



**Seventh Report of
KSV Restructuring Inc. as
Receiver of the Canadian
Business and Assets of
Celadon Group, Inc. and the
Entities Listed in Footnote 1
of this Report**

February 26, 2021

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COURT FILE NO.:CV-20-00634911-00CL

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

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT,
R.S.C. 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN
IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE
WITH RESPECT TO CELADON GROUP, INC. AND THE AFFILIATED ENTITIES LISTED IN
FOOTNOTE “1” HERETO**

**APPLICATION OF CELADON GROUP, INC. PURSUANT TO PART XIII OF THE
BANKRUPTCY AND INSOLVENCY ACT AND SECTION 101 OF THE COURTS OF JUSTICE
ACT (ONTARIO), R.S.O. 1990, c. C-43, AS AMENDED**

**SEVENTH REPORT OF KSV RESTRUCTURING INC.
AS RECEIVER**

February 26, 2021

1.0 Introduction

1. On December 8, 2019, Celadon Group, Inc. (“Celadon”) and its affiliated entities¹ listed in footnote 1 (collectively, the “Chapter 11 Debtors”) commenced proceedings by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the “US Court”) (the “Chapter 11 Proceedings”). Two of the Chapter 11 Debtors are Canadian corporations: Celadon Canadian Holdings, Limited (“CCHL”) and Hyndman Transport Limited (“Hyndman”) (jointly, the “Canadian Debtors”).
2. Pursuant to an Initial Recognition Order (the “Initial Recognition Order”) and a Supplemental Order (the “Supplemental Order”), both made on January 23, 2020 by the Ontario Superior Court of Justice (Commercial List) (the “Court”), the Chapter 11 Proceedings were recognized in Canada and KSV Restructuring Inc. (“KSV”) ² was appointed receiver (in such capacity, the “Receiver”) of the Chapter 11 Debtors' property in Canada. Copies of the Initial Recognition Order and the Supplemental Order (without schedules) are attached as Appendices “A” and “B”, respectively.

¹ A R Management Services, Inc., Bee Line, Inc., Celadon E-Commerce, Inc., Celadon Canadian Holdings, Limited, Celadon International Corporation, Celadon Logistics Services, Inc., Celadon Mexicana, S.A. de C.V., Celadon Realty, LLC, Celadon Trucking Services, Inc., Distribution, Inc., Eagle Logistics Services Inc., Hyndman Transport Limited, Jaguar Logistics, S.A. de C.V., Leasing Servicios, S.A. de C.V., Osborn Transportation, Inc., Quality Companies LLC, Quality Equipment Leasing, LLC, Quality Insurance LLC, Servicios Corporativos Jaguar, S.C., Servicios de Transportacion Jaguar, S.A. de C.V., Stinger Logistics, Inc., Strategic Leasing, Inc., Taylor Express, Inc., Transportation Insurance Services Risk Retention Group, Inc. and Vorbas, LLC.

² On August 31, 2020, KSV Kofman Inc. changed its name to KSV Restructuring Inc.

3. On or around December 9, 2019, the Chapter 11 Debtors, with the exception of the business operated by Taylor Express, Inc. (“Taylor”), a US debtor, ceased operations. The stated purpose of the Chapter 11 Proceedings was to preserve and sell the Taylor business on a going-concern basis and to conduct an orderly wind down and realization process for the other Chapter 11 Debtors, including the Canadian Debtors.
4. Pursuant to a Court order made on November 5, 2020 (the “November 5th Order”), Paragraph 19(c) of the Supplemental Order was amended to require that the Receiver file reports with the Court once every four months rather than on a bi-monthly basis. This is the Receiver’s update report pursuant to the November 5th Order.

1.1 Purposes of this Report

1. The purposes of this report (“Report”) are to:
 - a) provide background information about these proceedings; and
 - b) provide an update on the status of these proceedings and the Chapter 11 Proceedings, including the status of the Canadian Debtors’ remaining property and the Receiver’s ongoing administration of the employee claims process pursuant to the *Wage Earner Protection Program Act* (“WEPPA”).

1.2 Currency

1. Unless otherwise noted, all currency references in this Report are to Canadian dollars.

1.3 Restrictions

1. In preparing this Report, the Receiver has relied upon the Chapter 11 Debtors’ unaudited and publicly available financial information, materials filed in the Chapter 11 Proceedings and discussions with the Chapter 11 Debtors’ legal counsel and financial advisor (the “Information”).
2. The Receiver has not performed an audit or other verification of the Information. An examination of the Chapter 11 Debtors’ financial forecasts as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based on the Chapter 11 Debtors’ assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Receiver expresses no opinion or other form of assurance with respect to the accuracy of the Information or any financial information presented in this Report or relied upon by the Receiver in its preparation of this Report.

2.0 Background

1. The Chapter 11 Debtors were a US-based trucking company that formerly operated a fleet of approximately 3,300 tractors, 10,000 trailers and had 3,800 employees, including approximately 360 who were employed by the Canadian Debtors. The Chapter 11 Debtors provided international truckload services between the US, Canada and Mexico. The Chapter 11 Debtors’ head office is located in Indianapolis, Indiana.

2. In respect of the Canadian Debtors:
 - a) Hyndman operated a fleet of approximately 310 tractors and hundreds of trailers from owned properties in Ayr, Ontario (the “Ayr Property”), Wroxeter, Ontario (the “Wroxeter Property”) and Winnipeg, Manitoba (the “Winnipeg Property”). Hyndman had been in business since 1937 and was acquired by Celadon in 2005; and
 - b) CCHL is an inactive holding company and the sole shareholder of Hyndman.
3. Upon discontinuation of its business on or around December 9, 2019, Hyndman terminated its workforce, including substantially all of its employees and owner-operator drivers. Hyndman retained a few employees to manage its facilities. Hyndman’s workforce was not unionized and it did not maintain any registered pension plans.
4. In advance of these proceedings, KSV filed a report to Court dated January 22, 2020 (the “Prefiling Report”). Additional information about the Canadian Debtors and the Chapter 11 Proceedings is provided in the Prefiling Report and, accordingly, that information is not repeated in this Report. A copy of the Prefiling Report is attached as Appendix “C”, without appendices.
5. Court materials filed in these proceedings are available on the Receiver’s website at <https://www.ksvadvisory.com/insolvency-cases/case/celadon-group-inc>.

2.1 Secured Creditors

1. The Chapter 11 Debtors’ principal secured creditors are:
 - a) MidCap Funding IV Trust (“MidCap”), as administrative agent and lender under the Chapter 11 Debtors’ US\$60 million revolving credit facility dated July 31, 2019 (the “Revolving Credit Agreement”), which was used to fund the Chapter 11 Debtors’ working capital requirements. The Canadian Debtors are co-borrowers under the Revolving Credit Agreement and granted a security interest to MidCap in substantially all of their assets in order to secure all of the obligations under the Revolving Credit Agreement, which totalled approximately US\$31.8 million at the commencement of the Chapter 11 Proceedings, plus interest and costs. MidCap has been repaid in full on its advances under the Revolving Credit Agreement;
 - b) the Term Loan Lenders represented by Blue Torch Finance LLC (“Blue Torch”), as agent, who were owed approximately US\$103.6 million under a US\$105 million term loan facility (the “Term Loan Facility”) at the commencement of the Chapter 11 Proceedings, plus interest and costs which continue to accrue. The Canadian Debtors are secured guarantors under the Term Loan Facility. The Term Loan Lenders were also the DIP lenders pursuant to a US\$11.25 million DIP loan facility (the “DIP Facility”) approved by the US Court and this Court. All amounts drawn under the DIP Facility have been fully repaid during the Chapter 11 Proceedings;
 - c) Luminus Energy Partners Master Fund, Ltd., a 49.9% shareholder of Celadon, is a secured creditor as a result of its US\$30 million “last-out” participation in the Term Loan Facility discussed in 1(b) above; and

- d) numerous vehicle financiers/lessors who have registered security interests in the Chapter 11 Debtors' tractors and trailers. In respect of Hyndman, the largest financier/lessor is Canadian Western Bank ("CWB"). CWB took possession of its collateral, comprised of approximately 271 vehicles, and liquidated it in accordance with a Liquidating and Vesting Order made by the Court on March 2, 2020.
2. The Receiver and/or its counsel, Bennett Jones LLP ("Bennett Jones"), requested that each vehicle financier/lessor provide the Receiver with its lease and security documents and certain other information. Bennett Jones' review is continuing – it has spoken with CWB's legal counsel, Goldman Sloan Nash & Haber LLP ("GSNH"), regarding certain issues related to its security and has requested additional information (the "Additional Information"). On February 24, 2021, GSNH confirmed that it is working with CWB to provide the Additional Information imminently. Once the Additional Information is received from GSNH, Bennett Jones will complete its review of CWB's lease and security documents. The Receiver is hopeful that it will be able to receive the information it requires without needing to seek the Court's assistance in this regard.

2.2 Projected Recoveries in the Chapter 11 Proceedings

1. On February 20, 2020, the Chapter 11 Debtors' financial advisor, AlixPartners, LLP ("Alix"), provided the Receiver with a liquidation analysis (the "Liquidation Analysis")³ for the Chapter 11 Debtors, including the Canadian Debtors. The Receiver requested this analysis in order to determine whether the proceeds of realization for the Chapter 11 Debtors (including the Canadian Debtors) are expected to be sufficient to repay in full their obligations owing to their secured creditors, and accordingly, whether subordinate ranking creditors may have an economic interest in these proceedings.
2. The Liquidation Analysis reflects that, on a global basis, recoveries are not expected to satisfy the Chapter 11 Debtors' secured obligations owing to the Term Loan Lenders.
3. Based on the Receiver's discussions with Alix, actual realizations from the sale of the Taylor business, accounts receivable collections and net proceeds from real property sales and liquidation of rolling stock have been generally consistent with those projected in the Liquidation Analysis.

2.3 Claims Process

1. A claims process is being administered in the Chapter 11 Proceedings in accordance with a US Court Order entered March 30, 2020 (the "Claims Process Order"), which, among other things, established deadlines for filing proofs of claim, approved procedures for submitting proofs of claim, approved the notice procedures in respect thereof and granted related relief in respect of the Chapter 11 Debtors, including the Canadian Debtors.
2. Pursuant to the Claims Process Order, the general claims bar date was April 30, 2020 (the "General Claims Bar Date") and the governmental claims bar date was June 5, 2020.

³ The Liquidation Analysis was filed with the Court as a confidential appendix to the Receiver's second report dated February 24, 2020, and remains sealed pending further Court order pursuant to a Court order made on March 2, 2020.

3. As set out in the Receiver's prior reports, the Chapter 11 Debtors did not seek recognition of the Claims Process Order in Canada given, *inter alia*, that there will not be any funds available for distribution to unsecured creditors of any of the Chapter 11 Debtors, including the Canadian Debtors.
4. The Receiver posted notice of the Claims Process Order and the General Claims Bar Date on the case website it established for these proceedings ([www.https://www.ksvadvisory.com/insolvency-cases/case/celadon-group-inc](https://www.ksvadvisory.com/insolvency-cases/case/celadon-group-inc)). The Receiver also sent a claims process notice to the Service List and published a claims process notice in *The Globe and Mail* (National Edition) on April 1, 2020 and April 7, 2020, respectively.

2.4 WEPPA Administration

1. As a result of these proceedings, former employees of Hyndman are eligible to file claims with Service Canada under WEPPA.
2. 366 WEPPA claims were submitted to Service Canada by the Receiver. Should all the claims be filed by the former employees and accepted by Service Canada, the priority portion of employee claims for unpaid wages and vacation pay is estimated to total approximately \$400,000. The Receiver is holding that amount as a reserve for these potential priority claims. To the extent required, these funds will be used to pay Service Canada the amounts it is owed under WEPPA for the priority amounts it paid to Hyndman's former employees in these proceedings.
3. Based on a Service Canada statement of account dated January 20, 2021, 94 former employees have either not yet filed a claim with the Receiver and/or are still waiting to receive their WEPPA payments from Service Canada. The Receiver is continuing to follow up with Service Canada to expedite the WEPPA process. The Receiver also notified the former employees in November, 2020 about their potential claims that they had not yet filed with Service Canada.

3.0 The Canadian Debtors' Remaining Assets

1. A summary of the Canadian Debtors' remaining assets is as follows:
 - a) Cash
 - As at the date of this Report, there is approximately \$868,000⁴ in the Receiver's accounts. A copy of the Receiver's interim statement of receipts and disbursements for the period January 23, 2020 to February 23, 2021 is attached as Appendix "D".
 - The cash in the receivership accounts is subject to the following priority claims and/or holdbacks:
 - (i) the priority portion of the WEPPA employee claims of approximately \$317,000 (based on the most recent WEPPA statement dated January 20, 2021 received from Service Canada);

⁴ Includes approximately US\$164,000 in the Receiver's US dollar bank account translated to Canadian dollars at a rate of US\$1.00 : CAD\$1.27.

- (ii) a claim of approximately \$100,000 asserted by owner/operator drivers, which the Court-appointed representative counsel for the employees, Koskie Minsky LLP (in such capacity, "Representative Counsel"), asserts is subject to a trust; and
 - (iii) a holdback of \$150,000 for a disputed amount in respect of Representative Counsel's fees and disbursements (the "Fee Holdback").
- The Receiver understands that Representative Counsel and legal counsel to Blue Torch are in discussions to try to consensually resolve the alleged trust claim and the dispute over the Fee Holdback.

b) Accounts Receivable

- Substantially all of Hyndman's accounts receivable owing at the commencement of these proceedings have been collected.
- Accounts receivable collections were applied against the Chapter 11 Debtors' obligations owing to MidCap under the Revolving Credit Agreement. Midcap has now been paid in full. Earlier in these proceedings, Bennett Jones provided an opinion confirming the validity and enforceability of MidCap's security against the Canadian Debtors.
- Accounts receivable collections are now being applied against the Chapter 11 Debtors' obligations owing to the Term Loan Lenders pursuant to their subordinate ranking security interest in the Chapter 11 Debtors' working capital assets. Earlier in these proceedings, Bennett Jones provided an opinion confirming the validity and enforceability of the security held by Blue Torch, as agent under the Term Loan Facility, with respect to the working capital assets.

c) Rolling Stock

- Pursuant to a Court Order made on March 2, 2020, the Court approved a sale agreement between the Chapter 11 Debtors and Ritchie Bros. Auctioneers (America) Inc. ("RB") (the "Sale Agreement"), which was approved by the US Court on February 19, 2020.
- Pursuant to the Sale Agreement, RB was retained as auctioneer and broker for the Chapter 11 Debtors' fleet of owned tractors and trailers in the US and Canada. The majority of Hyndman's fleet was sold at an auction conducted by RB in early March 2020.
- The net proceeds of individual sale transactions completed under the Sale Agreement are being applied against the Chapter 11 Debtors' obligations owing to Blue Torch, in its capacity as agent under the Term Loan Facility. Earlier in these proceedings, Bennett Jones provided an opinion confirming the validity and enforceability of Blue Torch's security with respect to these assets.

d) Real Property

- Transactions for the Ayr Property, the Winnipeg Property and the Wroxeter Property were approved by the Court and closed on February 18, 2020, February 28, 2020 and November 13, 2020, respectively.
- The net proceeds of the real property transactions were applied against the Chapter 11 Debtors' secured obligations owing to Blue Torch. Earlier in these proceedings, Bennett Jones provided an opinion confirming the validity and enforceability of Blue Torch's security with respect to Hyndman's real property.

4.0 Anticipated Next Steps

1. The Receiver's next steps in these proceedings include the following:
 - a) liaising with Service Canada, former employees and Representative Counsel to complete the WEPPA claims process;
 - b) working with Bennett Jones, Representative Counsel and Blue Torch to resolve the disputes in respect of the Fee Holdback and the trust claim asserted by certain of Hyndman's former owner/operator drivers;
 - c) working with Bennett Jones to obtain the Additional Information, and once received, to complete its review of CWB's lease and security documents of the vehicle financiers/lessors and to deal with any issues resulting therefrom; and
 - d) seeking its discharge once the above noted matters are completed.

* * *

All of which is respectfully submitted,

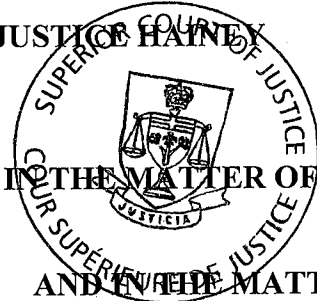
KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
SOLELY IN ITS CAPACITY AS RECEIVER OF THE CANADIAN
BUSINESS AND ASSETS OF
CELADON GROUP, INC. AND THE
ENTITIES LISTED IN FOOTNOTE 1 HERETO
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.) THURSDAY, THE 23rd DAY OF
JUSTICE HAINES)
) JANUARY, 2020



IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE WITH RESPECT TO CELADON GROUP, INC. AND THE AFFILIATED ENTITIES LISTED IN FOOTNOTE "1" HERETO

APPLICATION OF CELADON GROUP, INC. PURSUANT TO PART XIII OF THE *BANKRUPTCY AND INSOLVENCY ACT* AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C-43, AS AMENDED

INITIAL RECOGNITION ORDER
(FOREIGN MAIN PROCEEDING)

THIS APPLICATION, made by Celadon Group, Inc. ("Celadon") in its capacity as the foreign representative (the "Foreign Representative") on behalf of itself as well as its direct and indirect subsidiaries (collectively, the "Chapter 11 Debtors"¹), pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") for Orders substantially in the forms included at Tabs 3 and 4 of the Application Record, was heard this day at 330 University Avenue, Toronto, Ontario.

¹ In addition to Celadon, the Chapter 11 Debtors are A R Management Services, Inc., Bee Line, Inc., Celadon Canadian Holdings, Limited ("CCHL"), Celadon E-Commerce, Inc., Celadon International Corporation, Celadon Logistics Services, Inc., Celadon Mexicana, S.A. de C.V., Celadon Realty, LLC, Celadon Trucking Services, Inc., Distribution, Inc., Eagle Logistics Services Inc., Hyndman Transport Limited ("Hyndman"), Jaguar Logistics, S.A. de C.V., Leasing Servicios, S.A. de C.V., Osborn Transportation, Inc., Quality Companies LLC, Quality Equipment Leasing, LLC, Quality Insurance LLC, Servicios Corporativos Jaguar, S.C., Servicios de Transportacion Jaguar, S.A. de C.V., Stinger Logistics, Inc., Strategic Leasing, Inc., Taylor Express, Inc., Transportation Insurance Services Risk Retention Group, Inc. and Vorbas, LLC.

ON READING the Notice of Application of the Foreign Representative, the affidavit of Kathryn Wouters sworn January 22, 2020 and the exhibits thereto, including the declaration of Kathryn Wouters sworn December 8, 2019 (the “**Wouters Declaration**”), and upon being provided with copies of the documents required by section 269(2) of the BIA,

AND UPON HEARING the submissions of counsel for the Foreign Representative, counsel for the proposed Receiver, counsel for Blue Torch Finance LLC (the “**Agent**”) as agent for the DIP Lenders and as agent for the Term Loan Lenders, counsel to MidCap (each as defined in the Wouters Declaration), counsel to the proposed Employee Representative, and those other parties present, no one else appearing although duly served as appears from the affidavit of service of Danny M. Nunes sworn January 23, 2020:

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.
2. **THIS COURT ORDERS** that capitalized terms used herein and not otherwise defined have the meaning given to them in the Wouters Declaration.

FOREIGN REPRESENTATIVE

3. **THIS COURT ORDERS AND DECLARES** that the Foreign Representative is the “foreign representative” as defined in section 269 of the BIA of the Chapter 11 Debtors in respect of the cases commenced in the United States Bankruptcy Court for the District of Delaware by the Chapter 11 Debtors pursuant to Chapter 11 of the United States Bankruptcy Code (collectively, the “**Foreign Proceeding**”).

CENTRE OF MAIN INTEREST AND RECOGNITION OF FOREIGN PROCEEDING

4. **THIS COURT DECLARES** that the centre of main interest for each of the Chapter 11 Debtors is the United States of America and that the Foreign Proceeding is hereby recognized as a “foreign main proceeding” as defined in section 268 of the BIA.

STAY OF PROCEEDINGS

5. **THIS COURT ORDERS** that until otherwise ordered by this Court:
- (a) all proceedings taken or that might be taken against the Chapter 11 Debtors under the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act* are stayed;
 - (b) further proceedings in any action, suit or proceeding against the Chapter 11 Debtors are restrained; and
 - (c) the commencement of any action, suit or proceeding against the Chapter 11 Debtors is prohibited.

NO SALE OF PROPERTY

6. **THIS COURT ORDERS** that, except with leave of this Court, each of the Chapter 11 Debtors is prohibited from selling or otherwise disposing of:
- (a) outside the ordinary course of its business, any of its property in Canada that relates to the business; and
 - (b) any of its other property in Canada.

GENERAL


7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada and the United States of America, to give effect to this Order and to assist the Chapter 11 Debtors and the Foreign Representative and their respective counsel and agents in carrying out the terms of this Order.
8. **THIS COURT ORDERS AND DECLARES** that this Order shall be effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.
9. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days notice to the Service List in

this proceeding and to any other party or parties 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:

JAN 23 2020

PER / PAR: 

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE WITH RESPECT TO CELADON GROUP, INC. AND THE AFFILIATED ENTITIES LISTED IN FOOTNOTE "1" HERETO

APPLICATION OF CELADON GROUP, INC. PURSUANT TO PART XIII OF THE *BANKRUPTCY AND INSOLVENCY ACT* AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C-43, AS AMENDED

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

INITIAL RECOGNITION ORDER
(FOREIGN MAIN PROCEEDING)

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Edmond F.B. Lamek (LSO No. 33338U)
Tel: 416.365.3444
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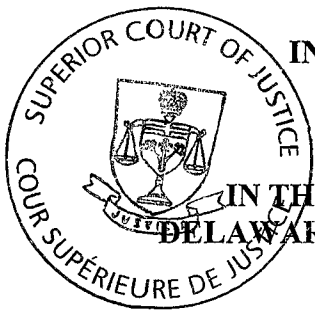
Danny M. Nunes (LSO No. 53802D)
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Lawyers for the Chapter 11 Debtors and the Foreign
Representative

Appendix “B”

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE)
JUSTICE HAINEY) THURSDAY, THE 23rd DAY OF
JANUARY, 2020



IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN
IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF
DELAWARE WITH RESPECT TO CELADON GROUP, INC. AND THE AFFILIATED
ENTITIES LISTED IN FOOTNOTE "1" HERETO

APPLICATION OF CELADON GROUP, INC. PURSUANT TO PART XIII OF THE
BANKRUPTCY AND INSOLVENCY ACT AND SECTION 101 OF THE *COURTS OF
JUSTICE ACT*, R.S.O. 1990, c. C-43, AS AMENDED

SUPPLEMENTAL ORDER
(FOREIGN MAIN PROCEEDING)

THIS APPLICATION, made by Celadon Group, Inc. ("Celadon") in its capacity as the foreign representative (the "Foreign Representative") on behalf of itself as well as its direct and indirect subsidiaries (collectively, the "Chapter 11 Debtors"¹), pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") for Orders substantially in the forms included at

¹ In addition to Celadon, the Chapter 11 Debtors are A R Management Services, Inc., Bee Line, Inc., Celadon Canadian Holdings, Limited ("CCHL"), Celadon E-Commerce, Inc., Celadon International Corporation, Celadon Logistics Services, Inc., Celadon Mexicana, S.A. de C.V., Celadon Realty, LLC, Celadon Trucking Services, Inc., Distribution, Inc., Eagle Logistics Services Inc., Hyndman Transport Limited ("Hyndman"), Jaguar Logistics, S.A. de C.V., Leasing Servicios, S.A. de C.V., Osborn Transportation, Inc., Quality Companies LLC, Quality Equipment Leasing, LLC, Quality Insurance LLC, Servicios Corporativos Jaguar, S.C., Servicios de Transportacion Jaguar, S.A. de C.V., Stinger Logistics, Inc., Strategic Leasing, Inc., Taylor Express, Inc., Transportation Insurance Services Risk Retention Group, Inc. and Vorbas, LLC.

Tabs 3 and 4 of the Application Record, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Application of the Foreign Representative, the affidavit of Kathryn Wouters sworn January 22, 2020 and the exhibits thereto, including the declaration of Kathryn Wouters sworn December 8, 2019 (the “**Wouters Declaration**”), and upon being provided with copies of the documents required by section 269(2) of the BIA,

AND UPON HEARING the submissions of counsel for the Foreign Representative, counsel for the proposed Receiver, counsel for Blue Torch Finance LLC (the “**Agent**”) as agent for the DIP Lenders and as agent for the Term Loan Lenders, counsel to MidCap (each as defined in the Wouters Declaration), counsel to the proposed Employee Representative, and those other parties present, no one else appearing although duly served as appears from the affidavit of service of Danny M. Nunes sworn January 23, 2020:

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.
2. **THIS COURT ORDERS** that capitalized terms used herein and not otherwise defined have the meaning given to them in the Wouters Declaration.

INITIAL RECOGNITION ORDER

3. **THIS COURT ORDERS** that the provisions of this Order shall be interpreted in a manner complementary and supplementary to the provisions of the Initial Recognition Order (Foreign Main Proceeding) dated as of January 23, 2020 (the “**Recognition Order**”), provided that in the event of a conflict between the provisions of this Order and the provisions of the Recognition Order, the provisions of the Recognition Order shall govern.

RECOGNITION OF FOREIGN REPRESENTATIVE ORDER

4. **THIS COURT ORDERS** that the Order of the United States Bankruptcy Court for the District of Delaware (the “**U.S. Bankruptcy Court**”) made in the Foreign Proceeding (as defined in the Recognition Order), and attached hereto as Schedule “A”, authorising Celadon Group, Inc. to act as Foreign Representative of the Chapter 11 Debtors (the “**Foreign Representative Order**”) is hereby recognized and given full force and effect in all provinces and territories of Canada pursuant to section 272 of the BIA, provided, however, that in the event of any conflict between the terms of the Foreign Representative Order and the Orders of this Court made in the within proceedings, the Orders of this Court shall govern with respect to the Property (as defined below) in Canada.

RECOGNITION OF FINAL DIP ORDER

5. **THIS COURT ORDERS** that the Order of the U.S. Bankruptcy Court made in the Foreign Proceeding and attached hereto as Schedule “B”, authorizing, *inter alia*, the Chapter 11 Debtors to obtain senior secured superiority financing from the DIP Lenders and granting to the DIP Lenders a charge (the “**DIP Charge**”) over the Chapter 11 Debtors’ assets, including all of the assets, undertakings and properties of the Chapter 11 Debtors located in Canada, acquired or, or used in relation to the business carried on by the Chapter 11 Debtors in Canada, including all proceedings there (collectively, the “**Property**”) (the “**Final DIP Order**” and together with the Foreign Representative Order, the “**Recognized Foreign Orders**”), is hereby recognized and given full force and effect in all provinces and territories of Canada pursuant to section 272 of the BIA, provided, however, that in the event of any conflict between the terms of the Final DIP Order and the Orders of this Court made in the within proceedings, the Orders of this Court shall govern with respect to the Property in Canada.

APPOINTMENT OF RECEIVER

6. **THIS COURT ORDERS** that pursuant to section 272(1)(d) of the BIA and pursuant to Section 101 of the CJA, KSV is hereby appointed receiver (the “**Receiver**”), without security, of all of the Property.

RECEIVER'S POWERS

7. **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, in consultation with the Chapter 11 Debtors, considers it necessary or desirable:

- (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;
- (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 access all information relating to the Chapter 11 Debtors' accounts at any financial institution in Canada, and the Receiver shall have immediate, continuous and unrestricted access to carry out the foregoing;
- (d) to access any and all computer systems and servers, wherever located, related to the business and affairs of the Chapter 11 Debtors and or the Property;
- (e) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time 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 assist the Chapter 11 Debtors 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 and in consultation with the Chapter 11 Debtors may deem appropriate;

- (g) to sell, convey, transfer, lease or assign the Property or any part or parts thereof as requested by the Chapter 11 Debtors out of the ordinary course of business,
 - (i) without the approval of the Court in respect of any transaction not exceeding CDN\$200,000, provided that the aggregate consideration for all such transactions does not exceed CDN\$1,000,000;
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or 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*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required;

- (h) 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;
- (i) 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 Chapter 11 Debtors and/or the Property, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (j) to apply for any permits, licenses, approvals or permissions as may be required by any governmental authority and any renewals thereof on behalf of and, if thought desirable by the Receiver, in the name of any Chapter 11 Debtor; and
- (k) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations,

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, subject at all times to the provisions of this Order and the provisions of the Recognized Foreign Orders.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

8. **THIS COURT ORDERS** that: (i) the Chapter 11 Debtors; (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their 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.

9. **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 Chapter 11 Debtors, and any computer programs, computer tapes, computer disks, servers, electronic backups, 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 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.

10. **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.

NO PROCEEDINGS AGAINST THE RECEIVER

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

NO PROCEEDINGS AGAINST THE CHAPTER 11 DEBTORS OR THE PROPERTY

12. **THIS COURT ORDERS** that until such date as this Court may order (the “**Stay Period**”), no Proceeding shall be commenced or continued against or in respect of the Chapter 11 Debtors or affecting their business (the “**Business**”) or Property, except with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the Chapter 11 Debtors or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

13. **THIS COURT ORDERS** that, without limiting the stay of proceedings provided for in the Recognition Order, during the Stay Period, all rights and remedies of any Person against or in respect of the Chapter 11 Debtors, or affecting the Business or the Property, are hereby stayed and suspended except with leave of this Court, provided that nothing in this Order shall (a) prevent the assertion of or the exercise of rights and remedies outside of Canada, (b) empower any of the Chapter 11 Debtors to carry on any business in Canada which that Chapter 11 Debtor is not lawfully entitled to carry on, (c) exempt the Receiver or any Chapter 11 Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (d) prevent the filing of any registration to preserve or perfect a security interest, or (e) prevent the registration of a claim for lien, or (e) preclude any parting having a Vehicle Finance Lien (as

defined in paragraph 27 below) from enforcing such Vehicle Finance Liens solely in accordance with the protocols and stipulations established in the Foreign Proceeding.

NO INTERFERENCE WITH RIGHTS

14. **THIS COURT ORDERS** that during the Stay Period, 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 any of the Chapter 11 Debtors and affecting the Business in Canada, without the prior written consent of the Receiver or leave of this Court.

LIMITATION ON THE RECEIVER'S LIABILITY

15. **THIS COURT ORDERS** that all employees of the Chapter 11 Debtors in Canada shall remain the employees of the Chapter 11 Debtors until such time as the Chapter 11 Debtors, or the Receiver on the Chapter 11 Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee related liabilities, including any successor employer liabilities as provided for in subsection 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 subsections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

ADDITIONAL PROTECTIONS

16. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Chapter 11 Debtors or statutory or regulatory mandates for the supply of goods and/or services in Canada, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services provided in respect of the Property or Business of the Chapter 11 Debtors, 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 Chapter 11 Debtors or the Receiver, and that the Chapter 11 Debtors and the Receiver shall be entitled to the continued use in Canada of their current premises, 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 or the applicable Chapter 11 Debtor in accordance with normal payment practices of the applicable Chapter 11 Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver or the applicable Chapter 11 Debtor, or as may be ordered by this Court.

17. **THIS COURT ORDERS** that notwithstanding the provisions of the Recognized Foreign Orders, but subject to paragraph 33 below, 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.

18. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or 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.

OTHER PROVISIONS RELATING TO THE RECEIVER

19. **THIS COURT ORDERS** that the Receiver:

- (a) is hereby authorized to provide such information and assistance to the Foreign Representative in the performance of its duties as the Foreign Representative may reasonably request;
- (b) is hereby authorized to otherwise coordinate the administration and supervision of the Chapter 11 Debtors' assets and affairs with the Foreign Representative;
- (c) shall report to this Court at least once every two months with respect to the status of these proceedings and the status of the Foreign Proceeding, which reports may include information relating to the Property, or such other matters as may be relevant to the proceedings herein; and
- (d) in addition to the periodic reports referred to in paragraph 19(c) above, the Receiver may report to this Court at such other times and intervals as the Receiver may deem appropriate with respect to any of the matters referred to in paragraph 19(c) above.

20. **THIS COURT ORDERS** that the Chapter 11 Debtors and the Foreign Representative shall (a) advise the Receiver of all material steps taken to date and to be taken by the Chapter 11 Debtors or the Foreign Representative in these proceedings or in the Foreign Proceeding as it relates to the Property, (b) co-operate fully with the Receiver in the exercise of its powers and discharge of its obligations, and (c) provide the Receiver with the assistance that is necessary to enable the Receiver to adequately carry out its functions.

21. **THIS COURT ORDERS** that the Receiver (a) shall post on its website all Orders of this Court made in these proceedings, all motions and other materials filed by any Person herein (including without limitation any reports of the Receiver filed herein), and such other materials as this Court may order from time to time, and (b) may post on its website any other materials that the Receiver deems appropriate.

22. **THIS COURT ORDERS** that the Receiver may provide any creditor of a Chapter 11 Debtor with information provided by the Chapter 11 Debtors in response to reasonable requests for information made in writing by such creditor addressed to the Receiver. The Receiver shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Receiver has been advised by the Chapter 11 Debtors is privileged or confidential, the Receiver shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Receiver, the Foreign Representative and the relevant Chapter 11 Debtors may agree.

23. **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 in Canada in the maximum amount of CDN \$350,000, 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 have the priority set out in paragraphs 26 and 28 hereof, and shall be subject to sections 14.06(7), 81.4(4) and 81.6(2) of the BIA.

24. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass their 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 and the accounts of the Receiver and its legal counsel shall not be subject to approval in the Foreign Proceeding.

25. **THIS COURT ORDERS** that prior to 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 and its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

DIP CHARGE

26. **THIS COURT ORDERS** that the Agent in its capacity as agent for DIP Lender shall be entitled to the benefit of and is hereby granted a DIP Charge on the Property in Canada, which DIP Charge shall be consistent with the liens and charges created by the Final DIP Order with respect to the Property in Canada, shall have the priority set out in paragraphs 27 and 29 hereof, and further provided that the DIP Charge shall not be enforced except with leave of this Court on notice to the Receiver and those parties on the service list established for these proceedings (the “**Service List**”).

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

27. **THIS COURT ORDERS** that the priorities of the Receiver’s Charge and the DIP Charge shall be as follows:

- (a) First – vehicle-specific liens and charges in favour of financiers and lessors of vehicles to Hyndman Transport Limited, solely with respect to and as against such vehicles (the “**Vehicle Finance Liens**”); and the Prepetition ABL Liens over the ABL Priority Collateral (both as defined in the Final DIP Order);
- (b) Second - the Receiver’s Charge; and
- (c) Third – the DIP Charge.

28. **THIS COURT ORDERS** that the filing, registration or perfection of the Receiver’s Charge or the DIP Charge (collectively, the “**Charges**”) shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect the Charges.

29. **THIS COURT ORDERS** that the Charges (as constituted and defined herein) shall constitute a charge on the Property in Canada and, in the case of the Receiver’s Charge, such Charge shall rank in priority to all other security interests, trust, liens, charges and encumbrances, claims of secured creditor, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person, and in the case of the DIP Charge shall rank in

priority to all Encumbrances other than the Receiver's Charge and the Vehicle Finance Liens and the Prepetition ABL Liens over the ABL Priority Collateral:

30. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Chapter 11 Debtors shall not grant any Encumbrances over any Property in Canada that rank in priority to, or *pari passu* with, the Charges, unless the Chapter 11 Debtors also obtain the prior written consent of the Receiver and the DIP Lender.

31. **THIS COURT ORDERS** that the Receiver's Charge and the DIP Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds any Chapter 11 Debtor, and notwithstanding any provision to the contrary in any Agreement:

- (i) the creation of the Charges shall not create or be deemed to constitute a breach by a Chapter 11 Debtor of any Agreement to which it is a party;
- (ii) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (iii) the payments made by the Chapter 11 Debtors to the Chargees pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

32. **THIS COURT ORDERS** that Charges created by this Order over leases of real property in Canada shall only be a charge in the applicable Chapter 11 Debtors' interest in such real property leases.

REINSTATEMENT OF BANK ACCOUNT OPERATION

33. **THIS COURT ORDERS** that the Chapter 11 Debtors are authorized to reinstate the operation of the bank accounts held in the name of Hyndman Transport Limited in accordance with the terms of MidCap Prepetition ABL Loan Documents (as defined in the Final DIP Order). Despite the foregoing, and any other term in this Order, \$907,000 of the current assets of Hyndman will be segregated and held separate and apart in a trust account by the Receiver pending the determination of the amount of BIA s. 81.3 and 81.4 claims and any trust claims of the Hyndman employees and/or "owner/operator" drivers, on consent of the Receiver, Midcap and Koskie Minsky LLP as counsel to the employees, or as otherwise ordered by this Court.

SERVICE AND NOTICE

34. **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: <https://www.ksvadvisory.com/insolvency-cases/case/celadon-group-inc>

35. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Chapter 11 Debtors, the Foreign Representative and the Receiver are 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 Chapter 11 Debtors'

creditors or other interested parties at their respective addresses as last shown on the records of the applicable Chapter 11 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.

GENERAL

36. **THIS COURT ORDERS** that within five (5) business days from the date of this Order, or as soon as practicable thereafter, the Receiver shall cause to be published a notice once a week for two consecutive weeks, in the Globe and Mail (National Edition) regarding the issuance of the Recognition Order and this Order.

37. **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.

38. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a monitor, a proposal trustee, or a trustee in bankruptcy of any Chapter 11 Debtor, the Business or the Property.

39. **THIS COURT ORDERS** that within five (5) business days from the date of this Order, or as soon as practicable thereafter, the Receiver shall cause to be published a notice once a week for two consecutive weeks, in the Globe and Mail (National Edition) regarding the issuance of this Order and the Recognition Order.

40. **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 of America, to give effect to this Order and to assist the Chapter 11 Debtors, the Foreign Representative, the Receiver, and their respective counsel and 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 Chapter 11 Debtors, the Foreign Representative and the Receiver, the latter as an officer of this Court, as may be necessary or desirable to give effect to this Order, or to assist the Chapter 11 Debtors, the

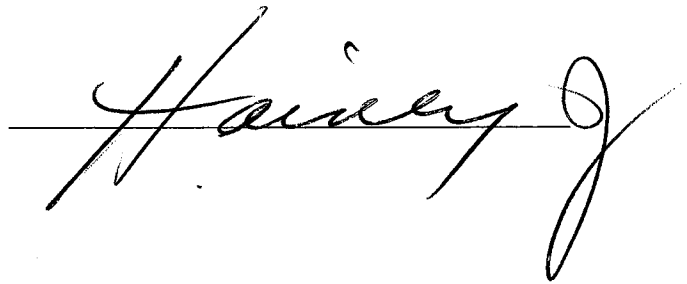
Foreign Representative, the Receiver, and their respective counsel and agents in carrying out the terms of this Order.

41. **THIS COURT ORDERS** that each of the Chapter 11 Debtors, the Foreign Representative and 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.

42. **THIS COURT ORDERS** that the Guidelines for Communication and Cooperation between Courts in Cross-Border Insolvency Matters issued by the Judicial Insolvency Network and adopted by this Court and the U.S. Bankruptcy Court and attached as Schedule "C" hereto (the "**JIN Guidelines**"), are hereby adopted by this Court for the purposes of these recognition proceedings.


43. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days' notice to the Foreign Representative, the Receiver and the rest of the Service List, and to any other party or parties likely to be affected by the order sought, or upon such other notice, if any, as this Court may order.

44. **THIS COURT ORDERS** that this Order shall be effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

A large, stylized handwritten signature in black ink, appearing to read "Hainey", is written over a horizontal line.

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

JAN 23 2020

PER / PAR: 

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE WITH RESPECT TO CELADON GROUP, INC. AND THE AFFILIATED ENTITIES LISTED IN FOOTNOTE "1" HERETO

APPLICATION OF CELADON GROUP, INC. PURSUANT TO PART XIII OF THE *BANKRUPTCY AND INSOLVENCY ACT* AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C-43, AS AMENDED

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto, Ontario

SUPPLEMENTAL ORDER

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Lawyers for the Chapter 11 Debtors and the Foreign
Representative

Appendix “C”



**Report of
KSV Kofman Inc. as
Proposed Receiver of the Canadian
Business and Assets of
Celadon Group, Inc. and the
Entities Listed in Footnote 1 Hereto**

January 22, 2020

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COURT FILE NO.: _____

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

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT,
R.S.C. 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF CERTAIN PROCEEDINGS TAKEN
IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE
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**APPLICATION OF CELADON GROUP, INC. PURSUANT TO PART XIII OF THE
BANKRUPTCY AND INSOLVENCY ACT AND SECTION 101 OF THE COURTS OF JUSTICE
ACT (ONTARIO), R.S.O. 1990, c. C-43, AS AMENDED**

**REPORT OF KSV KOFMAN INC.
AS PROPOSED RECEIVER**

JANUARY 22, 2020

1.0 Introduction

1. On December 8, 2019, Celadon Group, Inc. (the “Foreign Representative”) and its affiliated entities¹ listed in footnote 1 to this report (“Report”) (collectively, the “Chapter 11 Debtors”) commenced proceedings by filing voluntary petitions for relief 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”) (the “Chapter 11 Proceedings”). Two of the Chapter 11 Debtors are Canadian corporations: Celadon Canadian Holdings, Limited (“CCHL”) and Hyndman Transport Limited (“Hyndman”) (jointly, the “Canadian Debtors”).
2. On December 9, 2019, the US Court heard the Chapter 11 Debtors’ first day motions and granted numerous orders. On December 16, 2019, the US Court entered an order authorizing Celadon Group, Inc. to act as Foreign Representative for the Chapter 11 Debtors (the “Foreign Representative Order”).

¹ A R Management Services, Inc., Bee Line, Inc., Celadon E-Commerce, Inc., Celadon Canadian Holdings, Celadon International Corporation, Celadon Logistics Services, Inc., Celadon Mexicana, S.A. de C.V., Celadon Realty, LLC, Celadon Trucking Services, Inc., Distribution, Inc., Eagle Logistics Services Inc., Hyndman Transport Limited, Jaguar Logistics, S.A. de C.V., Leasing Servicios, S.A. de C.V., Osborn Transportation, Inc., Quality Companies LLC, Quality Equipment Leasing, LLC, Quality Insurance LLC, Servicios Corporativos Jaguar, S.C., Servicios de Transportacion Jaguar, S.A. de C.V., Stinger Logistics, Inc., Strategic Leasing, Inc., Taylor Express, Inc., Transportation Insurance Services Risk Retention Group, Inc. and Vorbas, LLC.

3. The Foreign Representative is making an application to the Ontario Superior Court of Justice (Commercial List) (the "Ontario Court") for the following:
 - a) an initial recognition order which, *inter alia*, recognizes the Chapter 11 Proceedings as a "foreign main proceeding", recognizes the Foreign Representative as the "foreign representative", stays all proceedings against the Chapter 11 Debtors, and restricts the Chapter 11 Debtors' ability to sell or otherwise dispose of property in Canada (the "Initial Recognition Order"); and
 - b) a supplemental order (the "Supplemental Order", and together with the Initial Recognition Order, the "Recognition Orders") which, *inter alia*, appoints KSV Kofman Inc. ("KSV") as receiver (the "Receiver") of the assets, undertakings and properties of the Chapter 11 Debtors located in Canada, acquired for, or used in relation to the business carried on by the Chapter 11 Debtors in Canada, including all proceeds thereof, under section 101 of the *Courts of Justice Act (Ontario)* ("CJA") and subsection 272(1)(d) of the *Bankruptcy and Insolvency Act* ("BIA"), recognizes certain US Court Orders made in the Chapter 11 Proceedings, grants a stay of proceedings against the Chapter 11 Debtors and establishes certain charges against the Chapter 11 Debtors' property in Canada, including the property of the Canadian Debtors.
4. This Report is filed by KSV in the context of its proposed appointment as Receiver.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide KSV's qualifications to act as Receiver;
 - b) provide background information about the Chapter 11 Debtors and the Chapter 11 Proceedings, including a summary of the US Court Orders for which recognition is being sought from the Ontario Court;
 - c) set out the status of two pending Canadian real property transactions and other property and assets of the Canadian Debtors, including tractors, trailers, cash and accounts receivable;
 - d) discuss an \$11.25 million debtor-in-possession credit facility dated as of December 16, 2019 (the "DIP Facility") between the Chapter 11 Debtors and Blue Torch Finance LLC, as agent for the lenders to the DIP Facility (the "DIP Lenders");
 - e) discuss the proposed Receiver's Charge and DIP Charge (both as defined in the Supplemental Order); and
 - f) recommend that the Ontario Court grant the relief sought by the Foreign Representative.

1.2 Currency

1. All currency references in this Report are to US dollars, unless otherwise noted.

1.3 Restrictions

1. In preparing this Report, KSV has relied upon the Chapter 11 Debtors' unaudited and publicly available financial information, materials filed in the Chapter 11 Proceedings and discussions with the Chapter 11 Debtors' legal counsel (the "Information").
2. KSV has not performed an audit or other verification of the Information. An examination of the Chapter 11 Debtors' financial forecasts as outlined in the *Chartered Professional Accountants of Canada Handbook* has not been performed. Future oriented financial information relied upon in this Report is based on the Chapter 11 Debtors' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. KSV expresses no opinion or other form of assurance with respect to the accuracy of the Information or any financial information presented in this Report or relied upon by KSV in its preparation of this Report.

1.4 KSV's Qualifications to Act as Receiver

1. KSV is qualified to act as Receiver. KSV's qualifications include:
 - a) KSV is a trustee within the meaning of subsection 2(1) of the BIA; and
 - b) KSV has extensive experience acting as a court officer in cross-border insolvency proceedings in a wide variety of industries, including in the recognition proceedings of Allied Group², which operated in the trucking and transportation industry (as do the Chapter 11 Debtors).
2. KSV has consented to act as Receiver in these proceedings should the Ontario Court grant the Recognition Orders. A copy of KSV's consent to act as Receiver is attached as Appendix "A".

2.0 Background

1. The Chapter 11 Debtors were a significant US-based trucking company, with a fleet of approximately 3,300 tractors and 10,000 trailers and approximately 3,800 employees, including approximately 357 employed by the Canadian Debtors. The Chapter 11 Debtors specialized in international truckload services between the US, Canada and Mexico. The Chapter 11 Debtors' head office is in Indianapolis, Indiana.

² KSV performed this mandate under its predecessor business, Duff & Phelps Canada Restructuring Inc.

2. The Chapter 11 Debtors and affiliated companies are comprised of 32 entities. A copy of the corporate organizational chart is attached as Appendix “B”. In respect of the Canadian Debtors:
 - a) Hyndman operated a fleet of approximately 310 trucks and trailers from owned properties in Wroxeter and Ayr, Ontario and Winnipeg, Manitoba. Hyndman had been in business since 1937; and
 - b) CCHL is an inactive holding company and the sole shareholder of Hyndman.
3. On or around December 9, 2019, all of the Chapter 11 Debtors ceased operations, with the exception of the business operated by Taylor Express, Inc. (“Taylor”), a US debtor. The stated purpose of the Chapter 11 Proceedings is to preserve and sell the Taylor business on a going-concern basis and to conduct an orderly wind down and realization process for the other Chapter 11 Debtors, including the Canadian Debtors.
4. Upon the discontinuation of its business on or around December 9, 2019, Hyndman terminated its workforce, including all but three of its 357 employees and owner-operator drivers. The three employees were retained to manage its facilities. Hyndman’s workforce was not unionized and it did not maintain any registered pension plans.
5. The Chapter 11 Debtors’ principal secured creditors are:
 - a) MidCap Funding IV Trust (“MidCap”), as administrative agent and lender under the Chapter 11 Debtors’ \$60 million revolving credit facility dated July 31, 2019 (the “Revolving Credit Agreement”), which funded the Chapter 11 Debtors’ working capital requirements. The Canadian Debtors are co-borrowers under the Revolving Credit Agreement and granted to MidCap a security interest in substantially all of their assets in order to secure all of the obligations under the Revolving Credit Agreement, which totalled approximately \$31.8 million at the commencement of the Chapter 11 Proceedings, plus interest and costs which continue to accrue. MidCap is also a subordinate secured creditor on the Chapter 11 Debtors’ non-current assets, including their real property and vehicle fleet;
 - b) a group of term loan lenders represented by Blue Torch Finance LLC, as agent (collectively, the “Term Loan Lenders”), who were owed approximately \$103.6 million under a \$105 million term loan facility (the “Term Loan Facility”) at the commencement of the Chapter 11 Proceedings, plus interest and costs which continue to accrue. The Canadian Debtors are secured guarantors under the Term Loan Facility. The Term Loan Lenders are the DIP Lenders in the Chapter 11 Proceedings;
 - c) Luminus Energy Partners Master Fund, Ltd. (“Luminus”), which is a 49.9% shareholder of Celadon Group, Inc. and a secured creditor as a result of its \$30 million “last-out” participation in the Term Loan Facility referenced in 5(b) above; and

- d) numerous vehicle financiers/lessors who have registered security interests in Hyndman's vehicle fleet, the largest of which is Canadian Western Bank ("CWB") (approximately 271 vehicles). CWB is represented by Goldman Sloan Nash & Haber LLP ("GSNH"). GSNH also represents Concentra Bank, Compaction Credit Ltd. and Canadian Equipment Financing and Leasing Inc., which have financed or leased to Hyndman five, eight and eight vehicles, respectively.
6. Further information concerning the Chapter 11 Debtors' background, financial position, corporate structure and the reasons the Chapter 11 Debtors filed for Chapter 11 protection are provided in the December 8, 2019 Declaration of Kathryn Wouters, the Senior Vice President of Finance and Treasurer of Celadon Group, Inc. (the "Wouters Declaration"), which is appended to Ms. Wouters' Affidavit sworn January 22, 2020 and was filed in support of the Foreign Representative's application to the Ontario Court (the "Wouters Affidavit").

3.0 Canadian Employees

1. According to the Affidavit of Jeff Sippel, a former Hyndman employee, sworn January 16, 2020: (a) all but a few of Hyndman's employees were terminated without notice on December 9, 2019; and (b) Hyndman's former employees are owed approximately \$2.3 million in respect of unpaid wages, vacation pay, severance and termination. KSV does not have details as to the allocation of the unpaid amounts owing to the employees in respect of each category of employee obligation.
2. KSV has been advised that Koskie Minsky LLP ("Koskie") represents over 200 former Hyndman employees. At a 9:30 a.m. appointment on January 15, 2020 before Mr. Justice Hainey of the Ontario Court, His Honour issued an endorsement (the "January 15th Endorsement") stating:

"While it is preferable that the U.S. debtors bring a Recognition proceeding and receivership in Canada under Part 13 of the BIA, I am prepared to issue a receivership on the application of the terminated Canadian employees on short notice, and in either case, appoint KSV Kofman as receiver".

A copy of the January 15th Endorsement is attached as Appendix "C".

3. The appointment of a Receiver will allow former Canadian employees to claim and receive statutory payments under the *Wage Earner Protection Program Act* ("WEPPA"), including amounts in respect of unpaid wages and termination pay.
4. If appointed, one of the Receiver's principal activities will be to administer the WEPPA claims process for the former Hyndman employees.

4.0 Property of the Canadian Debtors

4.1 Real Property Sale Transactions

1. As a result of a process carried out by the Chapter 11 Debtors to realize on certain assets, two of the three Canadian real properties are subject to Agreements of Purchase and Sale. Both sale approval motions are scheduled to be heard by the US Court on January 30, 2020. KSV has not yet had an opportunity to discuss the marketing process for these properties with representatives of the Chapter 11 Debtors.
2. KSV understands that the purchase price for the Ayr, Ontario and Winnipeg, Manitoba properties is CAD\$12 million and CAD\$4.25 million, respectively. KSV is not otherwise familiar with the terms of these transactions. KSV intends to discuss these transactions and the related marketing efforts immediately following its appointment.
3. The January 15th Endorsement included the following in respect of the sale of the property owned by the Canadian Debtors: "*The Canadian assets shall not be sold without the approval of this court, despite the sale proceedings underway in the U.S. proceedings of the U.S. debtors*". The Receiver, once appointed, will consider whether it is necessary to register a copy of the Recognition Orders on title to the three Canadian properties. While KSV is cognizant of protecting the interests of Canadian stakeholders, it does not want to take steps that may impair the completion of transactions.
4. Following its appointment, KSV will file a report with the Ontario Court concerning the proposed sale of any property in Canada owned by the Chapter 11 Debtors.

4.2 Cash and Accounts Receivable

1. Following a second 9:30 a.m. appointment, this one on January 20, 2020, Mr. Justice Hainey issued a further endorsement which provided that, *inter alia*, any funds (if any) in the Canadian Debtors' bank accounts, or subsequently deposited into the Canadian Debtors' bank accounts, are to remain in those bank accounts pending the hearing of the Foreign Representative's receivership application. A copy of the January 20th endorsement is attached as Appendix "D".
2. KSV has been advised that, as at the close of business on January 17, 2020, there was approximately CAD\$187,000 and \$24,000 in the Canadian Debtors' Canadian and US dollar bank accounts, respectively.

3. KSV has retained Bennett Jones LLP (“Bennett Jones”) to act as its legal counsel in the event that the Recognition Orders are granted and KSV is appointed as Receiver. On January 22, 2020, Bennett Jones provided an opinion³ which, subject to the standard assumptions and qualifications contained therein, concludes that the security granted by the Canadian Debtors in favour of MidCap, as registered under the PPSA, creates a valid and perfected security interest in the Canadian Debtors’ assets situated in Ontario, Alberta and British Columbia. Bennett Jones also notes that MidCap effected PPSA registrations against the Canadian Debtors in Manitoba and Saskatchewan, but the opinion does not provide an opinion under those jurisdictions as Bennett Jones does not practice in Manitoba or Saskatchewan.
4. Based on Bennett Jones’ review of the PPSA searches, it appears that the only registrations ranking ahead of MidCap are by Blue Torch Finance LLC in respect of the Term Loan Facility (which KSV understands to have been subordinated to MidCap in respect of certain collateral, including cash receipts) and by vehicle or equipment financiers and lessors.
5. Based on the foregoing, KSV believes it is appropriate that the Canadian Debtors’ accounts receivable collections are swept and applied against MidCap’s Revolving Credit Agreement on a daily basis. KSV has been advised that these proceeds contribute to fund the Chapter 11 Proceedings.

4.3 Trucks and Trailers

1. KSV understands that a large percentage of Hyndman’s fleet has been repossessed, including a large number that were financed by CWB. KSV understands that CWB is conducting its own realization process for these vehicles. KSV is unaware whether any other fleet financiers have also repossessed their trucks and trailers.
2. On January 21, 2020, KSV sent a representative to Hyndman’s facility in Ayr, Ontario to determine if any vehicles remained on site. KSV’s representative advised that several trucks and trailers do remain on site. Once appointed, KSV intends to discuss the sale of these vehicles with the Chapter 11 Debtors and the secured creditors having a charge on them. KSV understands that any rolling stock in Canada is likely to be included in a sale of all rolling stock owned by the Chapter 11 Debtors. Ontario Court approval is intended to be sought to the extent rolling stock owned by the Canadian Debtors is included in the sale.
3. The Chapter 11 Debtors have allowed vehicle lessors and financiers to have access to their various premises, including those in Canada, in order to take possession of their collateral. That process is expected to continue.

³ A copy of the security opinion will be made available to the Ontario Court should it wish to review it.

5.0 US Court Orders

1. The Foreign Representative is seeking recognition of the following US Court Orders by the Ontario Court:
 - a) Foreign Representative Order, which authorizes the Foreign Representative to act as the “foreign representative” under Section 269 of the BIA in order to seek the relief sought in its application; and
 - b) Final DIP Order, which authorizes the advances under the DIP Facility to be used to finance the Chapter 11 Proceedings and contemplates that advances under the DIP Facility would be secured by a super-priority charge in both the US and Canada. The terms of the DIP Facility are summarized below in Section 6 of this Report.

6.0 The DIP Facility⁴

1. As set out in the Wouters Declaration and the Wouters Affidavit, the Chapter 11 Debtors, including the Canadian Debtors, require financing during the Chapter 11 Proceedings to provide the necessary liquidity to wind down their businesses on an orderly basis. It is unclear to KSV at this point what portion of this facility is required for the Canadian Debtors’ realization process.
2. A copy of the DIP Facility is appended to the Foreign Representative’s application materials and summarized in the Wouters Affidavit. A summary of the key terms of the DIP Facility is provided in the table below.

Borrower	Celadon Group, Inc.
Guarantors	The Chapter 11 Debtors, including the Canadian Debtors
Nature of Liability	Canadian Debtors and other Chapter 11 Debtors are to be jointly and severally liable for all obligations under the DIP Facility
Post-petition Lenders	The DIP Lenders, being the same parties as the Prepetition Term Lenders
DIP Agent	Blue Torch Finance LLC
Commitment	Up to \$11.25 million
Interest Rate	Base Rate plus 12.5% (effective interest rate of 17.5%)
Expenses and Fees	\$725,000 (including facility, administration, exit and other fees) plus 2.5% of net sale proceeds in excess of the amounts required to repay the DIP Facility, the Prepetition ABL Obligations and the Prepetition Term Loan Obligations
Budget	The Chapter 11 Debtors must operate in accordance with the DIP Budget
Priority Charge	It is contemplated that advances under the DIP Facility will be secured by the DIP Charge over the Chapter 11 Debtors’ property in Canada, which is proposed to rank subordinate only to the Receiver’s Charge, Vehicle Finance Liens (as defined in the Supplemental Order) and MidCap’s ABL Priority Collateral

⁴ Capitalized terms not otherwise defined in this section of the Report are as defined in the DIP Facility.

3. In assessing the reasonableness of the DIP Facility and the proposed recognition of the Final DIP Order, KSV considered the following:
- a) once the Recognition Orders are issued, there should be no prejudice to Canadian creditors in recognizing the DIP Facility as there would be a mechanism in place to protect Canadian creditors to the extent required:
 - (i) Canadian real property or other transactions are subject to the approval of the Ontario Court and any distribution of proceeds therefrom to the DIP Lenders will be subject to further order of the Ontario Court; and
 - (ii) many of Hyndman's vehicle financiers will be conducting their own realization processes for the Hyndman vehicles they financed. To the extent owned vehicles remain on site, their sale will be subject to an order of the Ontario Court. KSV will also be vetting the security⁵ and writing to all equipment lessors/financiers who have repossessed their vehicles to obtain an accounting of the sale proceeds so that it can determine if there is any equity that should be made available to subsequent ranking creditors;
 - b) the Canadian Debtors are secured guarantors under the Term Loan Facility and, accordingly, the DIP Facility does not grant security over any previously unencumbered assets of the Canadian Debtors;
 - c) the Chapter 11 Debtors have filed sale approval motions for a number of pending transactions, including the Taylor business for \$14.5 million⁶ and the Canadian Debtors' real property in Ayr, Ontario and Winnipeg, Manitoba for CAD\$12 million and CAD\$4.25 million, respectively. The proceeds of these transactions are sufficient to repay in full the DIP Facility after considering the Carve-Out and Permitted Liens;
 - d) while the pricing of the DIP Facility is significant (an effective interest rate of 17.5% plus fees of at least \$725,000), the Wouters Declaration states that the DIP Facility is the result of arm's-length negotiations between the Chapter 11 Debtors and the DIP Lenders. The DIP Facility has been approved by the US Court with the consent of the secured creditors and the funds available under the DIP Facility have been advanced to the Chapter 11 Debtors; and
 - e) as a result of the controls put in place over assets in Canada set out in paragraph 3(a) above, KSV believes that there should be sufficient recoveries in Canada to repay in full all priming obligations in Canada. Any remaining balance (net of administrative costs in Canada) would be paid to the Chapter 11 Debtors for distribution to creditors in the Chapter 11 Proceedings. KSV expects that unsecured creditors of the Canadian Debtors would be treated consistently with unsecured creditors of the Chapter 11 proceedings, which is appropriate in the context of the Recognition Orders.

⁵ Bennett Jones is in the process of compiling the security documents it requires to prepare an opinion on the validity of the security granted in favour of Blue Torch Finance LLC.

⁶ This transaction is not subject to these proceedings.

4. Based on the foregoing, KSV does not believe that any creditor with an economic interest in the Canadian Debtors' assets will be materially prejudiced by the recognition of the Final DIP Order and/or the granting of the DIP Charge.

7.0 Court Ordered Charges

1. In addition to the DIP Charge, the proposed Supplemental Order contemplates a charge in favour of the Receiver for its fees and disbursements, including legal fees (the "Receiver's Charge").
2. The Foreign Representative is seeking a Receiver's Charge in an amount not to exceed \$350,000 to secure the fees and expenses of the Receiver and its counsel.
3. A Receiver's Charge is a customary provision in a receivership order - it is required by the professionals involved to protect their fees and costs in the event the debtors are unable to pay those amounts during the insolvency process.
4. KSV believes that the amount of the Receiver's Charge is reasonable in the circumstances given the scope of its anticipated mandate.

8.0 Conclusion and Recommendation

1. Based on the foregoing, KSV recommends that this Honourable Court grant the Recognition Orders sought by the Foreign Representative.

* * *

All of which is respectfully submitted,



**KSV KOFMAN INC.
SOLELY IN ITS CAPACITY AS PROPOSED RECEIVER OF
THE CANADIAN BUSINESS AND ASSETS OF CELADON GROUP, INC. AND
THE AFFILIATED ENTITIES LISTED IN FOOTNOTE 1 HERETO
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “D”

Hyndman Transport Limited
Interim Statement of Receipts and Disbursements
For the period January 23, 2020 to February 24, 2021
(Unaudited, \$)

	<u>CAD Account</u>	<u>USD Account</u>
<i>Receipts</i>		
Court-approved holdback from real property sale proceeds	907,618	-
Transfers from Company's accounts	340,228	45,054
Litigation settlement	116,246	
HST refunds	79,987	-
Accounts receivable collections	36,900	119,118
Interest	3,245	35
Sundry refunds	31,863	-
Total Receipts	<u>1,516,088</u>	<u>164,208</u>
<i>Disbursements</i>		
<u>Professional fees</u>		
Receiver	328,301	-
Receiver's legal counsel	263,154	-
Employee Representative counsel	68,730	-
Lien claim settlement	11,500	-
Distributions to Blue Torch Finance LLC	11,500	-
Sales taxes paid on disbursements	95,983	-
Moving costs (books and records pack-up, computer removal costs, etc.)	35,138	-
Rent	19,484	-
Statutory notice publication costs	6,394	-
Storage costs	10,161	-
Other sundry expenses	6,042	130
Total Disbursements	<u>856,387</u>	<u>130</u>
Balance in the Receiver's accounts	<u>659,701</u>	<u>164,077</u>

This statement has been prepared on a cash basis and excludes any accrued obligations.