (e) payroll and related amounts of \$647,000 for EHGNA personnel engaged by the Receiver through August 31, 2019;
- (f) lien cure costs of \$608,000 in respect of the settlement of the Construction Liens; and
- (g) selling, general & administrative costs, including security, storage and IT service costs of \$468,000 and US\$3,000.

7.4 As described above, the Receiver also made the following distributions to secured creditors in accordance with the Ancillary Administration and Bankruptcy and Interim Distribution Orders:

- (a) \$435,634.90 to MBFS in satisfaction of amounts owed by EHGNA in respect of MBFS Financed Collateral sold to third parties where the proceeds had been received by EHGNA pre-receivership;
- (b) US\$622,314 to MBFS US in satisfaction of amounts owed by EHG Chassis (and guaranteed by EHGNA) in respect of MBFS US Financed Collateral sold to third parties where proceeds were received by EHGNA pre-receivership; and
- (c) Approximately \$5.4 million to Corner Flag in satisfaction of the Corner Flag Promissory Note and Corner Flag Security.

7.5 After the proposed additional distributions to EHG SE, the Receiver expects to have sufficient cash available to fund the remainder of the Receivership Proceedings.

8.0 BANKRUPTCY ASSIGNMENT

- 8.1 The Bankruptcy Application and Interim Distribution Order authorized the Receiver to file an assignment in bankruptcy under the BIA on behalf of EHGNA at any time following delivery of the Receiver's Certificate in respect of the Roadtrek Transaction. Such Receiver's Certificate was delivered on July 4, 2019.
- 8.2 On September 23, 2019, EHGNA was assigned into bankruptcy by the Receiver. Pursuant to a Certificate of Appointment issued by the Official Receiver, A&M was appointed as Trustee of the estate of EHGNA. The appointment of A&M as Trustee was affirmed at the first meeting of creditors held on October 10, 2019. At the first meeting of creditors, Mr. Anthony Scappaticci, a representative of KS2 Corp., was appointed as the sole inspector (the "**Inspector**") in the bankrupt estate.
- 8.3 A&M, in its capacity as Trustee, prepared a preliminary report on its administration dated October 8, 2019 (the "**Trustee's Report**") that was made available at the first meeting of creditors. The Trustee's Report described, among other things, the causes of bankruptcy and the financial position of EHGNA at the date of bankruptcy. As at the date of bankruptcy, the only remaining assets of EHGNA were cash held in the Receiver's trust account of approximately \$12.1 million (after deducting estimated completion costs of the Receiver), collectable accounts receivable of approximately \$465,000 and certain contingent receivables. The Trustee's Report advised that, given the quantum of remaining secured claims as of the date of bankruptcy, it is expected that there will be no

unencumbered assets available to the Trustee for realization and distribution to the unsecured creditors. The Receiver, with the consent of EHG SE, has provided limited funding to the Trustee to cover statutory requirements and other appropriate activities.

8.4 Attached as **Appendix “F”** is a copy of the Trustee’s Report. Additional information regarding the bankruptcy proceedings is available on the Case Website.

9.0 SEALING ORDERS GRANTED UNDER THE ANCILLARY ADMINISTRATION ORDER

9.1 Since the date of the bankruptcy, the Inspector has been in communication with A&M in its capacity as Trustee to request, among other things, certain additional information relating to the Transactions completed in the Receivership Proceedings. A&M, in its capacity as Trustee, has been working cooperatively with the Inspector to facilitate such requests to the extent possible.

9.2 In particular, the Inspector has requested the disclosure of certain information contained in the Confidential Appendices sealed by the Court pursuant to the Ancillary Administration Order.

9.3 As described in the Second Report, the Receiver sought the sealing of certain confidential and commercially sensitive information related to the Sales Process and the Transactions, as certain deal terms contained in the Transactions may have had a material effect on the Receivership estate or the respective purchasers’ interest if disclosed. The Ancillary

Administration Order provided that Confidential Appendix “A” (containing bid summaries from the Sales Process), Confidential Appendix “B” (containing bid summaries from the New Liquidation Bid Deadline) and Confidential Appendix “C” (containing unredacted copies of the Roadtrek APA, the La Mesa Bill of Sale and the Infinity APA) shall be sealed, kept confidential and shall not form part of the public record until further Order of the Court.

9.4 The Receiver believes that the redacted information contained in Confidential Appendix “C” no longer needs to be sealed, as the Transactions have now closed, and the Receiver has completed the realization of substantially all of the assets of EHGNA. Further, the Receiver understands that the respective purchasers do not object to the unsealing of Confidential Appendix “C”. Accordingly, the Receiver is seeking an Order to unseal Confidential Appendix “C” in order to provide additional disclosure to the stakeholders of EHGNA.

9.5 However, the Receiver is of the view that Confidential Appendices “A” and “B” should remain sealed pending further Order of the Court, given that such appendices contain specific details on bids and bidders who were not successful in the process, and the disclosure of such information may prejudice such parties and the integrity of the Sales Process more generally.

10.0 SECOND ROW SEATING ISSUE

- 10.1 As described in the Second Report, the Roadtrek Buyer was provided with a second row seating test report dated November 30, 2016 (the “**2016 Test Report**”) in late April 2019 by a former employee of EHGNA who was never employed by the Receiver and was not authorized by EHGNA to be in possession of such report or to release same. 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 branded RV Inventory 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**”).
- 10.3 Although the Receiver determined that the Pull Tests were conducted in relation to a prototype seat pedestal that was in fact never put into production by EHGNA, the Receiver and certain former employees engaged by the Receiver conducted an extensive search of EHGNA’s books and records and discussed the issue with other former employees and former engineering partners of EHGNA. As the Receiver was unable to locate any record of any Pull Tests which proved either passing or failing results, the Receiver retained an engineering firm to perform a Pull Test on the Roadtrek RV Inventory in question.

- 10.4 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 (“**Receiver Pull Tests**”).
- 10.5 Following the receipt of the Receiver Pull Test results, the Receiver promptly notified Transport Canada and the U.S. National Highway Transportation Safety Administration (“**NHTSA**”). The Receiver understands that this configuration of second row seating could have been installed in over 1,900 RV Inventory units sold by EHGNA between 2013 and 2019 (each, an “**Affected Unit**”). The Receiver is not aware of any historical claims made against EHGNA related to the safety of second-row seating.
- 10.6 In consultation with Transport Canada and the NHTSA, and pursuant to their respective guidelines, the Receiver mailed a letter to all known owners of Affected Units on June 25, 2019 informing such owners of the second-row seating issue. Copies of the June 2019 NHTSA and Transport Canada approved letters are attached hereto as **Appendix “G”**.
- 10.7 The Receiver has continued to work in consultation with the Roadtrek Buyer, the NHTSA and Transport Canada to identify a permanent solution for all Affected Units. On January 9, 2020, all known owners of Affected Units were sent a subsequent letter that instructed the owner to bring the Affected Unit to a dealer for the removal of the seatbelt(s) in the Affected Units and the application of a label that states that the second row seat is not to be occupied while the vehicle is in motion. Copies of the January 2020 NHTSA and Transport Canada approved letters are attached hereto as **Appendix “H”**.

11.0 RECEIVER'S ACTIVITIES

11.1 In addition to the activities described above, the activities of the Receiver since the date of the Second Report (June 10, 2019) have included the following:

- controlling receipts and disbursements, and managing the Receiver's trust accounts;
- re-engaging certain former employees to assist with, among other things, the closing of the various Transactions (31 employees at the peak, with all employees having been terminated effective August 31, 2019 (although certain employees have been engaged as part-time, third-party consultants for services subsequent to that date));
- coordinating the collection 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 instances, their third-party financiers, and negotiating and coordinating the sale of Finished Product to Finished Product Dealers and facilitating delivery of MSOs and NVISs;
- engaging with warehousing parties in respect of their liens;

- coordinating with Cohen Hamilton and conducting a detailed review of the books and records of EHGNA in respect of the acquisition of Roadtrek by EHGNA;
- assisting in communications with key stakeholders, including former employees, dealers, customers, landlords and suppliers;
- 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 coverage for the Property as well as cancellation of such insurance as leased properties were vacated;
- 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;
- communicating with EHG SE and its counsel in respect of EHG SE's secured claim;
- coordinating with advisors to EHG SE to ensure retention of electronic records by the Receiver;
- maintaining and updating the Case Website; and

- preparing this Third Report and bringing this motion.

12.0 PROFESSIONAL FEES AND DISBURSEMENTS

- 12.1 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.
- 12.2 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 \$1,064,296.97 including disbursements, for the period May 19, 2019 to November 30, 2019 (the "**A&M Application Period**"); and
 - (b) Osler in the amount of \$748,879.07, including disbursements, for the period May 18, 2019 to November 30, 2019 (the "**Osler Application Period**").
- 12.3 The Fee Affidavit of Alan J. Hutchens sworn January 21, 2020 (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 "I"**.
- 12.4 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.

12.5 The Fee Affidavit of Tracy C. Sandler sworn January 21, 2020 (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 “J”**.

12.6 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.

13.0 CONCLUSIONS AND RECOMMENDATIONS

13.1 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 1.6 of this Third Report.

All of which is respectfully submitted this 21st day of January, 2020.

**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

TAB A

APPENDIX "A"

Appointment Order dated February 15, 2019

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)
)
JUSTICE MCEWEN)
)
)
)

FRIDAY, THE 15TH DAY
OF FEBRUARY, 2019



CORNER FLAG LLC

Applicant

- and -

ERWIN HYMER GROUP NORTH AMERICA, INC.

Respondent

**APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, as amended, and under section 101 of the *Courts of Justice Act*, R.S.O.
1990, c. C.43**

**ORDER
(Appointing Receiver)**

THIS APPLICATION made by Corner Flag LLC (“**Corner Flag**” or the “**Applicant**”) for an Order appointing Alvarez & Marsal Canada Inc. (“**A&M**”) as receiver and manager (in such capacities, the “**Receiver**”) without security, of all of the assets, undertakings and properties of Erwin Hymer Group North America, Inc. (the “**Debtor**”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c.C-43, as amended (the “**CJA**”), in each case, acquired for or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Mark Gottlieb sworn February 15, 2019 (the "**Gottlieb Affidavit**") and the Exhibits thereto and on hearing the submissions of counsel for the Applicant, counsel for the Receiver, and Erwin Hymer Group SE and the Respondent not appearing although duly served as appears from the affidavit of service of Caitlin McIntyre sworn February 15, 2019, and on reading the consent of A&M to act as Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, A&M is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable (provided that any disbursements made in connection therewith are made in accordance with the Receiver Term Sheet, as defined in the Gottlieb Affidavit):

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property, provided, however, that the Receiver shall not be entitled or authorized to operate the business of the Debtor without further Order of this Court or consent of the Applicant;

- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage the business of the Debtor, including the powers to enter into any agreements (including any amendments and modifications thereto), repudiate or disclaim any agreement, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to cause the Debtor to retain such former employees of the Debtor as independent contractors or employees of the Debtor as the Receiver may consider necessary or desirable to secure their assistance in the exercise of the Receiver's powers and the performance of the Receiver's duties hereunder;
- (e) to engage consultants, contractors, appraisers, agents, experts, auditors, accountants, managers, assistants, counsel and such other persons from time to time (each a "**Professional Advisor**") and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (f) to consult with the Applicant from time to time and to provide such information to the Applicant as may be reasonably requested, including pursuant to the Receiver Term Sheet;
- (g) to pay the retainer, fees and disbursements of any Professional Advisor retained by the Applicant, the Debtor or the Receiver in connection with or relation to this application, in each case at their standard rates and charges incurred prior to the date of this Order;

- (h) to pay, remit or make, as applicable, any employee wages, employee vacation pay, employee expenses, employee disbursements, source deductions, pension contributions, employee health taxes, payments in respect of employee benefits and/or fees owing to independent contractors of the Debtor, which have accrued up to and including the date of this Order, even if not payable until after the date of this Order;
- (i) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to manage the business of the Debtor or any part or parts thereof;
- (j) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (k) to settle, extend or compromise any indebtedness owing to the Debtor;
- (l) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (m) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (n) to market any or all of the Property, 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;
- (o) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

- i. without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; and
- ii. with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* shall not be required.

- (p) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (q) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (r) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (s) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (t) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (u) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have;

- (v) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations; and
- (w) and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, advisors, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property (including for greater certainty, any Property located on third-party premises) or any

assets located on premises belonging to or leased by the Debtor shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property or any assets located on premises belonging to or leased by the Debtor are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers,

facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. THIS COURT ORDERS that all employees of the Debtor shall be deemed to have been terminated by the Debtor immediately prior to the issuance of this Order. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

15. THIS COURT ORDERS that the Receiver is expressly authorized and empowered to send notices of termination to employees of the Debtor in the name of and on behalf of the Debtor and to do or cause to be done all such further acts and things necessary or desirable in respect of the termination of the employees of the Debtor, including, without limitation, any applicable statutory notices or filings in the name of and on behalf of the Debtor.

PIPEDA

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

18. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

19. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise (each, an "**Encumbrance**"), in favour of any Person, except for any Encumbrance in favour of a secured creditor who would be materially affected by this Order and who was not given notice of this application, and subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

20. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

21. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

22. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow from the Applicant pursuant to the Receiver Term Sheet (as defined in the Gottlieb Affidavit), such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$5.5 million, (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all Encumbrances in favour of any Person, but subordinate in priority to (i) any Encumbrance in favour of a secured creditor who would be materially affected by this Order and who was not given notice of this application, (ii) the Receiver's Charge, and (iii) the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

23. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

24. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

25. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

26. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List

website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL ‘<<http://www.alvarezandmarsal.com/ehgna>>’.

27. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor’s creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

28. THIS COURT ORDERS that the Receiver and counsel to the Receiver are at liberty to serve or distribute this Order and any other materials and Orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Debtor’s creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

29. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

30. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

31. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

32. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including without limitation, Chapter 15 of the U.S. Bankruptcy Code.

33. THIS COURT ORDERS that the Applicant shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

34. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

FEB 15 2019

PER / PAR:



SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Alvarez & Marsal Canada Inc. the receiver (the "**Receiver**") of the assets, undertakings and properties of Erwin Hymer Group North America, Inc. (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the ___ day of _____, 2019 (the "**Order**") made in an action having Court file number ___-CL-_____, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver

to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal or corporate liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 2019.

ALVAREZ & MARSAL CANADA INC.
solely in its capacity as Receiver of the Property,
and not in its personal or corporate capacity

Per: _____

Name:

Title:

APPLICATION UNDER SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, C. C.43, AS AMENDED,
AND SECTION 243 OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3 AS AMENDED
CORNER FLAG LLC - and - ERWIN HYMER GROUP NORTH AMERICA, INC.
Applicant Respondent

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

Proceeding Commenced at Toronto

**ORDER
(Appointing Receiver)**

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Lawyers for the Applicant, Corner Flag LLC

TAB B

APPENDIX "B"

First Report of the Receiver dated March 20, 2019, without appendices

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

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

MARCH 20, 2019

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1.0 INTRODUCTION

- 1.1 This report (the “**First 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**”), A&M was appointed as Receiver of EHGNA. A copy of the Appointment Order is attached hereto as **Appendix “A”**.
- 1.3 Since the granting of the Appointment Order, the Receiver has been evaluating realization strategies and options in respect of EHGNA’s business and assets. It has determined, in accordance with the powers granted to it under the Appointment Order, that it would be beneficial to the stakeholders to proceed with an expedited process (on substantially the terms of the Sales Process, as such term is defined below) and to solicit offers from potential purchasers, including those who may be willing to restart certain aspects of EHGNA’s manufacturing operations and potentially rehire a portion of EHGNA’s former employees. The Receiver seeks to have its process approved by the Court, *nunc pro tunc*, in advance of the bid deadline of April 3, 2019.

- 1.4 Accordingly, the purpose of this First Report is to:
- (a) provide background information regarding EHGNA;
 - (b) provide an overview of key aspects of the receivership proceedings (“**Receivership Proceedings**”) to date;
 - (c) provide an overview of the issues relating to security granted by EHGNA and certain affiliates and competing claims to title to the RV Inventory (as defined below);
 - (d) describe the Receiver’s activities since the making of the Appointment Order; and
 - (e) support the Receiver’s motion for an order (the “**Sales Process Order**”), among other things:
 - (i) authorizing and directing the Receiver to further conduct the Sales Process (as defined below) for the property, assets and undertaking of EHGNA; and
 - (ii) approving this First Report and the activities of the Receiver described herein.

2.0 TERMS OF REFERENCE AND DISCLAIMER

- 2.1 In preparing this First 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 First Report has been prepared for the 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 First 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 First Report different than the provisions of this paragraph.
- 2.4 The information contained in this First Report is not intended to be relied upon by any investor or purchaser in any transaction with the Receiver.
- 2.5 Unless otherwise stated, all monetary amounts contained in this First Report are expressed in Canadian dollars.
- 2.6 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**”). As described further below, recognizing the effect of the Receivership Proceedings on the employees of the Company, the Receiver created and continues to update a dedicated Employee Information section on the Case Website.

3.0 BACKGROUND

- 3.1 Background with respect to EHGNA, as well as a description of the circumstances leading to the appointment of the Receiver, are contained in the application record filed by Corner Flag LLC (“**Corner Flag**”) dated February 15, 2019 (the “**Corner Flag Application Record**”). The Corner Flag Application Record has been posted to the Case Website.
- 3.2 Until January 31, 2019, EHGNA was part of the global Erwin Hymer group (the “**Erwin Hymer Global Group**”), an international group of entities engaged in the manufacture and sale of recreational vehicles (“**RVs**”) that was headquartered in Germany and had numerous operating subsidiaries throughout Europe. EHGNA purchased the chassis and components required for the development and assembly of RVs from chassis dealers and other suppliers and assembled them into RVs. It would then sell these assembled RVs to a network of finished product dealers who, in turn, sold the RVs to retail customers.
- 3.3 EHGNA’s predecessor entity, 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. EHGNA, together with Erwin Hymer Group NA Chassis, Inc. (“**EHG Chassis**”), Erwin Hymer Group USA L.P., a

Delaware limited partnership (“**EHG USA LP**”) and certain other U.S. entities and partnerships, collectively became the Erwin Hymer Group North American entities (the “**EHG NA Entities**”). The primary business of the EHG NA Entities in the United States (except for EHG Chassis and the Best Time RV entities) is to manufacture upfitted/modified Jeeps under the trade name American Fastbacks (“**American Fastbacks**”). Neither American Fastbacks nor the Best Time RV entities form part of these Receivership Proceedings. 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. The Receiver understands that EHGNA ran the operations of itself and EHG Chassis from its Canadian offices.

The Thor Transaction and the Carve-Out Transaction

- 3.4 On September 18, 2018, following a marketing and investment solicitation process (the “**Global Sale Process**”) carried out by Erwin Hymer Group SE (“**EHG SE**”), the ultimate shareholder of the Erwin Hymer Global Group, EHG SE entered into a definitive share purchase agreement (the “**SPA**”) with Thor Industries, Inc. (“**Thor**”). Thor is an American manufacturer of towable and motorized RVs that is publicly traded on the New York Stock Exchange and headquartered in Elkhart, Indiana.
- 3.5 Pursuant to the SPA, Thor was to acquire the Erwin Hymer Global Group (including the EHG NA Entities) through an acquisition of all outstanding shares of EHG SE (the “**Thor Transaction**”). The Thor Transaction was originally intended to close in early January,

2019, but was delayed due to the discovery of certain financial irregularities in the books and records of the EHG NA Entities.

- 3.6 Ultimately, as a result of the issues surrounding the financial irregularities, the parties to the Thor Transaction agreed to amend the SPA, among other things, to exclude the EHG NA Entities from the transaction and to provide for a reduction in the purchase price. To facilitate the amended Thor Transaction, EHG SE first divested its ownership interests in the EHG NA Entities pursuant to a transaction with Corner Flag, whereby Corner Flag acquired all the outstanding shares in Erwin Hymer Group Holding Management Corporation and EHGNA, and all outstanding partnership interests in EHG USA LP (the “**Carve-Out Transaction**”). Corner Flag is a special purpose Delaware limited liability company based in the United States that was formed to acquire the ownership interests in the EHG NA Entities pursuant to the Carve-Out Transaction. The Carve-Out Transaction closed on January 31, 2019 and the Thor Transaction, as amended, then closed the next day. A chart describing the corporate structure immediately prior to the Carve-Out Transaction is attached hereto as **Appendix “B”**. A chart describing the corporate structure immediately following the Carve-Out Transaction is attached hereto as **Appendix “C”**.
- 3.7 Following the closing of the Carve-Out Transaction and the Thor Transaction, EHGNA continued to have a liquidity shortfall which rendered it unable to meet critical immediate and short-term obligations, including payroll, benefits and pension amounts due to employees or due to be remitted to other parties on behalf of employees. To satisfy those immediate obligations (and in addition to a payroll advance in the amount of CAD\$1.8

million made by EHG SE on January 31, 2019 for the payroll period ending February 1, 2019 for which security was granted, as discussed below), EHGNA borrowed approximately CAD \$5.1 million from Corner Flag on February 14, 2019, which loan was evidenced by a promissory note issued by EHGNA to Corner Flag (the “**EHGNA Promissory Note**”). To secure its obligations under the EHGNA Promissory Note, EHGNA granted a security interest to Corner Flag over all its present and after acquired personal property, pursuant to a general security agreement dated February 14, 2019 (the “**Corner Flag Security**”).

- 3.8 For the reasons described in the Corner Flag Application Record, Corner Flag sought the appointment of A&M as Receiver to fill the existing governance void, take steps to preserve and maintain the property of EHGNA and to assess asset realization strategies and options.
- 3.9 In connection with the commencement of these Receivership Proceedings by Corner Flag, Corner Flag offered additional financing to fund the Receiver’s activities during these Receivership Proceedings to a maximum of \$4,750,000 for the initial six week period ending March 29, 2019 (the “**Initial Term**”) pursuant to the Term Sheet dated February 15, 2019 between Corner Flag and the Receiver (the “**Receiver’s Term Sheet**”). The Appointment Order provides flexibility to increase funding up to \$5,500,000 on agreement of the Receiver and Corner Flag.
- 3.10 The obligations of EHGNA to Corner Flag under the Receiver’s Term Sheet are secured by the Receiver’s Borrowings Charge (as such term is defined in the Appointment Order).

- 3.11 Since the Receivership Date, Corner Flag has made three advances to the Receiver pursuant to the Receiver's Term Sheet totaling approximately \$3.3 million: (i) \$759,000, received on February 19, 2019, (ii) \$2,120,000, received on February 25, 2019, and (iii) \$403,000, received on March 5, 2019. Each of these advances is evidenced by a Receiver's Certificate (as such term is defined in the Appointment Order).
- 3.12 As at the Receivership Date, EHGNA operated from five (5) leased facilities in Cambridge, Ontario and the surrounding area (one facility was dormant and was vacated by the Receiver on February 28, 2019). The Company's head office is housed within a research and development facility located at 25 Reuter Drive, Cambridge, Ontario and the Company's manufacturing facilities are located at 100 Shirley Avenue, Kitchener, Ontario, 20 Tyler Street, Cambridge, Ontario and 400 Southgate Drive, Guelph, Ontario (the "EHGNA Facilities"). Immediately prior to the Receivership Date, the Company had approximately 850 non-unionized employees.

4.0 CREDITORS

Primary Secured Creditors

- 4.1 EHGNA has three primary secured creditors: Corner Flag, EHG SE, and Mercedes-Benz Financial Services, a business unit of Mercedes-Benz Financial Services Canada Corporation ("MBFS"). The Receiver has engaged independent counsel, Osler, Hoskin & Harcourt LLP ("Osler") in connection with the Receivership Proceedings and, among other things, has asked Osler to review the security granted by EHGNA and EHG Chassis

to these 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. An understanding of their relative secured positions and the interplay of same is a necessary part of the Inventory Analysis review discussed below, beginning at Section 5.10 of this First Report.

Corner Flag

- 4.2 As noted above, EHGNA issued the EHGNA Promissory Note to Corner Flag in the amount of approximately \$5.1 million (plus other chargeable amounts), which is secured by the Corner Flag Security.
- 4.3 In connection with the granting of the EHGNA Promissory Note and the Corner Flag Security, EHG SE and Corner Flag entered into a Subordination Agreement dated February 14, 2019 (the “**EHG SE Subordination Agreement**”), whereby they agreed that the EHG SE Security (as defined below) would be postponed and subordinated to the Corner Flag Security.
- 4.4 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. There is currently approximately \$3.3 million (plus other chargeable amounts) outstanding pursuant to advances made under the Receiver’s Term Sheet. These amounts are secured by the Receiver’s Borrowings Charge (as defined in the Appointment Order).

EHG SE

4.5 On February 24, 2016, in connection with the acquisition of Roadtrek (the predecessor to EHGNA) by Erwin Hymer Global Group, the Toronto-Dominion Bank (“**TD**”) entered into an Amended and Restated Loan Agreement with Roadtrek (as amended, the “**TD Loan Agreement**”). Pursuant to the TD Loan Agreement, TD provided certain revolving and term loan facilities to EHGNA. To secure its obligations under the TD Loan Agreement, EHGNA granted a security interest to TD over all its present and after acquired accounts, inventory and proceeds pursuant to an Amended and Restated Security Agreement between EHGNA and TD dated February 25, 2016, which was amended and restated on February 16, 2017 pursuant to a Second Amended and Restated Security Agreement between EHGNA and TD to grant an additional security interest in equipment and the proceeds thereof (the “**EHGNA TD GSA**”, and such security, the “**EHGNA TD Security**”). Roadtrek Motorhomes USA Inc. (“**Roadtrek USA**”) (predecessor to EHG Chassis) guaranteed the obligations of Roadtrek (now EHGNA) under the TD Loan Agreement and granted a security interest in all of its present or after acquired accounts, inventory and proceeds pursuant to an Amended and Restated Security Agreement between Roadtrek USA and TD dated February 25, 2016, which was further amended and restated on February 24, 2017 pursuant to a Second Amended and Restated Security Agreement between EHG Chassis and TD to grant an additional security interest in equipment and the

proceeds thereof (the “**EHG Chassis TD GSA**” and such security, the “**EHG Chassis TD Security**”).¹

- 4.6 On January 24, 2019, the TD Loan Agreement, the EHGNA TD GSA and the EHG Chassis TD GSA were assigned by TD to EHG SE in accordance with an Assignment of Debt and Security Agreement dated January 24, 2019 among TD, EHG SE and EHGNA. The Receiver understands that TD has no further interest in EHGNA or EHG Chassis under the EHGNA TD Security and EHG Chassis TD Security.
- 4.7 According to the Corner Flag Application Record, approximately C\$6.5 million and US\$1.3 million remain outstanding under the TD Loan Agreement, as assigned to EHG SE.
- 4.8 In addition, as indicated above, on or around January 31, 2019, EHGNA borrowed approximately C\$1.8 million from EHG SE to fund immediate net payroll obligations (the “**EHG SE Payroll Advance**”). To secure the obligations of EHGNA to EHG SE in respect

¹ A guarantee of the obligations of EHGNA under the TD Loan Agreement was also provided by EHG SE. As the TD Loan Agreement has now been assigned to EHG SE, the guarantor and the secured creditor are now the same entity so the guarantee is no longer relevant.

of the EHG SE Payroll Advance and any other indebtedness or obligations that may become owing to EHG SE, EHGNA granted a security interest in all of its present and after acquired property to EHG SE pursuant to a General Security Agreement dated January 31, 2019 between EHGNA and EHG SE (the “**EHG SE GSA**”, and together with the EHGNA TD Security and the EHG Chassis TD Security, collectively, the “**EHG SE Security**”).

MBFS

4.9 MBFS extended credit to EHGNA pursuant to an Automobile Wholesale Financing Agreement between MBFS and EHGNA dated July 29, 2011 to finance the acquisition of MBFS chassis and to finance the conduct of the business of EHGNA generally (the “**MBFS Financing Agreement**”). To secure the obligations of EHGNA under the MBFS Financing Agreement, Roadtrek (now EHGNA) granted a security interest in all its present and after acquired personal property to MBFS pursuant to a General Security Agreement dated July 29, 2011 (the “**EHGNA MBFS Security**”). EHG Chassis also guaranteed the obligations of EHGNA to MBFS under the MBFS Financing Agreement pursuant to a Continuing Guaranty (Cross-Border Transaction) dated as of July 29, 2011 (the “**EHG Chassis MBFS Guarantee**”). EHG Chassis also granted security in respect of its obligations owed to MBFS under the EHG Chassis MBFS Guarantee by granting a security interest to MBFS in all of EHG Chassis’ personal property, including inventory, equipment, accounts, chattel paper, intangibles and proceeds pursuant to a Security Agreement – Cross Collateralization between Roadtrek USA (now EHG Chassis) and MBFS dated as of July 29, 2011 (the “**EHG Chassis MBFS Security**”). As of the date of this First Report, EHGNA owes

MBFS approximately \$2.2 million in connection with the MBFS Financing Agreement, which amount is guaranteed by EHG Chassis. Prior to the Receivership Date, MBFS had made demand and issued Section 244 notices under the *Bankruptcy and Insolvency Act* (“**BIA**”) in respect of the amounts owing by EHGNA and EHG Chassis under the security arrangements described above.

MBFS US

- 4.10 Separate and apart from the arrangements with MBFS described above, EHG Chassis was independently financed by Mercedes-Benz Financial Services USA LLC (“**MBFS US**”), which extended credit to EHG Chassis to finance the acquisition and holding, *inter alia*, of chassis, attachments and accessories. The Receiver understands that chassis financed by MBFS US would, in the normal course, ultimately be shipped to Canada. As set out below, as at the Receivership Date, these chassis and other chassis were held in various locations and in various stages of production. Pursuant to a Bodybuilder Floorplan Financing Agreement between MBFS US and EHG Chassis dated February 15, 2017 (the “**MBFS US Financing Agreement**”), EHG Chassis granted to MBFS US a continuing security interest in, *inter alia*, all of EHG Chassis’ inventory, equipment, accounts, intangibles, chattel paper, credits and proceeds therefrom, to secure EHG Chassis’ obligations to MBFS US (the “**EHG Chassis MBFS US Security**”). EHGNA guaranteed any obligations that EHGNA or EHG Chassis may have to MBFS US and Daimler Trust, whether under the MBFS US Financing Agreement or otherwise, pursuant to a Continuing Cross-Guaranty in favour of MBFS US and Daimler Trust dated February 19, 2016.

4.11 As of the date of this First Report, EHG Chassis owes MBFS US approximately US\$2.8 million in connection with the MBFS US Financing Agreement, which amount is guaranteed by EHGNA. Prior to the Receivership Date, MBFS US had made demand and issued Section 244 notices under the BIA in respect of the amounts owing by EHG Chassis and the guarantee granted by EHGNA.

Claims against EHGNA amongst Corner Flag, EHG SE and MBFS

4.12 EHG SE (as assignee of TD), EHGNA, EHG Chassis and MBFS are party to an Amended and Restated Priority Agreement dated December 7, 2016 (the “**MBFS Priority Agreement**”), whereby any security held by EHG SE would be 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**”). The EHGNA MBFS Security and the EHG Chassis MBFS Security would be postponed and subordinated to any security held by EHG SE, namely, the EHG SE Security, on all present and future assets of EHGNA and EHG Chassis other than the MBFS Financed Collateral.

4.13 The MBFS Priority Agreement provides that any proceeds received by EHG SE or MBFS in respect of their respective security interests shall be dealt with in accordance with the priorities described in the MBFS Priority Agreement. 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.

- 4.14 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. As such, MBFS would appear to have a priority claim to that of Corner Flag in respect of the MBFS Financed Collateral and proceeds thereof.
- 4.15 However, with respect to the non-MBFS Financed Collateral: (i) any proceeds received by MBFS in respect of the EHGNA MBFS Security would be paid to EHG SE (as assignee of TD) in accordance with the terms of the MBFS Priority Agreement, and (ii) any such proceeds received by EHG SE in respect of the EHG SE Security would be paid to Corner Flag in accordance with the terms of the EHG SE Subordination Agreement. Accordingly, Corner Flag is effectively entitled to any proceeds arising from 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.

Claims against EHG Chassis amongst Corner Flag, EHG SE and MBFS US

- 4.16 EHG SE (as assignee of TD), EHG Chassis and MBFS US are party to an Amended and Restated Priority Agreement dated December 7, 2016 (the “**MBFS US Priority Agreement**”), whereby the EHG Chassis TD Security would be 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 would be 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.

- 4.17 Corner Flag does not have any security interests 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 claims against the assets of EHG Chassis.

Other Secured Creditors

- 4.18 The Corner Flag Application Record provides a summary of other parties with *Personal Property Security Act* (Ontario) (“**PPSA**”) registrations against EHGNA, which consist of various specific equipment and vehicle lease registrations. Since the date of the Corner Flag Application Record, the Receiver is aware that certain additional parties have registered security interests against EHGNA, which the Receiver will review in due course.

Other Creditors

- 4.19 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. The Receiver and Osler have been engaging with various of the unsecured creditors who have been contacting the Receiver

and/or Osler in respect of same. The Notice and Statement of the Receiver is attached hereto as **Appendix “D”**.

5.0 KEY ASPECTS OF THE RECEIVERSHIP PROCEEDINGS TO DATE

Preservation of Property

- 5.1 Following its appointment, the Receiver took immediate steps to stabilize the situation and to preserve EHGNA’s property in order to assess the options available to the Receiver to maximize value for EHGNA’s stakeholders.
- 5.2 In order to conserve funds, but to preserve optionality with respect to any potential going concern transaction, the EHGNA Facilities were put on “warm idle”. This “warm idle” status ensures that the EHGNA Facilities will be in a position to re-commence production on relatively short notice, should the Receiver determine that it is in the best interests of EHGNA’s stakeholders to restart production of existing RV Inventory (as defined below), or to provide for a smooth transition of operations upon the closing of a “turnkey” transaction.

Employees

- 5.3 Pursuant to paragraph 14 of the Appointment Order, all employees of EHGNA were deemed to have been terminated by EHGNA immediately prior to the issuance of the Appointment Order. Immediately following the making of the Appointment Order, the Receiver attended at each of the four EHGNA Facilities and convened “townhall”-styled

meetings to advise employees of the granting of the Appointment Order, termination of employment and next steps regarding the payment of wages and vacation pay through the Receivership Date, and to address questions related to benefits coverage, Wage Earner Protection Program, employer pension contributions, Records of Employment (“ROEs”), T4s and other employment matters.

- 5.4 During the week of February 18, 2019, the Receiver prepared a schedule of Key Items and Dates for employees and posted the schedule to the Employee Information section of the Case Website.
- 5.5 Amounts owing to substantially all employees for wages and vacation pay as of the Receivership Date were paid on the Company’s normal pay cycle during the week of February 25, 2019. The Receiver continues to review and reconcile further potential claims for wages and vacation pay as of the Receivership Date and expects that there may be additional payments in subsequent weeks to a small number of former employees.
- 5.6 ROEs and T4s for the 2018 tax year were processed and/or mailed during the week of February 25, 2019, and substantially all of the T4s for the 2019 tax year were processed during the week of March 11, 2019, and will be mailed during the week of March 18, 2019.
- 5.7 To provide further information and ongoing guidance/communication to former employees, the Receiver prepared a schedule of Frequently Asked Questions for employees that was posted to the Employee Information section of the Case Website during the week of March 4, 2019.

- 5.8 The Receiver also posted additional information to assist employees with potential claims under the Wage Earner Protection Program to the Case Website on March 10, 2019.
- 5.9 The Receiver has re-engaged approximately 35 former employees to assist the Receiver during the Receivership Proceedings and to maintain the “warm idle” status of the Company’s operations. These re-engaged former employees are assisting the Receiver with inventory, operations, human resources, finance and inventory realization tasks, and with the Sales Process (as defined below).

RV Inventory

- 5.10 Following its appointment, the Receiver quickly discovered that EHGNA’s inventory and related records were not adequately maintained. A significant number of the transactions entered into by EHGNA with its chassis suppliers, other suppliers of products or services (including warehousing) and finished product dealers, were implemented on vague or uncertain terms, or appear to have not been documented but were effected on “handshake deals”. 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 and work-in-process units as discussed in greater detail below (collectively, the “**RV Inventory**”) and urgently sought the return of same. The Receiver advised third-party storage warehouse owners not to release any RV Inventory until further notice from the Receiver.

5.11 The Receiver accordingly determined that it was necessary to, and has, 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 such RV Inventory. This assessment included discussions with the various chassis dealers and finished product dealers and their respective floor plan financing parties, as well as providers of warehousing services, and in all respects, 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 what RV Inventory could be included in any potential sale of EHGNA’s business and/or assets or should be returned. The Inventory Analysis will also assist in the distribution of any proceeds realized in connection with the Receivership Proceedings.

5.12 The Inventory Analysis has been an extensive exercise that the Receiver, with the assistance of Osler, continues to work through, together with chassis dealers and their financiers, finished product dealers and their financiers and secured creditors. The three main categories of RV Inventory under review includes:

- (a) raw chassis inventory (a raw chassis being a Mercedes Benz Sprinter, Dodge Promaster, Ford Transit or Chevrolet van, each with different models for the Canadian and U.S. markets) (“**Raw Chassis**”), wheresoever located but including inventory located at the EHGNA Facilities, a warehouse in Ontario owned by

Challenger Motor Freight Inc. (“**Challenger**”) and a warehouse in Buffalo, New York owned by Kaminski Refrigeration & Truck Equipment, Inc. (“**Kaminski**”);

- (b) work-in-process inventory (“**WIP**”) (being inventory on which certain work had been performed, and thus no longer a Raw Chassis), located at the EHGNA Facilities or at Challenger; and
- (c) finished product inventory (“**Finished Product**”), wheresoever located, but including at Kaminski, Challenger, the EHGNA Facilities, US finished product dealers, Canadian finished product dealers or American Fastbacks.

5.13 The Inventory Analysis has necessitated, among other things, identification of each unit of RV Inventory by its vehicle identification number (“**VIN**”), and determination of the party in physical possession of the relevant unit and the Manufacturer’s Statement of Origin (“**MSO**”) for RV Inventory for sale in the U.S. or New Vehicle Information Statement (“**NVIS**”) for RV Inventory for sale in Canada. The Receiver has been working diligently to reconcile its list of RVs and 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. More specifically, the Inventory Analysis includes the following:

- (a) Raw Chassis: for Raw Chassis, determination of the physical location of each unit (e.g., at the EHGNA Facilities or third-party storage providers), whether the unit has been paid for, the party in possession of the MSO/NVIS, the amount of potential

storage and related charges (if any), and other security/collateral and/or lien considerations;

- (b) WIP: for WIP, determination of the physical location of each unit (e.g., at the EHGNA Facilities or third-party storage providers), whether the underlying Raw Chassis has been paid for, the party in possession of the MSO/NVIS, the amount of potential storage and related charges (if any), other security/collateral and/or lien considerations, and estimated costs to complete each unit; and
- (c) Finished Product: for Finished Product, determination of the physical location of each unit (e.g., at the EHGNA Facilities, American Fastbacks, third-party storage providers, finished product dealer lots or in limited cases, held by retail customers), whether the finished unit has been paid for, whether the underlying Raw Chassis has been paid for, the party in possession of the MSO/NVIS, the amount of potential storage and related charges (if any), and other security/collateral and/or lien considerations.

Raw Chassis Inventory

- 5.14 The table below provides a summary of the Receiver's current understanding of Raw Chassis inventory that was allotted to EHGNA for production, by unit (the underlying model tracks each unit by VIN), by location, and the number of units where the Raw Chassis have been paid for by EHGNA.

Raw Chassis Details								
Unit Location	EHG		Third Party Storage		Chassis returned to Chassis Dealers and Other		Total	
	All Units	Chassis Paid units	All Units	Chassis Paid units	All Units	Chassis Paid units	All Units	Chassis Paid units
Raw Chassis units	82	7	558	32	284	1	924	40

WIP Inventory

- 5.15 The table below provides a summary of the Receiver's current understanding of WIP inventory, by unit (the underlying model tracks each unit by VIN), by location, and the number of WIP units where the Raw Chassis have been paid for by EHGNA.

Work In Progress Details								
Unit Location	EHGNA		Third Party Storage		To be determined		Total	
	All Units	Chassis Paid units	All Units	Chassis Paid units	All Units	Chassis Paid units	All Units	Chassis Paid units
Work in Progress units	62	23	5	5	5	4	72	32

Finished Product Inventory

- 5.16 The table below provides a summary of the Receiver's current understanding of Finished Product inventory, by unit (the underlying model tracks each unit by VIN), by location, and the number of Finished Product units where the Raw Chassis have been paid for by EHGNA.

Finished Goods Units Details												
Unit Location	EHGNA		EHG USA		Third Party Storage		Dealer Lots ^a		To be determined		Total	
	All Units	Chassis Paid units	All Units	Chassis Paid units	All Units	Chassis Paid units	All Units	Chassis Paid units	All Units	Chassis Paid units	All Units	Chassis Paid units
Finished Goods units	42	16	4	4	89	56	58	31	1	-	194	107

a. Inventory shipped to dealer for which EHGNA has not been paid.

RV Inventory Title Issues

- 5.17 In addition to the work done by the Receiver to reconcile the facts relating to the RV Inventory, Osler has completed a legal analysis of the complex title issues arising in relation to same, as well as the respective entitlements of the secured creditors.
- 5.18 In order to understand the various entitlements, it is necessary to understand the chain of production and sale of an RV by EHGNA. A summary of the key aspects of the chain of production is outlined below.

Raw Chassis

- 5.19 Raw Chassis provided by MBFS and MBFS US to EHGNA were provided through different supply chain and financing arrangements than the processes followed by the other Chassis Dealers (as defined below) to EHGNA. Accordingly, MBFS and MBFS US Raw Chassis inventory is addressed separately from other Chassis Dealer Raw Chassis inventory.

Chassis Dealers

- 5.20 The primary non-Mercedes Raw Chassis dealers to EHGNA are Beaver Motors, Inc., Bustard Brothers Limited, Listowel Ford (2017) Ltd., Olathe Ford and Molle Chevrolet (the “**Chassis Dealers**”). Non-Mercedes Raw Chassis were supplied by various manufacturers to the Chassis Dealers, who generally held, and generally continue to hold, the MSO/NVIS in respect of same until payment is made in full.

- 5.21 Without an MSO/NVIS, an RV cannot be registered in a motor vehicle registry (which is required to legally drive the RV) and as a practical matter, title cannot be conveyed without the MSO/NVIS. Therefore, RV Inventory without a corresponding MSO/NVIS would only have limited value to the estate.
- 5.22 The Receiver understands that the Chassis Dealers generally financed the acquisition of the Raw Chassis from the original vehicle manufacturers through their own floor plan financing arrangements. The floor plan financiers generally allow the Chassis Dealer to hold the MSO/NVIS, subject to a security interest granted by the Chassis Dealers in favour of the floor plan financier. The Chassis Dealers' floor plan financiers would conduct regular audits of the Raw Chassis in the warehouses.
- 5.23 The Chassis Dealers and/or their floor plan financiers assert, among other things, that:
- (a) it is industry practice that the MSO/NVIS is a document of title; and
 - (b) the Chassis Dealers maintain ownership of the Raw Chassis at all times wheresoever located, subject to the security interests of their floor plan financiers, and EHGNA does not acquire any ownership rights until payment is made, including with respect to Raw Chassis located in the EHGNA Facilities or in third-party storage warehouses, while the Chassis Dealers hold the MSO/NVIS.
- 5.24 The Chassis Dealers did not take security or register financing statements under the PPSA against EHGNA in respect of their Raw Chassis, even after delivery to EHGNA. It is their

position that the situation is distinguishable from a transaction involving a “reservation of title”, which would require compliance with the PPSA.

5.25 Corner Flag’s position is that to the extent Chassis Dealers are retaining possession of the MSO/NVIS to secure EHGNA’s obligation to pay for the Raw Chassis, the Chassis Dealers have unperfected security interests which are subject to the PPSA, and that such Raw Chassis are subject to the existing claims of EHGNA’s secured creditors. This argument is based on the following:

- (a) the PPSA expressly provides that it applies to every transaction without regard to its form and without regard to the person who has title to the collateral that in substance creates a “security interest”;
- (b) the PPSA defines a “security interest” as an interest in personal property that secures payment or performance of an obligation; and
- (c) to assert valid priority to the Raw Chassis, the Chassis Dealers ought to have registered PPSA financing statements to perfect a security interest therein and complied with the requirement to achieve the priority that can be afforded to holders of purchase money security interests (PMSIs) in inventory.

5.26 There is very little to no contractual documentation evidencing, from both a factual and legal perspective, when EHGNA can be said to have an obligation to pay for the Raw Chassis; however, such obligation to pay does not appear to have arisen until at least EHGNA actually took delivery of Raw Chassis into the EHGNA Facilities for production.

- 5.27 The Chassis Dealers will not release the MSO/NVIS to any RV Inventory, wheresoever located, nor will their floor plan financiers allow them to, without payment in full for the Raw Chassis.
- 5.28 It is the Receiver's current understanding that there are 75 Raw Chassis located at the EHGNA Facilities for which payment has not been made. EHGNA does not have the MSO/NVIS for these Raw Chassis. As noted above, without this documentation, the Raw Chassis have only limited value for the estate.
- 5.29 The Receiver is of the view that any unresolved dispute in respect of these competing claims to the Raw Chassis would (i) cause material disruption and delay which would be detrimental to the proposed Sales Process, and (ii) result in costly and protracted litigation that would significantly erode the estate's resources.
- 5.30 As such, the Receiver's recommended course of action is to make any Raw Chassis for which EHGNA has not paid available for pick up by any Chassis Dealer who holds the applicable MSO/NVIS, subject to appropriate releases and payment or other settlement by the Chassis Dealers of any storage and related charges.
- 5.31 The Receiver has consulted with Corner Flag and its counsel and understands that Corner Flag does not object to this recommended course of action given the limited value of the Raw Chassis. The Receiver is advised that Corner Flag is prepared to provide this accommodation to facilitate a cooperative and constructive Sales Process, notwithstanding

its view of the applicable law. As this matter has been resolved consensually, it is not necessary for the Receiver to reconcile the competing positions set out above.

- 5.32 In addition, the Receiver has recently been advised by counsel to Beaver Motors Inc. (“**Beaver**”) that Kaminski has released to Beaver all RV Inventory for which ownership is claimed by Beaver and for which payment has not been made. For the reasons discussed above, the Receiver does not intend to challenge this release of RV Inventory to Beaver.

MBFS and MBFS US

- 5.33 Mercedes Benz Sprinter chassis were supplied directly from MBFS to EHGNA pursuant to the terms of the MBFS Financing Agreement, or indirectly to EHGNA through the MBFS US Financing Agreement between EHG Chassis and MBFS US. The Receiver understands that, in the U.S., Mercedes Benz chassis were supplied through Mercedes Benz of Kansas City, but the financing arrangements were directly between EHG Chassis and MBFS US. This Mercedes Raw Chassis inventory is considered MBFS Financed Collateral or MBFS US Financed Collateral, as appropriate (as described earlier in this First Report). The Receiver has completed a reconciliation of the Mercedes RV Inventory and continues to work with MBFS and MBFS US to resolve their respective claims to MBFS Financed Collateral and MBFS US Financed Collateral, wheresoever located, which consists of Raw Chassis, WIP and Finished Product.
- 5.34 MBFS US has claimed an ownership interest in all RV Inventory supplied by MBFS US to EHG Chassis. The Receiver understands that MBFS US continues to hold the MSO in

respect of such RV Inventory. In any event, the Receiver has been advised by Osler that MBFS and MBFS US have valid and enforceable security interests in the MBFS Financed Collateral and the MBFS US Financed Collateral. As such, the Receiver intends to make the MBFS US Raw Chassis in possession of EHGNA (or in its third-party storage warehouses) available for pick-up by MBFS US or to enter into other mutually acceptable arrangements with respect to the MBFS US Financed Collateral. The Receiver intends to hold similar discussions with MBFS with respect to the MBFS Financed Collateral in EHGNA's possession. The Receiver has consulted with Corner Flag and Corner Flag has no objection given the nature of security held by MBFS US.

WIP and Finished Product RV Inventory

- 5.35 As noted above, the Receiver has undertaken an analysis in regard to WIP and Finished Product. The Receiver has concluded that all WIP is located at the EHGNA Facilities or at Challenger. Finished Product may be located at the EHGNA Facilities, at Challenger, at dealer lots of Finished Product dealers (the “**Finished Product Dealers**”), or held by retail consumers. Osler has advised that the legal analysis with respect to entitlement to the unit is the same for both WIP and Finished Product. In addition to the factors described above, the key factors for consideration are: (i) whether the Chassis Dealer has been paid in full, (ii) whether the Finished Product Dealer has paid in full for the RV unit, and (iii) the location of the RV unit.
- 5.36 Where a Chassis Dealer (including MBFS or MBFS US, as applicable) has been paid in full for the Raw Chassis and the Finished Product Dealer has not yet paid for the Finished

Product, EHGNA is entitled to the MSO/NVIS, and the RV unit constitutes EHGNA's property. EHGNA's ownership interest would be subject to: (i) the rights of secured creditors described above, and (ii) any valid storer's lien held by Challenger to the extent that such RV is held at Challenger. These units would be included by the Receiver in the Sales Process described below.

5.37 Where a Chassis Dealer (including MBFS or MBFS US, as applicable) has been paid in full for the Raw Chassis and the Finished Product Dealer has also paid EHGNA in full, the Finished Product Dealer is entitled to the RV unit and the associated MSO/NVIS. To the extent that any Finished Product that falls into this category is in the possession of EHGNA or Challenger, the Receiver intends to arrange for delivery of such Finished Product to the relevant Finished Product Dealer.

5.38 The above legal and factual issues (i.e., whether title has been transferred and whether the Chassis Dealer holds an unperfected security interest) continue to apply where:

(a) a Chassis Dealer (including MBFS or MBFS US, as applicable) has not been paid for the Raw Chassis and a Finished Product Dealer has not paid for the Finished Product, as improved; and

(b) a Chassis Dealer (including MBFS or MBFS US, as applicable) has not been paid for the Raw Chassis and a Finished Product Dealer has paid for the Finished Product, as improved.

- 5.39 Further, as set out above, the Receiver has considered the potential liquidation value of the RV Inventory, recognizing that it will likely be difficult to maximize the value of such RV Inventory without the associated MSO/NVIS.
- 5.40 Accordingly, the Receiver intends to continue discussions and negotiations with the relevant stakeholders to determine the best practical and equitable realization strategies with respect of such WIP or Finished Product, which may include entering into arrangements with the Chassis Dealers and/or Finished Product Dealers that provide for, among other things: (i) paying for the Raw Chassis upon collection of the corresponding accounts receivable from the Finished Product Dealer (provided that the MSO/NVIS is delivered), (ii) selling the RV Inventory to a third-party, or (iii) placing the RV units into the proposed Sales Process.
- 5.41 In addition, the Receiver understands that, in certain circumstances, certain original vehicle manufacturers have been delivering the required MSO/NVIS to retail consumers who have paid for and have possession of a Finished Product RV, but are missing the MSO/NVIS that would enable such consumer to use and drive the RV. The Receiver has facilitated the delivery of the associated part of the MSO/NVIS that must be delivered by EHGNA along with the MSO/NVIS from the manufacturer (and, where applicable, the Chassis Dealer).

EHG SE Guarantee to Wells Fargo

- 5.42 The Receiver is aware that EHG SE guaranteed the obligations of EHGNA (the “**EHG SE Wells Fargo Guarantee**”) under an Amended and Restated Vendor Agreement dated as

of March 22, 2018 between EHGNA and Wells Fargo Commercial Distribution Finance, LLC (“**Wells Fargo**”, and such agreement, the “**Vendor Agreement**”). The Receiver understands that EHG SE also guaranteed certain other obligations of EHGNA, including EHGNA’s arrangements with certain Chassis Dealers, as well as certain lease obligations and hedging arrangements of EHGNA.

- 5.43 The Receiver understands that Wells Fargo recently demanded payment by EHG SE in respect of certain obligations owed by EHGNA to Wells Fargo under the Vendor Agreement relating to Finished Product RVs that were ordered by Finished Product Dealers (which had separate floor plan financing arrangements with Wells Fargo) and for which Wells Fargo paid EHGNA in full (the “**Wells Fargo Demand**”). EHGNA remains in possession of these RVs (either in the EHGNA Facilities or at Challenger), and was therefore in breach of certain terms of the Vendor Agreement.
- 5.44 The Receiver understands that EHG SE recently made payment under the EHG SE Wells Fargo Guarantee under the expectation that it would then receive legal ownership of the RVs contemplated in the Wells Fargo Demand. With respect to certain of the subject RVs, there are amounts owing to Chassis Dealers for the underlying Raw Chassis. The Receiver understands that EHG SE is aware of these amounts owing to Chassis Dealers and that the corresponding MSO/NVIS will not be released until payment is made.
- 5.45 The Receiver consulted with Corner Flag and its counsel, and Corner Flag does not object to the release of these specific RVs as EHGNA has received full payment for them. As

such, the Receiver is in the process of delivering these RVs to EHG SE upon receipt of appropriate releases.

Additional Inventory Issues

- 5.46 The Receiver notes that, on the Receivership Date, EHGNA was in possession of certain Jeeps that were planned to be modified like those at American Fastbacks. The Receiver was satisfied that EHGNA owned these Jeeps, and has sold them back into a dealer network in the ordinary course to maximize recoveries for the stakeholders of EHGNA.
- 5.47 In addition, 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, 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. There are approximately 125 located at the EHGNA Facilities, approximately 20 located at Finished Product Dealer lots in Canada, and 40 located at Finished Product Dealer lots in the United States. The Receiver is not aware of how many Hymer Touring’s are owned by retail consumers.
- 5.48 The Receiver very recently became aware that the running gear on the Hymer Touring’s (the axle, brakes, hitch and breakaway device) were not tested for compliance with the CAN3-3313 standard required to be met by Transport Canada for all trailers. The CSA (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. As such, the Receiver is considering next steps with respect to this issue and will report further in a subsequent report.

6.0 RECEIVER'S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

6.1 A summary of the Receiver's Interim Statement of Receipts and Disbursements for the period February 15 to March 8, 2019 (the "**Reporting Period**") is provided below (all amounts are inclusive of HST where applicable):

Receipts & Disbursements	CAD	USD
Receipts		
Company Funds on hand	\$ 2,200	\$ 242
Receiver's Certificate Advances	3,282	-
Sales and Collections	930	892
Total Receipts	\$ 6,412	\$ 1,134
Disbursements		
Payroll and Employee Amounts	(926)	(40)
Vacation Pay	(367)	-
Utilities	(4)	-
Lease payments	(464)	-
Costs of Goods Sold	-	(63)
SG&A and Other	(177)	(3)
Funding sent to EHG USA	-	(251)
Professional Fees	(896)	-
Total Disbursements	\$ (2,834)	\$ (356)
Net Cash Flow	\$ 3,578	\$ 778
Opening Cash Balance	\$ -	\$ -
Net Cash Flow	3,578	778
Balance Transferred	328	(250)
Ending Cash Balance	\$ 3,906	\$ 528

Receipts – February 15 to March 8, 2019

6.2 Receipts for the period, including funds on hand in the Company's accounts that were transferred to the Receiver's accounts, totaled approximately \$6.4 million and USD \$1.1 million, comprised primarily of:

- (a) funds transferred from the Company's bank accounts as at the Receivership Date of approximately \$2.2 million and USD \$242,000 (the vast majority of these amounts relate to pre-filing advances from Corner Flag provided pursuant to the Corner Flag

Promissory Note to fund employee payroll, employee benefits, HST and professional fee amounts owed or accruing to February 15, 2019, where the corresponding timing for payment was after February 15, 2019);

- (b) advances from Corner Flag of approximately \$3.3 million pursuant to three (3) Receiver's Certificates;
- (c) collection of accounts receivable that had existed as at the Receivership Date of approximately USD \$892,000; and
- (d) sale/return of 31 Jeeps to the vendor that had sold them to EHGNA for net proceeds of approximately \$930,000.

Disbursements – February 15 to March 8, 2019

6.3 Disbursements for the period totaled approximately \$2.8 million and USD \$356,000, comprised primarily of:

- (a) payroll and related amounts for the one-week period immediately preceding the Receivership Date of CAD \$926,000 and US \$40,000 (for a small number of EHGNA employees based in the U.S.);
- (b) net vacation pay accrued up to the Receivership Date of \$367,000. Corresponding source deductions withheld from employees in a similar amount will be paid in a subsequent week;

- (c) real property lease payments for March totaling approximately \$464,000; and
- (d) professional fees including payments of Osler's retainer invoice and invoices rendered by A&M and Osler during the Reporting Period (inclusive of HST).

6.4 On March 15, 2019, Corner Flag agreed to extend the Initial Term of the Receiver's Term Sheet up to and including April 8, 2019 and to replace the receivership budget attached thereto, which was previously approved by Corner Flag.

6.5 The Receiver expects to have sufficient financing available to fund the Receivership Proceedings during the anticipated duration of the proposed Sales Process.

7.0 SALES PROCESS

7.1 Paragraph 3(n) of the Appointment Order authorizes 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.

7.2 As authorized by the Appointment Order, the Receiver has taken the following initial steps to commence a sales process, as such sales process is more particularly described in **Appendix "E"** to this First Report (the "**Sales Process**"):

- (a) developed a listing and contacted those parties that may be interested in acquiring some or all of the Property of EHGNA 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 (60 parties in total);

- (b) 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
- (c) sent an initial process letter to the parties who executed CAs describing the proposed Sales Process outlined herein, attached as **Appendix “F”** hereto (the “**Process Letter**”). The Receiver advised that the proposed Sales Process described in the Process Letter would be brought forward for Court approval.

7.3 As at March 15, 2019, 18 parties had executed a CA and all of them had accessed the Data Room.

7.4 Given the level of interest generated by the Sales Process, the Receiver considered it prudent to have the Sales Process formally approved by the Court, *nunc pro tunc*.

7.5 A summary of the Sales Process is provided below:

- bids in the form of binding Letters of Intent (“**LOIs**”) will be 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**”);
- interested parties that execute a CA satisfactory to the Receiver and are determined by the Receiver to be reasonably capable of submitting a Qualified LOI (as defined below) by the LOI Deadline will continue to have or will be provided access to the Data Room;
- the Receiver will coordinate requests for additional information and due diligence, including site visits as requested;
- in order for an LOI to be deemed a qualified letter of intent under the Sales Process (a “**Qualified LOI**”), it must meet certain minimum requirements, including the payment of a deposit of 5% of the proposed purchase price, and proof of sufficient financing required to consummate the proposed transaction;
- after the LOI Deadline, the Receiver will determine if any of the submitted LOIs are Qualified LOIs;
- the Receiver, in consultation with Corner Flag, shall evaluate any and all Qualified LOIs on various grounds, including, but not limited to, purchased and excluded assets, the purchase price, conditions of closing, treatment of stakeholders

including employees and other creditors, the assumed liabilities, whether the bidder intends to restart operations, and certainty of closing;

- the Receiver shall have evaluated all Qualified LOIs by no later than 5:00 p.m. (Eastern Time) on April 8, 2019, following which time it may accept, with the consent of Corner Flag and subject to Court approval, one or more non-overlapping Qualified LOIs (each, a “**Successful Bid**”) and take such steps as may be necessary to finalize an executed purchase agreement and such other transaction documents required to give effect to the Successful Bid(s);
- the Receiver will bring a motion to the Court to obtain approval of any Successful Bid(s) and one or more vesting orders with respect to the asset purchase agreement(s) entered into with any ultimate successful bidder(s);
- the Receiver reserves the right to negotiate and enter into a Stalking Horse Agreement with one or more Interested Parties at any time with the consent of Corner Flag, and to seek Court approval of any such Stalking Horse Agreement or make any necessary changes to the timelines and procedure set out in the Sales Process; and
- the Receiver, with the consent of Corner Flag, shall have the right to modify and/or adopt such other rules for the Sales Process as it considers appropriate. Material modifications or a termination of the Sales Process would require Court approval.

7.6 Corner Flag has confirmed to the Receiver that it does not intend to submit an LOI in this Sales Process.

7.7 The Receiver recommends that the Court issue the proposed Sales Process Order approving the Sales Process for the following reasons:

- it is the Receiver's view that the Sales Process is commercially reasonable and provides certainty with respect to the sales process being run by the Receiver in these Receivership Proceedings;
- the Receiver is of the view that the information expected to be made available in the Data Room, together with information that is available in the public domain, will be sufficient for an interested party to make an informed decision and to prepare a bid in respect of this opportunity;
- it is the Receiver's view that the Sales Process is sufficient to expose the Property to the market, particularly in light of the Global Sale Process that occurred before the Thor Transaction and the steps taken by the Receiver since its appointment;
- it is the Receiver's view that the Sales Process, while expedited, is sufficient to allow interested parties to perform diligence and submit offers; also takes into account that there are seasonal issues with the inventory, and market uncertainty with respect to vendor, dealer and end customer relationships, so time is of the essence;

- an expedited process is required because the Receiver does not have access to sufficient funding to support a prolonged Sales Process; and
- the Sales Process has been developed in consultation with and is supported by Corner Flag.

8.0 RECEIVER'S ACTIVITIES

8.1 In addition to the activities described above, the activities of the Receiver since the commencement of these Proceedings have included the following:

- overseeing the securing of EHGNA's assets;
- opening receivership bank accounts, transferring funds from the Company's bank accounts to the Receiver's trust accounts and controlling receipts and disbursements;
- coordinating the re-engagement of approximately 35 former employees to assist with receivership matters and maintaining the Company in a "warm idle" status;
- 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;

- 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;
- arranging for accounting records to be updated through the Receivership Date;
- liaising with EHGNA's insurance broker to arrange for continued coverage for the Property;
- communicating with Osler on numerous matters relating to the Receivership Proceedings;
- communicating with counsel to American Fastbacks regarding outstanding Jeep inventory and certain outstanding lemon law arbitration cases in the United States;
- 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 the Sales Process and this First Report and bringing this motion.

9.0 CONCLUSIONS AND RECOMMENDATIONS

9.1 Based on the foregoing, the Receiver respectfully recommends that the Court make an order granting the relief sought in the Receiver's Notice of Motion and described in paragraph 1.4(e) of this First Report.

All of which is respectfully submitted this 20th day of March, 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

TAB C

APPENDIX "C"

Second Report to Court dated June 10, 2019, without appendices

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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Confidential Appendix B	Liquidation Bid Summary
Confidential Appendix C	Unredacted Terms of Roadtrek APA, La Mesa Bill of Sale and Infinity APA

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.

<p>Purchased Assets</p>	<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.
<p>Assumed Liabilities</p>	<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).

<i>5. EHG SE Claims</i>		
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

TAB D

APPENDIX “D”

Ancillary Administration Order dated June 17, 2019

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



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

THE HONOURABLE MR.
JUSTICE MCEWEN

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MONDAY, THE 17th
DAY OF JUNE, 2019

B E T W E E N:

CORNER FLAG LLC

Applicant

– and –

ERWIN HYMER GROUP NORTH AMERICA, INC.

Respondent

**APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, as amended, and under section 101 of the *Courts of Justice Act*,
R.S.O. 1990, c. C.43**

**ORDER
(Ancillary Administration)**

THIS MOTION made by Alvarez & Marsal Canada Inc., in its capacity as the court-appointed receiver and manager (the “**Receiver**”) without security of all of the assets, undertakings and properties of Erwin Hymer Group North America, Inc. (“**EHGNA**” or the “**Debtor**”), for an Order (i) approving certain payments to MBFS and MBFS US (each as defined below); (ii) approving the Second Report of the Receiver dated June 10, 2019 (the “**Second Report**”) and the activities set out therein; (iii) approving the fees and disbursements of the Receiver and its counsel, (iv) sealing the Confidential Appendices to the Second Report; and (v)

granting related relief was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

ON READING the First Report of the Receiver dated March 20, 2019, the Second Report, the Affidavit of Alan J. Hutchens sworn June 10, 2019 (the “**Hutchens Affidavit**”), the Affidavit of Tracy C. Sandler sworn June 10, 2019 (the “**Sandler Affidavit**”) and on hearing the submissions of counsel for the Receiver, Corner Flag LLC (“**Corner Flag**”) and such other counsel as were present, no one else appearing although duly served as appears from the Affidavit of Service of Waleed Malik affirmed June 11, 2019 and the Affidavit of Service of Ana Chalupa sworn June 11, 2019, both filed:

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the timing and method of service of the Notice of Motion and Motion Record be and are hereby abridged and validated, and this motion is properly returnable today.
2. **THIS COURT ORDERS** that any capitalized term used and not defined herein shall have the meaning ascribed thereto in the Second Report.

PAYMENTS TO MBFS AND MBFS US

3. **THIS COURT ORDERS** that the Receiver be and is hereby authorized, *nunc pro tunc*, to make payments to Mercedes-Benz Financial Services Canada Corporation (“**MBFS**”) and Mercedes-Benz Financial Services USA LLC (“**MBFS US**”) for amounts owed to them for underlying Raw Chassis of any RV Inventory sold by the Receiver in the normal course following the Receivership Date, as such payments are described in Sections 15 and 16.1 of the Second Report.

4. **THIS COURT ORDERS** that the Receiver be and is hereby authorized to, in the Receiver's sole discretion, make the following payments to MBFS and MBFS US, as appropriate, without further order of this Court: (i) payments to 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; (ii) payments to MBFS in respect of amounts owing for MBFS Financed Collateral sold to third parties where proceeds were received by EHGNA pre-receivership; and (iii) payments to MBFS and MBFS US, as applicable, in respect of amounts owing to them in respect of MBFS Financed Collateral or MBFS US Financed Collateral sold by the Receiver from and after the date of the Second Report, as such payments are described at Sections 15 and 16.1 of the Second Report.

CONSTRUCTION LIEN RESERVE

5. **THIS COURT ORDERS** that no amounts shall be distributed from the Construction Lien Reserve until each of the Construction Liens (as defined in the Order (Roadtrek Approval and Vesting) dated the date hereof in these proceedings (the "AVO")) is settled and discharged by (i) payment from the Construction Lien Reserve or otherwise to each Construction Lien Claimant (as defined in the AVO) of an amount sufficient to discharge each Construction Lien Claimant's Construction Lien, in such amount as agreed between the Receiver and the applicable Construction Lien Claimant; or (ii) further Order of this Court. For greater certainty, upon final settlement of each Construction Lien Claimant's Construction Lien, the balance of the Construction Lien Reserve shall be released and shall form part of the net proceeds realized from the Transactions (as defined in Second Report) available for distribution to creditors.

6. **THIS COURT ORDERS** that notwithstanding:

- (a) the pendency of these proceedings;

- (b) any assignment in bankruptcy or any petition for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the “BIA”) and any order issued pursuant to any such petition; or
- (c) any assignment in bankruptcy made in respect of the Debtor;

the payments contemplated in this Order are made free and clear of any Claims and Encumbrances (each as defined in the AVO), are binding on any trustee in bankruptcy that may be appointed in respect of the Debtor, and shall not be void or voidable nor deemed to be a preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the BIA or any applicable federal or provincial legislation and shall not constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

RECEIVER’S ACTIVITIES AND REPORT

7. **THIS COURT ORDERS** that the Second Report, and the activities and conduct of the Receiver described therein, be and are hereby approved.

FEES

8. **THIS COURT ORDERS** that the fees and disbursements of the Receiver in the amount of Cdn\$1,752,149.76 (for the period from February 7, 2019 to May 18, 2019 inclusive, and including Harmonized Sales Tax), as set out in the Hutchens Affidavit and the Second Report, are hereby approved.

9. **THIS COURT ORDERS** that the fees and disbursements of Osler, Hoskin & Harcourt LLP, in its capacity as counsel to the Receiver, in the amount of Cdn\$1,016,320.43 (for the period from February 10, 2019 to May 17, 2019 inclusive, and including Harmonized Sales Tax), as set out in the Sandler Affidavit and the Second Report, are hereby approved.

SEALING

10. **THIS COURT ORDERS** that Confidential Appendix “A”, Confidential Appendix “B” and Confidential Appendix “C” to the Second Report shall be and are hereby sealed, kept confidential and shall not form part of the public record pending further Order of this Court.

GENERAL

11. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

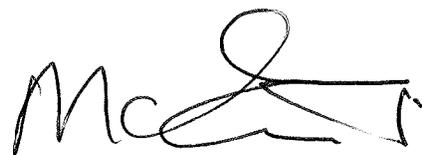
12. **THIS COURT ORDERS** that any of the Construction Lien Claimants, Corner Flag, and the Receiver may seek directions from this Court in respect of any matter contemplated herein.

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ON / BOOK NO:
LE / DANS LE REGISTRE NO:

JUN 18 2019

PER / PAR:

AE -



CORNER FLAG LLC
Applicant

and ERWIN HYMER GROUP NORTH AMERICA, INC.
Respondent

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

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

Proceeding commenced at Toronto

**ORDER
(Ancillary Administration)**

OSLER, HOSKIN & HARCOURT LLP

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Counsel for the Receiver

TAB E

APPENDIX "E"

Bankruptcy Application and Interim Distribution Order dated June 25, 2019

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

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

THE HONOURABLE MR.
JUSTICE MCEWEN

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)
)

TUESDAY, THE 25th
DAY OF JUNE, 2019

BETWEEN:



CORNER FLAG LLC

Applicant

– and –

ERWIN HYMER GROUP NORTH AMERICA, INC.

Respondent

**APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, as amended, and under section 101 of the *Courts of Justice Act*,
R.S.O. 1990, c. C.43**

**ORDER
(Bankruptcy Application and Interim Distribution)**

THIS MOTION made by Alvarez & Marsal Canada Inc., in its capacity as the court-appointed receiver and manager (the “**Receiver**”) without security of all of the assets, undertakings and properties of Erwin Hymer Group North America, Inc. (“**EHGNA**” or the “**Debtor**”), for an Order authorizing the Receiver to file an assignment into bankruptcy on behalf of the Debtor, authorizing the Receiver to make certain distributions to Corner Flag LLC (“**Corner Flag**”) and certain payments to Mercedes-Benz Financial Services USA LLC (“**MBFS US**”), and

granting related relief was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

ON READING the First Report of the Receiver dated March 20, 2019 and the Second Report of the Receiver dated June 10, 2019 (the “**Second Report**”) and on hearing the submissions of counsel for the Receiver, Corner Flag and such other counsel as were present, no one else appearing although duly served as appears from the Affidavit of Service of Waleed Malik affirmed June 11, 2019 and the Affidavit of Service of Ana Chalupa sworn June 11, 2019, both filed:

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the timing and method of service of the Notice of Motion and Motion Record be and are hereby abridged and validated, and this motion is properly returnable today.
2. **THIS COURT ORDERS** that any capitalized term used and not defined herein shall have the meaning ascribed thereto in the Second Report.

BANKRUPTCY APPLICATION

3. **THIS COURT ORDERS** that the Receiver be and is hereby authorized, but not obligated, to file an assignment into bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) on behalf of the Debtor at any time following the delivery of the Receiver’s Certificate (as defined in the Order (Roadtrek Approval and Vesting) dated June 17, 2019 (the “**AVO**”) and that Alvarez & Marsal Canada Inc. is authorized, but not obligated, to act as trustee in bankruptcy of the Debtor in respect of any such bankruptcy proceedings.

DISTRIBUTIONS

4. **THIS COURT ORDERS** that the Receiver be and is hereby authorized and directed to distribute to Corner Flag, in one or more distributions, from the net proceeds realized from the Transactions (as defined in Second Report) (collectively, the “**Net Proceeds**”) (excluding the Construction Lien Reserve (as defined in the AVO)), the full amount of the indebtedness owing by the Receiver to Corner Flag under the Receiver Term Sheet as soon as reasonably practical following receipt of such Net Proceeds.

5. **THIS COURT ORDERS** that, after payment of the amount set out in paragraph 4, the Receiver be and is hereby authorized to distribute to Corner Flag, in its discretion without further order of the Court, the balance of the Net Proceeds and any other amounts being held by the Receiver from time to time, towards the reduction of the indebtedness owing by the Debtor to Corner Flag under the Corner Flag Promissory Note and Corner Flag Security (together with the Corner Flag Promissory Note, the “**Corner Flag Loan Documents**”) up to a maximum amount of the indebtedness owing by the Debtor to Corner Flag under the Corner Flag Loan Documents, provided, however, that no amounts shall be distributed to Corner Flag from the Construction Lien Reserve until each of the Construction Liens (as defined in the AVO) is settled and discharged in accordance with the terms of the Ancillary Administration Order of this Court dated June 17, 2019.

PAYMENTS TO MBFS US

6. **THIS COURT ORDERS** that the Receiver be and is hereby authorized to, following payment in full of amounts owing to Corner Flag, in the Receiver’s sole discretion and without further order of this Court, make one or more payments to MBFS US in respect of amounts owing by EHG Chassis (as guaranteed by EHGNA) for MBFS US Financed Collateral sold to

third parties where proceeds were received by EHGNA pre-receivership, as such payments are described at Sections 15 and 16.1 of the Second Report.

7. **THIS COURT ORDERS** that notwithstanding:

- (a) the pendency of these proceedings;
- (b) any assignment in bankruptcy or any petition for a bankruptcy order now or hereafter issued pursuant to the BIA and any order issued pursuant to any such petition; or
- (c) any assignment in bankruptcy made in respect of the Debtor;

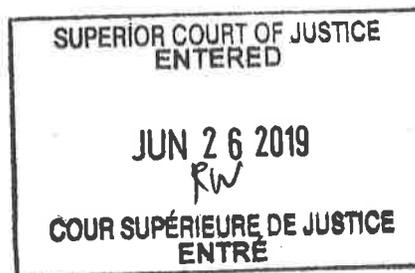
the payments and distributions contemplated in this Order, are made free and clear of any Claims and Encumbrances (each as defined in the AVO), are binding on any trustee in bankruptcy that may be appointed in respect of the Debtor, and shall not be void or voidable nor deemed to be a preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the BIA or any applicable federal or provincial legislation, as against Corner Flag or MBFS US, and shall not constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

GENERAL

8. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as

may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

9. **THIS COURT ORDERS** that any of the Construction Lien Claimants, Corner Flag, MBFS US and the Receiver may seek directions from this Court in respect of any matter contemplated herein.

A handwritten signature in black ink, appearing to be 'M. J. St.', written over a horizontal line.

CORNER FLAG LLC
Applicant

and
ERWIN HYMER GROUP NORTH AMERICA, INC.
Respondent

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

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

Proceeding commenced at Toronto

**ORDER
(Bankruptcy Application and Interim
Distribution)**

OSLER, HOSKIN & HARCOURT LLP

Box 50
1 First Canadian Place
Toronto, Ontario, Canada M5X 1B8

Tracy C. Sandler (LSO# 32443N)
Tel: 416.862.5890

Jeremy Dacks (LSO# 41851R)
Tel: 416.862.4923
Fax: 416.862.6666

Counsel for the Receiver

TAB F

APPENDIX “F”

Trustee’s Preliminary Report to the First Meeting of Creditors dated October 8, 2019



**IN THE MATTER OF THE BANKRUPTCY OF
ERWIN HYMER GROUP NORTH AMERICA, INC.
having its principal place of business
in the City of Cambridge, in the Province of Ontario**

**TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS ON
PRELIMINARY ADMINISTRATION
ESTATE NO. 35-2561267**

I. BACKGROUND

On September 23, 2019 (the “**Date of Bankruptcy**”) Erwin Hymer Group North America, Inc. (“**EHGNA**” or the “**Company**”) by and through its Court appointed Receiver, Alvarez & Marsal Canada Inc. (“**A&M**”) (in such capacity and not in its personal or corporate capacity, the “**Receiver**”), filed an assignment into bankruptcy, and Alvarez & Marsal Canada Inc., was appointed as the licensed insolvency trustee of the estate of the bankrupt (in such capacity, the “**Trustee**”) by the Official Receiver. Such appointment is subject to affirmation by the creditors of the Trustee’s appointment or substitution of another trustee by such creditors.

Prior to January 31, 2019, EHGNA, along with Erwin Hymer Group NA Chassis Inc. and Erwin Hymer Group Holding USA L.P., and certain other related North American entities and partnerships (collectively the “**EHG NA Entities**”), were part of the global Erwin Hymer group of companies, an international group of entities engaged in the manufacture and sale of recreational vehicles (“**RVs**”), that was headquartered in Germany and had numerous operating subsidiaries throughout Europe (the “**Erwin Hymer Global Group**”). EHGNA purchased the chassis and components required for the development and assembly of RVs from chassis dealers and other suppliers and assembled them into RVs. EHGNA would then sell these assembled RVs to a network of finished product RV dealers who, in turn, sold the RVs to retail customers.

Following a marketing and investment sales process carried out by Erwin Hymer Group SE (“**EHG SE**”), the ultimate shareholder of Erwin Hymer Global Group, EHG SE entered into a definitive share purchase agreement dated September 18, 2018 (the “**SPA**”) with Thor Industries, Inc. (“**Thor**”) whereby Thor was to acquire the Erwin Hymer Global Group, including the EHG NA Entities.

The transaction with Thor was originally intended to close in early January 2019, but was delayed due to the discovery of certain financial irregularities in the books and records of the EHG NA Entities.

Ultimately, as a result of the issues surrounding the financial irregularities, EHG SE and Thor agreed to amend the SPA to, among other things, exclude the EHG NA Entities from the transaction, and to provide for a significant reduction in the transaction purchase price of approximately \$US 194 million¹ (the “**Amended Thor Transaction**”).

¹ As per the 2/1/2019 press release issued by Thor Industries.

To facilitate the Amended Thor Transaction, EHG SE first divested its ownership interests in the EHG NA Entities, pursuant to a transaction with Corner Flag LLC (“**Corner Flag**”), whereby Corner Flag acquired all of the outstanding shares in Erwin Hymer Group Holding Management Corporation and EHGNA, and all outstanding partnership interests in Erwin Hymer Group Holding USA L.P. (the “**Carve-Out Transaction**”).

Following the closing of the Carve-Out Transaction, EHGNA continued to have a liquidity shortfall which rendered it unable to meet critical immediate and short-term obligations, including payroll, source deductions, benefits, and pension amounts due to employees or due to be remitted to other parties on behalf of employees.

To satisfy these obligations, EHGNA borrowed approximately \$5.1 million from Corner Flag on February 14, 2019 and granted Corner Flag a security interest over all of EHGNA’s present and after acquired personal property, pursuant to a general security agreement dated February 14, 2019 (the “**Corner Flag Security**”).

Corner Flag sought the appointment of A&M as receiver and manager to fill the existing governance void, take steps to preserve and maintain the property of EHGNA and to assess asset realization strategies and options. Pursuant to an order of the Ontario Superior Court of Justice (the “**Court**”) made on February 15, 2019 (the “**Receivership Date**”), A&M was appointed as Receiver of EHGNA.

Since the Receivership Date, the Receiver has taken control of the property, assets and undertaking of EHGNA. It has preserved the books and records, managed the remaining business, and realized on the property of EHGNA, through collection of accounts receivable, sale of inventory, and completion of the Transactions (defined below).

The Receiver conducted a broad Court-approved sale process for the business of EHGNA. Ultimately, it obtained Court approval of and closed the following three major transactions (the “**Transactions**”):

- (a) the sale of that part of EHGNA’s business relating to the manufacturing, distribution and sale of “Roadtrek” style and branded motorhome models in Canada and the United States, including assignment of the lease at 20 Tyler Street, to RT Acquisition Corp. (the “**Roadtrek Transaction**”);
- (b) the sale to La Mesa R.V. Center, Inc. of 113 RV units using the “Hymer” or “Corado” brand (the “**La Mesa Transaction**”); and
- (c) the sale to Infinity Asset Solutions Inc. of certain remaining assets excluded from the Roadtrek Transaction and the La Mesa Transaction.

The Transactions were executed and completed during July and August of 2019, and the Receiver vacated all former EHGNA locations by August 31, 2019.

Pursuant to an order of the Court made on June 25, 2019, the Receiver was authorized to file an assignment into bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”) on behalf of EHGNA at any time following the delivery of a Receiver’s Certificate related to the completion of the Roadtrek Transaction.



As of the Date of the Bankruptcy, all operations of EHGNA have ceased, all employees have been terminated, the realizable property of EHGNA has been sold, and the majority of outstanding accounts receivable have been collected.

For a detailed description of the receivership proceedings and an overview of the Transactions effected therein, creditors should refer to the reports of the Receiver filed in the receivership proceedings, which can be found on the Receiver's website at: <https://www.alvarezandmarsal.com/ehgna>.

II. CAUSES OF BANKRUPTCY & FINANCIAL POSITION

As described above, virtually all of the assets of EHGNA were sold prior to the Date of Bankruptcy, and as of the Date of Bankruptcy, as outlined in the Statement of Affairs, the Primary Secured Creditors have claims in excess of the realized and realizable assets of the Company.

The Statement of Affairs reflects a shortfall of assets to liabilities of \$315.6 million as at the Date of Bankruptcy.

III. ASSETS

As noted in the Statement of Affairs, the only remaining assets of the Date of Bankruptcy are cash held in the Receiver's trust account (with Royal Bank of Canada) of approximately \$12.1 million, after deducting the Receiver's anticipated completion costs, collectable accounts receivable of approximately \$465,000 and certain contingent receivables (together, the "**Remaining Assets**").

The Remaining Assets are subject to the security of the Primary Secured Creditors, and it is not anticipated that any proceeds will be available for distribution to unsecured creditors.

Trust Account

As noted above, the Receiver maintains a trust account with the Royal Bank of Canada. The Trustee has confirmed that the account balance, after deducting estimated Receiver completion costs, is approximately \$12.1 million.

Accounts Receivable

As outlined in List "E" of the Statement of Affairs, approximately \$465,000 of remaining accounts receivable are estimated to be collectible, as follows:

1. Approximately \$392,000 is owing from the Canada Revenue Agency in respect of outstanding harmonized sales tax ("**HST**") refunds, for HST paid by the Receiver in conjunction with the Receiver's activities following the Receivership Date. The Receiver expects that this amount is fully collectible.
2. Approximately \$72,000 is owing from Camping World RV for the sale of an RV unit. The Receiver expects to recover this amount in full.



In addition to the collectible accounts receivable outlined above, the Receiver has taken steps to realize on certain other contingent assets, as further described below. At this time, the Receiver is uncertain if any recoveries will be realized thereon, but will continue to update creditors on the Trustee's website as additional information becomes available.

Gerzeny's RV World

Gerzeny's RV World ("**Gerzeny**") and EHGNA were parties to certain dealer agreements, whereby the Company sold RVs to Gerzeny for resale.

The Receiver is attempting to collect outstanding balances from Gerzeny. Gerzeny is asserting counter-claims in excess of the outstanding balances against EHGNA. The parties continue to attempt to resolve this issue.

JRV Group USA Claim

On August 27, 2019, the Receiver filed an unsecured claim in the estate of the JRV Group USA L.P. ("**JRV**") for \$12.9 million, related to intercompany receivables.

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 on May 13, 2019 (the "**JRV Petition Date**"), commencing Chapter 11 proceedings (the "**JRV Bankruptcy Case**").

Prior to the Receivership Date, EHGNA provided certain shared service functions to JRV, including vehicle purchasing, sales invoicing and accounts receivable administration. As at the JRV Petition Date, the books and records of EHGNA showed an intercompany receivable due from JRV in the amount of \$12.9 million.

Recoveries, if any, on this claim in the JRV Bankruptcy Case are uncertain at this point, and will be based upon the value recovered from JRV's assets, after payment of priority claims and costs of the Chapter 11 proceeding.

The Receiver will continue to monitor developments in the JRV Bankruptcy Case on behalf of EHGNA. The Trustee will post any major developments to the Trustee's website.

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.

Insurance Policy Claim

As detailed in the Receiver's Second Report to the Court dated March 25, 2019, the Receiver filed a claim under a buyer-side "representations and warranties" insurance policy, issued by ACE INA Insurance (now Chubb Insurance Company of Canada) (the "**R&W Policy**"). The claim relates to certain representations and warranties made by Roadtrek Motorhomes Inc., pursuant to a share purchase agreement dated February 17, 2016, between Erwin Hymer Global Group and



Roadtrek Motorhomes Inc. (“**Roadtrek**”) (the “**2016 SPA**”). Closing of the 2016 SPA resulted in EHGNA and Roadtrek merging to continue as EHGNA.

The R&W Policy has a coverage limit of US\$7.5 million, subject to a retention of US\$735,000.

Upon review of the R&W Policy, in consultation with its counsel and 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 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.

The Receiver has 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, and a potential realization.

To date, the Receiver has engaged a third-party forensic expert to evaluate potential recoveries under the R&W Policy and continues to consider this matter in consultation with the Secured Creditors, but potential recoveries, if any, are not known at this time.

IV. CONSERVATORY AND PROTECTIVE MEASURES

The Trustee has taken the following actions to secure the Company’s books and records:

1. Confirmed EHGNA’s books and records are secured and available for review by the Trustee and will not be disposed of without prior written permission from the Trustee.
2. Obtained a separate electronic copy of the books and records to be stored at the Trustee’s place of business.

V. SECURED CREDITORS

EHGNA has three primary secured creditors: Corner Flag, EHG SE, and Mercedes-Benz Financial Services, a business unit of Mercedes-Benz Financial Services Canada Corporation (“**MBFS**”) (collectively, the “**Primary Secured Creditors**”). As noted in the Statement of Affairs, the Primary Secured Creditors were owed approximately \$16.9 million as of the Date of Bankruptcy.

The Receiver has engaged independent counsel, Osler, Hoskin & Harcourt LLP (“**Osler**”) in connection with the receivership proceedings and, among other things, asked Osler to review the security granted by EHGNA to the Primary Secured Creditors. Subject to usual and customary qualifications and assumptions, Osler has confirmed to the Receiver, and the Receiver has reported to the Court in the receivership proceedings, that the security held by these Primary Secured Creditors is valid and enforceable in respect of the collateral covered by their respective security².

² EHG SE has asserted secured claims of approximately \$58 million in total. As of the date of this Report, Osler has provided a security opinion confirming approximately \$10.0 million of the EHG SE claim. The remainder is subject to further review that will be undertaken should net realizations from the Receivership exceed \$16.9 million.



Accordingly, as of the date of this Trustee Report, it is expected there will be no unencumbered assets available to the Trustee, for realization and distribution to the unsecured creditors.

VI. BOOKS AND RECORDS

The Trustee understands that all of the Company's books and records, including accounting and finance, and all management functions were centralized and located at the Company's head office which was located at 25 Reuter Drive in Cambridge, Ontario.

As discussed above (and as detailed extensively in the Second Report of the Receiver), on June 17, 2019, the Court made an Order approving the Roadtrek Transaction, namely the sale of certain assets of EHGNA, including the related books and records, contemplated in an asset purchase agreement between the Receiver and RT Acquisition Corp. (the "**Roadtrek APA**"). The Roadtrek APA requires that RT Acquisition Corp. provide the Receiver and/or the Trustee with access to the books and records, and that such books records be maintained for a reasonable period of time.

As such, the Trustee has confirmed that there is reasonable access to the books and records of the Company, as required for the administration of these bankruptcy proceedings.

VII. SECURITY FOR UNPAID WAGES – SECTION 81.3 CLAIMS

The Trustee understands that as of the Date of Bankruptcy, EHGNA had no amounts owing to former employees of EHGNA under section 81.3 of the BIA. The Trustee understands that all section 81.3 claims were paid by the Receiver during the Receivership.

VIII. UNSECURED CREDITORS

As noted in the Statement of Affairs, as of the Date of Bankruptcy there were nearly 2,000 unsecured creditors, with claims totaling approximately \$315.7 million.

As of the date of this Trustee Report, it is anticipated that there will be no funds available for a distribution to the unsecured creditors of EHGNA.

IX. PROVABLE CLAIMS

As of the date of this Trustee's Report, the Trustee has received filed Proofs of Claim, as follows:

Type of Claim	Number of Claims	Value of Claims (\$ CAD)
Secured	\$Nil	\$Nil
General Unsecured	81	\$18,531,151
Employees Unsecured	775	\$11,536,357

X. PREFERENCE PAYMENTS AND TRANSFERS UNDER VALUE

The Trustee will perform a review of EHGNA's books and records with respect to potential fraudulent preferences, settlements or transfers at undervalue, as defined in the BIA.



XI. TRUSTEE'S FEES AND DISBURSEMENTS

In consideration for consenting to act in these proceedings, with the support of the Primary Secured Creditors, the Receiver provided a deposit to the Trustee, in the amount of \$30,000, to pay the Trustee's fees and disbursements related to the bankruptcy proceedings of EHGNA.

The Trustee's fees will be subject to the provisions of the BIA and taxation by the Court.

Further information relating to these bankruptcy proceedings may be obtained from Alvarez & Marsal's website at: www.alvarezandmarsal.com/ehgna.

Dated at Toronto, this 8th day of October 2019.

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



Alan J. Hutchens, LIT
Senior Vice-President



TAB G

APPENDIX “G”

June 2019 Letters regarding Second-Row Seating Issue



June 25, 2019

Re: Roadtrek Sprinter Van – Second-Row Seat Issue
NHTSA 19V450

This notice is sent to you in accordance with the requirements of the United States National Traffic and Motor Vehicle Safety Act.

Records indicate that you may have purchased a Roadtrek RV Unit built upon a Mercedes 3500 Chassis, equipped with one or two second row captain’s chairs with integrated seatbelts that may not meet certain minimum Canadian and United States Motor Vehicle Safety Standard requirements. As a result, it is possible that these second-row seats could fail to withstand certain vehicle impacts. In the event of a crash, the second-row seats may not provide adequate protection for passengers in these seats, increasing their risk of an injury.

Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed the receiver and manager (the “**Receiver**”) of Erwin Hymer Group North America, Inc. (the “**Company**”) by an Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted February 15, 2019. The Receiver is not continuing to operate the Company’s business and has obtained Court approval of a sale process in respect of the Company’s property, assets and undertakings (the “**Sale Process**”). Information about EHGNA, its background and copies of all materials filed in the receivership proceedings, including the Sale Process, are available on the Receiver’s website at www.alvarezandmarsal.com/ehgna (the “**Case Website**”).

A remedy is not available at this time. The Receiver is currently investigating this matter and will provide additional information as soon as practicable, including posting further updates on the Case Website. The Receiver has also notified the National Highway Transportation Safety Administration regarding this issue.

You may choose to avoid allowing any passengers to sit in the second-row seats while the vehicle is operating until further information is available. Once a remedy has been developed and made available, you will receive a second written notice.

If you no longer own the vehicle, please inform the Receiver directly at the email address below via e-mail. If you are currently leasing this vehicle, please forward a copy of this notice to the lessee within 10 days.

If you have any questions, you can contact the Receiver by email at EHGNReceiver@alvarezandmarsal.com or phone at 1-844-843-7070.

Yours truly,

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





June 25, 2019

To Whom It May Concern

**Re: Roadtrek Sprinter Van – Second-Row Seat Issue
Transport Canada recall number: 2019-309**

Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed the receiver and manager (the “**Receiver**”) of Erwin Hymer Group North America, Inc. (“**EHGNA**” or the “**Company**”) by an Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted February 15, 2019. Please be advised that the Receiver is not continuing operations of the Company’s business and has obtained Court approval of a sale process in respect of the Company’s property, assets and undertakings (the “**Sale Process**”).

Information about EHGNA, its background and copies of all materials filed in connection with the receivership proceedings, including the Sale Process, are publicly available on the Receiver’s website at www.alvarezandmarsal.com/ehgna (the “**Case Website**”).

This notice is sent to you in accordance with the requirements of the Canada Motor Vehicle Safety Act. According to the Company’s records, you may have purchased a Roadtrek RV Unit built upon a Mercedes 3500 Chassis, equipped with one or two second row captain’s chairs with integrated seatbelts (in either case, the “**Affected Unit**” and collectively, the “**Affected Units**”).

Please be further advised that the Receiver is currently investigating possible safety issues with the second-row seats of the Affected Units. In particular, the Receiver has become aware that the second-row seats may not meet certain minimum Canadian Motor Vehicle Safety Standard requirements. As a result, it is possible that these second-row seats could fail to withstand certain vehicle impacts, whether in isolation or in combination with other or multiple impacts, and to cause bodily harm. In the event of a collision, the second-row seats may not provide adequate protection for passengers in these seats.

Due to the safety concerns noted above respecting the Affected Units, you are strongly advised by the Receiver to avoid allowing any passengers to sit in the second-row seats while the vehicle is operating until further information is made available.

The Receiver is currently investigating this matter and will provide additional information as soon as practicable, including posting further updates on the Case Website. The Receiver has also notified Transport Canada with respect to this issue.

If you no longer own the Affected Unit, please inform the Receiver directly at the email address below via e-mail. If you are a vehicle lessor, you must forward a copy of this notice to the lessee within ten days.

If you have any questions at all, you can contact the Receiver by email at EHGNAreceiver@alvarezandmarsal.com or phone at 1-844-843-7070.

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION AND FOLLOW-UP.

Yours truly,

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



TAB H

APPENDIX “H”

January 2020 Letters regarding Second-Row Seating Issue



January 6, 2020

Re: **Roadtrek Sprinter Van – Second-Row Seat Issue**
NHTSA 19V450 / Transport Canada 2019-309

This notice is sent to you in accordance with the requirements of the Canada’s Motor Vehicle Safety Act and the U.S. National Traffic and Motor Vehicle Safety Act. Records indicate that you may have purchased a Roadtrek RV Unit built upon a Mercedes 3500 chassis from Erwin Hymer Group North America, Inc. (formerly Roadtrek Motorhomes, Inc.) (“EHGNA”), equipped with one or two second row captain’s chairs with integrated seatbelts (in either case the “Affected Unit” and collectively the “Affected Units”) that may not meet certain minimum Canadian and United States Motor Vehicle Safety Standard requirements. As a result, it is possible that these second-row seats could fail to withstand certain vehicle impacts. In the event of a crash, the second-row seats may not provide adequate protection for passengers in these seats, increasing their risk of an injury.

Please note that pursuant to an order of the Ontario Superior Court of Justice (the “Court”), on July 3, 2019, RT Acquisition Corp¹ (the “Purchaser”) acquired substantially all of the assets related to the former “Roadtrek” business of EHGNA. As part of this transaction, the Court approved an asset purchase agreement which, among other things, provided that Purchaser’s acquisition of the above referenced assets expressly excluded any liability or obligations related to the Affected Units.

Corrective action requires the removal of the seatbelt(s) in the Affected Units and the application of a label, which advises that the second-row seat is not to be occupied while the vehicle is in motion.

In order to obtain this corrective action as a free service, please contact your dealer’s service department and schedule an appointment. If you do not know your nearest Roadtrek dealer, please email, receiverrecall@roadtrekinc.com for further assistance.

Roadtrek, Inc. bears no legal responsibility for the Affected Units and is providing this service pursuant to an agreement with Alvarez & Marsal Canada Inc., the Court-appointed Receiver (the “Receiver”). Corrective action instructions and parts will need to be shipped to the dealer prior to your arrival. It should take less than one (1) hour to complete this corrective action, however additional time may be required depending on how dealer appointments are scheduled and processed.

You are strongly advised by the Receiver not to allow any passengers to sit in the second-row seats while the vehicle is operating.

¹ Subsequent to closing, the Purchaser. changed its name to Roadtrek, Inc.

U.S. federal regulations require that any vehicle lessor receiving this recall notice must forward a copy of this notice to the lessee within ten days. If you no longer own the vehicle, please inform the Receiver directly via email at the email address below.

If this notice is inadequate you may advise the Administrator, National Highway Traffic Safety Administration. Notifications should be sent to 1200 New Jersey Ave. S.E., Washington, DC, 20590; or call the toll-free Vehicle Safety Hotline at 1-888-327-4236 (TTY: 1-800-424-9153); or go to <http://www.safercar.gov>.

If you have any additional questions, you can contact the Receiver by email at EHGNReceiver@alvarezandmarsal.com or phone at 1-844-843-7070.

Yours truly,

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



January 6, 2020

Re: **Roadtrek Sprinter Van – Second-Row Seat Issue**
Transport Canada 2019-309

This notice is sent to you in accordance with the requirements of the *Motor Vehicle Safety Act*. This is to inform you that your vehicle may be non-compliant with the requirements of the Canadian *Motor Vehicle Safety Regulations* and that the non-compliance could affect the safety of a person. Records indicate that you may have purchased a Roadtrek RV Unit built upon a Mercedes 3500 chassis from Erwin Hymer Group North America, Inc. (formerly Roadtrek Motorhomes, Inc.) (“EHGNA”), equipped with one or two second row captain’s chairs with integrated seatbelts (in either case the “Affected Unit” and collectively the “Affected Units”) that may not meet certain minimum Canadian Motor Vehicle Safety Standard requirements. As a result, it is possible that these second-row seats could fail to withstand certain vehicle impacts. In the event of a crash, the second-row seats may not provide adequate protection for passengers in these seats, increasing their risk of bodily injury.

Please note that pursuant to an order of the Ontario Superior Court of Justice (the “Court”), on July 3, 2019, RT Acquisition Corp¹ (the “Purchaser”) acquired substantially all of the assets related to the former “Roadtrek” business of EHGNA. As part of this transaction, the Court approved an asset purchase agreement which, among other things, provided that, Purchaser’s acquisition of the above referenced assets expressly excluded any liability or obligations related to the Affected Units.

Corrective action requires the removal of the seatbelt(s) in the Affected Units and the application of a label, which advises that the second-row seat is not to be occupied while the vehicle is in motion.

In order to obtain this corrective action as a free service, please contact your dealer’s service department and schedule an appointment. If you do not know your nearest Roadtrek dealer, please email, receiverrecall@roadtrekinc.com for further assistance.

Roadtrek, Inc. bears no legal responsibility for the Affected Units and is providing this service pursuant to an agreement with Alvarez & Marsal Canada Inc., the Court-appointed Receiver (the “Receiver”). Corrective action instructions and parts will need to be shipped to the dealer prior to your arrival. It should take less than one (1) hour to complete this corrective action, however additional time may be required depending on how dealer appointments are scheduled and processed.

You are strongly advised by the Receiver not to allow any passengers to sit in the second-row seats while the vehicle is operating.

¹ Subsequent to closing, the Purchaser. changed its name to Roadtrek, Inc.

Canadian federal regulations require that any vehicle lessor receiving this recall notice must forward a copy of this notice to the lessee within ten days. If you no longer own the vehicle, please inform the Receiver directly via email at the email address below.

If you have any additional questions, you can contact the Receiver by email at EHGNReceiver@alvarezandmarsal.com or phone at 1-844-843-7070.

Yours truly,

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

TAB I

APPENDIX "T"

Affidavit of Alan J. Hutchens sworn January 21, 2020

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

**AFFIDAVIT OF ALAN J. HUTCHENS
(Sworn January 21, 2020)**

I, ALAN J. HUTCHENS, of the Town of Oakville, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am a Senior Vice-President of the financial advisory firm Alvarez & Marsal Canada Inc. (“**A&M**”), the 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**”). As such, I have knowledge of the matters hereinafter deposed to.
2. A&M was appointed as Receiver pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated February 15, 2019 (the “**Appointment Order**”). The Receiver retained Osler, Hoskin & Harcourt LLP (“**Osler**”) as its counsel in these proceedings.
3. 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.

- 2 -

4. The efforts and activities of the Receiver are described in the Second Report that the Receiver has filed with the Court prior to the date hereof in these proceedings, as well as the Receiver's Third Report to be filed in respect of the within motion for the passing of accounts.

5. Attached hereto and marked as **Exhibit "1"** to this Affidavit is a summary (the "**A&M Accounts Summary**") of the invoices rendered by A&M (the "**A&M Accounts**", and collectively, the "**A&M Fees and Disbursements**") in respect of these proceedings for the period May 19, 2019 to November 30, 2019 (the "**A&M Application Period**"). The A&M Accounts include itemization and totals for services rendered by A&M personnel, a summary of which personnel and their hourly rates is attached hereto and marked as **Exhibit "2"** to this Affidavit. Copies of the A&M Accounts, redacted for privileged, confidential and commercially sensitive information are attached hereto and marked as **Exhibit "3"**.

6. A&M expended a total of 1,775.3 hours in connection with this matter during the A&M Application Period, giving rise to fees and disbursements totalling \$1,064,296.97, comprised of fees of \$922,813.00, disbursements of \$19,392.23 and HST of \$122,091.74, all of which are outlined in the A&M Accounts Summary.

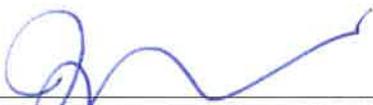
7. Osler, counsel to the Receiver ("**Receiver's Counsel**"), has rendered services throughout these proceedings in a manner consistent with the instructions of the Receiver.

8. The total fees for services and disbursements provided by Receiver's Counsel during the period May 18, 2019 to November 30, 2019 are \$748,879.07 (the "**Receiver's Counsel Fees and Disbursements**", together with the A&M Fees and Disbursements, the "**Receiver's Fees and Disbursements**", comprised of fees of \$655,701.50, disbursements of \$7,089.73, and HST of \$86,087.84. The services rendered by the Receiver's Counsel are more particularly described in the affidavit of Tracy C. Sandler (and the Exhibits thereto) sworn January 21, 2020 in support of the Receiver's request for approval of the Receiver's Counsel Fees and Disbursements.

9. To the best of my knowledge, the rates charged by the Receiver and Receiver's Counsel are comparable to the rates charged for the provision of similar services by other large restructuring firms and law firms, and are fair and reasonable.

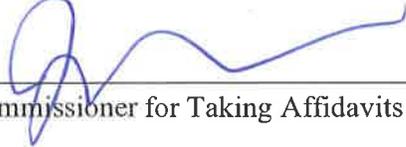
10. This Affidavit is sworn in connection with a motion by the Receiver to have the Receiver's Fees and Disbursements in relation to these proceedings approved by this Court.

SWORN before me at the City of Toronto,
in the Province of Ontario, on this 21st day
of January, 2020.


A Commissioner for taking affidavits
Name: Justine Erickson


ALAN J. HUTCHENS

This is Exhibit "1" referred to in the
affidavit of Alan J. Hutchens
sworn before me, this 21st
day of January, 2020.



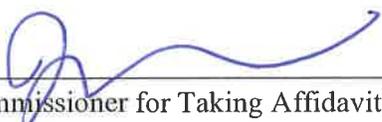
A Commissioner for Taking Affidavits

Justine Erickson

EXHIBIT "1"
ALVAREZ & MARSAL CANADA INC., COURT-APPOINTED RECEIVER OF
ERWIN HYMER GROUP NORTH AMERICA, INC.
 (May 19, 2019 to November 30, 2019)

Invoice No.	Invoice Date	Invoice Period / Description	Total Hours	Fees	Disbursements	HST	Invoice Total (\$CAD)
Invoice #15	May 28, 2019	May 19, 2019 to May 25, 2019	96.6	\$62,497.00	\$0.00	\$8,124.61	\$70,621.61
Invoice #16	June 4, 2019	May 26, 2019 to June 1, 2019	180.9	95,273.00	3,529.32	12,844.30	111,646.62
Invoice #17	June 12, 2019	June 2, 2019 to June 8, 2019	193.8	107,910.00	535.67	14,097.94	122,543.61
Invoice #18	June 20, 2019	June 9, 2019 to June 15, 2019	121.0	63,633.50	0.00	8,272.36	71,905.86
Invoice #19	June 25, 2019	June 16, 2019 to June 22, 2019	164.4	84,355.00	0.00	10,966.15	95,321.15
Invoice #20	July 8, 2019	June 23, 2019 to June 29, 2019	171.6	86,077.00	174.86	11,212.74	97,464.60
Invoice #21	July 10, 2019	June 30, 2019 to July 6, 2019	91.1	42,184.00	0.00	5,483.92	47,667.92
Invoice #22	July 16, 2019	July 7, 2019 to July 13, 2019	116.8	55,584.50	4,612.95	7,825.67	68,023.12
Invoice #23	July 23, 2019	July 14, 2019 to July 20, 2019	86.8	43,681.00	3,909.96	5,791.88	53,382.84
Invoice #24	July 30, 2019	July 21, 2019 to July 27, 2019	71.3	37,311.50	2,081.74	5,121.12	44,514.36
Invoice #25	August 8, 2019	July 28, 2019 to August 3, 2019	40.8	20,345.50	961.95	2,769.97	24,077.42
Invoice #26	August 14, 2019	August 4, 2019 to August 10, 2019	44.5	21,934.00	0.00	2,851.42	24,785.42
Invoice #27	August 22, 2019	August 11, 2019 to August 17, 2019	74.7	40,471.50	0.00	5,261.30	45,732.80
Invoice #28	August 27, 2019	August 18, 2019 to August 24, 2019	50.8	24,835.50	1,126.96	3,375.12	29,337.58
Invoice #29	September 4, 2019	August 25, 2019 to August 31, 2019	48.2	24,370.00	0.00	3,168.10	27,538.10
Invoice #30	September 11, 2019	September 1, 2019 to September 7, 2019	28.3	14,289.50	440.81	1,914.94	16,645.25
Invoice #31	September 25, 2019	September 8, 2019 to September 21, 2019	48.0	24,113.00	1,763.96	3,364.00	29,240.96
Invoice #32	October 29, 2019	September 22, 2019 to October 26, 2019	69.6	34,889.50	135.07	4,553.19	39,577.76
Invoice #33	December 10, 2019	October 27, 2019 to November 30, 2019	76.1	39,058.00	118.98	5,093.01	44,269.99
TOTAL			1,775.3	\$922,813.00	\$19,392.23	\$122,091.74	\$1,064,296.97

This is Exhibit "2" referred to in the
affidavit of Alan J. Hutchens
sworn before me, this 21st
day of January, 2020.



A Commissioner for Taking Affidavits
Justine Erickson

EXHIBIT "2"
ALVAREZ & MARSAL CANADA INC., COURT-APPOINTED RECEIVER OF
ERWIN HYMER GROUP NORTH AMERICA, INC.
(May 19, 2019 to November 30, 2019)

Staff Member	Title	Total Hours	Rate (\$CAD)	Amount Invoiced (\$CAD)
Alan Hutchens	Managing Director	99.3	875.00	86,887.50
Stephen Ferguson	Managing Director	336.0	760.00	255,360.00
Lauren Benson	Director	476.3	510.00	242,913.00
Nate Fennema	Associate	455.6	450.00	205,020.00
Audrey Singels-Ludvik	Associate	112.7	325.00	36,627.50
John-Luke Ip	Analyst	295.4	325.00	96,005.00
Total Fees (excl. Disbursements and HST)		1,775.3	Avg Rate \$519.81	\$922,813.00

CORNER FLAG LLC

and

ERWIN HYMER GROUP NORTH AMERICA, INC.

Applicant

Respondent

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

ONTARIO

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

Proceeding commenced at Toronto

AFFIDAVIT OF ALAN J. HUTCHENS
(Sworn January 21st, 2020)

OSLER, HOSKIN & HARCOURT LLP
Box 50, 1 First Canadian Place
Toronto, Ontario, Canada M5X 1B8

Tracy C. Sandler (LSO# 32443N)
Tel: 416.862.5890

Jeremy Dacks (LSO# 41851R)
Tel: 416.862.4923
Fax: 416.862.6666

Counsel for the Receiver

TAB J

APPENDIX “J”

Affidavit of Tracy C. Sandler sworn January 21, 2020

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

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

B E T W E E N:

CORNER FLAG LLC

Applicant

– and –

ERWIN HYMER GROUP NORTH AMERICA, INC.

Respondent

**APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, as amended, and under section 101 of the *Courts of Justice Act*,
R.S.O. 1990, c. C.43**

AFFIDAVIT OF TRACY C. SANDLER**(Sworn January 21, 2020)**

I, Tracy C. Sandler, of the City of Toronto, in the Province of Ontario, MAKE
OATH AND SAY:

1. I am a partner at the law firm of Osler, Hoskin & Harcourt LLP (“**Osler**”), counsel to Alvarez & Marsal Canada Inc., in its capacity as the court-appointed receiver and manager of Erwin Hymer Group North America, Inc. (in such capacity, the “**Receiver**”). The Receiver retained Osler as its counsel in this matter. I am the partner responsible for the services rendered to the Receiver discussed below. Therefore, I have knowledge of the matters deposed to herein.
2. This affidavit is made in support of a motion by the Receiver seeking, among other things, approval of the fees and disbursements of Osler in its capacity as legal counsel for the Receiver for the period from May 18, 2019 through November 30, 2019.

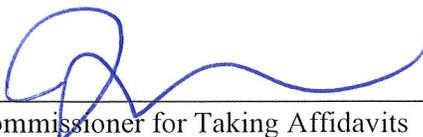
- 2 -

3. Attached as **Exhibit "A"** is a summary of the invoices rendered by Osler (the "**Osler Invoices**") for services rendered to the Receiver for the period from May 18, 2019 to November 30, 2019 (the "**Billing Period**"). Attached as **Exhibit "B"** is a sheet that sets out information regarding the Osler personnel who rendered services during the Billing Period, including the names, year of call, total time expended and hourly rate for all professionals, as well as an average hourly rate of the Osler personnel who rendered services in this matter. Copies of the Osler Invoices, which have been redacted for privileged, confidential and commercially sensitive information, are attached as **Exhibit "C"**. The Osler Invoices disclose in detail (i) the name, hourly rate and time expended of each person who rendered services; (ii) the dates on which the services were rendered; (iii) the time expended each day; and (iv) the total charges for each of the categories of services rendered for the relevant time period.

4. During the Billing Period, the total fees billed by Osler were Cdn\$655,701.50 plus disbursements of Cdn\$7,089.73 and applicable taxes of Cdn\$86,087.84 for an aggregate amount of Cdn\$748,879.07.

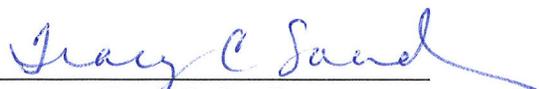
5. I have been actively involved in this matter. I have reviewed the Osler Invoices and consider the time expended and legal fees charged to be fair and reasonable for the services performed and consistent with prevailing market rates for legal services.

SWORN BEFORE ME at the City of
Toronto, in the Province of Ontario, this
21st day of January, 2020.



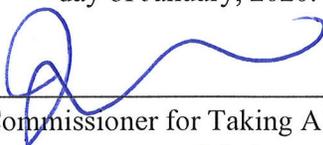
Commissioner for Taking Affidavits

Justine Erickson



Tracy C. Sandler

This is Exhibit "A" referred to in the
affidavit of Tracy C. Sandler
sworn before me, this 21st
day of January, 2020.



A Commissioner for Taking Affidavits

Justine Erickson

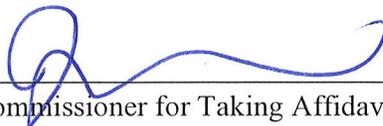
Exhibit "A" to Affidavit of Tracy C. Sandler sworn January 21, 2020

Invoice No.	Invoice Date	Total Hours	Fees	Disbursements	HST	Invoice Total (\$CAD)
12284407	May 29, 2019	51.0	\$41,396.50	\$147.70	\$5,400.75	\$46,944.95
12291904	June 6, 2019	115.4	\$77,104.00	\$463.77	\$10,083.81	\$87,651.58
12294131	June 19, 2019	194.5	\$146,756.50	\$1,082.10	\$19,219.02	\$167,057.62
12294633	June 20, 2019	135.2	\$102,024.00	\$1,869.03	\$13,506.09	\$117,399.12
12294969	June 30, 2019	168.2	\$125,323.50	\$646.00	\$16,334.44	\$142,303.94
12304285	July 16, 2019	27.8	\$17,984.50	\$352.70	\$2,375.47	\$20,712.67
12305735	July 30, 2019	14.3	\$8,767.00	\$41.44	\$1,145.10	\$9,953.54
12305143	July 30, 2019	22.7	\$14,461.50	\$19.50	\$1,882.54	\$16,363.54
12312100	August 8, 2019	16.1	\$11,133.00	\$59.15	\$1,454.98	\$12,647.13
12315397	August 19, 2019	10.5	\$6,567.50	\$108.72	\$867.91	\$7,544.13
12315866	August 20, 2019	55.5	\$42,436.00	\$48.90	\$5,523.04	\$48,007.94
12316104	August 29, 2019	8.6	\$6,299.00	\$4.65	\$819.47	\$7,123.12
12316638	September 5, 2019	9.9	\$5,125.50	\$0.75	\$666.42	\$5,792.67
12325194	September 11, 2019	21.5	\$9,103.00	\$0.15	\$1,183.41	\$10,286.56
12325490	September 19, 2019	3.6	\$2,287.50	\$0.15	\$297.40	\$2,585.05
12325671	September 26, 2019	5.2	\$3,787.50	\$263.75	\$501.55	\$4,552.80
12334255	October 8, 2019	1.6	\$1,569.00	\$0	\$203.97	\$1,772.97
12334653	October 16, 2019	8.2	\$4,837.50	\$72.30	\$638.28	\$5,548.08
12342076	November 8, 2019	20.8	\$15,277.00	\$280.89	\$2,022.53	\$17,580.42
12345171	November 14, 2019	2.4	\$1,284.00	\$19.43	\$169.45	\$1,472.88
12354561	November 22, 2019	6.6	\$5,434.00	\$1,554.35	\$908.49	\$7,896.84

- 2 -

12351508	December 12, 2019	10.2	\$6,743.50	\$54.30	\$883.72	\$7,681.52
Total		909.8	\$655,701.50	\$7,089.73	\$86,087.84	\$748,879.07

This is Exhibit "B" referred to in the
affidavit of Tracy C. Sandler
sworn before me, this 21st
day of January, 2020.



A Commissioner for Taking Affidavits

Justine Erickson

Exhibit "B" to Affidavit of Tracy C. Sandler sworn January 21, 2020

	Title	Year of Call	Area of Practice	Total Hours	Hourly Rate (\$CAD)	Amount Invoiced (\$CAD)
Tracy Sandler	Partner	1991 (ON)	Insolvency & Restructuring	190.1	\$1,010	\$192,001
Jeremy Dacks	Partner	1999 (ON)	Litigation	66.8	\$905	\$60,454
Shelley W. Obal	Partner	1985 (ON)	Research	36	\$1,045	\$37,620
Sven C. Poysa	Partner	2006 (ON)	Employment & Labour	0.6	\$800	\$480
Kevin Morley	Partner	1987 (ON)	Banking & Financial Services	5.6	\$950	\$5,320
Lauren M. Tomasich	Partner	2008 (ON)	Litigation	20.5	\$750	\$15,375
Alan Kenigsberg	Partner	2001 (ON)	Tax	0.8	\$1,040	\$832
Greg Wylie	Partner	1992 (ON)	Tax	10.7	\$1,035	\$11,074.50
Kelly L. Moffatt	Partner	1992 (ON)	Franchise & Distribution	0.9	\$945	\$850.50
Ryan H. Nielsen	Partner	2009 (ON)	Real Estate	5.2	\$750	\$3,900
Stéphane Eljarrat	Partner	1994 (Quebec) 2011 (ON)	Litigation	22.3	\$1,150	\$25,645
Joanna Fine	Partner	2006 (ON)	Privacy	0.5	\$750	\$375
Andréa M. Lockhart	Counsel	2008 (ON)	Insolvency & Restructuring	124.2	\$700	\$86,940

- 2 -

	Title	Year of Call	Area of Practice	Total Hours	Hourly Rate (\$CAD)	Amount Invoiced (\$CAD)
Alexis Beale	Associate	2014 (ON)	Litigation	0.2	\$580	\$116
Justine Erickson	Associate	2016 (ON)	Insolvency & Restructuring	313.7	\$535	\$167,829.50
Waleed Malik	Associate	2015 (ON)	Litigation	60.1	\$535	\$32,153.50
Jeff St. Aubin	Associate	2014 (ON)	Construction	0.7	\$595	\$416.50
Sarah Sharp	Associate	2018 (ON)	Real Estate	2.4	\$450	\$1,080
Samuel Cohen	Associate	1996 (Quebec)	Translation	0.7	\$585	\$409.50
Jonathan Lau	Articling Student	N/A	N/A	8.5	\$280	\$2,380
Adam Margeson	Articling Student	N/A	N/A	17.8	\$280	\$4,984
Marleigh Dick	Articling Student	N/A	N/A	8	\$280	\$2,240
Ferial Fekri	Articling Student	N/A	N/A	0.5	\$225	\$112.50
Lisa Gidari	Paraprofessional	N/A	N/A	1.6	\$380	\$608
Kevin MacEachern	Paraprofessional	N/A	N/A	6	\$190	\$1,140
Lorna Storm	Paraprofessional	N/A	N/A	4.9	\$250	\$1,225
eDiscovery Case Manager	N/A	N/A	N/A	0.5	\$280	\$140
Total				909.8	Average Rate: \$717	\$655,701.50

CORNER FLAG LLC

Applicant
and

ERWIN HYMER GROUP NORTH AMERICA, INC.

Respondent

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

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

Proceeding commenced at Toronto

**AFFIDAVIT OF TRACY C. SANDLER
(Sworn January 21st, 2020)**

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Counsel for the Receiver