

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c.C-36 AS AMENDED**

**AND IN THE MATTER OF A PROPOSED PLAN OF
COMPROMISE OR ARRANGEMENT WITH RESPECT TO
SIMEX INC., IWERKS ENTERTAINMENT INC., AND
SIMEX-IWERKS MYRTLE BEACH LLC**

**REPORT OF THE PROPOSED MONITOR
January 18, 2024**

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INTRODUCTION

1. Deloitte Restructuring Inc. (“**Deloitte**” or the “**Proposed Monitor**”) understands that SimEx Inc. (“**SimEx**”), Iwerks Entertainment Inc. (“**Iwerks**”) and Simex-Iwerks Myrtle Beach LLC (“**SIMB**” and, together with SimEx and Iwerks, the “**Applicants**”) will be bringing an application before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) to commence proceedings under the Companies’ Creditors Arrangement Act (the “**CCAA**”) and seek an order (the “**Proposed Initial Order**”), among other things, granting a stay of proceedings (the “**Stay Period**”). The Applicants propose that Deloitte be appointed as Monitor of the Applicants (in such capacity, the “**Monitor**”) in these CCAA proceedings (the “**CCAA Proceedings**”).
2. In the event the Proposed Initial Order is granted, the Applicants intend to return to the Court within ten days on January 29, 2024 (the “**Comeback Hearing**”, and the intervening period, the “**Comeback Period**”) to request that the Court grant an amended and restated initial order (the “**ARIO**”) that would, *inter alia*,:
 - a) extend the Stay Period to allow the Applicants to pursue a Sale and Investment Solicitation Process (“**SISP**”); and
 - b) certain other relief that will be specified in the draft ARIO.
3. This report (the “**Report**”) has been prepared by the Proposed Monitor to provide information to the Court for its consideration at the Applicants’ initial hearing seeking protection under the CCAA.

PURPOSE

4. The purpose of this Report is to provide information to the Court on:

- a) Deloitte's qualifications to act as Monitor;
- b) background information with respect to the Applicants;
- c) an overview of the Applicants' 15-week cash flow forecast (the "**Cash Flow Forecast**") and the proposed DIP Facility;
- d) the proposed SISP;
- e) the relief being sought by the Applicants in the Proposed Initial Order; and
- f) the Proposed Monitor's conclusions and recommendations.

TERMS OF REFERENCE AND DISCLAIMER

5. In preparing this Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Applicants, and discussions with management of the Applicants ("**Management**") (collectively, the "**Information**").
6. The Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor 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 Generally Accepted Assurance Standards ("**Canadian GAAS**") pursuant to the *Chartered Professional Accountants Canada Handbook*, and accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under Canadian GAAS in respect of the Information.

7. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts, as outlined in the *Chartered Professional Accounts Canada Handbook*, has not been performed.
8. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
9. Unless otherwise stated, all monetary amounts noted herein are expressed in U.S. dollars, the Applicants' reporting currency.

DELOITTE'S QUALIFICATIONS TO ACT AS MONITOR

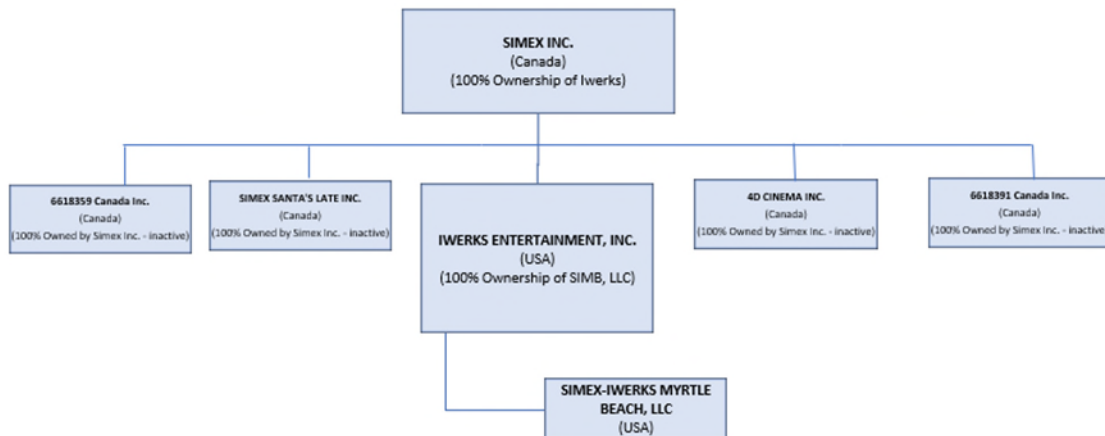
10. Deloitte is a licensed insolvency trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). Deloitte is not subject to any of the restrictions set out in section 11.7(2) of the CCAA on who may be appointed as Monitor.
11. As discussed in greater detail herein, Deloitte has obtained a detailed understanding of the Applicants' businesses, as it has been engaged as a financial advisor to the Royal Bank of Canada ("**RBC**") since November 10, 2023. In preparation for the potential appointment as Monitor, Deloitte has spent time with Management to understand the Applicants' operations and debt structure as more fully described in this Report.
12. Deloitte has consented to act as Monitor, should the Court grant the Applicants' request for the Proposed Initial Order. Deloitte's Consent is attached as Exhibit "Q" to the Affidavit

of Michael Needham, sworn January 17, 2024 (the “**Initial Needham Affidavit**”), that is included in the Application Record of the Applicants.

- The Proposed Monitor has retained Borden Ladner Gervais LLP to act as its independent counsel.

BACKGROUND INFORMATION WITH RESPECT TO THE APPLICANTS

- This Report should be read in conjunction with the Initial Needham Affidavit for additional background information with respect to the Applicants, upon which the Proposed Monitor relies.
- The organizational structure of the Applicants is as follows:



- Common shareholders owning more than 10% of the outstanding common shares of SimEx are Michael J. Needham Enterprises Ltd. (38.96%) and Shiori Sudo (15.87%). The balance of the common shares are held by 80 other individual and corporate shareholders.
- The Applicants’ primary business is the design and manufacture of 4D film experiences and motion-based theatres. The Applicants also own and operate one fully themed

attraction and maintain an extensive catalog of films including both licensed and original content.

18. A core element of the Applicants' business is the Attraction Co-Venture ("ACV") division, which the Applicants began 20 years ago to focus on the institutional market in the United States, consisting of large zoos, aquariums and museums.
19. ACV installations are governed by long-term contracts, typically ranging from five to six years, and have a renewal rate of approximately 80%. Under ACV contracts, SimEx installs theatre hardware and provides original or licensed content for the theatres. Revenues are subject to revenue-sharing arrangements, as set out in the ACV contracts.
20. An overview of the Applicants' operating entities is as follows:
 - a) SimEx is a private Canadian corporation incorporated under the laws of Ontario. SimEx and Iwerks operate together as Simex-Iwerks Entertainment to produce and install theatre attractions and distribute film content;
 - b) Iwerks is a Delaware corporation and is a wholly owned subsidiary of SimEx;
 - c) SIMB is a South Carolina limited liability company and is a wholly owned subsidiary of Iwerks. SIMB operates a themed attraction in Myrtle Beach, "The Simpsons in 4D"; and
 - d) 6618359 Canada Inc., Simex Santa's Late Inc., 4D Cinema Inc. and 6618391 Canada Inc. are each inactive, single-use production companies, all of which are not Applicants in the CCAA Proceedings.

21. The Applicants maintain premises in Mississauga, Toronto, Baltimore, Myrtle Beach and Santa Clarita and employ 76 people as more fully described in the Initial Needham Affidavit.
22. None of the Applicants' employees are unionized and the Applicants do not maintain any registered pension plans.
23. The Applicants' fiscal year end ("FY") was June 30th of each calendar year until 2021, when it was changed to December 31st of each calendar year.

Cash Management Systems

24. The cash management systems (the "**CMS**") of the Applicants are as follows:
 - a) Each Applicant maintains several bank accounts (the "**Accounts**");
 - b) The structure of the Accounts maintained by SimEx is as follows:
 - i. SimEx historically maintained two deposit accounts managed through RBC Express (Canadian Dollar and US Dollar), which were linked to a revolving operating line provided by RBC (the "**Operating Line**") (it no longer revolves). The accounts are used to receive customer payments and process disbursements. Following the failure to pay the interest payment due on January 2, 2024 the disbursements are now based on there being an available balance so that SimEx doesn't go into an overdraft position.
 - ii. SimEx maintains a foreign currency account managed through RBC's Foreign Currency Account Portal. The Proposed Monitor understands that this account is used to receive foreign currency payments and convert the payments into USD or CAD currency, as required by SimEx;

- iii. Cheques, electronic fund transfers (“**EFTs**”) and wires require the signature or approval of two signing officers, while online bill payments require the approval of one of a smaller set of signing officers; and
 - iv. Receipts by cheque are rare and are deposited at a branch when received;
- c) The structure of the Accounts maintained by Iwerks and SIMB is as follows:
- i. There is one USD account for Iwerks with Wells Fargo Bank (“**Wells Fargo**”) in the United States which is used to collect payments and to fund payroll and other disbursements;
 - ii. There is one account for SIMB with Wells Fargo in the United States which is used to fund SIMB payroll;
 - iii. Cheque payments are rare. As with the Canadian operations, cheque payments, ACH payments and wires require two signatures. Signing officers are the same as for Canadian operations; and
 - iv. Receipts by cheque are common for Iwerks and are delivered to the Santa Clarita office where they are deposited by a local employee using mobile deposit functionality.
25. The Proposed Monitor understands that the CMS are highly centralized and managed almost entirely from the corporate head office in Toronto.

Senior Secured Debt

26. The Applicants’ senior secured lenders are RBC and BDC Capital Inc. (“**BDC**”).
27. The table below summarizes the Applicants’ secured obligations:

SimEx Inc. - Summary of Secured Debt			
(\$000s)			
	Principal and Interest (CAD)	Principal and Interest (USD)	Total P&I - USD <i>(CAD:USD = 0.74)</i>
RBC - Operating Line (CAD)	1,573	-	1,164
RBC - Operating Line (USD)	-	4,956	4,956
RBC - EGF Facility	-	4,842	4,842
RBC - EDC BCAP Facility	2,868	-	2,122
RBC - BDC BCAP Facility	1,724	-	1,276
RBC - HASCAP Facility	648	-	480
BDC Capital Inc.	-	1,413	1,413
	6,813	11,211	16,253

28. RBC and SimEx are party to an amended and restated loan agreement dated March 31, 2023 (the “**RBC Credit Agreement**”). The RBC Credit Agreement governs four credit facilities available to SimEx, which include:

- a) a US\$6,000,000 revolving demand facility (the “**Operating Line**”);
 - b) a US\$5,500,000 revolving term loan facility used for the finance of export contracts (the “**EGF Facility**”);
 - c) a CAD\$6,250,000 multi-draw term loan facility (the “**EDC BCAP Facility**”) made available under the Export Development Canada (“**EDC**”) Business Credit Availability Program (“**BCAP**”); and
 - d) a CAD\$3,125,000 non-revolving term loan facility (the “**BDC BCAP Facility**”) made available under BDC’s BCAP.
29. RBC and SimEx are also party to a credit agreement dated July 20, 2021 (the “**RBC HASCAP Agreement**”). The RBC HASCAP Agreement governs a \$1,000,000 non-revolving term loan facility (the “**HASCAP Facility**”) made available under BDC’s Highly Affected Sectors Credit Availability Program (“**HASCAP**”).

30. The amounts outstanding under each of the facilities made available pursuant to the RBC Credit Agreement and the RBC HASCAP Agreement (the “**RBC Facilities**”) as at January 17, 2024 are set out in the table above.
31. BDC and SimEx are party to a Letter of Offer dated June 15, 2018 (the “**BDC Letter**”). Pursuant to the BDC Letter, BDC provided a US\$2,500,000 term loan (the “**BDC Loan**”) to SimEx, repayable in fixed monthly instalments followed by a balloon payment after 24 months. The maturity date of the BDC Loan was extended to February 1, 2024.
32. The Applicants, RBC and BDC are parties to a Subordination and Priorities Agreement dated June 29, 2018 (the “**Intercreditor Agreement**”).
33. The Proposed Monitor understands that both RBC and BDC (together, the “**Secured Lenders**”) are supportive of the CCAA Proceedings.

Other Debt

34. The Proposed Monitor understands that the Applicants’ only other secured creditors are equipment lessors in respect of office and photocopy equipment, as discussed in the Initial Needham Affidavit;
35. The Applicants other long-term liabilities include amounts owing to employees who participated in a cost reduction program in 2018, as well as shareholder loans and contingent liabilities associated with severance arrangements made in 2021 with two senior executives.
36. As of January 17, 2023, the Applicants records include outstanding trade payables of \$3,991,597.

RECENT FINANCIAL RESULTS AND CAUSES OF FINANCIAL DIFFICULTY

37. As described in the Initial Needham Affidavit, the Applicants began experiencing financial difficulties in FY 2018, as a result of large cost overruns on a film attraction project (the “**Project**”) resulting in defaults of debt to EBITDA covenants in the Applicants’ then existing credit agreement with RBC for quarters ending September 30, 2017 and December 31, 2017.
38. The Applicants’ financial difficulties worsened in FY 2019. The Applicants’ projections provided to RBC in October 2018 indicated ongoing covenant defaults through June, 2019. SimEx was transferred to RBC’s Special Loans and Advisory Services (“**SLAS**”) group in November, 2018.
39. The Applicants’ financial difficulties continued through the balance of FY 2019, driven by poor revenues associated with the Project once it was fully operational in April, 2019. However, by December, 2019 the Applicants’ financial performance had begun to improve and Management anticipated an exit from SLAS in the spring of 2020.
40. The onset of the COVID-19 pandemic (“**COVID**”) in March, 2020 had a devastating impact on the Applicants’ business. As the Applicants’ revenues are driven almost entirely by attractions such as zoos, entertainment parks and aquariums, all of which were shuttered for extensive periods during COVID, revenues fell sharply in the period 2020 – 2022.
41. In order to mitigate the impact of revenue losses and cover operating expenses, the Applicants took on significant additional debt through the EDC BCAP Facility, the BDC BCAP Facility and the HASCAP Facility. The Applicants also benefited from significant government rent and wage subsidies in both Canada and the United States.

42. While many attractions saw increases in business through 2022 and 2023, the Applicants' revenues have yet to return to pre-pandemic levels. At current revenue levels, the Applicants have been unable to support the material increase in debt service costs incurred to survive the COVID period.

43. The Applicants' recent financial performance is summarized in the following table:

Summary of Financial Results

USD \$000s

For the fiscal year	2018	2019	2020	2021	2022	2023E
Revenue	22,573	30,029	10,811	15,844	16,410	15,611
Earnings (Loss) from Operation	560	(349)	(5,366)	(1,821)	(447)	(938)
Net Income	(612)	(1,691)	(14,854)	(3,123)	(2,989)	(5,004)

OVERVIEW OF THE APPLICANTS' CASH FLOW FORECAST

44. The Applicants, with the assistance of the Proposed Monitor, have prepared the Cash Flow Forecast for the period from the week ending January 19, 2024 to May 3, 2024 (the "Forecast Period"). A copy of the signed Cash Flow Forecast, notes and a report containing the prescribed representations of the Applicants regarding the preparation of the Cash Flow Forecast are attached hereto as **Appendix "A"**. A summary of the Cash Flow Forecast is set out below.

SimEx!Iwerks			
15-Week Cash Flow Forecast			
For the period January 19, 2024 to May 3, 2024			
(in USD)			
Week #	0-1	2-15	
Month	Pre-	Post-	Total
Week Ending	Comeback	Comeback	
Operating Receipts			
Customer receipts	260,619	3,652,491	3,913,111
HST refunds	-	39,898	39,898
Total Operating Receipts	260,619	3,692,389	3,953,009
Operating Disbursements			
Employee costs	(220,000)	(1,858,725)	(2,078,725)
Selling, general and administrative costs	(42,294)	(501,888)	(544,182)
Rent costs	-	(367,123)	(367,123)
Vendor payments	(5,000)	(324,498)	(329,498)
Contingency costs	(20,000)	(140,000)	(160,000)
Total Operating Disbursements	(287,294)	(3,192,235)	(3,479,529)
Operating Cash Flow	(26,675)	500,154	473,480
Restructuring Costs			
Professional fees	-	(983,333)	(983,333)
Total Restructuring Costs	-	(983,333)	(983,333)
Net Operating Cash Flow before Debt Service	(26,675)	(483,179)	(509,854)
Debt Service			
Debt service	-	-	-
Net Cash Flow	(26,675)	(483,179)	(509,854)
Operating Line			
Opening	5,940,000	5,966,675	5,940,000
Net cash flow	(26,675)	(483,179)	(509,854)
Closing	5,966,675	6,449,854	6,449,854
Operating line limit	6,000,000	6,000,000	6,000,000
Excess/(Deficiency)	33,325	(449,854)	(449,854)

45. The Cash Flow Forecast is presented on a weekly basis during the Forecast Period and represents Management’s best estimate of the projected cash flow during the Forecast Period. The Cash Flow Forecast has been prepared by Management, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast (the “Assumptions”).
46. The Proposed Monitor has reviewed the Cash Flow Forecast through inquiries, analytical procedures and discussions, and a review of the supporting documents relating to the

Information supplied to the Proposed Monitor by Management. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:

- a) the Assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - b) as at the date of the Report, the Assumptions are not suitably supported and consistent with the plans for the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the probable and hypothetical assumptions; or
 - c) the Cash Flow Forecast does not reflect the Assumptions.
47. Since the Cash Flow Forecast is based on Assumptions regarding future events, actual results will vary from the information presented even if the Assumptions occur, and the variations could be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of the financial information presented in the Cash Flow Forecast or relied upon by the Proposed Monitor in preparing this Report.
48. The Cash Flow Forecast has been prepared solely for the purposes described above, and readers are cautioned that it may not be appropriate for other purposes.
49. Based on the underlying assumptions, the Cash Flow Forecast indicates that the Applicants would require interim financing of up to \$458,287 during the Forecast Period. There is no remaining availability under the RBC Facilities. However, RBC has agreed, subject to Court approval, to provide interim financing of up to \$600,000 pursuant to a term sheet

dated January 17, 2024 (the “**DIP Facility Agreement**” and the “**DIP Facility**”) which is discussed in greater detail herein.

50. The Cash Flow Forecast does not indicate any draws will be required under the DIP Facility prior to the date of the Comeback Hearing. However, the Applicants advise that there is a high degree of uncertainty with respect to the timing of customer receipts in the interim period. If those receipts were delayed, the Applicants would be unable to fund payroll obligations in the week ending January 26, 2024. The Monitor estimates the Applicants may require access to up to \$200,000 of the DIP Facility if customer receipts are delayed.

DIP FACILITY

51. Based on the Cash Flow Forecast, the Applicants will not have sufficient liquidity to continue normal course operations in the absence of additional financing. As noted above, the Cash Flow Forecast indicates a funding requirement of \$449,854 for the Forecast Period to maintain sufficient liquidity in each week, with a peak requirement of \$458,287 forecast to occur in the week ending February 2, 2024.
52. In light of this, the Applicants are seeking the Court’s approval of the DIP Facility. The material terms of the DIP Facility are as follows:

DIP Facility Agreement¹	
Loan Amount	<ul style="list-style-type: none">• \$600,000 non-revolving term facility
Initial DIP Lender	<ul style="list-style-type: none">• Royal Bank of Canada (the “Bank”)
Interest Rate	<ul style="list-style-type: none">• Royal Bank US Prime Rate (RBUSPR) + 2%

¹ Any defined terms referenced in this chart, but not otherwise defined in this Report, have the meanings ascribed to such term in the DIP Facility Agreement.

DIP Facility Agreement¹	
	<ul style="list-style-type: none">• RBUSBR at January 17, 2024 is 9.0%, giving an effective interest rate of 11.0%
Advances	<ul style="list-style-type: none">• Borrower to deliver a Borrowing Request substantially in the form of Schedule "C" appended to the DIP Facility Agreement
Conditions Precedent to Advances	<ul style="list-style-type: none">• Issuance of the Proposed Initial Order approving the DIP Facility and the DIP Charge;• Absence of any material adverse change in respect of the Borrower or any Guarantor after the date of the Proposed Initial Order;• Delivery of a duly executed copy of the DIP Facility Agreement.• Delivery of such financial or other information or other documents relating to the Borrower or any Guarantor as the Bank may reasonably require;• Compliance with the milestones set out in the SISF to the Bank's satisfaction;• Material compliance with the Cash Flow Forecast; and• Such other authorizations, approvals, opinions and documentation as the Bank may reasonably require.
Maturity	<ul style="list-style-type: none">• Earlier of May 3, 2024 or material noncompliance with Conditions Precedent.

53. The Proposed Monitor has reviewed the terms of various DIP funding facilities granted in insolvency and restructuring proceedings of a similar size and nature in Ontario in 2022 and 2023. The Proposed Monitor has prepared a summary upon which its review of the proposed DIP Facility was based (the “**Comparative DIP Summary**”), a copy of which is attached as **Appendix “B”**.

54. The following table summarizes the observed interest rates in the Comparative DIP Summary:

	<u>Comparables</u>
Maximum	27.2%
Mean	13.7%
Minimum	5.0%

55. The Proposed Monitor notes that the proposed DIP does not contain any fees, commitments or other ancillary charges typically found in similar DIP lending agreements. The interest rate in the DIP Facility Agreement is below the mean interest rate observed and summarized in the Comparative DIP Summary.

56. Furthermore, given the urgency of the Applicants’ financial situation, arranging for alternative interim financing would be challenging and could result in the cessation of the Applicants’ business, which would materially impact the value of the Applicants’ business on a going concern basis.

57. The Proposed Monitor has compared the terms of the proposed DIP Facility to recently issued DIP loans reported in the Insolvency Insider and confirms that the terms of the proposed DIP Facility are consistent with or more favourable than those approved in other CCAA proceedings.

58. Accordingly, the Proposed Monitor is satisfied that the terms of the DIP Facility Agreement do not appear to materially prejudice other lenders or financial stakeholders.
59. The Proposed Monitor therefore recommends the approval of the DIP Facility Agreement.

SALE AND INVESTMENT SOLICITATION PROCESS

60. The Proposed Monitor has been advised by RBC that a key condition of RBC’s support for these CCAA Proceedings is the maximization of realizations through the SISP.
61. The Monitor, in consultation with the Applicants, has developed the SISP to solicit sale and investment proposals from potentially interested parties. A copy of the SISP procedures (the “**SISP Procedures**”) is attached hereto as **Appendix “C”**.
62. The following table summarizes the key activities and milestones related to the SISP. Potentially interested parties should review the full terms of the SISP Procedures with their counsel, as the table below sets out a summary of key terms only. The summary below is qualified in its entirety by the actual terms of any SISP granted by the Court, and all capitalized terms shall have the meaning ascribed to them in the SISP Procedures.

SISP Step	Dates
SISP approval	January 19, 2024 at initial hearing
Preparatory steps (i.e., creation and population of electronic data room, preparation of teaser and confidential investment memo, identification of potential purchasers/investors, arrange publication in newspaper, trade publication)	January 19 – 29, 2024
Launch (i.e., contact Potential Bidders with teaser, NDA, grant access to EDR, etc.)	January 29, 2024

SISP Step	Dates
Bid deadline	March 14, 2024 (45 days from launch)
Bid analysis	March 15-18, 2024
Auction notification to Bidders (if applicable)	March 19, 2024
Auction date	March 21, 2024
Negotiate definitive agreement –	March 22-29, 2024
Court hearing to approve transaction (outside date)	April 19, 2024
Close transaction (outside date)	May 3, 2024

63. The Monitor makes the following observations regarding the proposed SISP:
- a) Pursuant to the SISP Procedures, the Monitor shall administer and be responsible for all material elements of the SISP, although it will consult with the Applicants where the Monitor deems it appropriate;
 - b) the SISP offers sufficient flexibility to address potential issues as they arise;
 - c) the length of the SISP, while abbreviated, is appropriate given the liquidity pressures facing the Applicants. While the Monitor will identify potential purchasers and/or investors in the Comeback Period, they will not be contacted until after the issuance of the ARIIO, if issued, to ensure that the Applicants and the Monitor can focus on addressing stakeholder concerns, if any, during the Comeback Period;
 - d) the SISP provides the Applicants with an opportunity to continue as a going concern and preserve jobs for the Applicants' employees; and

e) the SISP Procedures, particularly the ability to conduct an auction among competitive bidders, allow for third party bidders to increase proceeds for the benefit of the Applicants' stakeholders.

64. For the reasons set out above, the Monitor is supportive of the proposed SISP and recommends that the Court approve same.

PROPOSED CHARGES

65. The Proposed Initial Order provides for three priority charges (the "**Proposed Charges**") ranking in the following order (each as defined below):

- a) the Administration Charge;
- b) the DIP Charge; and
- c) the Directors' Charge.

66. A summary of the Proposed Charges is set out in the table below.

Priority Waterfall			
Priority	Proposed Charge	Initial Order	ARIO
First	Administration Charge	\$ 390,000	\$ 500,000
Second	DIP Charge	\$ 200,000	\$ 600,000
Third	Directors Charge	\$ 230,000	\$ 300,000

67. Based on the Proposed Initial Order, each of the Proposed Charges shall constitute a charge on all the property of the Applicants and the Proposed Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise in favour of any person, other than any existing secured creditors who have not been served with this CCAA application prior to this hearing, and provided that the DIP Charge shall

not rank in in priority to any Crown claims which have priority in bankruptcy. Each of the Proposed Charges is discussed in more detail below.

Administration Charge

68. The Proposed Initial Order provides for a charge up to a maximum of \$500,000 (the “**Administration Charge**”) in favour of the Proposed Monitor, the Proposed Monitor’s Counsel and the Applicants’ Canadian and U.S. Counsel (collectively, the “**Professionals**”) as security for the professional fees and disbursements incurred while planning for and after the commencement of these CCAA Proceedings.
69. However, the Proposed Initial Order will limit the Administration Charge to \$390,000 until the Comeback Hearing. The Proposed Monitor is of the view that this limitation is reasonable and provides adequate protection security for the estimated professional fees to be incurred during the Comeback Period.
70. The Proposed Monitor is of the view that the Administration Charge is necessary for the effective participation of the Professionals in these CCAA Proceedings, and the quantum of the Administration Charge is reasonable given the complexity of these CCAA Proceedings, the work that has been done to date, and the anticipated work required from the Professionals.
71. The magnitude of the Administration Charge is limited to the amount necessary to ensure the Professionals have adequate protection through the Forecast Period, given that the Applicants will not be providing retainers for the Professionals and assuming bi-weekly payments of professional fees.

72. The Proposed Monitor supports the Administration Charge, as contained within the Proposed Initial Order.

DIP Charge

73. The Proposed Initial Order also includes a charge in respect of interim financing provided under the DIP Facility Agreement (the “**DIP Charge**”). As set out in the Cash Flow Forecast, the Applicants anticipate that maximum draws under the DIP Facility of approximately \$458,287 will be required during the Forecast Period and are requesting a DIP Charge to secure obligations under the DIP Facility Agreement to the maximum borrowing limit of \$600,000.
74. However, the Proposed Initial Order will limit access to the financing under the DIP Facility Agreement and the DIP Charge to \$200,000 until the Comeback Hearing. The Proposed Monitor is of the view that the proposed financing and limited DIP Charge will provide the Applicants with sufficient liquidity to address payment obligations that may arise during the Interim Period.
75. The DIP Facility provides the Applicants with access to liquidity needed to finance their operations and working capital requirements while they pursue the sale of the business through the SISP. The DIP Charge does not secure any obligations that existed before the issuance of the Proposed Initial Order.
76. The magnitude of the DIP Charge is limited to the amount necessary to ensure the Applicants have sufficient liquidity during the Forecast Period.
77. The Proposed Monitor supports the DIP Charge, as contained within the Proposed Initial Order.

Directors' Charge

78. The Proposed Initial Order also includes a directors' charge (the "**Directors' Charge**") to a maximum of \$300,000. However, the Proposed Initial Order will limit access to the Directors' Charge to \$230,000 until the Comeback Hearing.
79. The directors have potential personal liability for unpaid wages in each of Canada, Maryland, California and South Carolina. Payroll is paid one week in arrears and based on the payroll cycle, the maximum exposure, assuming payroll is paid in the normal course, would be three weeks of Canadian payroll and one week of US payroll plus outstanding vacation pay.
80. The quantum of the proposed Directors' Charge in the Initial Order and in the ARIIO was negotiated and agreed to between RBC and the Applicants. Based on the estimated the payroll amounts that could be outstanding during the CCAA Proceedings, the Proposed Monitor is of the view that the proposed amounts for the Directors' Charge are justified.
81. Given the potential liabilities facing the Applicants' directors and officers, they are at risk should the Applicants not be able to fund operations going forward. The Directors' Charge will allow the directors and officers to remain in place and assist with the administration of these CCAA Proceedings. The proposed Directors' Charge would apply only to the extent that the directors and officers do not have coverage under the directors' and officers' insurance policies which are maintained by the Applicants.
82. The Proposed Monitor supports the Directors' Charge, as contained within the Proposed Initial Order.

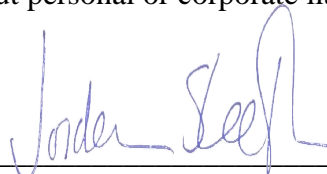
CONCLUSION

83. The Proposed Monitor has reviewed the Applicants' materials and has consented to act as Monitor of the Applicants in these CCAA Proceedings should this Court grant the Proposed Initial Order.
84. The Proposed Monitor is of the view that the relief requested by the Applicants is both appropriate and reasonable. Given the liquidity constraints faced by the Applicants and the need to continue operations, the relief requested is necessary to provide the Applicants with an opportunity to facilitate the sale of the business on a going concern basis. The relief sought in the Proposed Initial Order is supported by the Applicants' key stakeholders.
85. As such, the Proposed Monitor supports the Applicants' application for CCAA protection and respectfully recommends that the Court grant the relief sought in the CCAA Proceedings, in the form of Proposed Initial Order.

All of which is respectfully submitted at Toronto, Ontario this 18th day of January, 2024.

DELOITTE RESTRUCTURING INC.,
solely in its capacity as Proposed Court-Appointed
Monitor of SimEx Inc., Iwerks Entertainment Inc.
and Simex-Iwerks Myrtle Beach LLC
and without personal or corporate liability

Per:



Jordan Sleeth, CPA, CA, CIRP, LIT
Senior Vice-President

Appendix A

SimEx Inc.
Notes to Cash Flow Forecast
For the 15 Weeks Ended May 3, 2024

The cash flow forecast (“**CF**”) for the period January 19, 2024 to May 3, 2024 (the “**Cash Flow Period**”) was prepared by SimEx Inc. (“**SimEx**”) with the assistance of the Monitor. The Monitor relied on SimEx’s internal books and records, discussions with management and forecast realizations during the Cash Flow Period to assist in the preparation of the CF.

The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial information in the CF in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the financial information.

Some of the information referred to in the CF and these notes consists of financial forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

Future oriented financial information referred to in the accompanying CF was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be material.

The information and assumptions contained in the CF and these notes is not intended to be relied upon by any prospective purchaser or investor in any transactions with SimEx.

The CF is presented in USD. Non-USD currencies are translated to USD at the following rates:

Currency	Conversion rate to USD
Canadian dollar	0.75

RECEIPTS

[1] Customer receipts - \$3,953,009

This amount is primarily made up of Attraction Co-Ventures (“ACV”) and non-ACV film receipts. ACV receipts, totaling \$2.3M, represent receipts from contracts where SimEx provides 4D theatre experiences at institutions (e.g., aquariums, zoos), amusement or theme parks and destinations. Revenue is generated from the rental of attraction equipment and are categorized into revenue-sharing and fixed lease contracts. Customers provide revenue reports monthly to SimEx to calculate the amounts due to SimEx and receipt of these amounts is expected 20-30 days after month-end. Fixed lease contracts are generally paid quarterly. ACV receipts from the week ended January 19, 2024 to February 9, 2024, are forecasted to delay by two weeks due to the additional collection efforts required after the announcement of the CCAA filing. ACV receipts are forecasted based on contractual terms between SimEx and the customers. Receipts of non-ACV film revenue, totaling \$1.4M, are estimated based on prior year’s actual and released in the subsequent month.

[2] HST refunds - \$39,898

This amount represents the total HST refunds SimEx is forecasting to be received during the CF Period. HST refunds for week ended February 9, 2024 and March 8, 2024 represent December 2023 and January 2024 HST refund amounts, respectively. These amounts are estimated from actual HST returns filed with CRA. The HST refund for week ended April 12, 2024 represents the receipt of the

February 2024 HST refund, which amount is estimated from eligible receipts and disbursements in the CF.

DISBURSEMENTS

[3] Employee costs - \$2,078,725

The forecast amount represents primarily payroll, benefits, and contractor costs. The forecast amount is estimated from recent monthly actuals.

[4] Selling, general, and administrative costs - \$544,182

This forecast amount represents general office expenses, totaling \$226,000, and insurance expenses, totaling \$318,182. Of the total insurance expenses, \$42,294 represents overdue insurance expense related to Nature Trek at Wildlife Conservation Society, Bronx Zoo. Out of the remaining insurance expenses, monthly and quarterly payments to EDC for insurance coverage on certain receivables, totaling \$89,165, and annual general corporate insurance, totaling \$186,724.

[5] Rent costs - \$367,123

The forecast amount represents the continued leases of SimEx's offices at King Street, Drew Road, Santa Clarita, Baltimore, and Myrtle Beach. The CFF contemplates SimEx will disclaim the King Street lease in January 2024 and downsize to a smaller office in March 2024.

[6] Vendor payments- \$329,498

The forecast amount represents termination fees and material and service costs for ACV and service revenue. The Martian termination fee is payable to Disney on March 31, 2024, and the termination will go into effect on the same date. Material and service costs are 8% and 43% of the forecasted ACV and service receipts. The gross margins are based on historical figures.

[7] Contingency costs - \$160,000

The forecast amount represents approximately 5% of total operating expenditures.

[8] Professional fees - \$983,333

Of this total, \$483,333 represents Monitor's fees, \$275,000 represents Monitor's Canadian legal counsel, \$100,000 represents Monitor's US legal counsel, and \$125,000 represents Company's legal counsel.

[9] Debt service - \$nil

The cash flow forecasts deferral of debt service in the period.

SimExIwerks

15-Week Cash Flow Forecast

For the period January 19, 2024 to May 3, 2024

(in USD)

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Week #	0	1	2	3	4	5	6	7	8
Month	January	January	February	February	February	February	March	March	March
Week Ending	19-Jan-24	26-Jan-24	2-Feb-24	9-Feb-24	16-Feb-24	23-Feb-24	1-Mar-24	8-Mar-24	15-Mar-24
Year	2024	2024	2024	2024	2024	2024	2024	2024	2024
Operating Receipts									
Customer receipts	132,810	127,810	136,910	250,783	454,845	417,033	266,945	234,522	94,522
HST refunds	-	-	-	18,094	-	-	-	6,325	-
Total Operating Receipts	132,810	127,810	136,910	268,877	454,845	417,033	266,945	240,847	94,522
Operating Disbursements									
Employee costs	(70,000)	(150,000)	(154,523)	(155,005)	(85,000)	(159,030)	(100,000)	(171,293)	(90,005)
Selling, general and administrative costs	(42,294)	-	(111,530)	(11,445)	(22,000)	(25,000)	(17,000)	(2,000)	(22,000)
Rent costs	-	-	(129,610)	-	-	-	(83,051)	-	-
Vendor payments	(5,000)	-	(72,860)	(6,765)	(34,668)	(29,828)	(19,252)	(13,530)	(3,790)
Contingency costs	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Total Operating Disbursements	(127,294)	(160,000)	(478,522)	(183,215)	(151,668)	(223,858)	(229,303)	(196,823)	(125,795)
Operating Cash Flow	5,516	(32,190)	(341,613)	85,662	303,177	193,175	37,642	44,024	(31,273)
Restructuring Costs									
Professional fees	-	-	(150,000)	-	-	(208,333)	-	-	(208,333)
Total Restructuring Costs	-	-	(150,000)	-	-	(208,333)	-	-	(208,333)
Net Operating Cash Flow before Debt Service	5,516	(32,190)	(491,613)	85,662	303,177	(15,158)	37,642	44,024	(239,606)
Debt Service									
Debt service	-	-	-	-	-	-	-	-	-
Net Cash Flow	5,516	(32,190)	(491,613)	85,662	303,177	(15,158)	37,642	44,024	(239,606)
Operating Line									
Opening	5,940,000	5,934,484	5,966,675	6,458,287	6,372,625	6,069,448	6,084,607	6,046,965	6,002,940
Net cash flow	5,516	(32,190)	(491,613)	85,662	303,177	(15,158)	37,642	44,024	(239,606)
Closing	5,934,484	5,966,675	6,458,287	6,372,625	6,069,448	6,084,607	6,046,965	6,002,940	6,242,546
Operating line limit	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Excess/(Deficiency)	65,516	33,325	(458,287)	(372,625)	(69,448)	(84,607)	(46,965)	(2,940)	(242,546)

SimEx!werks

15-Week Cash Flow Forecast

For the period January 19, 2024 to May 3, 2024

(in USD)	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Assumptions Reference
Week #	9	10	11	12	13	14	15	Total		
Month	March	March	April	April	April	April	May	Total		
Week Ending	22-Mar-24	29-Mar-24	5-Apr-24	12-Apr-24	19-Apr-24	26-Apr-24	3-May-24			
Year	2024	2024	2024	2024	2024	2024	2024			
Operating Receipts										
Customer receipts	265,772	310,232	232,968	252,968	212,968	345,218	176,804	3,913,111	[1]	
HST refunds	-	-	-	15,479	-	-	-	39,898	[2]	
Total Operating Receipts	265,772	310,232	232,968	268,447	212,968	345,218	176,804	3,953,009		
Operating Disbursements										
Employee costs	(150,000)	(79,030)	(198,750)	(72,543)	(170,005)	(72,250)	(201,293)	(2,078,725)	[3]	
Selling, general and administrative costs	(7,000)	(17,000)	(2,000)	(178,168)	(7,000)	(17,000)	(62,746)	(544,182)	[4]	
Rent costs	-	-	(77,231)	-	-	-	(77,231)	(367,123)	[5]	
Vendor payments	(11,378)	(23,803)	(68,650)	(9,530)	(4,510)	(17,095)	(8,841)	(329,498)	[6]	
Contingency costs	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(160,000)	[7]	
Total Operating Disbursements	(178,378)	(129,833)	(356,631)	(270,240)	(191,515)	(116,345)	(360,110)	(3,479,529)		
Operating Cash Flow	87,395	180,399	(123,663)	(1,793)	21,453	228,874	(183,306)	473,480		
Restructuring Costs										
Professional fees	-	-	(208,333)	-	-	-	(208,333)	(983,333)	[8]	
Total Restructuring Costs	-	-	(208,333)	-	-	-	(208,333)	(983,333)		
Net Operating Cash Flow before Debt Service	87,395	180,399	(331,996)	(1,793)	21,453	228,874	(391,639)	(509,854)		
Debt Service										
Debt service	-	-	-	-	-	-	-	-	[9]	
Net Cash Flow	87,395	180,399	(331,996)	(1,793)	21,453	228,874	(391,639)	(509,854)		
Operating Line										
Opening	6,242,546	6,155,152	5,974,753	6,306,749	6,308,542	6,287,088	6,058,214	5,940,000		
Net cash flow	87,395	180,399	(331,996)	(1,793)	21,453	228,874	(391,639)	(509,854)		
Closing	6,155,152	5,974,753	6,306,749	6,308,542	6,287,088	6,058,214	6,449,854	6,449,854		
Operating line limit	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000		
Excess/(Deficiency)	(155,152)	25,247	(306,749)	(308,542)	(287,088)	(58,214)	(449,854)	(449,854)		

January 18, 2024

Deloitte Restructuring Inc. ("DRI")
200 – 8 Adelaide Street West
Toronto ON M5H 0A9

Attention: Jordan Sleeth and Richard Williams

Re: Proceedings under the *Companies Creditors Arrangement Act* ("CCAA") for SimEx Inc., Iwerks Entertainment Inc., and Simex-Iwerks Myrtle Beach LLC (the "Applicants") – Responsibilities / Obligations and Disclosure with Respect to Cash-Flow Projections

In connection with the application by the Applicants for the commencement of proceedings under the CCAA, the management of the Applicants ("**Management**") has prepared the attached cash-flow statement and the assumptions on which the cash-flow statement is based.

The Applicants confirm that:

1. The cash-flow statement and the underlying assumptions are the responsibility of the Applicants;
2. All material information relevant to the cash-flow statement and to the underlying assumptions have been made available to DRI in its capacity as Proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
 - a. That the individual assumptions underlying the cash-flow statement are appropriate in the circumstances;
 - b. That the assumptions underlying the cash-flow statement, taken as a whole, are appropriate in the circumstances; and
 - c. That all relevant assumptions have been properly presented in the cash-flow statement or in the notes accompanying the cash-flow statement.
4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of our monitor the on-going activities of the Applicants, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.
5. Management understands its duties and obligations under the CCAA and that a breach of these duties and obligations could make Management liable to fines and imprisonment in certain circumstances.
6. The cash-flow statement and assumptions have been reviewed and approved by the Applicants' board of directors or management has been duly authorized by the Applicants' board of directors to prepare and approve the cash-flow assumptions.

Yours truly



Name: Milan Ghosh

Title: Chief Financial Officer

Appendix B

Debtor	Lender	Trustee	Filing Date	Jurisdiction	Industry	Commitment (\$MM)	Fees	Interest Rate	Notes
MAV Beauty Brands Inc. et al.	RBC as administrative agent	A&M	14-Nov-2023	Ontario	Distribution	3.90	-	10.4%	SOFR plus 5.1%
Swarmio Inc. et al.	Triaccess Ltd.	Grant Thornton	21-Jun-2023	Ontario	Technology	1.50	28,000	12.0%	
Plant-Based Investment Corp.	1000492681 Ontario Inc.	Spergel	1-May-2023	Ontario	Financial Services	0.50	10,000	12.0%	
Phoena Holdings Inc. et al	Cortland Credit Lending Corporation	EY	4-Apr-2023	Ontario	Cannabis	3.10	62,000	27.2%	Prime plus 20%
GreenSpace Brands Inc.	Pivot Financial I Limited Partnership Inc.	PwC	6-Apr-2023	Ontario	Food & Accommodation	2.60	10,000	14.0%	
Tehama Inc.	14667913 Canada Inc.	Deloitte	20-Jan-2023	Ontario	Technology	0.50	-	5.0%	
Trichome Financial Corp.	Cortland Credit Lending Corporation	KSV	7-Nov-2022	Ontario	Cannabis	4.88	97,000	14.0%	
Springer Aerospace Holdings Limited and 1138969 Ontario Inc.	Hillmount Capital Inc.	MNP	23-Nov-2022	Ontario	Professional Services	1.50	60,000	14.2%	The greater of RBC Prime plus 7% or 12 % per annum
Cannapiece Group Inc. et al.	Cardinal Advisory Limited	BDO	3-Nov-2022	Ontario	Cannabis	0.50	10,000	12.0%	
The Flowr Corporation et al.	1000343100 Ontario Inc.	EY	20-Oct-2022	Ontario	Cannabis	2.00	40,000	19.2%	Prime plus 12%
Superette Inc. et al.	SNDL Inc.	EY	30-Aug-2022	Ontario	Cannabis	1.37	-	15.0%	
MPX International Corporation	Certain Debentureholders	KSV	24-Jul-2022	Ontario	Cannabis	2.67	53,400	12.0%	
Sproutly, Inc. and Toronto Herbal Remedies Inc.	0982244 B.C. Ltd. o/a Isle of Mann Property Group	BDO	24-Jun-2022	Ontario	Cannabis	0.75	15,000	14.0%	
MJardin Group Inc., Growforce Holdings Inc., 8586985 Canada Corporation and Highgrade MMJ Corporation	Bridging Finance	KSV	2-Jun-2022	Ontario	Cannabis	2.00	60,000	10.0%	
Eve & Co Incorporated, Natural Medco Ltd. and Eve & Co International Holdings Ltd.	Deans Knight Private Credit GP Inc., as General Partner of Deans Knight Private Credit Limited Partnership and DK Strategic Yield U.S. GP LLC, as General Partner of DK Strategic Yield Master Trust Limited Partnership	BDO	25-Mar-2022	Ontario	Cannabis	2.20	60,000	12.0%	
Trinity Ravine Community Inc.	Nahid Corporation or an affiliate	Deloitte	23-Feb-2022	Ontario	Real Estate	0.85	20,000	16.8%	The greater of 12% or the TD Bank Prime Rate (currently 2.45%) plus 9.55%

Appendix C

Sale and Investment Solicitation Process

SimEx Inc., Iwerks Entertainment Inc. and SimEx-Iwerks Myrtle Beach LLC

Introduction

1. On January 19, 2024, SimEx Inc., Iwerks Entertainment Inc., and SimEx-Iwerks Myrtle Beach LLC (together, the “**Applicants**”) obtained an initial order (that may be amended or amended and restated from time to time, the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act* (the “**CCAA**” and the “**CCAA Proceedings**”) from the Ontario Superior Court of Justice (Commercial List) (the “**CCAA Court**”). The Initial Order, among other things:
 - a. Provides for a stay of all proceedings against the Applicants assets, properties and undertaking and their respective directors and officers; and
 - b. Appoints Deloitte Restructuring Inc. as the monitor of the Applicants (in such capacity, the “**Monitor**”).
2. Pursuant to the Initial Order, the Monitor is authorized to conduct a sale and investment solicitation process (the “**SISP**”), as described herein, with the assistance of the Applicants. The SISP is intended to solicit interest in an acquisition or refinancing of the business, or a sale of the assets and/or the business of the Applicants by way of merger, reorganization, recapitalization, primary equity issuance, or other similar transaction. The Monitor intends to provide all qualified interested parties with an opportunity to participate in the SISP.

Opportunity

3. The SISP is intended to solicit interest in and opportunities for a sale of, or investment in, all or part of the Applicants’ assets and business operations (the “**Opportunity**”). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Applicants as a going concern, or a sale of all, substantially all or one or more components of the Applicants’ assets (the “**Property**”) and business operations (the “**Business**”) as a going concern or otherwise, or some combination thereof (each, a “**Transaction**”).
4. This document (the “**SISP Procedure**”) describes the SISP, including the manner in which individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures, governmental organizations or other entities (each, a “**Person**”) may gain access to or continue to have access to due diligence materials concerning the Applicants, the Property and the Business, how bids involving the Applicants, the Property or the Business will be submitted to and dealt with by the Monitor and how Court approval will be obtained in respect of a Transaction.
5. The SISP contemplates a one-stage process that involves the submission by interested parties of binding offers by the Bid Deadline (as defined below).

6. Except to the extent otherwise set forth in a definitive sale or investment agreement with a successful bidder, any Transaction will be on an “as is, where is” basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, the Applicants, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Applicants in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.
7. In the SISP, (i) “**Business Day**” means any day (other than Saturday or Sunday) that banks are open for business in Toronto, Ontario. If any deadline date referred to in the SISP falls on a day that is not a Business Day, then such date shall be extended until the next Business Day; and (ii) the words “include”, “includes” and “including” shall be deemed to be followed by the phrase, “without limitation”.

Timeline

8. The following table sets out the key milestones under the SISP:

Milestone	Timeline	Targeted Deadline
Commencement date	Immediately following the approval of the SISP Process	January 19, 2024
Preparation of SISP materials (i.e., Teaser, Investment Memorandum, Buyer list, Notices for trade publication, NDA, populate EDR)	10 days	January 29, 2024
Bid Deadline	45 days	March 14, 2024
Auction Date (if applicable)	1 day	March 21, 2024
Finalize Transaction agreement	7 days	March 29, 2024
Sale Approval Motion (as defined below) in CCAA Court		April 19, 2024 (outside date)
Closing of the Transaction		May 3, 2024 (outside date)

9. The dates set out in the SISP may be extended by either: (i) further order of the Court; or (ii) the Monitor, with the consent of Royal Bank of Canada.

Solicitation of Interest: Notice of the SISP

10. As soon as reasonably practicable:
- a. the Monitor, in consultation with the Applicants, will prepare a list of potential bidders, including (i) parties that have approached the Applicants or the Monitor indicating an interest in the Opportunity, and (ii) local and international strategic and financial parties who the Applicants, in consultation with the Monitor, believe may be interested in a

Transaction pursuant to the SISP, in each case whether or not such party has submitted a letter of intent or similar document (collectively, “**Known Potential Bidders**”);

- b. the Monitor will arrange for a notice of the SISP (and such other relevant information which the Monitor, in consultation with the Applicants, considers appropriate) (the “**Notice**”) to be published in *Insolvency Insider*, the Monitor’s website, and any other newspaper or journal or industry website as the Applicants, in consultation with the Monitor, consider appropriate, if any; and
 - c. the Monitor, in consultation with the Applicants, will prepare: (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a non-disclosure agreement in form and substance satisfactory to the Applicants and the Monitor and their respective counsel (an “**NDA**”).
11. The Monitor will send the Teaser Letter and NDA to each Known Potential Bidder and to any other Person who requests a copy of the Teaser Letter and NDA or who is identified to the Applicants or the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

Potential Bidders and Due Diligence Materials

12. Any party who wishes to participate in the SISP (a “**Potential Bidder**”), must provide to the Monitor an NDA executed by it, and which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof, and a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect principals of the Potential Bidder.
13. The Monitor, in consultation with the Applicants, shall in their reasonable business judgment and subject to competitive and other business considerations, afford each Potential Bidder who has signed and delivered an NDA to the Monitor and provided information as to their financial ability, in the Monitor’s sole discretion, to close a transaction, such access to due diligence material and information relating to the Property and Business as the Applicants or the Monitor deem appropriate. Due diligence shall include access to an electronic data room (“**EDR**”) containing information about the Applicants, the Property and the Business, and may also include management presentations, on-site inspections, and other matters which a Potential Bidder may reasonably request and as to which the Applicants, in their reasonable business judgment and after consulting with the Monitor, may agree. The Monitor will designate a representative to coordinate all reasonable requests for additional information and due diligence access from Potential Bidders and the manner in which such requests must be communicated. Neither the Applicants nor the Monitor will be obligated to furnish any information relating to the Property or Business to any person other than to Potential Bidders. Furthermore, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Potential Bidders if the Applicants, in consultation with and with the approval of the Monitor, determine such information to represent proprietary or sensitive competitive information. Neither the Applicants nor the Monitor is responsible for, and will bear no liability

with respect to, any information obtained by any party in connection with the Sale of the Property and the Business.

14. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Applicants.

Formal Binding Offers

15. Potential Bidders that wish to make a formal offer to purchase or make an investment in the Applicants or their Property or Business (a “**Bidder**”) shall submit a binding offer (a “**Bid**”) that complies with all of the following requirements to the Monitor and Applicants’ counsel at the addresses specified in Schedule “1” hereto (including by e-mail), so as to be received by them not later than **5:00 PM (EST) on March 14, 2024** or as may be modified in the Bid process letter that may be circulated by the Monitor to Potential Bidders, with the approval of the Applicants (the “**Bid Deadline**”):
- a. the Bid must be either a binding offer to:
 - i. acquire all, substantially all or a portion of the Property (a “**Sale Proposal**”); and/or
 - ii. make an investment in, restructure, reorganize or refinance the Business or the Applicants (an “**Investment Proposal**”); or
 - b. carry out any combination of a Sale Proposal and an Investment Proposal;
 - c. the Bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in some or all of the Applicants or their Property or Business and is consistent with any necessary terms and conditions established by the Applicants and the Monitor and communicated to Bidders;
 - d. the Bid includes a letter stating that the Bidder’s offer is irrevocable until the selection of the Successful Bidder (as defined below), provided that if such Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
 - e. the Bid includes duly authorized and executed Transaction agreements, including the purchase price, investment amount (the “**Purchase Price**”), together with all exhibits and schedules thereto;
 - f. the Bid is accompanied by a deposit (the “**Deposit**”) in the form of a wire transfer (to a trust account specified by the Monitor), in an amount equal to ten percent (10%) of the Purchase Price, investment amount or other consideration to be paid in respect of the Bid, to be held and dealt with in accordance with this SISP;

- g. the Bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Applicants and the Monitor to make a determination as to the Bidder's financial and other capabilities to consummate the proposed transaction;
- h. the Bid is not conditioned on (i) the outcome of unperformed due diligence by the Bidder, or (ii) obtaining financing, but may be conditioned upon the Applicants receiving the required approvals or amendments relating to the licenses required to operate the business, if necessary;
- i. the Bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is otherwise participating or benefiting from such bid;
- j. for a Sale Proposal, the Bid includes:
 - i. the purchase price in U.S. dollars and a description of any non-cash consideration, including details of any liabilities to be assumed by the Bidder and key assumptions supporting the valuation;
 - ii. a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - iii. a specific indication of the financial capability of the Bidder and the expected structure and financing of the transaction;
 - iv. a description of the conditions and approvals required to complete the closing of the transaction;
 - v. a description of those liabilities and obligations (including operating liabilities) which the Bidder intends to assume and which such liabilities and obligations it does not intend to assume; and
 - vi. any other terms or conditions of the Sale Proposal that the Bidder believes are material to the transaction.
- k. for an Investment Proposal, the Bid includes:
 - i. a description of how the Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization, and a description of any non-cash consideration;
 - ii. the aggregate amount of the equity and/or debt investment to be made in the Business or the Applicants in U.S. dollars.
 - iii. the underlying assumptions regarding the pro forma capital structure;

- iv. a specific indication of the sources of capital for the Bidder and the structure and financing of the transaction;
 - v. a description of the conditions and approvals required to complete the closing of the transaction;
 - vi. a description of those liabilities and obligations (including operating liabilities) which the Bidder intends to assume and which such liabilities and obligations it does not intend to assume; and
 - vii. any other terms or conditions of the Investment Proposal.
1. the Bid includes acknowledgements and representations of the Bidder that the Bidder:
- i. is completing the Transaction on an “as is, where is” basis;
 - ii. has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Applicants prior to making its Bid;
 - iii. has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its Bid; and
 - iv. did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Applicants or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Applicants;
- m. the Bid is received by the Bid Deadline; and
- n. the Bid contemplates closing the Transaction set out therein immediately following the granting of the Sale Approval Order.
17. Following the Bid Deadline, the Monitor will assess the Bids received. The Monitor, in consultation with the Applicants and Royal Bank of Canada and will designate the most competitive bids that comply with the foregoing requirements to be “**Qualified Bids**”. No Bids received shall be deemed not to be Qualified Bids without the approval of the Monitor. Only Bidders whose bids have been designated as Qualified Bids are eligible to become the Successful Bidder(s).
18. The Monitor, in consultation with the Applicants and Royal Bank of Canada, may waive strict compliance with any one or more of the requirements specified above and deem such non-compliant Bids to be a Qualified Bid. The Monitor and the Applicants will be under no obligation to negotiate identical terms with, or extend identical terms to, each Bidder.

19. The Monitor shall notify each Bidder in writing as to whether its Bid constituted a Qualified Bid within two (2) business days of the Bid Deadline, or at such later time as the Monitor deems appropriate .
20. The Monitor may, in consultation with the Applicants, aggregate separate Bids from unaffiliated Bidders to create one Qualified Bid.

Evaluation of Competing Bids

21. A Qualified Bid will be evaluated based upon several factors including, without limitation: (i) the Purchase Price and the net value provided by such bid, (ii) the identity, circumstances and ability of the Bidder to successfully complete such Transaction(s), (iii) the proposed Transaction documents, (iv) factors affecting the speed, certainty and value of the Transaction, (v) the assets included or excluded from the bid, (vi) any related restructuring costs, (vii) the likelihood and timing of consummating such Transaction, each as determined by the Applicants and the Monitor and (viii) any other factor deemed relevant by the Monitor in consultation with the Applicants.

Auction

22. If the Monitor receives at least two Qualified Bids and determines, in consultation with the Applicants and Royal Bank of Canada that they are competitive, the Monitor will conduct and administer an Auction in accordance with the terms of this SISP (the “**Auction**”). Instructions to participate in the Auction, which will take place via video conferencing, or in person, as determined by the Monitor, and will be provided to Qualified Parties (as defined below) not less than 24 hours prior to the Auction.
23. Only parties that provided a Qualified Bid by the Bid Deadline, as confirmed by the Monitor, (collectively, the “**Qualified Parties**”), shall be eligible to participate in the Auction. No later than 5:00 p.m. (EST) on the day prior to the Auction, each Qualified Party must inform the Monitor whether it intends to participate in the Auction. The Monitor will promptly thereafter inform in writing each Qualified Party who has expressed its intent to participate in the Auction of the identity of all other Qualified Parties that have indicated their intent to participate in the Auction.

Auction Procedure

24. The Auction shall be governed by the following procedures:
 - a. **Participation at the Auction.** Only the Applicants, the Qualified Parties, the Monitor and each of their respective advisors will be entitled to attend the Auction, and only the Qualified Parties will be entitled to make any subsequent Overbids (as defined below) at the Auction. The Monitor shall provide all Qualified Bidders with the details of the lead bid by 5:00 PM (EST) by no later than five (5) days after the Bid Deadline. Each Qualified Bidder must inform the Monitor whether it intends to participate in the Auction no later than 5:00 PM (EST) on the Business Day prior to the Auction;

- b. **No Collusion.** Each Qualified Party participating at the Auction shall be required to confirm on the record at the Auction that: (i) it has not engaged in any collusion with respect to the Auction and the bid process; and (ii) its bid is a good-faith *bona fide* offer and it intends to consummate the proposed transaction if selected as the Successful Bid;
- c. **Minimum Overbid.** The Auction shall begin with the Qualified Bid that represents the highest or otherwise best Qualified Bid as determined by the Monitor, in consultation with the Applicants (the “**Initial Bid**”), and any bid made at the Auction by a Qualified Party subsequent to the Monitor’s announcement of the Initial Bid (each, an “**Overbid**”), must proceed in minimum additional cash increments of USD \$50,000;
- d. **Bidding Disclosure.** The Auction shall be conducted such that all bids will be made and received in one group video-conference or otherwise, on an open basis, and all Qualified Parties will be entitled to be present for all bidding with the understanding that the true identity of each Qualified Party will be fully disclosed to all other Qualified Parties and that all material terms of each subsequent bid will be fully disclosed to all other Qualified Parties throughout the entire Auction; provided, however, that the Monitor, in its discretion, may establish separate video conference rooms to permit interim discussions between the Monitor and individual Qualified Parties with the understanding that all formal bids will be delivered in one group video conference, on an open basis;
- e. **Bidding Conclusion.** The Auction shall continue in one or more rounds and will conclude after each participating Qualified Party has had the opportunity to submit one or more additional bids with full knowledge and written confirmation of the then-existing highest bid(s);
- f. **No Post-Auction Bids.** No bids will be considered for any purpose after the Auction has concluded; and
- g. **Auction Procedures.** The Monitor shall be at liberty to set additional procedural rules at the Auction as it sees fit.

Selection of Successful Bid

25. Before the conclusion of the Auction, the Monitor, in consultation with the Applicants, will:

- a. review and evaluate each Qualified Bid, considering the factors set out in paragraph 16 and any other factor that the Applicants or the Monitor may reasonably deem relevant, provided that each Qualified Bid may be negotiated among the Monitor in consultation with the Applicants and the Qualified Bidder, and may be amended, modified or varied to improve such Qualified Bid as a result of such negotiations; and

- b. identify the highest or otherwise best bid received at the Auction (the “**Successful Bid**” and the Qualified Party making such bid, the “**Successful Party**”).
26. The Successful Party shall complete and execute all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which the Successful Bid was made within one business day of the Successful Bid being selected as such, unless extended by the Monitor, in consultation with the Applicants, subject to the milestones set forth in paragraph 9.

Sale Approval Motion Hearing

27. At the hearing of the motion to approve any transaction with a Successful Party (the “**Sale Approval Motion**”), the Monitor or the Applicants shall seek, among other things, approval from the Court to consummate any Successful Bid. All the Qualified Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Monitor and the Applicants on and as of the date of approval of the Successful Bid by the Court.

Confidentiality and Access to Information

28. All discussions regarding a Sale Proposal, Investment Proposal, or Bid should be directed through the Monitor. Under no circumstances should the management of the Applicants be contacted directly without the prior consent of the Monitor. Any such unauthorized contact or communication could result in exclusion of the interested party from the SISP process.
29. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Bidders, Qualified Bids, the details of any Bids submitted or the details of any confidential discussions or correspondence between the Applicants, the Monitor and such other bidders or Potential Bidders in connection with the SISP, except to the extent the Applicants, with the approval of the Monitor and consent of the applicable participants, are seeking to combine separate bids from Qualified Bidders.

Supervision of the SISP

30. The Monitor shall oversee and conduct the SISP, in all respects, and, without limitation to that supervisory role, the Monitor will participate in the SISP in the manner set out in this SISP Procedure, the SISP Order, the Initial Order and any other orders of the Court, and is entitled to receive all information in relation to the SISP.
31. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between the Applicants or the Monitor and any Potential Bidder, any Qualified Bidder or any other Person, other than as specifically set forth in a definitive agreement that may be entered into with the Applicants.
32. Without limiting the preceding paragraph, the Monitor shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Bidder, the Successful Bidder, the Applicants, the DIP Lender, or any other creditor or other stakeholder of the Applicants, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result from gross

negligence or willful misconduct of the Monitor. By submitting a bid, each Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Monitor for any reason whatsoever, except to the extent that such claim is the result of gross negligence or willful misconduct of the Monitor.

33. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a Transaction.
34. The Monitor, in consultation with the Applicants, shall have the right to modify the SISP Procedure (including, without limitation, pursuant to the Bid process letter) if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the Service List in these CCAA proceedings shall be advised of any substantive modification to the procedures set forth herein.

Deposits

35. All Deposits received pursuant to this SISP shall be held in trust by the Monitor. The Monitor shall hold Deposits paid by each of the Bidders in accordance with the terms outlined in this SISP. In the event that a Deposit is paid pursuant to this SISP and the Monitor elects not to proceed to negotiate and settle the terms and conditions of a definitive agreement with the Person that paid such Deposit, the Monitor shall return the Deposit to that Person. In the event that the Successful Bidder defaults in the payment or performance of any obligations owed to the Monitor or the Applicants pursuant to any Final Agreement, the Deposit paid by the Successful Bidder, as applicable, shall be forfeited as liquidated damages and not as a penalty.

Court File No:

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.C-36 AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO SIMEX INC., IWERKS ENTERTAINMENT INC., AND SIMEX-IWERKS MYRTLE BEACH LLC

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

PROCEEDING COMMENCED AT TORONTO

**REPORT OF THE PROPOSED MONITOR
January 18, 2024**

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