

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

**GROSVENOR PARK MEDIA FUND L.P.**

Plaintiff

- and -

**ARC PRODUCTIONS LTD., ARC HOLDINGS INC., ARC INVESTMENTS LTD.,  
ARC/DARK CRYSTAL PRODUCTIONS INC., KICK PRODUCTIONS LTD., IN THE  
JUNGLE PRODUCTIONS INC., TF I PRODUCTIONS INC., BL II PRODUCTIONS  
INC., ARCADIA PRODUCTIONS LTD., EGGS LTD., PRINCESS PRODUCTIONS  
INC., UNDERZOO PRODUCTIONS INC., HOLE IN THE BELLY PRODUCTIONS  
LTD., SIR SIMON PRODUCTION LTD., SAMURAI PRODUCTIONS LTD., THOMAS  
MURRAY, KALLAN KAGAN and PETER KOZIK**

Defendants

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**NOTICE OF MOTION**

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Deloitte Restructuring Inc. in its capacity as the Court-appointed Receiver (in such capacity, the “**Receiver**”), without security, of all the assets, undertakings and properties (collectively, the “**Property**”) of Arc Productions Ltd. and its subsidiaries and affiliates, which consist of the other corporate defendants described in the title of proceedings (collectively, “**Arc**”) will make a Motion to a Judge of the Commercial List, on Friday August 19, 2016 at 10:00 a.m. or soon after that time as the motion can be heard, at 330 University Avenue, 8th Floor, Toronto, Ontario.

**THE PROPOSED METHOD OF HEARING:** The motion is to be heard:

\_\_\_ in writing under subrule 37.12.1(1) because it is made without notice;

\_\_\_ in writing as an opposed motion under subrule 37.12.1(4); or  
 X  orally.

**THE MOTION IS FOR:**

1. An Order abridging the time for service of the Receiver’s notice of motion and motion record and validating the service of such motion materials;
2. An Order in the form attached as **Schedule “A”**:
  - a. approving the first report of the Receiver dated August 15, 2016 (the “**First Report**”) and the activities of the Receiver set out therein;
  - b. approving an agreement of purchase and sale (the “**APS**”) to be entered into between the Receiver and Jam Filled Entertainment (Toronto) Inc. (the “**Purchaser**”);
  - c. vesting the Purchased Assets, as defined in the APS, in the Purchaser free and clear of all liens, charges, interests and encumbrances of any nature and kind ; and
3. Such further and other relief as this Honourable Court may deem just.

**THE GROUNDS FOR THE MOTION ARE:**

**Background to this Motion**

1. Arc was in the business of providing animation and computer graphic services to the film and television industry and had approximately 550 full time and contract employees;
2. On July 29, 2016, the Plaintiff, Grosvenor Park Media Fund L.P. (the “**Lender**”), brought a motion seeking the appointment of an Interim Receiver over Arc and the other corporate defendants. That motion was granted by the Honourable Mr. Justice Wilton-

Siegel, and the Interim Receiver was appointed pursuant the Interim Receivership Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated July 29, 2016 (the “**Original Interim Receivership Order**”). On Tuesday, August 2, 2016, the Lender sought and obtained the (fresh) Interim Receivership Order;

3. Pursuant to paragraph 14 of the Interim Receivership Order, the employment of all of the employees of Arc and the Corporate Guarantors (as defined therein) was terminated. The operations of Arc in the ordinary course ceased as of the opening of business on August 2, 2016;
4. Following its appointment, the Interim Receiver moved with all necessary speed to take on various steps to secure the Property and, working with various parties, attempted to ascertain and solicit interest in a potential acquisition of some or all of Arc’s assets and business;
5. The Interim Receiver attempted to identify which of Arc’s contracts were most likely to generate realizations, and which contracts were at most risk of having their value deteriorate as a result of delays in production and loss of talent, among other factors. The Interim Receiver communicated with parties that had expressed interest in carrying on certain of the business and projects of Arc. Due to the nature of the business, the value of the business is rapidly deteriorating;
6. In light of the urgency of the situation created by the fact that work on all ongoing productions was halted on the morning of August 2, 2016, the Interim Receiver advised interested parties that it had established a deadline of noon (eastern) on Monday, August 8, 2016 for the submission of letters of intent to the Interim Receiver which should include details of, *inter alia*, the specific assets of Arc’s business to be purchased, any

associated conditions, the cash and other consideration to be received and the expected closing date.

7. On August 10, 2016, the Court made an order appointing Deloitte Restructuring Inc. Receiver over the assets, undertakings and properties of Arc for the purpose of, among other things, pursuing a sale transaction for substantially all of the assets of Arc and its affiliates, in respect of which the Interim Receiver had concluded a binding but conditional letter of intent with the prospective purchase Jam Filled Entertainment (Toronto) Inc. (“**Jam Filled**”);
8. The Receiver has determined that in order to preserve and maximize value, the sale or assignment of Arc’s assets must be concluded in the immediate term;
9. Among the key factors to preserving value in Arc’s assets is ensuring that artistic continuity is preserved, duplicative costs and expenses minimized or avoided, and better ensuring that the near and mid-term production deadlines can be met;

#### **Agreement of Purchase and Sale**

10. It is anticipated that Jam Filled will execute an agreement of purchase and sale with the Receiver to purchase all of Arc and its affiliates’ right, title and interest in and to their respective assets;
11. Given the factors driving the maximization of the value as discussed above, it is appropriate that a sale transaction be pursued on an urgent basis in order to preserve and maximize value;

12. Considering the shortness of time, and the fact that most of Arc' assets are under leases of various descriptions, the Receiver is of the view that the APS is an expeditious and practical way to preserve rights of stakeholders in the circumstances;
13. Based on the circumstances of this case, the APS represents the best opportunity to maximize value from the assets of Arc and its affiliates while minimizing hardship to various stakeholders who have agreements with Arc or its affiliates;
14. Rules 1.04, 2.01, 3.02, and 37 of the *Rules of Civil Procedure*; and
15. Such further and other grounds as counsel may advise and this Honourable Court may permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

1. The First Report of Deloitte Restructuring Inc. as Receiver; and
2. Such further and other documentary evidence as counsel may advise and this Honourable Court may accept.

**DATE:** August 16, 2016

**GOLDMAN SLOAN NASH & HABER LLP**

480 University Avenue, Suite 1600

TORONTO, ON M5G 1V2

Fax: 416-597-3370

**Mario Forte (LSUC #:27293F)**

Tel: 416-597-6477

Email: forte@gsnh.com

**Sanja Sopic (LSUC #: 66487P)**

Tel: 416-597-7876

Email: sopic@gsnh.com

Lawyers for Deloitte Restructuring Inc. in its capacity as the Court appointed Receiver of Arc Productions Ltd. et al.

**TO: THE SERVICE LIST**

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

THE HONOURABLE MR. ) FRIDAY, THE 19<sup>TH</sup>  
 )  
JUSTICE NEWBOULD ) DAY OF AUGUST, 2016

B E T W E E N:

**GROSVENOR PARK MEDIA FUND L.P.**

**Plaintiff**

**-and-**

**ARC PRODUCTIONS LTD., ARC HOLDINGS INC., ARC INVESTMENTS LTD., ARC/DARK CRYSTAL PRODUCTIONS INC., KICK PRODUCTIONS LTD., IN THE JUNGLE PRODUCTIONS INC., TF I PRODUCTIONS INC., BL II PRODUCTIONS INC., ARCADIA PRODUCTIONS LTD., EGGS LTD., PRINCESS PRODUCTIONS INC., UNDERZOO PRODUCTIONS INC., HOLE IN THE BELLY PRODUCTIONS LTD., SIR SIMON PRODUCTION LTD., SAMURAI PRODUCTIONS LTD., THOMAS MURRAY, KALLAN KAGAN and PETER KOZIK**

**Defendants**

**APPROVAL AND VESTING ORDER**

THIS MOTION, made by Deloitte Restructuring, Inc. in its capacity as the Court-appointed receiver (the “**Receiver**”) of the undertaking, property and assets of Arc Productions Ltd. and the other corporate defendants (together, the “**Debtors**”) for an order approving the sale transaction (the “**Transaction**”) contemplated by an agreement of purchase and sale (the “**Sale Agreement**”) between the Receiver and Jam Filled

Entertainment (Toronto) Inc. (the “**Purchaser**”) dated August [16] , 2016, which is included in the First Confidential Supplement to the Second Report of the Receiver dated August 16, 2016 (the “**Report**”), and vesting in the Purchaser the Debtors’ right, title and interest in and to the assets described in the Sale Agreement (the “**Purchased Assets**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Report, the affidavits of the Receiver and its counsel as to fees, and on hearing the submissions of counsel for the Receiver, the Plaintiff, the Purchaser [**names of other parties appearing**], no one appearing for any other person on the service list, although properly served as appears from the affidavit of ● sworn August ●, 2016, filed:

#### **SERVICE**

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

#### **APPROVAL OF FEES AND ACTIVITIES**

2. **THIS COURT ORDERS** that the activities of the Receiver and its counsel, as set out in the Report, are hereby approved.

3. **THIS COURT ORDERS** that the fees of the Receiver and its counsel, as set out in the Report, are hereby approved.

#### **SALE TRANSACTION AND VESTING**

4. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the Sale Agreement by the Receiver is hereby authorized and approved, with such minor amendments as the Receiver may deem necessary. The Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the

completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

5. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Receiver's certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "**Receiver's Certificate**"), all of the Debtors' right, title and interest in and to the Purchased Assets described in the Sale Agreement (and listed in Schedule B hereto) shall vest absolutely in the Purchaser, free and clear of and from any and all ownership claims, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages (including freehold and leasehold), pledges, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens (including liens under the *Construction Liens Act*), executions, levies, charges, claims, guarantees, encumbrances, liabilities, obligations, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured, legal, equitable, possessory, or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Wilton Siegel dated July 29, 2016 or any other order made in the within proceedings; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system including any intellectual property registry system; (all of which are collectively referred to as the "**Encumbrances**") and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

6. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been

sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

7. **THIS COURT ORDERS AND DIRECTS** the Receiver to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof.

8. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Company's records pertaining to the Debtor's past and current employees, including personal information of those employees listed on Schedule "●" to the Sale Agreement. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.

9. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act*

(Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

10. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

#### **CHANGE OF NAME**

11. **THIS COURT ORDERS** that (a) on or after the Closing Time, the Receiver shall execute and file articles of amendment or such other documents or instruments as may be required to change the Debtors' respective legal names in accordance with the Sale Agreement, and such articles, documents or other instruments shall be deemed to be duly authorized, valid and effective and shall be accepted by the Director (as defined in the applicable corporate statute, including the *Canada Business Corporations Act*) without the requirement (if any) of obtaining director, partner or shareholder approval pursuant to any federal, provincial or state legislation; and (b) upon the official change to the legal names of the Debtors that is to occur in accordance with the Sale Agreement, the names of the Debtors in the within title of proceedings shall be deleted and replaced with the new legal names of the Debtors, and any document filed thereafter in these proceedings (other than the Monitor's Certificate) shall be filed using such revised title of proceedings.

#### **DEFAULTS STAYED**

12. **THIS COURT ORDERS** that any defaults under any agreements validly assigned to or assumed by the Purchaser pursuant to the Sale Agreement are permanently stayed as against the Purchaser.

#### **SEALING**

13. **THIS COURT ORDERS** that the First Confidential Supplement to the Report shall be sealed, kept confidential and not form part of the public record, but rather shall

be placed, separate and apart from all other contents of the Court File, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of the Court, on not less than seven (7) days' notice to all persons on the Service List.

**GENERAL**

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

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**Schedule A - Form of Receiver's Certificate**

Court File No. \_\_\_\_\_

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**B E T W E E N:**

**PLAINTIFF**

Plaintiff

- and -

**DEFENDANT**

Defendant

**RECEIVER'S CERTIFICATE**

**RECITALS**

A. Pursuant to an Order of the Honourable [NAME OF JUDGE] of the Ontario Superior Court of Justice (the "Court") dated [DATE OF ORDER], [NAME OF RECEIVER] was appointed as the receiver (the "Receiver") of the undertaking, property and assets of [DEBTOR] (the "Debtor").

B. Pursuant to an Order of the Court dated [DATE], the Court approved the agreement of purchase and sale made as of [DATE OF AGREEMENT] (the "Sale Agreement") between the Receiver [Debtor] and [NAME OF PURCHASER] (the "Purchaser") and provided for the vesting in the Purchaser of the Debtor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the

Purchased Assets; (ii) that the conditions to Closing as set out in section ● of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in section ● of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Receiver.
4. This Certificate was delivered by the Receiver at \_\_\_\_\_ [TIME] on \_\_\_\_\_ [DATE].

**[NAME OF RECEIVER], in its capacity as Receiver of the undertaking, property and assets of [DEBTOR], and not in its personal capacity**

Per: \_\_\_\_\_  
Name:  
Title:

## Schedule B – Purchased Assets

1. All machinery, equipment, technology and communications hardware and infrastructure, furniture, furnishings and accessories, parts and supplies of all kinds including office supplies, including Arc Studio Assets;
2. All trucks, cars and other vehicles;
3. All inventories and receivables;
4. All prepaid expenses;
5. All rights under contracts assigned to the Purchaser (including leases of personal property) in accordance with such approvals, consents and waivers are necessary, including rights related to the Projects being assigned to or otherwise assumed by the Purchaser;
6. All authorizations, to the extent transferable;
7. The real estate lease rights to 364 Richmond Street West, Toronto, Ontario;
8. All intellectual property rights, including Arc Technology and owned software;
9. All social media accounts;
10. All Books and Records, except those related to excluded assets or taxes;
11. All Claims; and
12. Goodwill.

**GROSVENOR PARK MEDIA FUNDS L.P.**

**ARC PRODUCTIONS LTD. et al.**

**Plaintiff**

**Defendants**

Commercial List File No. CV-16-11472-00CL

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

**APPROVAL AND VESTING ORDER**

**GOLDMAN SLOAN NASH & HABER LLP**  
480 University Avenue, Suite 1600  
TORONTO, ON M5G 1V2

**Mario Forte** (LSUC #: 27293F)  
Tel: 416-597-6477  
Fax: 416-597-3370  
Email: [forte@gsnh.com](mailto:forte@gsnh.com)

**Sanja Sopic** (LSUC #: 66487P)  
Tel: 416-597-7876  
Email: [sopic@gsnh.com](mailto:sopic@gsnh.com)

Lawyers for Deloitte Restructuring Inc.

GROSVENOR PARK MEDIA FUND L.P.      and  
Plaintiff

ARC PRODUCTIONS LTD. ET AL  
Defendants

Court File No: 16-CV-11472-00CL

***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**

Proceeding commenced **TORONTO**

**NOTICE OF MOTION**  
**(Approval and Vesting Order)**  
**Wednesday August 19, 2016**

**GOLDMAN SLOAN NASH & HABER LLP**  
480 University Avenue, Suite 1600  
Toronto ON M5G 1V2  
Fax: 416-597-3370

**Mario Forte** (LSUC #: 27293F)  
Tel: 416-597-6477  
Email: forte@gsnh.com

**Sanja Sopic** (LSUC #: 66487P)  
Tel: 416-597-7876  
Email: sopic@gsnh.com

Lawyers for Deloitte Restructuring Inc. in its  
capacity as the Court appointed Receiver of Arc  
Productions Ltd. et al.