

**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

**SIXTH REPORT OF DELOITTE RESTRUCTURING INC.,  
RECEIVER OF ARC PRODUCTIONS LTD., ET AL.  
(May 12, 2017)**

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 previously provided the Court with the following reports:

- (a) the First Report of the Receiver (in its former capacity as Interim Receiver) dated August 8, 2016 in connection with the Receiver's recommendation that a full receivership order be granted;
- (b) the Second Report of the Receiver dated August 16, 2016 in connection with the Receiver's recommendation for the approval of the sale of substantially all of the assets and undertaking of Arc to Jam Filled Entertainment (Toronto) Inc. ("Jam Filled");
- (c) the Third Report of the Receiver dated September 2, 2016 in connection with the Receiver's assignment of the Peter Street lease to the landlord and other relief;
- (d) the Fourth Report of the Receiver dated December 5, 2016 in connection with the Receiver's recommendation to assign Arc into bankruptcy; and,
- (e) the Fifth Report of the Receiver dated March 27, 2017 in connection with the Receiver's recommendation to make distributions of available proceeds in the receivership estate to Arc's senior secured lender, Grosvenor Park Media Fund L.P. ("GP").

Copies of these reports and other materials relevant to the Receivership can be accessed from the Receiver's website at [www.insolvencies.deloitte.ca](http://www.insolvencies.deloitte.ca).

3. The Receiver has prepared this sixth report (the “Sixth Report”) in its capacity as a Court-appointed officer solely for the purpose outlined herein. Parties using the Sixth 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 Sixth Report are expressed in Canadian Dollars. Unless otherwise provided, all other capitalized items not otherwise defined this Sixth Report are as defined in the First through Fifth Reports.

**A. Purpose of the Report**

4. The Receiver has prepared this Sixth Report to advise the Court and the Service List of the Receiver’s intention to make a further distribution of \$4,500,000 to GP from available funds on hand, and to report on the source of these funds.

**B. April 18, 2017 Distribution Order**

5. Attached as Appendix “A” is the Distribution Order of the Ontario Superior Court of Justice (Commercial List) dated April 18, 2017 (the “Distribution Order”). Paragraph 4 of the Distribution Order provides that “subject to paragraph 5 of this Order, the Receiver be and is hereby authorized 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”.

6. To date, the Receiver has distributed C\$579,388 and US\$147,245 to GP (for a total C\$ equivalent of \$770,807 at US\$1 = C\$1.30).
7. Attached as Appendix “B” is the Receiver’s Statement of Receipts and Disbursements for the period from August 2, 2016 to May 8, 2017 which indicates that there are available funds on hand for further distribution to GP of \$4,500,000.
8. The source of funds for this recommended distribution are film tax credit recoveries from Arc’s affiliated companies TF I Productions Inc., BL II Productions Inc., and Eggs Ltd., as well as post-receivership HST recoveries. Total film tax credits received to date by the Receiver are \$6,327,588 and are detailed on the attached Appendix “C”. Not included in these receipts are provincial film tax credit recoveries due to Arc for 2012 productions of \$1,187,479 which have been withheld by Canada Revenue Agency and set off against Arc’s pre-receivership liabilities for employee source deductions, employer liabilities, penalties and interest totaling \$1,162,636, and a July 2016 HST liability of \$24,843.
9. After due consideration of the source of the funds for this proposed distribution, the Receiver is not aware of any party who may have a claim to these proceeds in priority to the interests of GP either as an owner or secured creditor. Notwithstanding, the Receiver has prepared, served and filed this Sixth Report to notify the Service List of its intention to make this distribution on May 26, 2017 or immediately thereafter in accordance with the Distribution Order.

All of which is respectfully submitted at Toronto, Ontario this 12<sup>th</sup> day of May, 2017.

**Deloitte Restructuring Inc.,**  
in its capacity as  
Court-appointed Receiver of  
Arc Productions Ltd. et al

Per:

  
\_\_\_\_\_  
Paul M. Casey, CPA, CA, FCIRP  
Senior Vice-President

# Appendix “A”

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

THE HONOURABLE

) TUESDAY, THE

) JUSTICE NEWBOULD

) 18<sup>TH</sup> DAY OF APRIL, 2017



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**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**

**DISTRIBUTION ORDER**

THIS MOTION, made by 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”) for an Order approving the activities of the Receiver since December 5, 2016 as set out in the Fifth Report of the Receiver dated March 27, 2017 (the “Fifth Report”), approving the fees of the Receiver for the period from November 1, 2016 to February 28, 2017 and the fees of the Receiver’s legal counsel for the same period, and authorizing the Receiver to make distributions to Grosvenor Park Media Fund, from time to time, subject to the

terms and conditions set out in the herein Order, was heard this day at at 330 University Avenue, Toronto, Ontario.

ON READING the Fifth Report and the affidavits of the Receiver and its counsel as to fees, and on hearing the submissions of counsel for the Receiver and of the Plaintiff, no one else appearing although properly served as appears from the affidavit of Mario Forte, sworn March 23, 2017, 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 since December 5, 2016, as set out in the Fifth Report, are hereby approved.

3. **THIS COURT ORDERS** that the fees of the Receiver and its counsel for the period from November 1, 2016 to February 28, 2017, as set out in the Fifth Report, are hereby approved.

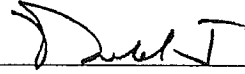
### **DISTRIBUTIONS**

4. **THIS COURT ORDERS** that, subject to paragraph 5 of this Order, the Receiver be and is hereby authorized to distribute to Grosvenor Park Media Fund L.P. ("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, without further Order of this Court.

5. **THIS COURT ORDERS** that, notwithstanding paragraph 4 hereof, 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.



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ON / BOOK NO:  
LE / DANS LE REGISTRE NO:

APR 18 2017

PER / PAR: 

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

v

**ARC PRODUCTIONS LTD. et al.**  
Defendants

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

**ONTARIO**

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

Proceedings commenced at  
Toronto

**DISTRIBUTION ORDER**

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

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Lawyers for Deloitte Restructuring Inc.

# Appendix “B”

**In the Matter of the Receivership of Arc Productions Ltd. ("Arc")**  
**Statement of Receipts and Disbursements**  
**For the period from August 2, 2016 to May 8, 2017**

<b>Receipts</b>		<b>Notes</b>
Cash on hand and sale proceeds	\$ 2,117,666	1
Film tax credits recoveries	6,327,588	2
Administration of asset transfers and occupancy cost recoveries, other	80,070	3
<b>Total receipts</b>	<b>8,525,325</b>	
 <b>Disbursements</b>		
Receiver's fees	622,038	5
Receiver's legal counsel fees	170,048	5
Contract employees and third party professionals	292,704	4
Operating expenses	229,718	1
Occupation rent	155,990	
Tax credits filing and application fees	70,060	
HST paid post-receivership, net of refunds	15,930	
<b>Total disbursements</b>	<b>1,556,488</b>	
 <b>Surplus of receipts over disbursements before distributions to secured creditors and WEPP payments</b>		
	<b>\$ 6,968,837</b>	
Distributions to Secured Creditors (Receivership)	770,807	1
WEPP payments (Section 81.4 Claims)	1,053,157	
	<b>\$ 5,144,873</b>	
 <b>Less Accruals:</b>		
CRA penalties and interest on employee withholdings arrears	(261,845)	
Holdback for fees, costs and expenses	(383,028)	
	<b>\$ 4,500,000</b>	

**Notes:**

- 1 This amount includes balances in US\$ translated at an exchange rate of 1.3.
- 2 Includes 2012 ARC Productions Ltd. ("APL"), 2014 TF I Productions Inc., 2014 BL II Productions Inc., and 2015 Eggs Ltd. APL Tax credits received are net of funds withheld by CRA for source deduction and penalty amounts, as well as HST owings as at July 31, 2016
- 3 Includes reimbursement of costs by Arc customers.
- 4 The Receiver contracted certain former Arc employees to assist with records of employment, Wage Earner Protection Program, T4s, tax credit administration, computer systems backup.
- 5 Includes billings of the Receiver to January 31, 2017 and legal counsel to February 28, 2017.

# Appendix “C”

**In the matter of the Receivership of Arc Productions Ltd.**  
**Schedule of Film Tax Credits Received**  
**For the period from August 2, 2016 to May 8, 2017**

<i>Entity</i>	<i>Year</i>	<i>Production</i>	<i>Tax Credit</i>	<i>C\$ Received</i>
TF I Productions Inc.	2014	Thomas & Friends 17 & 18	PSTC	75,760
			OPSTC	242,210
			OCASE	147,040
		Thomas & Friends 19	PSTC	360,825
			OPSTC	1,120,368
			OCASE	753,680
		Accrued Interest	49,848	
			Entity & Year Total	2,749,731
BL II Productions Inc.	2014	Barbie's Life 4	PSTC	182,728
			OPSTC	483,793
			OCASE	220,037
		Barbie's Life 5	PSTC	145,701
			OPSTC	432,654
			OCASE	212,337
		Barbie DVD 2015	PSTC	313,553
			OPSTC	923,251
			OCASE	476,774
		Accrued Interest	68,593	
			Entity & Year Total	3,459,421
Eggs Ltd.	2015	Ice Age Holiday Special	OPSTC	118,248
		Accrued Interest		188
ARC Productions Ltd.	2012	Matt Hatter 1	OPSTC	205,902
			OCASE	980,707
		13 Projects		
		Accrued Interest		870
			Entity & Year Total	1,187,479
<b>Total processed and received to date</b>				<b>7,515,067</b>
CRA set-off for HST owings as at July 31, 2016				(24,843)
CRA set-off for source deductions and penalties				(1,162,636)
<b>Tax Credits received to date, May 8, 2017</b>				<b>6,327,588</b>

GROSVENOR PARK MEDIA FUND L.P.

ARC PRODUCTIONS LTD., et al.

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

and

**Plaintiff**

**Defendants**

**ONTARIO  
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Proceeding commenced at Toronto

**SIXTH REPORT OF THE RECEIVER**  
(May 12, 2017)