

**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

**FIFTEENTH REPORT OF DELOITTE RESTRUCTURING INC.,
RECEIVER OF ARC PRODUCTIONS LTD., ET AL.
(April 9, 2020)**

1. This report is filed by Deloitte Restructuring Inc. (the “Receiver”) in its capacity as receiver of the assets, properties and undertakings of Arc Productions Ltd. and the other corporate Defendants (collectively, “Arc” or the “Company”) and the other Property as defined in the Receivership Order granted by the Honourable Mr. Justice Penny on Wednesday, August 10, 2016 (the “Receivership Order”).
2. The Receiver has prepared this fifteenth report (the “Fifteenth Report”) in its capacity as a Court-appointed officer solely for the purposes outlined herein. Parties using the Fifteenth Report, other than for the purpose outlined herein, are cautioned that it may not

be appropriate for their purposes. Unless otherwise provided, all dollar amounts contained in this Fifteenth Report are expressed in Canadian Dollars. Unless otherwise provided, all other capitalized items not otherwise defined in this Fifteenth Report are as defined in the First through Fourteenth Reports.

C. Purposes of the Report

3. The Receiver files this Fifteenth Report to seek the Court's advice and direction, on notice to all affected parties, with respect to the appropriate process to determine entitlement to receive a further distribution of \$1,149,702 being net tax credit recoveries and accrued interest, net of directly attributable professional fees and costs, which may be the subject of proprietary claims by certain Third Party Claimants (defined below).

D. Background

4. On July 29, 2016, Grosvenor Park Media Fund L.P. ("GP") brought a motion seeking the appointment of an Interim Receiver over ARC and certain other property. That motion was granted by the Honourable Mr. Justice Wilton-Siegel and the Interim Receiver was appointed pursuant to the Interim Receivership Order dated July 29, 2016 (the "Original Interim Receivership Order"). Pursuant to the endorsement accompanying the Original Interim Receivership Order, the fact of the receivership order was to remain confidential and the Interim Receiver was not to implement the powers provided to it pending a return conference on August 2, 2016.

5. On August 2, 2016, the Lender sought and obtained the Fresh as Amended Interim Receivership Order (the “August 2, 2016 Order”).
6. On August 10, 2016, the Receivership Order was granted by the Honourable Mr. Justice Penny.
7. On April 18, 2017, the Honourable Justice Newbould granted a Distribution Order (the “Distribution Order”), which, among other things, authorized the Receiver to “distribute to GP from time to time all funds coming into its hands, subject to such reserves as the Receiver may deem prudent in the circumstances, up to the amount of \$43,953,400”. Paragraph 5 of the Distribution Order states that “any distributions by the Receiver hereunder of proceeds of the realization or collection of tax credits of Arc, where the Receiver has notice of the interests of parties other than GP claiming ownership, security interests, or both in such tax credits or their proceeds, shall only be made upon further Order of the Court on notice to GP and to such other parties”.
8. Copies of the Court orders, the First to Fourteenth Reports, and other materials relevant to the Receivership can be accessed from the Receiver’s website at www.insolvencies.deloitte.ca

E. Additional Recoveries Which May Be Subject to Third Party Claims

9. The Receiver is aware that BK2BRAC Holdings Inc. (“BK2BRAC” or “Disney”), Spin Master Riveting Productions Inc. (“Spin Master”), and Blazing Productions Ltd. (“Blazing”) (collectively, the “Third Party Claimants”) are parties to Production Services

Agreements (“PSAs”) with Arc whereby Arc had contracted to compile information and submit tax recovery claims on behalf of the individual Third Party Claimants who would have been entitled to receive the proceeds of these tax credit applications in the ordinary course.

10. Generally, these PSAs assign Arc’s rights and claims to tax credits resulting from certain productions to the Third Party Claimants. Copies of the relevant PSAs are attached herein as Appendix “A”.
11. In addition, the Receiver understands that certain obligations of Arc were secured by the security interest granted to BK2BRAC, which was perfected by a June 28, 2013 registration in favour of BK2BRAC, and subordinated to the security held by GP by agreement between BK2BRAC and GP dated December 10, 2015 (the “Subordination Agreement”). The relevant page extracted from an August 4, 2016 PPSA search against Arc outlining the BK2BRAC registration together with a copy of the Subordination Agreement are attached herein as Appendix “B”.
12. Since the Thirteenth Report, the Receiver has collected tax recoveries and accrued interest, net of directly attributable professional fees and costs, related to PSAs with Third Party Claimants of \$1,149,702, detailed in the attached Appendix “C” and as follows:
 - (a) BK2BRAC – \$395,090; and
 - (b) Spin Master – \$754,612.

13. The Receiver has calculated that the professional fees and costs directly attributable to the collection of these amounts to date are \$29,855 for BK2BRAC and \$8,369 for Spin Master.
14. Attached as Appendix “D” is the Receiver’s Statement of Receipts and Disbursements for the period from August 2, 2016 to February 29, 2020 which indicates that, after taking into account an appropriate reserve and the pending tenth distribution of \$1,050,000 to GP as outlined in the Fourteenth Report, there are available funds on hand to permit this distribution of \$1,149,702.
15. The Fourth Report of the Receiver dated December 5, 2016 reported on the Receiver’s review of the validity and enforceability of GP’s security in respect of the assets, properties and undertakings of Arc and the opinion (the “Security Opinion”) of the Receiver’s independent legal counsel, Goldman Sloan Nash & Haber LLP (“GSNH”). According to the Security Opinion, it is GSNH’s opinion that, subject to the customary qualifications and limitations included therein, GP’s security is valid and enforceable against all assets, properties and undertakings of Arc.
16. The Receiver has consulted GSNH with respect to the interests of GP and the Third Party Claimants related to the recoveries from these PSAs with Third Party Claimants. The Receiver is advised by GSNH that there is uncertainty as to whether the security interest of GP constitutes a first-ranking charge over net tax recoveries relating to PSAs with these Third Party Claimants, or whether Arc’s contractual obligation in these PSAs to

assign net tax recoveries to the appropriate Third Party Claimant creates a proprietary interest in these net proceeds such that they are not impressed with GP's security interest.

17. Accordingly, and in compliance with the Distribution Order, the Receiver is seeking the advice and direction of the Court with respect to the appropriate distribution of \$1,149,702 of net proceeds from these tax credits received in respect of the PSAs.
18. GP is reviewing the circumstances surrounding the distribution of these funds and has not taken a position at the time of the filing of this Report.

All of which is respectfully submitted at Toronto, Ontario this 9th day of April, 2020.

Deloitte Restructuring Inc.,
in its capacity as Court-appointed Receiver of
Arc Productions Ltd. et al and not in its personal capacity



Per:
Paul M. Casey, CPA, CA, FCIRP, LIT
Senior Vice-President

Attachments

APPENDIX "A"

BK2BRAC HOLDINGS INC. PRODUCTION SERVICES AGREEMENT

**SPIN MASTER RIVETING PRODUCTIONS INC. PRODUCTION SERVICES
AGREEMENT**

BLAZING PRODUCTIONS LTD. PRODUCTION SERVICES AGREEMENT

INTENTIONALLY REMOVED PENDING SEALING ORDER

APPENDIX "B"

BK2BRAC HOLDINGS INC. PPSA

BK2BRAC HOLDINGS INC. SUBORDINATION AGREEMENT

INTENTIONALLY REMOVED PENDING SEALING ORDER

APPENDIX “C”

In the matter of the Receivership of Arc Productions Ltd.
Schedule of Film Tax Credits Potentially Subject to Third Party PSAs, Before Fees and Disbursements
as at February 29, 2020

<i>Third Party</i>	<i>Status</i>	<i>Year</i>	<i>Production</i>	<i>Tax Credit</i>	<i>C\$</i>	
Disney	Received	2014	Meet the Piston Peak Team, I (1-4)	OCASE	144,967	
			The Pirate Fairy	OCASE	19,990	
			Tink'n About Animals	OCASE	106,817	
			Vitaminamulch: Air Spectacular	OCASE	125,748	
			Accrued Interest		27,423	
					424,945	
				Fees and disbursements	(29,855)	
				Total	395,090	
	Outstanding		2013	Meet the Piston Peak Team, I (1-4)	OCASE	2,627
				The Pirate Fairy	OCASE	95,644
Vitaminamulch: Air Spectacular				OCASE	59,608	
					157,879	
			Total	552,969		
Spin Master	Received	2014	Rusty Rivets, I	OCASE	22,804	
			Accrued Interest		1,573	
		2015	Rusty Rivets, I	OCASE	384,213	
			Accrued Interest		18,658	
		2016	Rusty Rivets, I	OCASE	330,152	
			Accrued Interest		5,581	
						762,981
					Fees and disbursements	(8,369)
			Total	754,612		
Blazing	Outstanding	2015	Blazing Samurai	PSTC	7,964	
				OPSTC	22,387	
		2016	Blazing Samurai	PSTC	188,683	
				OPSTC	503,179	
				OCASE	324,271	
				Total	1,046,484	
Total tax credits potentially subject to third party PSAs, received to date					1,134,691	
Accrued interest					53,235	
Fees and disbursements					(38,224)	
Total tax credits potentially subject to third party PSAs, received to date net of fees and disbursements					1,149,702	
Outstanding tax credits potentially subject to third party PSAs					1,204,363	
Total tax credits potentially subject to third party PSAs					2,354,065	

APPENDIX “D”

In the Matter of the Receivership of Arc Productions Ltd. ("Arc")
Statement of Receipts and Disbursements
For the period August 2, 2016 to February 29, 2020

Description	Amount
Receipts	
Cash on hand and sale proceeds	\$ 2,205,620
Film tax credits recoveries net of CRA set-off	26,344,418
Total receipts to date	<u>28,550,038</u>
Disbursements	
WEPP payments (Section 81.4 Claims)	1,068,875
Receiver's fees	965,966
Receiver's legal counsel fees	201,138
Contract employees and third party professionals	584,652
Operating expenses	222,179
Occupation rent	155,990
Tax credits filing and application fees	81,682
HST paid (received) post-receivership, net of refunds	18,778
Total disbursements to date	<u>3,299,260</u>
Surplus of receipts over disbursements before distributions to secured creditor	<u>\$ 25,250,778</u>
Distributions to Secured Creditor	22,841,807
Excess of Receipts over Disbursements	\$ 2,408,971
Less Accruals:	
Holdback for fees, costs, and expenses	(224,280)
Holdback for tenth distribution to GP as described in the Fourteenth Report	<u>(1,050,000)</u>
Total accruals	<u>(1,274,280)</u>
Tax credits potentially subject to third party PSAs	1,134,691
Accrued interest less fees and disbursements - tax credits potentially subject to third party PSAs	15,011
Net amount available for distribution of tax credits potentially subject to third party PSAs	<u>\$ 1,149,702</u>

GROSVENOR PARK MEDIA FUND L.P.

Plaintiff

and

ARC PRODUCTIONS LTD., et al. Court File No. 16-CV-11472-00CL

Defendants

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

FIFTEENTH REPORT OF THE RECEIVER
(April 9, 2020)
