



**Report of
KSV Kofman Inc.
as Proposed CCAA Monitor of
1462598 Ontario Inc.
(d/b/a Tricon Films & Television)
and the Companies Listed on
Appendix “A”**

December 11, 2016

Contents		Page
1.0	Introduction.....	1
1.1	Purposes of this Report.....	2
1.2	Restrictions	2
1.3	KSV's Qualifications to Act as Monitor	3
2.0	Background	3
2.1	Financial Overview.....	4
3.0	Creditors.....	5
3.1	SunTrust	5
3.2	Other Secured Creditors	6
3.3	Unsecured Creditors	7
4.0	Cash Flow Forecast.....	7
5.0	DIP Facility	7
5.1	Recommendation	9
6.0	Potential US Recognition Proceeding	10
7.0	Court Ordered Charges	10
7.1	Administration Charge.....	10
7.2	DIP Lender's Charge.....	11
7.3	D&O Charge	11
7.4	Priority of Charges	12
9.0	Conclusion and Recommendation	13

Appendices

Appendix	Tab
Filing entities.....	A
Consent.....	B
Organization Chart.....	C
Cash Flow Forecast and Applicants' Statutory Report on Cash Flow	D
Monitor's Report on Cash Flow	E
DIP Term Sheet (unsigned version)	F
DIP Comparison Summary.....	G



COURT FILE NO.: CV-16-11634-00CL

**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 PLAN OF COMPROMISE OR ARRANGEMENT
OF 1462598 ONTARIO INC. (D/B/A TRICON FILMS & TELEVISION)
AND THE COMPANIES LISTED ON APPENDIX "A"**

REPORT OF KSV KOFMAN INC. AS PROPOSED MONITOR

DECEMBER 11, 2016

1.0 Introduction

1. KSV Kofman Inc. ("KSV") understands that 1462598 Ontario Inc., carrying on business as Tricon Films & Television (the "Company"), and its direct and indirect subsidiaries listed on Appendix "A" (collectively, the Company and the subsidiaries listed on Appendix "A" are referred to as the "Applicants") intend to make an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an initial order (the "Initial Order") granting the Applicants, *inter alia*, protection under the CCAA and appointing KSV as the Monitor in these CCAA proceedings. KSV has consented to act as Monitor.
2. The principal purpose of these restructuring proceedings is to create a stabilized environment to wind down the Applicants' business in an orderly manner, including, potentially, completing certain productions, preserving valuable tax credits and carrying out a process to identify purchasers for the Company's film library.
3. The Affidavit of Andrea Gorfolova, the President and CEO of the Applicants, sworn December 9, 2016 (the "Affidavit") and filed in support of the Applicants' application for CCAA protection, provides, *inter alia*, the Applicants' background, including the reasons for the commencement of these proceedings.
4. KSV is filing this report ("Report") in its capacity as proposed Monitor.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide KSV's qualifications to act as Monitor;
 - b) provide background information about the Applicants;
 - c) report on the Applicants' consolidated cash flow projection for the period December 12, 2016 to January 15, 2017 ("Cash Flow Forecast");
 - d) summarize the terms of a debtor-in-possession loan facility ("DIP Facility") in the maximum principal amount of \$1.4 million to be made available by SunTrust Bank ("SunTrust" or in its capacity as provider of the DIP Facility, the "DIP Lender"), as lender, to the Company, as borrower, pursuant to a DIP term sheet dated December 11, 2016 (the "DIP Term Sheet"), as well as a charge (the "DIP Lender's Charge") in favour of the DIP Lender over the Applicants' current and future assets, properties and undertakings (the "Property") to secure repayment of the amounts borrowed by the Company under the DIP Facility;
 - e) discuss the rationale for:
 - a charge on all of the Property to secure the fees and disbursements of certain of the professionals involved in these proceedings (the "Administration Charge");
 - a charge in the amount of \$250,000 on the Property in favour of the directors and officers of the Applicants (the "D&O Charge");
 - the priority of the Administration Charge, DIP Lender's Charge and D&O Charge in the proposed Initial Order and the Applicants' intention to bring a motion during the week of December 19, 2016 to, *inter alia*, elevate the portion of these charges which do not have a priming priority pursuant to the terms of the Initial Order (the "Comeback Motion"); and
 - f) recommend that this Court grant the relief sought by the Applicants in their application materials.

1.2 Restrictions

1. In preparing this Report, KSV has relied upon unaudited financial information of the Applicants, the books and records of the Applicants, and discussions with the Applicants' management, the Applicants' counsel and Sun Trust's financial advisor, Carl Marks Advisory Group. KSV has not performed an audit or other verification of such information. The financial information discussed herein remains subject to further review. KSV expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by KSV in preparing this Report. Any party wishing to place reliance on the Applicants' financial information is encouraged to perform its own diligence and any reliance placed by any party on the information herein shall not be considered sufficient for any purpose whatsoever.

2. An examination of the Applicants' Cash Flow Forecast as outlined in the Chartered Professional Accountant Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Applicants' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. KSV expresses no opinion or form of assurance on whether the Cash Flow Forecast will be achieved, unless so stated.

1.3 KSV's Qualifications to Act as Monitor

1. KSV is qualified to act as Monitor. KSV's qualifications include:
 - a) KSV is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). KSV is not subject to any of the restrictions to act as monitor set out in Section 11.7(2) of the CCAA; and
 - b) KSV has extensive experience acting as a monitor under the CCAA in a wide variety of industries.
2. KSV was engaged by the Company on October 28, 2016, principally to assist it in considering its restructuring options. In acting as Monitor in these proposed proceedings, and in any Court-supervised insolvency mandate, KSV acts as an independent officer of the Court and is cognizant to carry out its duties and obligations accordingly. KSV's engagement letter with the Applicants included a provision confirming that its advisory engagement would terminate immediately prior to its appointment as a Court officer in any formal insolvency proceeding involving the Company and explained its duties and obligations in performing that role.
3. KSV has consented to act as Monitor in these proceedings should the Court grant the Initial Order. A copy of KSV's consent to act as Monitor is attached as Appendix "B".

2.0 Background

1. The Applicants are production, post-production and distribution companies which create, develop, produce and distribute television shows and films. The business was founded in 2000 by Andrea Gorfolova, the Applicants' President and CEO.
2. One of the Applicants' principal assets is Canadian Film or Video Production Tax Credits ("Tax Credits"), which are described in greater detail in Section 2.1 below. To be eligible for these credits, it is necessary for each production to be in a separate, single-purpose entity, which gives rise to a large corporate group and explains the number of entities (46) filing for protection in these proceedings.
3. Ms. Gorfolova is the Company's sole shareholder and each of the other Applicants is a directly or indirectly wholly-owned subsidiary of the Company. A corporate chart for the Applicants is provided in Appendix "C".
4. Of the 46 Applicants, all but seven are Canadian companies. The balance is comprised of six US companies, only one of which is active (Tricon Media, Inc. ("TMI")) and an inactive UK entity (Tricon Films (UK) Limited).

5. The Applicants' head office is in Toronto, Ontario. TMI also leases a small office in Venice, California.
6. The Applicants operate three lines of business: production, post-production and distribution of high-quality, multi-platform content. The Applicants have production relationships with Canadian and US television networks, including Scripps Networks (including Great American Country, HGTV, DIY, Cooking Channel and Food Network), A&E Networks, Showtime, NBC Universal, Shaw Media, Corus Entertainment and Bell Media. Its content distribution business is based on exclusive distribution agreements with both domestic and international networks, including those in the television, film and digital/online markets.
7. As at December 8, 2016, the Applicants employed 22 individuals, of which 17 are employees of the Canadian Applicants¹ and 5 are employees of TMI in the US. The Applicants also have 15 independent contractors in Canada. The Applicants' workforce is not unionized and they do not maintain a pension plan.

2.1 Financial Overview

1. A summary of the financial performance of the Applicants for its three most recent fiscal years² ended May 31, 2014, 2015 and 2016 is presented in the following table.

(C\$000s; consolidated)	12 months ending May 31, 2016 (unaudited)	12 months ending May 31, 2015 (unaudited)	12 months ending May 31, 2014 (unaudited)
Revenue	31,049	24,512	16,343
Production, distribution and operating expenses	29,166	23,418	15,570
EBITDA	1,883	1,094	773
Interest	(1,337)	(1,041)	(452)
Amortization	(237)	(195)	(180)
Write-downs	(2,656)	(412)	(1,673)
Taxes	(466)	(108)	133
Net income/(loss)	(2,813)	(662)	(1,399)

2. The table reflects that, *inter alia*:
 - a) Notwithstanding significant revenue growth, the Applicants have incurred losses in each of their last three fiscal years;
 - b) The Applicants have recorded recurring write-downs, largely on their investment in completed television programs. These write-downs have totalled approximately \$4.7 million over the last three fiscal years; and

¹ 1462598 Ontario Inc. and Tricon Films Inc. employ nine and eight individuals, respectively.

² The Applicants' financial statements are typically prepared on a consolidated basis based on a May 31st year-end; however, the fiscal year-ends of the various entities within the corporate group differ.

- c) For the last three fiscal years, the Applicants have not generated EBITDA sufficient to service their debt and capital costs, including equipment purchases and minimum guarantees (“MGs”), or prepaid royalties, which are paid to producers pursuant to distribution agreements and amortized over the sales period of the applicable title. The MGs are described in the Affidavit and represent a significant cash drain on the business.
3. Other than the Applicants’ intellectual property, including copyrights, trademarks and contractual distribution rights, the Company’s most significant assets are:
 - a) Accounts receivable: the book value of the Applicants’ accounts receivable totaled approximately \$3.7 million as at October 31, 2016.
 - b) Film library: the library is comprised of approximately 72 filmed entertainment titles produced by one of the Applicants and owned in perpetuity, and approximately 185 third-party titles for which the Applicants have various contractual rights. The value of the library is uncertain – it is derived from the net cash flow generated from each title in the library.
 - c) Tax credits: certain of the Applicants are eligible for Tax Credits. KSV understands that the purpose of these Tax Credits is to encourage Canadian programming and to develop an active domestic entertainment production sector. The Tax Credits are jointly administered by the Canadian Audio-Visual Certification Office and Canada Revenue Agency (“CRA”).

There are presently approximately \$7 million of Tax Credits owing to the Applicants, which are scheduled to be collected from CRA through to the end of 2017. CRA typically conducts an audit prior to issuing the Tax Credits.
4. The amount available to be borrowed from SunTrust under the Credit Facility (as defined below) is based on the Applicants’ borrowing base, which is driven by the value of the Applicants’ accounts receivable, tax credits and film library. According to the most recent borrowing base report dated October 31, 2016, the Applicants are in an over-advance of approximately US\$513,000.
5. As a result of being in an over-advance under its operating line facility, SunTrust is not prepared to continue to fund the Applicants outside of the proposed proceeding. Accordingly, the Applicants are presently without liquidity to continue to fund their business in the normal course.

3.0 Creditors

3.1 SunTrust

1. SunTrust is the Applicants’ principal secured creditor. The Applicants are indebted to SunTrust in the approximate amount of US\$10.4 million, plus interest and costs which continue to accrue, under a credit facility dated August 22, 2013, as amended (the “Credit Facility”).

2. The Applicants are presently in default of the Credit Facility. Since August 1, 2016, Sun Trust has continued to fund the Applicants in its discretion and can discontinue funding at any time. Additional information on the defaults and the Credit Facility generally is detailed in the Affidavit.

3.1.1 Security Opinion

1. In anticipation of these proceedings, KSV retained Bennett Jones LLP (“Bennett Jones”) to act as its legal counsel in the event that the Applicants file for CCAA protection and KSV is appointed as the Monitor. Bennett Jones provided an opinion³ which, subject to the standard assumptions and qualifications contained therein, concluded that the security granted by the Canadian Applicants, as registered under the *Ontario Personal Property Security Act* (“PPSA”), creates a valid and perfected security interest in the Applicants’ business and assets situated in Ontario, other than the assets of Tricon Television80 Inc. and Tricon Television81 Inc.
2. A security opinion was required in advance of these proceedings because the DIP Facility contemplates that certain collections, including tax refunds, may immediately be applied against the Applicants’ pre-filing secured obligations owing to Sun Trust. KSV understands that none of the Tax Credits are owed to Tricon Television80 Inc. or Tricon Television81 Inc.

3.2 Other Secured Creditors

1. The Applicants’ other registered secured creditors under the PPSA, including amounts owing to each according to the Applicants’ books and records, are summarized in the table below.

Secured Creditor	Debtor	Obligation (US\$000s)
Independent Film Channel LLC	TMI	8,000
Cooking Channel, LLC	TMI, Tricon Films Inc. and Tricon Television62 Inc.	870
Actra Performers’ Rights Society	Various	-
Bravo Media Productions LLC	Various	-
National Bank of Canada	Tricon Films (UK) Limited	-
Ovation R&G, LLC	TMI	-
Roynat Inc.	1462598 Ontario Inc. and Operator Post Inc.	-
Shaw Media Inc.	Various	-
Union of B.C. Performers	Various	-
Universal City Studio Production, LLP	1462598 Ontario Inc.	-
Walt Disney EMEA Productions Limited	Tricon Television82 Inc.	-
Xerox Canada Ltd.	Tricon Films Inc.	-

2. A description of these security interests is provided in the Affidavit.

³ A copy of the security opinion will be made available to the Court should the Court wish to review it.

3.3 Unsecured Creditors

1. Based on the Applicants' books and records as at October 31, 2016, accounts payable and accrued liabilities totalled approximately \$10.65 million, of which approximately \$6.3 million was past due. The largest unsecured obligations are owing to producers in connection with their respective productions.
2. Producers are reliant on the Applicants' quarterly reporting to quantify amounts owing to them pursuant to distribution agreements. As set out in the Affidavit, the Applicants are in arrears of their reporting and payment obligations to producers. As a result, certain producers may not be aware of the amount of the Applicants' indebtedness owing to them.

4.0 Cash Flow Forecast

1. The Applicants have prepared a consolidated Cash Flow Forecast for the period December 12, 2016 to January 15, 2017. The Cash Flow Forecast and the Applicants' statutory report on the cash flow pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "D".
2. The Cash Flow Forecast reflects that the borrowings under the DIP Facility are projected to peak at approximately \$744,000 during the week ended January 15, 2017. The peak DIP requirement after the initial 30 day stay period is projected to be approximately \$1 million. The Cash Flow Forecast also reflects that the Applicants are projected to require nominal advances, if any, under the DIP Facility until the Comeback Motion.
3. Based on KSV's review of the Cash Flow Forecast, there are no material assumptions which seem unreasonable in the circumstances. The statutory report on the cash flow is attached as Appendix "E".

5.0 DIP Facility⁴

1. The Applicants have arranged a DIP Facility with the DIP Lender. The terms of the DIP Facility are detailed in the DIP Term Sheet. KSV has been advised that the final version of the DIP Term Sheet will be substantially in the form attached as Appendix "F". The significant terms of the DIP Facility are below.
 - a) Borrower: the Company
 - b) Guarantors: all subsidiaries of the Company
 - c) Lender: SunTrust
 - d) Loan Amount: \$1.4 million

⁴ Terms not defined in this section have the meaning provided to them in the DIP Term Sheet.

- e) Maturity date: The earliest of: (i) a demand for repayment of the Facility by the Lender following the occurrence of any Event of Default which has not been cured; (ii) January 31, 2017, or such other date as the Borrower and the Lender may agree to in writing; (iii) the completion of the sale of all or substantially all of the assets of the Borrower; and (iv) the effective date of any plan of compromise or arrangement in respect of the Borrower in the CCAA Proceedings.
- f) Interest rate: 12% per annum. Upon the occurrence of an Event of Default, interest will increase by 4% per annum.
- g) Commitment Fee: 2% of the Loan Amount.
- h) Expenses: All legal fees, adviser fees, disbursements and other out-of-pocket expenses of the Lender arising from or in connection with the DIP Term Sheet, the Loan Documents, the Facility, the CCAA Proceedings and any enforcement of the DIP Lender's rights.
- i) DIP Lender's Charge: Subject to Court approval at the Comeback Motion, all obligations of the Applicants under the DIP Facility are to be secured by a Court-ordered charge over the Property, ranking in priority to all other obligations other than the Administration Charge, statutory super priority deemed trusts and liens for unpaid source deductions and such other permitted priority liens as may be agreed to in writing by the DIP Lender. Until the Comeback Motion, advances under the DIP Facility shall not exceed \$200,000.
- j) Prepayments: The Applicants may make Optional Prepayments of \$100,000 at any time, which amounts cannot be redrawn. Subject to the Administration Charge, the Applicants are required to make Mandatory Prepayments of the DIP Facility in certain circumstances, including upon receipt of any income tax refunds or tax credits subject to SunTrust's security. The DIP Lender has the option to apply proceeds generated from tax credits to its pre-filing debt.
- k) Minimum advances: Should an advance be required prior to the Comeback Motion, the amount of that advance is to be limited to \$200,000. Any advance shall be at least \$100,000. There is a \$1 million initial limitation on advances until all applicable appeal periods have expired. The proposed Initial Order contains a "comeback clause" so that any party that believes it is adversely affected by the approval of the DIP Lender's Charge has the opportunity to address its concerns. At no time shall the DIP Lender be required to advance any DIP Advance unless such DIP Advances rank in priority to all encumbrances other than the Administration Charge.
- l) Reporting: Reporting obligations include the provision of weekly "rolling" 13-week budgets and a weekly budget-to-actual variance analysis. The Updated Weekly Budgets are to be prepared by the Applicants and approved by the Monitor. A cumulative negative variance of 10% or more constitutes an Updated Budget Default.

- m) Key Conditions include:
 - i. the entry of the Initial Order and DIP Order;
 - ii. the Initial Agreed Weekly Budget shall be in the form acceptable to the DIP Lender and the Monitor; and
 - iii. the absence of an Event of Default.
- n) There are several Events of Default listed in the DIP Term Sheet. The following are the more material Events of Default:
 - i. The issuance of an order (i) dismissing the CCAA Proceedings or lifting the stay in the CCAA Proceedings to permit the enforcement of any Lien against the assets of any of the Loan Parties, or the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against the Borrower or any other Loan Party or any assets subject to the DIP Lender's Charge; (ii) granting any other claim super priority status or a Lien equal or superior to that granted to the Lender other than Permitted Priority Liens; or (iii) staying, reversing, vacating or otherwise modifying the DIP Term Sheet or the Loan Documents, any order (including the Initial Order and the DIP Order) or the entry of an order by the Court having the equivalent effect, without the prior written consent of the DIP Lender.
 - ii. Unless consented to by the DIP Lender, the expiry without further extension of the stay of proceedings provided for in the Initial Order.
 - iii. Failure of the Borrower or any of the other Loan Parties to pay any amounts when due and owing under the DIP Term Sheet or under the Loan Documents, or to comply with the DIP Term Sheet and the Loan Documents, including for greater certainty, failure to comply with any Affirmative Covenant or Negative Covenant set out therein.
 - iv. In the event an Updated Budget Default occurs, which is generally when an Updated Weekly Budget reflects that the Borrower will need to borrow more than the amount available under the Facility.
 - v. Any action or event which results in a Material Adverse Change, as defined in the DIP Term Sheet.

5.1 Recommendation

1. KSV considered the following factors when reviewing the terms of the DIP Facility, as well as those set out in Section 11.2 of the CCAA:
 - a) the DIP Term Sheet is the result of arm's-length negotiations between the Applicants and the DIP Lender. KSV understands that the DIP Lender would not be willing to provide the interim financing that will be required to fund these CCAA proceedings other than on the terms and conditions set out in the DIP Term Sheet;

- b) the DIP Lender is not prepared to have another lender rank in priority to its pre-filing advances as the Applicants' principal operating lender;
 - c) without the DIP Facility, the Applicants will be unable to fund their operations, including payroll, rent and other operating costs. The Applicants do not have the time to search for an alternative DIP lender;
 - d) KSV compared the DIP Facility to certain other DIP facilities granted in CCAA proceedings in 2016, including those where KSV has recently acted, or is acting, as monitor. The comparison is attached as Appendix "G". The cost of the proposed DIP Facility appears consistent with other recent DIP financings; and
 - e) KSV does not believe that any creditor will be materially prejudiced by the DIP Facility. To the contrary, the DIP Facility will enhance the prospects of maximizing value in these circumstances.
2. Based on the foregoing, KSV believes that the terms of the DIP Facility are reasonable in the circumstances.

6.0 Potential US Recognition Proceeding

1. The Affidavit references the possibility of the Applicants commencing proceedings under Chapter 15 of Title 11 of the United States Code in the United States Bankruptcy Court for the Central District of California. Should a US proceeding be commenced, KSV (as Monitor, if appointed) may act as the Applicants' Chapter 15 "foreign representative".

7.0 Court Ordered Charges

7.1 Administration Charge

1. The Applicants are seeking an Administration Charge in respect of the fees and expenses of certain of the professionals involved in these proceedings.
2. At the time this Report was being finalized, the amount of the Administration Charge and the professionals to be covered by it were still open issues. In all circumstances, the amount of the Administration Charge is to cover the fees and disbursements of the Monitor, its counsel and the Applicants' counsel. If only those professionals are to be covered by the Administration Charge, the proposed Administration Charge will be \$500,000. There is a possibility that the Administration Charge will also cover the fees and disbursements of SunTrust's Canadian and US counsel until the full amount of the DIP Lender's Charge is elevated in priority, in which case the Administration Charge will be increased to \$700,000 and would be reduced to \$500,000 upon the entire DIP Lender's Charge being elevated in priority, at which time SunTrust's Canadian and US counsel would no longer be covered by the Administration Charge. This issue will be addressed on the return of this Application.

3. The Administration Charge is a customary provision in an Initial Order in a CCAA proceeding; it is required by the professionals engaged to assist a debtor company and to protect them in the event that the Applicants are unable to pay them during the CCAA process, particularly where the value of a debtor's collateral is unknown.
4. KSV is of the view that the Administration Charge is reasonable and appropriate in the circumstances.

7.2 DIP Lender's Charge

1. The Applicants are seeking a charge for the DIP Lender to secure its advances under the DIP Term Sheet. KSV is of the view that the DIP Lender's Charge is required and is appropriate as the DIP Lender will not provide DIP financing without the benefit of the DIP Lender's Charge.
2. Until the Comeback Motion, the Applicants are seeking priority for a DIP Lender's Charge in the amount of \$200,000. The Cash Flow Forecast reflects that the Applicants are projected to require nominal, if any, advances under the DIP Facility for the first week of these proceedings. However, in order to allow the Applicants to draw on the DIP Facility to meet any critical expenses that may arise until priority for the full amount of the DIP Lender's Charge can be elevated at the Comeback Motion on notice to all secured creditors, a priority charge in the amount of \$200,000 is being proposed so that the Applicants have access to funding for critical expenses necessary to preserve its business. KSV supports this relief on the basis that there is no prejudice to any creditor as it is in the interest of all stakeholders for the Applicants to be able to draw on the DIP Facility on a limited basis to maintain the business status quo until the Comeback Motion. This will enhance the prospect of recoveries for all stakeholders and will assist to maintain the stability of the business until the priority of the DIP Lender's Charge for all advances made under the DIP Facility is confirmed on notice to all affected creditors.

7.3 D&O Charge

1. Andrea Gorfolova is the sole director and officer of the Applicants. Her assistance and cooperation will assist the restructuring process during these proceedings. Accordingly, the Applicants are seeking a D&O Charge in the amount of \$250,000 for any liabilities the directors and officers of the Applicants may incur from and after the commencement of the CCAA proceedings, except to the extent that the obligation was incurred as a result of Ms. Gorfolova's gross negligence or wilful misconduct.
2. KSV understands that the Applicants are current on all pre-filing obligations for which directors may be personally liable. The Cash Flow Forecast contemplates that all such amounts will continue to be paid in the ordinary course and the Applicants are projected to have sufficient liquidity to do so provided the DIP Facility is approved. The proposed D&O Charge provides protection for the directors and officers in the event that the Applicants fail to pay certain obligations which may give rise to liability for directors and officers.
3. The Applicants do not presently have a directors' and officers' insurance policy.

4. In these proceedings, the main risk of directors' and officers' exposure is for unpaid payroll and vacation pay. Payroll presently totals approximately \$110,000 per pay period (every two weeks) and vacation pay (approximately \$65,000). The D&O Charge is intended to cover approximately one month's payroll and vacation pay liability.
5. KSV is of the view that the D&O Charge is reasonable in these circumstances and that the continued involvement of Ms. Gorfolova is beneficial to the business and these proceedings.

7.4 Priority of Charges

1. The Administration Charge is proposed to rank in priority to all other Court-ordered charges and any other claim or encumbrance against the Applicants.
2. Until the Comeback Motion, the proposed Initial Order contemplates that the remaining \$1.2 million of the \$1.4 million proposed DIP Lender's Charge shall rank in priority to SunTrust's existing security but behind all other secured creditors that have not been served with the Applicants' application materials.
3. The D&O Charge shall rank behind SunTrust's existing security and any other secured creditor of the Applicants that has not been served with the Applicants' application materials.
4. The Applicants intend to bring a motion to elevate the priority of the Court-ordered charges during the week of December 19, 2016 on notice to those parties likely to be affected by such priority. The Comeback Motion will also provide an opportunity for any creditor of the Applicants to voice any objections with respect to the charges in the Initial Order, including the Administration Charge, provided that it is intended that the professionals involved be covered by the Administration Charge for their fees and disbursements through to and including the Comeback Motion (including pre-filing work undertaken in contemplation of these proceedings).
5. At the Comeback Motion, the Applicants intend to seek an Order ascribing to these charges the following priority:
 - First, the Administration Charge;
 - Second, the DIP Lender's Charge; and
 - Third, the D&O Charge.

8.0 Creditor Notification

1. The proposed Initial Order requires the Monitor to:
 - a) publish without delay a notice in national edition of *The Globe and Mail* newspaper containing the information prescribed under the CCAA; and

- b) within five (5) days of the issuance of the Initial Order to:
 - i. make the Order publicly available in the manner prescribed under the CCAA;
 - ii. send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1,000 advising them that the order is publicly available; and
 - iii. prepare a list, showing the names and addresses of those creditors (other than employees), and the estimated amounts of those claims, and make it publicly available in the prescribed manner.

2. If appointed Monitor, KSV will also post the Initial Order on its website.

9.0 Conclusion and Recommendation

- 1. Based on the foregoing, KSV respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(f) of this Report.

* * *

All of which is respectfully submitted,



**KSV KOFMAN INC.,
SOLELY IN ITS CAPACITY AS PROPOSED MONITOR OF THE APPLICANTS
AND NOT IN ITS PERSONAL OR ANY OTHER CAPACITY**

Appendix “A”

Filing Entities

1. 1462598 Ontario Inc.
2. Operator Post Inc.
3. Tricon Education Inc.
4. Tricon Films Inc.
5. Tricon Interactive Inc.
6. Tricon Television Inc.
7. Tricon Television10 Inc.
8. Tricon Television44 Inc.
9. Tricon Television49 Inc.
10. Tricon Television54 Inc.
11. Tricon Television55 Inc.
12. Tricon Television58 Inc.
13. Tricon Television59 Inc.
14. Tricon Television62 Inc.
15. Tricon Television63 Inc.
16. Tricon Television64 Inc.
17. Tricon Television65 Inc.
18. Tricon Television66 Inc.
19. Tricon Television67 Inc.
20. Tricon Television68 Inc.
21. Tricon Television69 Inc.
22. Tricon Television70 Inc.
23. Tricon Television71 Inc.
24. Tricon Television72 Inc.
25. Tricon Television73 Inc.
26. Tricon Television74 Inc.
27. Tricon Television75 Inc.
28. Tricon Television76 Inc.
29. Tricon Television77 Inc.
30. Tricon Television78 Inc.
31. Tricon Television79 Inc.
32. Tricon Television80 Inc.
33. Tricon Television81 Inc.
34. Tricon Television82 Inc.
35. Tricon Television83 Inc.
36. Tricon Television84 Inc.
37. Tricon Television85 Inc.
38. Tricon Television86 Inc.
39. Tricon Television87 Inc.
40. Tricon Media Holdings, Inc.
41. Tricon Media Productions, Inc.
42. Tricon Media, Inc.
43. Tricon US Productions1 Inc.
44. Tricon US Productions14 Inc.
45. Tricon US Productions15 Inc.
46. Tricon Films (UK) Limited

Appendix “B”

Court File No.

**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**

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
1462598 ONTARIO INC., carrying on business as TRICON FILMS AND TELEVISION,
AND THE OTHER COMPANIES LISTED IN SCHEDULE "A"**

Applicants

CONSENT

KSV KOFMAN INC. hereby consents to act as Monitor of the Applicants pursuant to the
Companies' Creditors Arrangement Act.

DATED at Toronto, this 9TH day of December, 2016.

KSV KOFMAN INC.

Per: _____

Schedule "A"

1. 1462598 Ontario Inc.
2. Operator Post Inc.
3. Tricon Education Inc.
4. Tricon Films Inc.
5. Tricon Interactive Inc.
6. Tricon Television Inc.
7. Tricon Television10 Inc.
8. Tricon Television44 Inc.
9. Tricon Television49 Inc.
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37. Tricon Television85 Inc.
38. Tricon Television86 Inc.
39. Tricon Television87 Inc.
40. Tricon Media Holdings, Inc.
41. Tricon Media Productions, Inc.
42. Tricon Media, Inc.
43. Tricon US Productions1 Inc.
44. Tricon US Productions14 Inc.
45. Tricon US Productions15 Inc.
46. Tricon Films (UK) Limited

Appendix “C”

1462598 Ontario Inc
d/b/a Tricon Film and Television
Ontario, Canada

FOREIGN SUBS

LOCAL SUBS

Operator Post Inc.	Ontario, Canada
Tricon Education Inc.	Ontario, Canada
Tricon Films Inc.	Ontario, Canada
Tricon Interactive Inc.	Ontario, Canada
Tricon Television Inc.	Ontario, Canada
Tricon Television10 Inc.	Ontario, Canada
Tricon Television44 Inc.	Ontario, Canada
Tricon Television49 Inc.	Ontario, Canada
Tricon Television54 Inc.	Ontario, Canada
Tricon Television55 Inc.	Ontario, Canada
Tricon Television58 Inc.	Ontario, Canada
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Tricon Television72 Inc.	Ontario, Canada
Tricon Television73 Inc.	Ontario, Canada
Tricon Television74 Inc.	Ontario, Canada
Tricon Television75 Inc.	Ontario, Canada
Tricon Television76 Inc.	Ontario, Canada
Tricon Television77 Inc.	Ontario, Canada
Tricon Television78 Inc.	Ontario, Canada
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Tricon Television82 Inc.	Ontario, Canada
Tricon Television83 Inc.	Ontario, Canada
Tricon Television84 Inc.	Ontario, Canada
Tricon Television85 Inc.	Ontario, Canada
Tricon Television86 Inc.	Ontario, Canada
Tricon Television87 Inc.	Ontario, Canada
Tricon Television88 Inc.	Ontario, Canada
Tricon Television89 Inc.	Ontario, Canada
Tricon Television90 Inc.	Ontario, Canada

Tricon Film (UK)
Limited
London, England

Tricon Media
Holding Inc.
California, US

Tricon Media, Inc.
California, US

Tricon Media
Productions Inc.
California, US

Tricon US
Productions1 Inc.
California, US

Tricon US
Productions 14 Inc
California, US.

Tricon US
Productions 15 Inc.
California, US

Appendix “D”

Tricon Filing Entities Listed on Schedule "A"

Projected Statement of Cash Flow ¹

For the Period Ending January 15, 2017

(Unaudited; \$C)

	Note	Week Ending					Total
		18-Dec-16	25-Dec-16	01-Jan-17	08-Jan-17	15-Jan-17	
<i>Receipts</i>							
Tax credits	2	157,408	194,018	274,795	-	-	626,221
Production	3	-	-	621,703	-	-	621,703
Distribution	4	52,504	52,504	52,504	52,504	52,504	262,520
<i>Total Receipts</i>		209,912	246,522	949,002	52,504	52,504	1,510,444
<i>Disbursements</i>							
Distributions to Sun Trust (tax credits)	2	157,408	194,018	274,795	-	-	626,221
Production costs	5	107,989	106,464	195,000	95,000	20,000	524,453
Wages and salaries, including source deductions	6	46,457	46,457	46,457	46,457	25,519	211,345
DIP fees and interest	7	-	-	-	3,121	-	3,121
Occupancy costs	8	-	-	-	12,771	-	12,771
Sundry	9	16,479	10,981	5,146	5,146	13,281	51,033
<i>Total Operating Disbursements</i>		328,332	357,920	521,398	162,495	58,800	1,428,945
<i>Net Cash Flow Before the Undernoted</i>		(118,420)	(111,398)	427,604	(109,991)	(6,296)	81,499
Professional fees	10	-	421,352	216,250	300,000	-	937,602
<i>Net Cash Flow</i>		(118,420)	(532,750)	211,354	(409,991)	(6,296)	(856,103)
Opening cash balance	11	112,043	(6,377)	(539,127)	(327,773)	(737,764)	112,043
Net cash flow		(118,420)	(532,750)	211,354	(409,991)	(6,296)	(856,103)
Projected DIP requirement	12	(6,377)	(539,127)	(327,773)	(737,764)	(744,060)	(744,060)

Purpose and General Assumptions

1. The projection assumes that the entities listed on Schedule "A" (the "Tricon Entities") file for protection under the *Companies' Creditors Arrangement Act* (the "CCAA"). The purpose of the projection ("Projection") is to present a forecast of the Tricon Entities for the period December 12, 2016 to January 15, 2017 (the "Period") in respect of the CCAA proceedings.

The projected cash flow statement has been prepared based on hypothetical and most probable assumptions.

Hypothetical Assumptions

2. Represents tax credits due from Canada Revenue Agency. The tax credits form part of the collateral of SunTrust Bank ("Sun Trust"), the Tricon Entities' senior secured creditor, and will be used to pay Sun Trust's pre-filing secured debt in accordance with the DIP facility.
3. Represents receipts from broadcasters in connection with the production of content.
4. Represents receipts from the distribution of content to networks and internet platforms (e.g. Netflix).

Most Probable Assumptions

5. Represents production costs, including filming, editing and contractor costs.
6. Payroll is paid bi-weekly. Includes payroll to US and Canadian employees. Payroll includes source deductions, benefits, WSIB and the like.
7. Represents costs associated with the proposed DIP facility with SunTrust.
8. Primarily represents occupancy costs for the Tricon Entities' head office in Toronto.
9. Includes costs for insurance, utilities, office supplies and the reimbursement of employee expenses.
10. Represents professional fees of the Monitor, its legal counsel, legal counsel to the Tricon Entities and legal and financial advisors to SunTrust. The amounts reflected are estimated.
11. Represents the estimated opening cash balance in the Tricon Entities' bank accounts as at December 12, 2016.
12. Represents projected advances under the DIP facility.

**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 PLAN OF COMPROMISE OR ARRANGEMENT
1462598 ONTARIO INC. (D/B/A TRICON FILMS & TELEVISION)
AND THE COMPANIES LISTED ON APPENDIX "A"**

**MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)**

The management of 1462598 Ontario Inc. (D/B/A Tricon Films & Television) and the companies listed on Appendix "A" (collectively, the "Applicants") have developed the assumptions and prepared the attached statement of projected cash flow as of the 9th day December, 2016 for the period December 12, 2016 to January 15, 2017 ("Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 9 day of December, 2016.



Andrea Goffolova,

President and CEO of the Applicants

Filing Entities

1. 1462598 Ontario Inc.
2. Operator Post Inc.
3. Tricon Education Inc.
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41. Tricon Media Productions, Inc.
42. Tricon Media, Inc.
43. Tricon US Productions1 Inc.
44. Tricon US Productions14 Inc.
45. Tricon US Productions15 Inc.
46. Tricon Films (UK) Limited

Appendix “E”

**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 PLAN OF COMPROMISE OR ARRANGEMENT 1462598
ONTARIO INC. (D/B/A TRICON FILMS & TELEVISION)
AND THE COMPANIES LISTED ON APPENDIX "A"**

**MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)**

The attached statement of projected cash-flow of 1462598 Ontario Inc. (D/B/A Tricon Films & Television) and the companies listed on Appendix "A" (collectively, the "Applicants"), as of the 9th day December, 2016, consisting of a weekly projected cash flow statement for the period December 12, 2016, to January 15, 2017 ("Cash Flow") has been prepared by the management of the Applicants for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management and employees of the Applicants. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto this 9th day of December, 2016.

KSV Kofman Inc.

**KSV KOFMAN INC.
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF
THE APPLICANTS
AND NOT IN ITS PERSONAL CAPACITY**

Filing Entities

1. 1462598 Ontario Inc.
2. Operator Post Inc.
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Appendix “F”

INTERIM FINANCING TERM SHEET

Made as of December 10, 2016

WHEREAS the Borrower (as defined below) has requested and the Lender (as defined below) has agreed to provide funding to the Borrower in the context of its proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) the ("**CCAA**") commenced before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") subject to and in accordance with the terms set out herein;

NOW THEREFORE the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

Amounts herein are in Canadian dollars. Capitalized terms have the meanings given to them in this Term Sheet.

Borrower: 1462598 Ontario Inc. d/b/a Tricon Films and Television (the "**Borrower**").

Guarantors: Unconditional guarantees shall be given by:

- (a) All direct or indirect wholly owned subsidiaries of the Borrower that are also debtor companies in the CCAA Proceedings (collectively with the Borrower, the "**CCAA Debtors**"); and
- (b) All other direct or indirect wholly owned subsidiaries of the Borrower unless otherwise agreed by the Lender (as defined below) (collectively with the CCAA Debtors other than the Borrower, the "**Guarantors**" and collectively with the CCAA Debtors including the Borrower, the "**Loan Parties**").

Lender: SunTrust Bank (the "**Lender**").

Committed Amount and Facility Structure: A super priority (debtor in possession) delayed draw term credit facility (the "**Facility**") up to a maximum principal amount of \$1,400,000 (the "**Loan Amount**"), to be advanced in accordance with the terms herein and subject to the conditions hereof.

All obligations of the CCAA Debtors under this Term Sheet, including in respect of the Facility, the Loan Amount and any interest, fees, expenses or other amounts owing in respect thereof (collectively, the "**DIP Obligations**") shall be secured by the Lender's Charge (as defined below), subject only to Permitted Priority Liens (as defined below).

Term: All amounts owing in respect of the Facility shall be repaid in full (without the Lender being required to make demand on the Borrower or the other Loan Parties or to give any notice, except

as required by the DIP Order (as defined below)) on the earlier of (i) a demand for repayment of the Facility by the Lender following the occurrence of any Event of Default hereunder which has not been cured in accordance with the Loan Documents; (ii) January 31, 2017, or such other date as the Borrower and the Lender may agree to in writing; (iii) the completion of the sale of all or substantially all of the assets of the Borrower; and (iv) the effective date of any plan of any compromise or arrangement in respect of the Borrower in the CCAA Proceedings (the earliest of such dates being the "**Maturity Date**").

- Purpose:** To provide for the short-term liquidity needs of the Borrower while under CCAA protection.
- Closing:** Closing shall occur on December 12, 2016 ("**Closing**"), unless otherwise agreed in writing by the Lender.
- Use of Proceeds:** The Borrower is authorized to use the Loan Amount: (i) to provide working capital in accordance with the Approved Budget (as defined below); (ii) to make payments necessary to comply with the initial order granted in the CCAA proceedings (the "**Initial Order**"); and (iii) to pay interest, fees and expenses payable under the Facility and this Term Sheet. The Borrower may advance funds borrowed under the Facility to one or more of the Guarantors to fund their working capital requirements as contemplated by the Agreed Weekly Budget (as defined below); provided that any advance of funds to Tricon Media, Inc. or Tricon Films (UK) Limited require the prior written consent of the Lender.
- Commitment Fee:** The Borrower will pay to the Lender or its designated affiliate an amount equal to 2% of the Loan Amount as a commitment fee (the "**Commitment Fee**"), which Commitment Fee (i) shall be earned on the day that the DIP Order is made and (ii) shall be payable on Closing, unless otherwise agreed by the Lender.
- Interest Rate:** The Loan Amount shall bear interest, which shall be calculated by the Lender monthly (and communicated to the Borrower on the last business day of such month), compounded daily, and be payable in arrears on the second business day of each month, at an annual rate of interest equal to 12%.
- Upon the occurrence of an Event Default, subject to applicable law, all amounts then owing under or in respect of the Facility will bear interest at the applicable interest rate plus 4% *per annum*.
- All interest will be calculated on the basis of a 365 day year and actual days elapsed.
- Expenses:** All legal fees, adviser fees, disbursements and other out-of-pocket expenses of the Lender arising from or in connection with this Term Sheet, the Loan Documents, the Facility, the CCAA Proceedings and any enforcement of the Lender's rights (including due diligence, negotiation of this Term Sheet and related documentation, preparation for and attendance at Court and on-going monitoring and administration) are for the account of the Borrower whether or not

Closing occurs. Expenses shall be paid by the Borrower forthwith upon receipt of the Lender's invoices. Any expenses incurred prior to Closing and not paid prior to Closing shall be paid on Closing. Any expenses incurred after Closing shall be paid in the ordinary course within such period of time as is acceptable to the Lender in its sole discretion and in any event on the Maturity Date. The obligation to pay expenses shall be secured by the Lender's Charge (as defined below).

Weekly Budgets:

Attached hereto as Schedule "A" is a rolling 13-week period detailed budget (the "**Initial Agreed Weekly Budget**").

Every week, the Borrower will provide to the Lender (for its approval in accordance with this provision) an updated weekly budget of the following 13 week period in a reasonably similar form to the Initial Agreed Weekly Budget (as updated, the "**Updated Weekly Budget**") describing the Borrower's updated cash flow requirements which must be prepared by the Borrower in good faith and approved by KSV Kofman Inc. in its capacity as Court appointed monitor (the "**Monitor**") in the CCAA Proceedings. An Updated Weekly Budget may be submitted to the Lender for approval and, once such approval (which shall be at the sole discretion of the Lender) has been given to the Borrower in writing, it shall become the "**Agreed Weekly Budget**" for the purpose of this Term Sheet.

Advances:

Provided that no Default or Event of Default has occurred, the conditions listed under the heading "Conditions Precedent to Initial Funding" have been satisfied and the conditions listed under the heading "Conditions Precedent to All Fundings" have been satisfied, the Lender will make advances ("**DIP Advances**") not to exceed the Loan Amount at any time to the Borrower under the Facility on the terms set out herein; provided that the aggregate amount of all outstanding DIP Advances shall at all times be secured by the Lender's Charge. For greater certainty, at no time shall the Lender be required to advance any DIP Advance unless such DIP Advance, together with all outstanding DIP Advances, is secured by the Lender's Charge.

The Borrower may request a DIP Advance by providing notice in the form attached hereto as Schedule "D" (a "**Draw Request**") to the Lender before 10:00 a.m. Eastern Standard Time on the business day prior to the date the DIP Advance is to be made. Each Draw Request shall be accompanied by the Weekly Reporting (as defined below) for such week.

DIP Advances shall be deposited into a bank account to be designated by the Borrower (the "**Borrower's Account**") and utilized by the Borrower in accordance with the terms of this Agreement. The initial advance shall be in a minimum amount of \$100,000 and each advance shall be in increments of \$100,000 thereafter. The Borrower's Account shall be subject to a first priority security interest in favour of the Lender (subject to the Permitted Priority Liens).

For greater certainty, the Borrower's Account must be a separate

segregated account of the Borrower at a financial institution approved by the Lender.

Loan Documents:

The Loan Parties shall execute and deliver or cause to be executed and delivered such loan and collateral security documentation as may be required by the Lender in its discretion, including without limitation, this Term Sheet and such other loan agreements, guarantees, security agreements, financing statements, opinions or other documents and information, in form and substance satisfactory to the Lender, as the Lender may require (collectively, the "**Loan Documents**").

The Loan Documents shall contain terms consistent with this Term Sheet, and may contain such additional terms as the Lender requires, acting reasonably.

Lender's Charge:

The DIP Obligations shall be secured by a Court-ordered first priority lien and charge (the "**Lender's Charge**"), over all present and future property, assets and undertakings of the CCAA Debtors. The Lender's Charge shall rank in priority to all liens, charges, mortgages, encumbrances and security interests of any kind whatsoever granted to other creditors, interest holders, lien holders and claimants subject in priority only to:

- (a) a Court-ordered administration charge on the assets of the CCAA Debtors to secure payment of professional fees in an aggregate amount not to exceed \$500,000 (the "**Administration Charge**");
- (b) statutory super priority deemed trusts and liens for unpaid employee source deductions; and
- (c) such other permitted priority liens as may be agreed to in writing by the Lender.

((a), (b) and (c) above collectively, the "**Permitted Priority Liens**").

For greater certainty, the Lender's Charge shall be in priority to all Liens, charges, mortgages, encumbrances and security interests of any kind whatsoever other than the Permitted Priority Liens.

Conditions Precedent to Initial Funding:

Each of the following conditions precedent shall have been satisfied before the Lender is obligated to provide the initial funding under the Facility:

- (a) The Court shall have issued an order (the "**DIP Order**"), among other things, approving the making of the loans as set out in this Term Sheet, providing that the Lender shall be an unaffected creditor for the purposes of any plan of compromise and arrangement filed by the Borrower in respect of the DIP Obligations, and granting the Lender's Charge, such DIP Order to be in form and substance satisfactory to the Lender.

- (b) The motion for the DIP Order, in form and substance satisfactory to the Lender, shall have been served on such parties as are required by the Lender in its sole discretion prior to the hearing date of the motion for the issuance of the DIP Order unless waived in writing by the Lender.
- (c) The DIP Order shall not have been amended, restated or modified in any manner that is not acceptable to the Lender.
- (d) The Initial Agreed Weekly Budget attached hereto as Schedule "A" shall be in form and substance acceptable to the Lender and the Monitor.
- (e) The Lender shall be satisfied that the CCAA Debtors have complied with and is continuing to comply in all material respects with all applicable laws, regulations and policies in relation to their business.
- (f) The Lender shall be satisfied that there are no liens, mortgages, charges, encumbrances, hypothecs, security interests, trusts or other interests of any kind or nature whatsoever ("**Liens**") ranking ahead of the Lender's Charge, except for Permitted Priority Liens.
- (g) The Lender shall have received this Term Sheet and any other Loan Documents, duly executed by all the parties thereto.
- (h) All fees, expenses and other costs payable in accordance with this Term Sheet and any other Loan Documents shall have been paid to the Lender, or shall be paid immediately upon funding.
- (i) The Lender shall be satisfied that no Material Adverse Change (as defined below) in the financial condition, operation or prospects of the Borrower shall have occurred after the date of this Term Sheet.
- (j) The Lender shall have received evidence satisfactory to it, in its sole discretion, that the Borrower's Account has been opened by the Borrower.
- (k) Any advisor retained in connection with any liquidation shall be satisfactory to the Lender.

**Initial Limitation on
DIP Advances:**

Subject to the terms hereof, the aggregate amount of DIP Advances shall not exceed \$1,000,000 until all applicable appeal periods related to the DIP Order shall have expired and any appeal or motion for leave to appeal shall have been fully disposed of with no further right of appeal or leave to appeal.

Conditions Precedent

Each of the following conditions precedent shall have been satisfied

- to All Fundings:** before the Lender is obligated to provide a funding under the Facility:
- (a) The Lender shall have received a written Draw Request.
 - (b) No Default or Event of Default shall have occurred and be continuing.
 - (c) The representations and warranties set out herein shall be true and correct on the date of the DIP Advance.
 - (d) The Loan Parties shall be in compliance with all terms of this Term Sheet, the DIP Order and any other orders of the Court.

Optional Prepayment: The Borrower may prepay any amounts outstanding under the Facility at any time prior to the Maturity Date, provided that any prepayment shall be of at least \$100,000 and shall only be made upon two (2) days prior written notice to the Lender.

Mandatory Prepayment: Unless otherwise consented to in writing by the Lender and provided that provision has been made for the payment in full of the professional fees subject to the Administration Charge, the Borrower shall make the following mandatory prepayments of the Loan Amount at the time of receipt of the net cash proceeds of any of the following, in an amount equal to 100% of the net cash proceeds: (i) upon receipt of net cash proceeds from the issuance by any of the Loan Parties of any indebtedness other than (a) trade payables incurred in the ordinary course of business and (b) capital leases and purchase money security interests for equipment (and, for greater certainty, excluding inventory) incurred in the ordinary course of business up to an aggregate maximum amount of \$50,000 ((a) and (b) collectively "**Permitted Debt**", which, for greater certainty, shall not include any purchase money security interests for inventory); (ii) upon receipt of insurance proceeds or condemnation awards unless the Loan Parties reinvest such proceeds in similar assets prior to the earlier of the Maturity Date and 90 days from the receipt of such proceeds; (iii) upon receipt of net proceeds of the sale, transfer, lease or other disposition of any of the Loan Parties' property, assets or undertakings outside the ordinary course of business (including any liquidation of inventory or other working capital); (iv) after the occurrence of a Default or an Event of Default; and (v) upon receipt by any Loan Party of any income tax refunds or tax credits; provided that the Lender shall have the option to apply the proceeds from any tax credits received by any Loan Party to the obligations owing by the Borrower under the revolving credit, security, guaranty and pledged agreement dated as of August 22, 2013 (the "**Pre-Filing Credit Facility**") among the Borrower, the Guarantors party thereto, the Lender as administrative agent and the lenders party thereto, as amended, restated, supplemented or otherwise modified from time to time. A prepayment pursuant to (i) to (v) above (other than a prepayment under (v) above that is applied against the obligations of the Borrower under the Pre-Filing Credit Facility) shall result in a

permanent reduction of the Loan Amount.

Representations and Warranties:

The Borrower represents and warrants to the Lender, upon which the Lender relies in entering into this Term Sheet, that:

- (a) Each of the Borrower and the other Loan Parties is a corporation or partnership duly incorporated or established and validly existing under the laws of its governing jurisdiction and is duly qualified, licensed or registered to carry on business under the laws applicable to it in all jurisdictions in which the nature of its assets or business makes such qualification necessary.
- (b) Subject to the granting of the DIP Order, the transactions contemplated by this Term Sheet (i) are within the powers of the Borrower and the other Loan Parties, (ii) have been duly authorized by all necessary corporate and, if required, shareholder approval; (iii) constitute legal, valid and binding obligations of the Borrower and the other Loan Parties; and (iv) do not require the consent or approval of, or any other action by, any governmental authority. Each of the Borrower and the Loan Parties has all requisite corporate and other power and authority to carry on its business and own property.
- (c) The execution and delivery of this Term Sheet by each of the Borrower and the other Loan Parties and the performance by the Borrower and each of the other Loan Parties of its obligations hereunder and compliance with the terms, conditions and provisions hereof, will not conflict with or result in a breach in any material respect of any of the terms, conditions or provisions of: (i) its constating documents (including any shareholders' agreements) or by-laws; (ii) any applicable laws; (iii) any contractual restriction binding on or affecting it or its material properties; or (iv) any material judgment, injunction, determination or award which is binding on it.
- (d) The Borrower and each of the other Loan Parties is in compliance with all applicable laws (including, for greater certainty, all environmental laws) of each jurisdiction in which its business has been or is being carried on, non-compliance with which would reasonably be expected to have a Material Adverse Change.
- (e) There are no actions, suits or proceedings pending, taken or, to the Borrower's knowledge, threatened, before or by any governmental body or by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law, which would reasonably be expected to have a Material Adverse Change and have not

been stayed pursuant to the CCAA Proceedings.

- (f) The Agreed Weekly Budgets as set out herein includes a provision for payment of all projected obligations of any kind whatsoever reasonably anticipated by the Borrower on the date hereof that, if not paid, could result in statutory Liens ranking in priority to the Lender's Charge.
- (g) Each of the Borrower and the other Loan Parties has good and marketable title to all of the collateral subject to the Lender's Charge free and clear from any Liens except for: (i) Permitted Priority Liens; and (ii) title defects or irregularities that do not, individually or in the aggregate, materially affect the operations of the business of the Borrower or the other Loan Parties.
- (h) This Term Sheet has been duly executed and delivered by or on behalf of the Borrower and the other Loan Parties.
- (i) The business operations of the Borrower and the other Loan Parties have been and will, to the extent continued, continue to be conducted in compliance with all laws of each jurisdiction in which business has been or is being carried on.
- (j) The Borrower and the other Loan Parties has filed all tax returns that are required to be filed and has paid all taxes, interest and penalties, if any, which have become due pursuant to such returns or pursuant to any assessment received by it, except any such assessment that is being contested in good faith by proper legal proceedings. Without limiting the foregoing, the Borrower and the other Loan Parties have complied with their obligations for payroll, source deductions, current normal cost pension liabilities, and sales taxes, and is not in arrears in respect of these obligations.
- (k) The Borrower and the other Loan Parties maintain insurance policies and coverage that: (i) is sufficient for compliance with any applicable law and all material agreements to which the Borrower or other Loan Party is a party; and (ii) provide adequate insurance coverage in at least such amounts and against at least such risks as are usually insured against in the same general area by persons engaged in the same or similar business to the assets and operations of the Borrower and the other Loan Parties.
- (l) All factual information provided by or on behalf of the Borrower and the other Loan Parties to the Lender for the purposes of or in connection with this Term Sheet or any transaction contemplated herein is true and accurate in all material respects on the date as of which such information is

dated or certified and remains true as of the date provided and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided.

- (m) As of the date hereof, neither the Borrower nor any of the other Loan Parties administers any pension plans or has any outstanding payment obligations in respect of special payments or amortization payments, including without limitation, in respect of pension plans, payments related to post-retirement benefits, solvency deficiencies or wind-up shortfalls in relation to any pension plan.
- (n) The Loan Parties have not entered into any transaction or other contractual relationship with any related party (material or immaterial) other than as disclosed to the Lender in writing as part of its diligence.
- (o) The commencement of the CCAA Proceedings will not trigger change of control provisions or severance obligations, in each case, which would entitle any officer or director of any Loan Party to claim additional compensation or severance.

Affirmative Covenants: The Borrower and the other Loan Parties covenant and agree to do the following:

- (a) Pay when due all principal, interest, fees, expenses or other amounts payable by the Borrower or the other Loan Parties under this Term Sheet and the Loan Documents on the dates and in the amounts and manner as set forth herein or therein, and perform all obligations hereunder as and when required and in the manner required.
- (b) Allow the Lender or its agents and advisors on reasonable notice during regular business hours to enter on and inspect each of its assets and properties, and provide the Lender and its agents or advisors on reasonable notice and during normal business hours full access to the books and records of the Borrower and cause management thereof to fully cooperate with the Lender, its agents and advisors accordingly.
- (c) Keep the Lender apprised on a timely basis of all developments with respect to the business and affairs of the Borrower, including in respect of any sale process conducted by the CCAA Debtors in the CCAA Proceedings and any failure to distribute participation statements to respective counterparties pursuant to any distribution contract to which the Loan Parties are a party.
- (d) Provide the Lender with (i) no less than five (5) days' notice of any motion, application or other filing to be brought or

made by the Borrower or any other Loan Party in the CCAA Proceedings or, where it is not practically possible to do so, as much notice as is possible prior to any such filing; (ii) notice immediately after learning of any motion, application or other filing to be brought or made by any other person in the CCAA Proceedings or otherwise; and (iii) drafts of any materials (including draft orders) to be served by the Borrower or any other Loan Party at least five (5) days prior to any such service to give the Lender a reasonable opportunity to review and comment on such draft materials before service of such materials or, where it is not practically possible to do so, as much opportunity in the circumstances.

- (e) Ensure that all motion records, pleadings, application records, orders and other documents (the "**Court Documents**") filed, proposed, sought, served, and obtained by the Borrower or in respect of which the Borrower consents or does not object, in or in connection with the CCAA Proceedings shall be in form and substance satisfactory to the Lender, and provide the Lender copies of such Court Documents as soon as practicable prior to any filing or service in the CCAA Proceedings.
- (f) Seek the Lender's approval of any order in the CCAA Proceedings that affects this Term Sheet, the Facility, or the Loan Documents and only seek to obtain such orders as are in form and substance satisfactory to the Lender, acting reasonably.
- (g) Deliver to the Lender the Agreed Weekly Budgets as set out herein, and such other reporting and other information from time to time reasonably requested by the Lender.
- (h) Conduct all activities and use all the proceeds of the Facility only in a manner consistent with the restrictions set out herein and in accordance with the Agreed Weekly Budgets.
- (i) Comply with the provisions of the court orders made in connection with the CCAA (each a "**Restructuring Court Order**").
- (j) Preserve, renew and keep in full force its corporate existence and its licenses, permits, and approvals required in respect of its business, properties, assets or any activities or operations carried out therein.
- (k) Maintain the insurance, in existence on the date hereof, with respect to the collateral subject to the Lender's Charge.
- (l) Cause the Lender to be listed as the loss payee on all property and casualty insurance policies of the Loan Parties

on or before December 31, 2016 and provide copies of such insurance policies so endorsed.

- (m) Forthwith notify the Lender of the occurrence of any Event of Default, or of any event or circumstance that may, with the passage of time, constitute an Event of Default (a “**Default**”), or of any event or circumstance that may materially affect the cash flow projections of the Borrower, including any material change in its contractual arrangements or relationships with third parties.
- (n) Forthwith notify the Lender of the commencement of, or receipt of notice of intention to commence, any action, suit, investigation, litigation or proceeding before any court, governmental department, board, bureau, agency or similar body affecting the Borrower or any of the other Loan Parties.
- (o) Subject to the Restructuring Court Orders, comply in all material respects with all applicable laws, rules and regulations applicable to their businesses, including, without limitation, environmental laws.
- (p) Except where a stay of proceedings applies, pay when due all Crown claims and other amounts secured by Liens, including employee source deductions, GST, HST, PST EHT and work place safety and insurance premiums, but only with respect to those amounts that rank in priority to the Lender’s Charge or with respect to the Borrower’s post-CCAA filing obligations.
- (q) Treat as unaffected the DIP Obligations in any plan of compromise or arrangement, proposal or any other restructuring whatsoever.
- (r) At all times be, and remain subject to the CCAA Proceedings.
- (s) Provide the Weekly Reporting (as defined below) and other information from time to time reasonably requested by the Lender at the times requested and as set out in this Term Sheet and in form and substance satisfactory to the Lender.
- (t) Forthwith provide the Lender with copies of all offers upon receipt of the same and provide the Lender with timely updates regarding developments in any sales process being conducted by the Borrower.
- (u) Obtain the prior written consent of the Lender prior to the acceptance of any offer or seeking court approval for any agreement of purchase and sale.
- (v) Receive and hold in trust, segregated from all other funds of

the Loan Parties, for the benefit of the Lender, any and all tax refunds and tax credits which are expected to be received from the Canada Revenue Agency, or any other federal or provincial tax authority, by the Borrower (or any Loan Party), and immediately upon receipt of any such tax refund or tax credit, turn it over to the Lender to be applied as a mandatory prepayment in accordance with this Term Sheet.

- (w) Completion of all necessary lien and other searches, together with all registrations, filings and recordings wherever the Lender, acting reasonably, deems appropriate, in connection with the Lender's Charge, and satisfaction that there are no Liens affecting the property or assets of the Loan Parties except Permitted Priority Liens and Liens ranking subordinate to the Lender's Charge and listed on Schedule "B" ("**Permitted Liens**").
- (x) Take all necessary action to ensure that any and all tax refunds and tax credits from the Canada Revenue Agency, or any other federal or provincial tax authority, are received by the Borrower (or the applicable Loan Party).
- (y) Market the assets of the Loan Parties for sale in a manner that is satisfactory to the Lender and pursue an orderly liquidation of the assets of the Loan Parties with the consent of the Lender.
- (z) Seek a distribution order satisfactory to the Lender, which shall provide that any proceeds from the sale of any assets of the Loan Parties shall be paid to the Lender as a Mandatory Prepayment.
- (aa) Obtain recognition of the CCAA Proceedings under Chapter 15 of the US Bankruptcy Code if requested by the Lender or otherwise with the consent to the Lender.
- (bb) Any advisor retained by the Borrower after the Closing Date in connection with any liquidation shall be satisfactory to the Lender.

Negative Covenants:

The Borrower covenants and agrees, and covenants and agrees to cause the Loan Parties and its other affiliates and subsidiaries, not to do the following, other than with the prior written consent of the Lender:

- (a) Transfer, lease or otherwise dispose of all or any part of its property, assets or undertaking out of the ordinary course of business without court approval and in any case proceeds of such transfer, lease or disposition shall be subject to the provisions herein under the paragraph entitled "**Mandatory Prepayment**" to the extent applicable.

- (b) Repudiate or terminate any material contract without the prior written consent of the Lender which would reasonably be expected to result in a Material Adverse Change in the financial condition, operation or prospects of the Borrower and the other Loan Parties.
- (c) Make any payment in respect of existing (pre-filing) debt (other than repayments of obligations of the Borrower owing under the Pre-Filing Credit Facility from tax credits received by the Borrower or any Guarantor in accordance with the paragraph entitled "**Mandatory Prepayments**" above) or obligation (including any payment that reduces any pre-filing trade or unsecured liabilities of the Loan Parties).
- (d) Create or permit indebtedness other than existing (pre-filing) debt, this Facility, Permitted Debt and indebtedness between Loan Parties described in the Agreed Weekly Budget.
- (e) Create any new Liens or permit any Liens to exist on any of its properties or assets other than the Lender's Charge and Permitted Liens.
- (f) Carry out any changes to the composition (including the addition, removal or replacement of any directors or officers) of the Board of Directors or the other officers of the Borrower or any of the other Loan Parties.
- (g) Increase any termination or severance entitlement or pay any termination or severance pay whatsoever.
- (h) Make any payments by way of any key employee retention program.
- (i) Increase compensation or pay any bonuses.
- (j) Either: (i) change its name (ii) amalgamate, consolidate with or merge into, or enter into any similar transaction with any other entity or sell all of its assets to another entity, or change the nature of its business or its corporate or capital structure or enter into any agreement committing to such actions; or (iii) make any changes to its organizational documents that would be adverse to the Lender.
- (k) Make any acquisitions, investments or loans to any person (other than to other Loan Parties from time to time) or guarantee the obligations of any person, other than those in existence on the date hereof and disclosed to the Lender in writing.
- (l) Enter into any transaction or contractual relationship with any affiliate, related party or subsidiary or any of its or their

directors or senior or executive officers or senior management, or enter into or assume any employment, consulting or analogous agreement or arrangement with any of its or their directors or senior or executive officers or senior management, or make any payment to any of its or their directors or senior or executive officers or senior management, industry bonuses, change of control payments or severance packages of any kind whatsoever (other than as permitted under the Agreed Weekly Budget and only with the consent of the Lender).

- (m) Make any capital expenditures other than as reflected in the Agreed Weekly Budget.
- (n) Pay any dividends, distributions or advances to shareholders of the Borrower or to any other person, or any management bonus or similar payments, except payments in lieu of wages or salary to the extent provided for in the Agreed Weekly Budget.
- (o) Hold or use any bank accounts other than as disclosed to the Lender in writing in advance of such holding or use.
- (p) Change its fiscal year or accounting practices.
- (q) Take any action (or in any way support the taking of any action by another person) that has, or may have, a material adverse impact on the rights and interests of the Lender, including without limitation, any action in furtherance of challenging the validity, enforceability or amount of the obligations owing in respect of the Facility or any other DIP Obligations.
- (r) Seek an order sanctioning any plan of compromise or arrangement or approving any other restructuring transaction or sale that (i) purports to affect the rights of the Lender under this Term Sheet or the other Loan Documents or (ii) does not provide for the indefeasible payment in full in cash of all of the DIP Obligations or (iii) is not consistent with or contravenes any provision of this Term Sheet or the other Loan Documents.
- (s) Seek, obtain or support any Court Order that affects the Lender except with the prior written consent of the Lender, acting reasonably, which Court Order shall be in form and substance acceptable to the DIP Lender, acting reasonably.
- (t) Make a public announcement in respect of, enter into any agreement or letter of intent with respect to, attempt to consummate or support any third party's attempt to consummate any material transaction or material agreement

outside the ordinary course of business unless such transaction satisfies, in full, all of the DIP Obligations and all of the obligations that have priority over the Lender's Charge.

- (u) Enter into any transaction or agreement with any party that has, or may have, an adverse impact on the rights and interests of the Lender in relation to the tax credits.
- (v) Enter into, extend, renew, waive or otherwise modify in any material respect the terms of any transaction with an affiliate, or extend or renew existing operational arrangements without the prior approval of the Lender.
- (w) Participate in any material discussions with any party (other than their legal and financial advisors) with respect to any sale transaction after the delivery by such party of a written expression of interest in respect of same, in each case without providing reasonable notice to the Lender, and an opportunity for a representative of the Lender (or its advisors) to participate in such discussions.
- (x) Cease to carry on its business or activities as they are currently being conducted or change their operations or business practices with the prior approval of the Lender.
- (y) Transfer the proceeds of any DIP Advance to any account of the Borrower or any Loan Party other than the Borrower's Account, except as otherwise expressly authorized herein or in the Agreed Weekly Budget.

Additional Financial and Other Reporting:

On or before 5:00 p.m. on the Wednesday of each week for the week ending the immediately preceding Friday, each of the Loan Parties shall deliver to the Lender the following reporting (the "**Weekly Reporting**"):

- (a) A statement of receipts and disbursements for each week including a variance analysis from the Agreed Weekly Budget for all variance (favourable or unfavourable) of greater than 10% for any one line item (on a weekly and cumulative basis);
- (b) A statement of billed accounts receivable, accrued work in process, accounts payable and statutory priority claims;
- (c) Such other information as the Lender may reasonably require.

Indemnity:

The Borrower agrees to indemnify and hold harmless the Lender and each of its directors, officers, employees, agents, attorneys, advisors and affiliates (all such persons and entities being referred to hereafter as "**Indemnified Persons**") from and against any and all

actions, suits, proceedings, claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or asserted against or involve any Indemnified Person as a result of this Term Sheet or any other Loan Documents, other than as a result of the gross negligence or wilful misconduct of an Indemnified Person, and, upon demand, to pay and reimburse any Indemnified Person for any legal or other out-of-pocket expenses incurred in connection with, investigating, defending or preparing to defend any such action, suit, proceeding or claim.

The indemnities granted under this Term Sheet shall survive any termination of the Facility.

Events of Default:

The occurrence of any one or more of the following events shall constitute an event of default ("**Event of Default**") under this Term Sheet:

- (a) The issuance of an order (i) dismissing the CCAA Proceedings or lifting the stay in the CCAA Proceedings to permit the enforcement of any Lien against the assets of any of the Loan Parties, or the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against the Borrower or any other Loan Party or any assets subject to the Lender's Charge; (ii) granting any other claim super priority status or a Lien equal or superior to that granted to the Lender other than Permitted Priority Liens; or (iii) staying, reversing, vacating or otherwise modifying this Term Sheet or the Loan Documents, any order (including the Initial Order and the DIP Order) or the entry of an order by the Court having the equivalent effect, without the prior written consent of the Lender.
- (b) Unless consented to by the Lender, the expiry without further extension of the stay of proceedings provided for in the Initial Order.
- (c) Failure of the Borrower or any of the other Loan Parties to pay any amounts when due and owing hereunder or under the Loan Documents, or to comply with this Term Sheet and the Loan Documents including for greater certainty, failure to comply with any Affirmative Covenant or Negative Covenant set out herein.
- (d) The Borrower or any of the other Loan Parties ceases or threatens to cease to carry on business in the ordinary course as it is carried on as of the date hereof, except where such cessation is consented to in writing by the Lender.
- (e) The Borrower or any of the other Loan Parties fails or threatens to fail to carry out an orderly sale of some or all of its business and/or assets in a manner satisfactory to the

Lender.

- (f) An Updated Weekly Budget contemplates or forecasts an adverse change or changes from the then existing Agreed Weekly Budget and such change(s) constitute a Material Adverse Change (an "**Updated Budget Default**") or is not delivered to the Lender within two (2) business days of the requisite timeframe for delivery set out herein. Without limiting the foregoing, an Updated Budget Default shall occur if an Updated Weekly Budget forecasts that the Borrower needs to borrow more than the amount available under the Facility to meet its forecasted obligations.
- (g) Any representation or warranty by the Borrower or any of the other Loan Parties herein or in any Loan Documents shall be incorrect or misleading in any material respect when made.
- (h) Any change in the business, assets, or conditions, financial or otherwise, of the Borrower or any of the other Loan Parties, or any adverse development in the CCAA Proceedings, in each case that will in the Lender's judgment, acting reasonably, materially impair the Borrower's or any of the other Loan Parties' financial condition, operations or ability to comply with its obligations under this Term Sheet, any Loan Documents, or any Restructuring Court Order (a "**Material Adverse Change**").
- (i) Any violation or breach of any Restructuring Court Order by any of the Loan Parties.
- (j) Failure of the Borrower or any of the other Loan Parties to perform or comply with any term or covenant of this Term Sheet or any other Loan Documents.
- (k) Borrowings under the Facility exceed the Loan Amount at any time without the prior written consent of the Lender.
- (l) Revocation or cancellation by the counterparty of any material contract, license or permit to which the Borrower or any of the Loan Parties is a party which has or would reasonably be expected to result in a Material Adverse Change.
- (m) Any change to the composition of the Board of Directors or officers of the Borrower or any of the other Loan Parties that is not acceptable to the Lender.
- (n) Any proceeding, motion or application is commenced or filed by the Borrower or any of the other Loan Parties, or if commenced by another party, is not diligently opposed by the Borrower and the other Loan Parties, seeking the

invalidation, subordination or other challenging of the terms of the Facility, the Lender's Charge, this Term Sheet, or any of the other Loan Documents.

- (o) Any plan of compromise or arrangement or any other restructuring transaction or sale is proposed by any of the Loan Parties or filed with the Court that (i) purports to affect the rights of the Lender under this Term Sheet or the other Loan Documents or (ii) does not provide for the indefeasible payment in full in cash of all of the DIP Obligations or (iii) is not consistent with or contravenes any provision of this Term Sheet or the other Loan Documents, in each case unless the Lender has consented thereto in writing.
- (p) The filing by any of the Loan Parties of any motion or proceeding which (i) is not consistent with any provision of this Term Sheet, the Loan Documents or the Lender's Charge, in a manner that is materially adverse to the interests of the Lender; (ii) seeks an order which, if granted, could reasonably be expected to result in a Material Adverse Change, or (iii) seeks to continue the CCAA Proceedings under the jurisdiction of a court other than the Court, unless in the case of any of the foregoing, the Lender has consented thereto in writing.
- (q) The making by the Borrower or any Guarantor of a payment of any kind not permitted by the Initial Order, this Term Sheet, the Loan Documents or the Agreed Weekly Budget without the prior consent of the Lender.
- (r) The occurrence and continuance of an event of default under any of the Loan Documents that is not cured or waived in accordance with the terms thereof.
- (s) The denial or repudiation by any Loan Party of the legality, validity, binding nature or enforceability of this Term Sheet, any Loan Document or any other document or certificate delivered pursuant to the terms hereof or thereof.
- (t) Except as stayed by order of the Court, (i) the entry of one or more final judgements, writs of execution, garnishment or attachment representing a claim in excess of \$100,000 individually or in the aggregate, against any Loan Party or the collateral subject to the Lender's Charge that is not released, bonded, satisfied, discharged, vacated, stayed or accepted for payment by an insurer within 30 days after their entry, commencement or levy (ii) any requirement by a regulatory authority that any of the Loan Parties reimburse amounts to customers of any of the Loan Parties.
- (u) The delivery of any rolling 13-week period detailed budget

purporting to be the Updated Weekly Budget that is not acceptable to the Lender, acting reasonably, unless remedied in two (2) business days.

- (v) Failure to deliver the Weekly Reporting within one (1) business day of the date such Weekly Reporting is due under this Term Sheet.
- (w) The existence of an adverse variance of actual cash flows from the Initial Agreed Weekly Budget by an amount exceeding 10% measured on a cumulative basis from, but not including, the date hereof.
- (x) Failure by Andrea Gorfolova to deliver to the Lender an agreement with respect to the distribution of the existing library titles by December 31, 2016, in form and substance satisfactory to the Lender, which agreement will include provisions for the manner in which Andrea Gorfolova can obtain a release of her guarantee of the obligations of Loan Parties owing to the Lender, including the obligations owing under this Term Sheet and under the Pre-Filing Credit Facility.

Remedies:

Upon the occurrence of an Event of Default, and subject to the Restructuring Court Orders and such cure periods as may be granted by the Loan Documents, the Lender may take any or all of the following steps:

- (a) Declare the DIP Obligations to be immediately due and payable and cease making any further advances under the Facility.
- (b) Apply to a court for the appointment of a receiver, an interim receiver or a receiver and manager of the undertaking, property and assets of the Borrower or any of the other Loan Parties, or for the appointment of a trustee in bankruptcy of the Borrower or any of the other Loan Parties.
- (c) Apply to the court for an order, on terms satisfactory to the Monitor and the Lender, providing the Monitor with the power, in the name of and on behalf of the Borrower or any other CCAA Debtor, to take all necessary steps in the CCAA Proceedings.
- (d) Exercise the powers and rights of a secured party under the *Personal Property Security Act* (Ontario) or any legislation of similar effect.
- (e) Exercise all such other rights and remedies under the Loan Documents, the Restructuring Court Orders and applicable law.

- Taxes:** All payments by the Borrower or any other Loan Party hereunder or under any other Loan Documents shall be made free and clear of and without reduction for or on account of any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or political subdivision of a country (collectively, "**Taxes**"); provided, however, that if any Taxes are required by applicable law to be withheld ("**Withholding Taxes**") from any amount payable to the Lender, the amounts so payable to the Lender shall be increased to the extent necessary to yield to the Lender on a net basis after the payment of all Withholding Taxes the amount payable under this Term Sheet or the other Loan Documents at the rate provided herein or therein and the Borrower and the other Loan Parties shall provide evidence satisfactory to the Lender that the applicable Taxes have been withheld and remitted.
- Further Assurances:** The Borrower shall and shall cause all of the other Loan Parties, at the Borrower's expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Lender may reasonably request for the purpose of giving effect to this Term Sheet.
- Entire Agreement; Conflict:** This Term Sheet currently constitutes the entire agreement between the parties relating to the subject matter hereof and is binding on the parties in accordance with its terms. To the extent that there is any inconsistency between this Term Sheet and any of the other Loan Documents once executed, this Term Sheet shall govern unless such Loan Document specifically states otherwise.
- Amendments and Waivers:** No waiver or delay on the part of the Lender in exercising any right or privilege hereunder or under any other Loan Document will operate a waiver hereof and thereof unless made in writing.
- Assignment:** The Lender may assign this Term Sheet and its rights and obligations hereunder, in whole or in part, to any party, subject to (i) providing the Monitor with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the Lender hereunder, and (ii) the consent of the Borrower, unless either (A) an Event of Default has occurred and is continuing or (B) the assignee is an affiliate of the Lender or a fund managed by the Lender. Neither this Term Sheet nor any right and obligation hereunder may be assigned by the Borrower.
- Counterparts and Facsimile Signatures:** This Term Sheet may be executed in any number of counterparts and by facsimile or other electronic transmission.
- Notices:** Any communication to be made under or in connection with the Loan Documents shall be made in writing and, unless otherwise stated, may be made by fax, letter or e-mail.

The address, fax number and e-mail address (and the department or officer, if any, for whose attention the communication is to be made) of each party for any communication or document to be made or delivered under or in connection with the Loan Documents is:

- (a) in the case of the Borrower and the Guarantors is set out in Schedule "C" (Initial administrative details of the Parties);
- (b) in the case of the Lender, as set out in Schedule "C" (Initial administrative details of the Parties).

Confidentiality:

The Borrower and the other Loan Parties shall not disclose the existence nor the terms of this Term Sheet without the prior written consent of the Lender.

Governing Law and Jurisdiction:

This Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Expiry:

This offer to finance shall expire at 5:00 p.m. Eastern Standard Time on December 12, 2016 unless this Term Sheet is executed by the Borrower and the Guarantors and delivered to the Lender by that time.

[Remainder of page intentionally blank]

SUNTRUST BANK

Per: _____

Name:

Title:

Agreed to this ____ day of _____, 2016:

As Borrower:

**1462598 ONTARIO INC.
d/b/a TRICON FILMS AND TELEVISION**

Per: _____

Name: Andrea Gorfolova
Title: Authorized Officer

As Guarantors:

**OPERATOR POST INC.
ROCKER MOMS PRODUCTIONS INC.
TRICON EDUCATION INC.
TRICON FILMS INC.
TRICON SOUND INC.
TRICON TELEVISION INC.
TRICON TELEVISION10 INC.
TRICON TELEVISION28 INC.
TRICON TELEVISION29 INC.
TRICON TELEVISION31 INC.
TRICON TELEVISION33 INC.
TRICON TELEVISION35 INC.
TRICON TELEVISION37 INC.
TRICON TELEVISION38 INC.
TRICON TELEVISION39 INC.
TRICON TELEVISION40 INC.
TRICON TELEVISION41 INC.
TRICON TELEVISION42 INC.
TRICON TELEVISION43 INC.
TRICON TELEVISION44 INC.
TRICON TELEVISION45 INC.
TRICON TELEVISION46 INC.
TRICON TELEVISION47 INC.
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TRICON TELEVISION59 INC.
TRICON TELEVISION60 INC.
TRICON TELEVISION61 INC.
TRICON TELEVISION62 INC.
TRICON TELEVISION63 INC.**

TRICON TELEVISION64 INC.
TRICON TELEVISION65 INC.
TRICON TELEVISION66 INC.
TRICON TELEVISION67 INC.
TRICON TELEVISION68 INC.
TRICON TELEVISION69 INC.
TRICON TELEVISION70 INC.
TRICON TELEVISION71 INC.
TRICON TELEVISION72 INC.
TRICON TELEVISION73 INC.
TRICON TELEVISION74 INC.
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TRICON TELEVISION81 INC.
TRICON TELEVISION82 INC.
TRICON TELEVISION83 INC.
TRICON TELEVISION84 INC.
TRICON TELEVISION85 INC.
TRICON TELEVISION86 INC.
TRICON TELEVISION87 INC.
TRICON TELEVISION88 INC.
TRICON TELEVISION89 INC.
TRICON TELEVISION90 INC.
TRICON FILMS (UK) LIMITED
TRICON MEDIA HOLDINGS, INC.
TRICON MEDIA PRODUCTIONS, INC.
TRICON MEDIA, INC.
TRICON US PRODUCTIONS1 INC.
TRICON US PRODUCTIONS14 INC.
TRICON US PRODUCTIONS15 INC.

By: _____
Name: Andrea Gorfolova
Title: President

SCHEDULE "A"
FORM OF AGREED WEEKLY BUDGETS

SCHEDULE "B"

PERMITTED LIENS

1. a directors and officers liability charge on the assets of the CCAA Debtors in an amount not to exceed \$250,000 (the "D&O Charge")
2. See chart below:

Creditor	Debtor	Collateral Description	Amount Owing
Actra Performers' Rights Society	Tricon Television Inc.	Security Agreement dated December 12 & 14, 2000, with respect to the production "Matchmaker"	No amounts owing.
	Tricon Television35 Inc.	Security Agreement dated May 11, 2008 with respect to the production entitled "The Next Star"	
	Tricon Television41 Inc.	No description (I,E,A,O,MV)	
	Tricon Television43 Inc.	No description (I,E,A,O,MV)	
	Tricon Television44 Inc.	All present and after acquired personal property in respect of the production entitled "Ex Wives of Rock"	
	Tricon Television47 Inc.	No description (I,E,A,O,MV)	
	Tricon Television48 Inc.	No description (I,E,A,O,MV)	
	Tricon Television50 Inc.	No description (I,E,A,O,MV)	
	Tricon Television55 Inc.	All present and after acquired personal property in respect of the production entitled "The Next Star - Season VI"	
	Tricon Television59 Inc.	No description (I,E,A,O,MV)	
Tricon Television66 Inc.	All present and after acquired property in respect of the production currently entitled "The Next Star – Super Group"		
Tricon Television68 Inc.	All present and after acquired property in respect of the production currently entitled "Mission 4 Count"		

Creditor	Debtor	Collateral Description	Amount Owing
Bravo Media Productions LLC	Tricon Television75 Inc. Tricon Television84 Inc. 1462598 Ontario Inc. Tricon Television80 Inc. Tricon Television81 Inc.	All present and after acquired property in respect of the production currently entitled "YTV Summer Beach Bash" All present and after acquired property in respect of the production currently entitled "YTV Summer Beach Bash" season 1 Assignment of all the rights in the television series entitled "Apres Ski" Assignment of all the rights in the television series entitled "The Lodge" Assignment of all the rights in the television series entitled "Apres Ski"	No amounts owing.
Cooking Channel, LLC	Tricon Films Inc. Tricon Television62 Inc. Tricon Media, Inc.	No description (I,E,A,O,MV) No description (I,E,A,O,MV) All rights, title and interest in the television series entitled "Nadia G's Bitchin' Kitchen"	\$863,165 USD
Independent Film Channel LLC	Tricon Media, Inc.	All of debtors rights, properties, assets and things of value...whether now in existence or hereafter created and whether now owned or hereafter acquired	\$9,045,457 USD
National Bank of Canada	Tricon Films (UK) Limited	All monies due from the company to the charge in relation to the to the series entitled "Sanctuary" season 2	No amounts owing.
Ovation R & G, LLC	Tricon Media, Inc.	All of the rights, title and interest in the television series currently entitled "Mick Rock"	No amounts owing.
Roynat Inc.	1462598 Ontario Inc.	Audio Visual equipment(s), media composers(s), software(s)	No amounts owing.

Creditor	Debtor	Collateral Description	Amount Owing
	Operator Post Inc.	Audio Visual equipment(s), media composers(s), software(s)	
Shaw Media Inc	1462598 Ontario Inc. Tricon Television44 Inc. Tricon Television54 Inc. Tricon Television57 Inc. Tricon Television64 Inc. Tricon Television85 Inc. Tricon Television86 Inc.	Security interest in the program currently entitled "Breakneck Builds" season 1 & "Humble Home Hunters" season 1 Security interest in the program currently entitled "Ex Wives of Rock" season 2 Security interest in the program currently entitled "Restaurant Makeover" season 6 Security interest in the program currently entitled "Restaurant Makeover" season 6 Security interest in the program currently entitled "Breakneck Builds" season 1 Security interest in the program currently entitled "The Expandables" season 2 Security interest in the program currently entitled "Humble Home Hunters" season 1	No amounts owing.
Union of B.C. Performers	Tricon Television41 Inc. Tricon Television43 Inc. Tricon Television47 Inc.	All personal and after acquired personal property (I,E,A,O,MV) All personal and after acquired personal property (I,E,A,O,MV) All personal and after acquired personal property (I,E,A,O,MV)	No amounts owing.

Creditor	Debtor	Collateral Description	Amount Owing
	Tricon Television55 Inc. Tricon Television59 Inc. Tricon Television77 Inc.	All personal and after acquired personal property (I,E,A,O,MV) All personal and after acquired personal property (I,E,A,O,MV) All personal and after acquired personal property (I,E,A,O,MV)	
Universal City Studio Production, LLLP	1462598 Ontario Inc.	Assignment of all the rights in the television series entitled "Apres Ski"	No amounts owing.
Walt Disney EMEA Productions Limited	Tricon Television82 Inc.	Assignment of all the rights in the television series entitled "Apres Ski"	No amounts owing.
Xerox Canada Ltd	Tricon Films Inc.	No description (E, O)	No amounts owing.

SCHEDULE "C"

ADMINISTRATIVE DETAILS OF THE PARTIES

The Borrower and each Guarantor

With a copy to:

[Address]

Attention: ●

Facsimile: ●

[Address]

Attention: ●

Facsimile: ●

The Lender:

SUNTRUST BANK

With a copy to:

Mail Code FL-Orlando-2052
200 S. Orange Avenue
5th Floor
Orlando, FL 32801

Attention: Juan De Jesus-Caballero,
Senior Vice President

Facsimile: 407-835-1276

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower
Box 48, 66 Wellington Street West
Toronto ON M5K 1E6

Attention: Heather Meredith / Justin
Lapedus

Facsimile: 416-868-0673

SCHEDULE "D"

NOTICE OF REQUEST FOR DIP ADVANCE

TO: **SUNTRUST BANK**, as Lender

[Address]

Attention: ●

Fax: ●

FROM: **1462598 ONTARIO INC., d/b/a/ TRICON FILMS AND TELEVISION**

DATE: **[●], 201_**

1. This notice of request for DIP Advance is delivered to you, as Lender, pursuant to the interim financing term sheet made as of December ●, 2016 (as amended, supplemented, restated or replaced from time to time, the "**Term Sheet**"), between 1462598 Ontario Inc., d/b/a Tricon Films and Television, as Borrower and SunTrust Bank, as Lender. All defined terms set forth, but not otherwise defined, in this notice shall have the respective meanings set forth in the Term Sheet, unless the context requires otherwise.
2. The Borrower hereby requests a DIP Advance as follows:
 - (a) Date of DIP Advance: _____.
 - (b) Amount of DIP Advance: \$ _____
3. In conjunction with the request for a DIP Advance, the Borrower confirms that:
 - (a) no Default or Event of Default has occurred and is continuing nor will any such event occur as a result of the aforementioned DIP Advance;
 - (b) all of the representations and warranties set forth in the Term Sheet are true and correct as if made on the date hereof; and
 - (c) the Loan Parties are in compliance with all terms of the Term Sheet, the DIP Order and any other orders of the Court.

1462598 ONTARIO INC.
d/b/a TRICON FILMS AND TELEVISION

Per: _____

Name:

Title:

Appendix “G”

Summary of DIP facilities in 2016 CCAA Proceedings
(unaudited; C\$)

Borrower	Monitor	Filing Date	Industry	Commitment Amount	Commitment Fee	Standby Fee	Interest Rate
Tricon Films & Television			Film production	1,400,000	2%	n/a	12%
Quattro Exploration and Production Ltd.	Hardie & Kelly Inc.	2016-09-08	Oil and gas	1,250,000	2%	n/a	12%
Victory Farms	Deloitte	2016-08-31	Agriculture	1,500,000	2%	n/a	12%
MBAC Fertilizer Corp.	EY	2016-08-04	Agriculture	4,000,000	n/a	n/a	15%
Endurance Energy Ltd.	FTI Consulting	2016-05-30	Oil and gas	15,000,000	3%	n/a	15%
101133330 Saskatchewan Ltd. (O/A Orr Centre) and 101149825 Saskatchewan Ltd.	Deloitte	2016-05-20	Holding company (land)	500,000	3%	n/a	15%
Urbancorp CCAA Entities	KSV Kofman Inc.	2016-05-18	Real Estate	10,000,000	1%	n/a	8.3%
Ben Moss Jewellers Western Canada Ltd.	Alvarez & Marsal	2016-05-18	Retail	8,000,000	1%	0.7%	20%
Pacific Exploration & Production Corporation	PWC	2016-04-27	Oil and gas	500,000,000	1%	n/a	12%
Sanjel Corporation	PWC	2016-04-04	Energy	50,000,000	1%	1.4%	8.7%
7098961 Canada Inc. (formerly Beyond The Rack Enterprises Inc.)	Richter	2016-03-24	Retail	1,150,000	3%	n/a	15%
Argent Energy Trust	FTI Consulting	2016-02-17	Oil and gas	7,300,000	2%	n/a	8%
GuestLogix Inc.	PWC	2016-02-09	Technology	3,000,000	2%	3.0%	12%

The interest rates for a number of the facilities are based on the prime rate (2.7% based on Bank of Canada rate on November 30, 2016) plus a set percentage.