

**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

MOTION RECORD
(returnable August 10, 2016)

GOODMANS LLP
333 Bay St., Suite 3400
Toronto, Ontario M5H 2S7

L. Joseph Latham LSUC#: 32326A
Jason Wadden LSUC#: 46757M

Tel: (416) 979.2211
Fax: (416) 979.1234

Lawyers for the Plaintiff

INDEX

TAB

1. Notice of Motion
2. Draft Receivership Order

TAB 1

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

GROSVENOR PARK MEDIA FUND L.P.

Plaintiff

- and -

**ARC PRODUCTIONS LTD., ARC HOLDINGS INC., ARC INVESTMENTS LTD.,
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LTD., SIR SIMON PRODUCTION LTD., SAMURAI PRODUCTIONS LTD.,
THOMAS MURRAY, KALLAN KAGAN and PETER KOZIK**

Defendants

NOTICE OF MOTION
(returnable August 10, 2016)

THE MOVING PARTY, Grosvenor Park Media Fund L.P., will make a motion to a judge presiding over the Commercial List on Friday, August 10, 2016, at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 University Ave, Toronto, Ontario.

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

THE MOTION IS FOR:

1. an Order pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, section 101 of the *Courts of Justice Act* R.S.O. 1990 c. C43, as amended and rule 60.02(1)(d) of the *Rules of Civil Procedure* R.R.O. 1990, Reg. 194, as amended, appointing Deloitte Restructuring Inc. as receiver (in such capacity, “Receiver”) over (i) all the assets, property and undertaking of the corporate defendants and directing the interim receiver to take immediate possession and control of all of Arc Productions Ltd. and the corporate defendants’ property and undertaking

of every nature and kind whatsoever, and wherever situate; and (ii) the individual defendant's Pledged Shares (as defined below) on the terms set out in the order at Tab 2 of this Motion Record;

2. an Order abridging the timing for filing of this Notice of Motion and the Motion Record and validating the manner of service, if applicable; and
3. such further and other relief that the moving party may request and this Honourable Court may consider just.

THE GROUNDS FOR THE MOTION ARE:

A. The Parties

1. The Plaintiff Grosvenor Park Media Fund L.P. ("**Grosvenor**" or the "**Lender**") is a limited partnership organized under the laws of Delaware, having its head office in Santa Monica, California.

2. The defendant Arc Productions Ltd. ("**Arc**") is a corporation incorporated under the laws of Ontario. Arc has its head office in Toronto, Ontario. Arc was in the business of providing animation and computer graphic services to the film and television industry.

3. The other corporate defendants (the "**Corporate Guarantors**") are corporations each having its head office in Toronto, Ontario, and each is an affiliate or subsidiary of Arc.

4. The defendants Thomas Murray, Kallen Kagan and Peter Kozik, are each individuals residing in Ontario and, until very recently were each Former Directors of Arc (collectively, the "**Former Directors**"). Each Director was a director of Arc at all material times and were the only shareholders of Arc Investments Ltd., Arc's ultimate indirect parent company.

B. The Credit Agreement, Corporate Guarantees and Security Agreements

5. The Lender and Arc entered into a Credit Agreement dated as of December 10, 2015 (the "**Credit Agreement**"). The Credit Agreement contemplated that the Lender would advance funds to Arc under four separate tranches or facilities.

6. Pursuant to the Credit Agreement, the Corporate Guarantors provided guarantees of Arc's obligations under the Credit Agreement (the "**Corporate Guarantees**"). The Corporate Guarantees also provide that the Lender does not need to exhaust its recourse against the applicable borrowers before enforcing the Corporate Guarantees.

7. The obligations of Arc and the Corporate Guarantors under the Credit Agreement were secured by, *inter alia*, Security Agreements dated December 10, 2015, entered into by each of Arc and the Corporate Guarantors (collectively, the "**Security Agreements**"), pursuant to which the Lender took security over all of Arc's and the Corporate Guarantors' then present and future acquired property wherever located.

C. Arc's Repeated Defaults

8. By February 8, 2016, less than two months after it had entered into the Credit Agreement, Arc had committed a number of material defaults under the Credit Agreement, including, but not limited to, failing to make a number of payments required thereunder and a number of breaches of non-monetary covenants (the "**February Defaults**").

9. As a result of the February Defaults, the Lender and Arc entered into a Waiver Agreement dated as of February 8, 2016 (the "**First Waiver Agreement**"), to provide Arc with the opportunity to turn its operations around and to become compliant with the Credit Agreement.

10. Despite the indulgences and breathing room provided by the First Waiver Agreement, Arc again was in material default under the Credit Agreement by May 3, 2016 (the "**May Defaults**").

11. As a result of the May Defaults, on May 3, 2016, the Lender, Arc and the Corporate Guarantors entered into a further Waiver Agreement (the "**Second Waiver Agreement**") and the Amendment to the Credit Agreement (the "**Credit Agreement Amendment**"), pursuant to which the Lender agreed to forbear on enforcing its rights under the Credit Agreement and provide Arc with up to \$4 million under a new tranche on the condition that Arc abide by certain conditions.

12. In addition, the Former Directors each provided the Lender with a guarantee dated May 3, 2016 (the “**Director Guarantees**”), which were secured by a pledge of their shares in Arc Investments Ltd. (the “**Pledged Shares**”), the ultimate indirect parent of Arc. By the Director Guarantees, the Former Directors guaranteed the performance and payment of all obligations owing under the Credit Agreement to the Lender with the recourse being limited to the Pledged Shares. The Director Guarantees also provide that the Lender does not need to exhaust its recourse against the applicable borrowers before enforcing the Director Guarantees

13. By July 13, 2016, despite having obtained additional financing from the Lender, Arc was once again in default under its obligations to the Lender (the “**July Defaults**”).

14. As a result of the July Defaults, the Lender again proposed to forbear on taking any enforcement action provided that Arc: (i) appoint a Chief Restructuring Officer acceptable to it; and (ii) provide a consent to the appointment of a receiver. Arc failed to do either of these things.

D. A Receiver Is Necessary To Protect the Lender’s Collateral and Arc’s Assets

15. Arc does not have any reasonable or foreseeable prospect of turning its business around.

16. As of July 27, 2016, there is in excess of approximately \$30,763,133 owing under the Credit Agreement (the “**Indebtedness**”).

17. The Credit Agreement, the Corporate Guarantees and the Director Guarantees are now in default. On Friday, July 22, 2016, the Lender made demand on Arc, the Corporate Guarantors and the Former Directors for the repayment of the Indebtedness, and delivered a Notice of Intention to Enforce Security pursuant to section 244 of the BIA against Arc, the Corporate Guarantors and the Former Directors.

18. Arc, the Guarantors and the Former Directors have failed to pay the Indebtedness and any other amounts owing and due under the Credit Agreement, Corporate Guarantees and the Director Guarantees, respectively.

19. On July 29, 2016, the Court granted an order appointed Deloitte Restructuring Inc. as interim receiver over the assets and undertakings of Arc (in such capacity, “**Interim Receiver**”), with limited powers to manage Arc’s affairs.
20. Arc’s Former Directors have all resigned, leaving the company without anyone who controls its affairs. All of Arc’s employees have been terminated pursuant to paragraph 14 of the Fresh as Amended Interim Receivership Order. Furthermore, production has halted since the appointment of the Interim Receiver.
21. Since its appointment, the Interim Receiver has worked diligently to solicit offers for the sale of Arc’s assets given that the nature of its most value assets are such that they must be sold quickly in order to preserve their value. Time is of the essence.
22. The appointment of a receiver is necessary for the ongoing protection of the debtor’s estate and the interests of the Lender.
23. Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;
24. Section 101 of the *Courts of Justice Act* R.S.O. 1990 c. C43, as amended;
25. Rules 1.04(1), 1.04(2), 2.03, 37 and 60.02(1)(d) of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194.
26. Such further and other grounds as counsel may advise and this Honourable Court may permit.

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THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE MOTION:

- (a) The affidavit of Donald Starr, sworn July 29, 2016;
- (b) The affidavit of Jason Wadden, sworn July 29, 2016;
- (c) The affidavit of Jesse Mighton, sworn August 2, 2016;
- (d) The report of the Interim Receiver to be filed; and
- (e) Such further and other evidence as counsel may advise and this Honourable Court may admit.

August 8, 2016

GOODMANS LLP
Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

L. Joseph Latham LSUC#: 32326A
Jason Wadden LSUC#: 46757M

Tel: (416) 979.2211
Fax: (416) 979.1234

Lawyers for the Plaintiff

TO: THE SERVICE LIST ATTACHED AS SCHEDULE "A"

SCHEDULE "A"

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

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

GROSVENOR PARK MEDIA FUND L.P.

Plaintiff

- and -

**ARC PRODUCTIONS LTD., ARC HOLDINGS INC., ARC INVESTMENTS LTD.,
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MURRAY, KALLAN KAGAN and PETER KOZIK**

Defendants

**SERVICE LIST
(as at August 8, 2016)**

Party	Contact
GOODMANS LLP Barristers & Solicitors Bay Adelaide Centre 333 Bay Street, Suite 3400 Toronto, ON M5H 2S7 Counsel to Grosvenor Park Media Fund LP, the Applicant	Joe Latham Tel: 416.597.4211 Fax: 416.979.1234 Email:jlatham@goodmans.ca Jason Wadden Tel: 416.597.5165 Fax: 416.979.1234 Email:jwadden@goodmans.ca Jesse Mighton Tel: 416.597.5148 Fax: 416.979.1234 Email: jmighton@goodmans.ca

<p>DENTONS LLP Barristers & Solicitors Toronto-Dominion Centre 77 King Street West, 400 Toronto, ON M5K 0A1</p> <p>Counsel to Bank of America</p>	<p>Kenneth D. Kraft Tel: 416.863.4374 Fax: 416.863.4592 Email:kenneth.kraft@dentons.com</p>
<p>GOLDMAN SLOAN NASH & HABER LLP Barristers & Solicitors 480 University Ave, 1600 Toronto, ON M5G 1V2</p> <p>Counsel to Deloitte Restructuring Inc.</p>	<p>Mario Forte Tel: 416.597.6477 Fax: 416.597.3370 Email:forte@gsnh.com</p> <p>Sonja Sopic Tel: 416.597.7876 Fax: 416.597.3370 Email:sopic@gsnh.com</p>
<p>DELOITTE RESTRUCTURING INC. Bay Adelaide East 22 Adelaide Street West, 200 Toronto, ON M5H 0A9</p> <p>Interim Receiver and Proposed Receiver</p>	<p>Paul Casey Tel: 416.775-7172 Fax: 416.601.6690 Email: paucasey@deloitte.ca</p> <p>Warren Leung Tel: 416.874.4461 Fax: 416.601.6690 Email: waleung@deloitte.ca</p> <p>Jay Tailor Tel: 416.601.6517 Fax: 416.601.6690 Email: jtaylor@deloitte.ca</p>

<p>BLAKE, CASSELS & GRAYDON LLP Barristers & Solicitors Commerce Court West 199 Bay Street, Suite 4000 Toronto, ON M5L 1A9</p> <p>Counsel to 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., the Defendants.</p>	<p>Steven Weisz Tel: 416-863-2616 Fax: 416.863.2653 Email: steven.weisz@blakes.com</p> <p>Christopher Jones Tel: 416-863-270 Fax: 416.863.2653 Email: christopher.jones@blakes.com</p> <p>Linc Rogers Tel: 416.863.4168 Fax: 416.863.2653 Email: linc.rogers@blakes.com</p>
<p>THOMAS MURRAY 302 Pinegrove Road Oakville, ON, L6K3P9</p> <p>Defendant, Former Director of Arc Productions Ltd.</p>	<p>Email: jtmurray@rogers.com</p>
<p>KALLAN KAGAN 51 Park Blvd. Toronto, ON, M8W1H1</p> <p>Defendant, Former Director of Arc Productions Ltd.</p>	<p>Email: kallan.kagan@arcproductions.com</p>
<p>PETER KOZICK 302 Pinegrove Road Oakville, ON, L6K3P9</p> <p>Defendant, Former Director of Arc Productions Ltd.</p>	<p>Email: pakozik@gmail.com</p>

GROSVENOR PARK MEDIA FUND L.P.

Plaintiff

and

ARC PRODUCTIONS LTD., et al.

Defendants

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

NOTICE OF MOTION
(Motion Returnable August 10, 2016)

GOODMANS LLP
Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

L. Joseph Latham LSUC#: 32326A
Jason Wadden LSUC#: 467575M

Tel: 416.979.2211
Fax: 416.979.1234
Lawyers for the Plaintiff

TAB 2

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

THE HONOURABLE MR.)

WEDNESDAY, THE 10TH

JUSTICE PENNY)

DAY OF AUGUST, 2016

GROSVENOR PARK MEDIA FUND L.P.

Plaintiff

- and -

**ARC PRODUCTIONS LTD., ARC HOLDINGS INC., ARC INVESTMENTS LTD.,
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MURRAY, KALLEN KAGAN and PETER KOZIK**

Defendants

RECEIVERSHIP ORDER

(August 10, 2016)

THIS MOTION made by the Plaintiff for an Order pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing Deloitte Restructuring Inc. as Receiver (in such capacities, the "Receiver") without security, of, among other things, all of the assets, undertakings and properties of the corporate defendants (the "Debtors") acquired for, or used in relation to a business carried on by the Debtors, and certain shares of the individual defendants (the "Directors") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavits of Donald Starr sworn July 29, 2016, Jason Wadden sworn July 29, 2016, and Jesse Mighton sworn August 2, 2016, and the exhibits thereto, and the First Report of the Interim Receiver, and on hearing the submissions of counsel for the Plaintiff and the Interim Receiver, on reading the consent of Deloitte Restructuring Inc. to act as the Receiver,

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.

APPOINTMENT

2. THIS COURT ORDERS that, Deloitte Restructuring Inc. is hereby appointed Receiver pursuant to section 243 of the BIA and section 101 of the CJA, without security, of:

- (a) all of the assets, undertakings and properties of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof; and
- (b) the shares of Arc Investments Ltd. held by each of the Directors

(collectively, the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtors, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtors;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter

instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$250,000 provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the Receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations,

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

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

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

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

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of

the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days' notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

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

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH THE RECEIVER

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

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

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

EMPLOYEES

14. THIS COURT ORDERS that the Receiver shall not be obligated to hire any of the former employees of the Debtor. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of

its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

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

LIMITATION ON ENVIRONMENTAL LIABILITIES

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

pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

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

RECEIVER'S ACCOUNTS

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

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

FUNDING OF THE RECEIVERSHIP

21. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$500,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

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

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

SERVICE AND NOTICE

25. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service->

protocol/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: www.insolvencies.deloitte.ca/en.ca/arcproductions.

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

GENERAL

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

28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a receiver or a trustee in bankruptcy of the Debtors.

29. 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.

30. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

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

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

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that DELOITTE INC., the Receiver (the "Receiver") of the assets, undertakings and properties 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. (collectively, the "Debtors") acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 29th day of July, 2016 (the "Order") made in an action having Court file number __-CL-_____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

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

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

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

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

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

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

DATED the ____ day of _____, 20__.

DELOITTE INC., solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

Name:

Title:

GROSVENOR PARK MEDIA FUND L.P.

Plaintiff

and

ARC PRODUCTIONS LTD., et al.

Defendants

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

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

Proceeding commenced at Toronto

**RECEIVERSHIP ORDER
(August 10, 2016)**

GOODMANS LLP

Barristers & Solicitors

333 Bay Street, Suite 3400

Toronto, Ontario M5H 2S7

L. Joseph Latham LSUC#: 32326A

Jason Wadden LSUC#: 467575M

Tel: 416.979.2211

Fax: 416.979.1234

Lawyers for the Plaintiff

GROSVENOR PARK MEDIA FUND L.P.

Plaintiff

and

ARC PRODUCTIONS LTD., et al.

Defendant

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

MOTION RECORD
(Motion Returnable August 10, 2016)

GOODMANS LLP
Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

L. Joseph Latham LSUC#: 32326A
Jason Wadden LSUC#: 467575M

Tel: 416.979.2211
Fax: 416.979.1234
Lawyers for the Plaintiff