

Sean H. Zweig
Partner
Direct Line: 416.777.6254
e-mail: zweigs@bennettjones.com

December 13, 2016

Via Email to herman.wilton.siegel@scj-csj.ca

Hon. Herman J. Wilton-Siegel
Justice
Ontario Superior Court of Justice
361 University Ave
Room 334
Toronto ON M5G 1T3

Your Honour,

Re: Court File No. CV-16-11625-00CL

As discussed at yesterday morning's application, enclosed please find a redacted version of the Confidential Supplement to the Pre-Filing Report of the Monitor (the "Confidential Supplement").

In addition, the Monitor would like to address one issue in the Confidential Supplement. In the third bullet of Section 2.1, the Monitor noted the registration by The Cooking Channel against Tricon Films Inc. ("TFI"), but the Monitor wishes to clarify that it was not expressing any opinion or view with respect to any debt or security owing by TFI to The Cooking Channel. Specifically, the Monitor understands that The Cooking Channel is owed approximately US\$870,000 by the Applicants (as stated in the Confidential Supplement); however, subsequent to yesterday's application the Monitor was advised by the Applicants that TFI is not indebted to The Cooking Channel, and the Monitor has not seen any documents evidencing a debt owing, or security interest granted, by TFI to The Cooking Channel. The Monitor is to date only aware of a debt owing, and security in certain limited assets being granted, by Tricon Media Inc. and Tricon Television62 Inc. to The Cooking Channel (but not by TFI).

December 13 2016

Page 2

The Monitor is available if you have any questions with respect to the foregoing. We intend to distribute this letter (including the redacted copy of the Confidential Supplement) to the Service List.

Yours truly,

BENNETT JONES LLP

Sean H. Zweig

SHZ:ak
Encl.

C: Bobby Kofman (KSV Kofman Inc.)
David Sieradzki (KSV Kofman Inc.)
Harvey Chaiton (Chaitons LLP)
George Benchetrit (Chaitons LLP)
Heather Meredith (McCarthy Tetrault LLP)



**Confidential Supplement
to the 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" thereto**

December 12, 2016



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"**

**CONFIDENTIAL SUPPLEMENTAL REPORT OF
KSV KOFMAN INC. AS PROPOSED MONITOR**

DECEMBER 12, 2016

1. Introduction

1. This report ("Supplemental Report") supplements KSV's pre-filing report to Court dated December 11, 2016 concerning the Applicants (the "Pre-filing Report").
2. Unless otherwise stated, capitalized terms contained in this Supplemental Report have the meanings provided to them in the Pre-filing Report.

1.1 Purposes of this Report

1. The purpose of this Supplemental Report is to provide the Court with background regarding the net realizable value of the Applicants' business and assets and other issues related to the proposed treatment of the DIP Lender's Charge and the Administration Charge in the contemplated proceedings.
2. KSV is requesting that this Supplemental Report be filed on a confidential basis for the reason provided in Section 3 below.

1.2 Restrictions

1. This Supplemental Report is subject to the restrictions in the Pre-Filing Report.

2. Considerations

1. KSV is of the view that the relief sought concerning the DIP Lender's Charge and the Administration Charge is appropriate for the following reasons:
 - Sun Trust is presently owed approximately US\$10.4 million by the Applicants (plus interest and costs which continue to accrue). [REDACTED];
 - in 2015, the Company contracted with a recognized consulting firm to have a valuation of the film library prepared. [REDACTED] 15. The valuation contained various assumptions concerning the projected revenues of the titles in the library. KSV has reviewed an analysis of the actual revenues of the titles in the library for the year following the valuation. [REDACTED];
 - the Cooking Channel, LLC ("The Cooking Channel") has registered security over Tricon Films Inc. which may rank in priority to SunTrust in respect of certain assets. The Cooking Channel is owed approximately US\$870,000. The Cooking Channel will benefit from the preservation of the Applicants' business until the Comeback Motion. In respect of the Applicants' other entities, KSV understands that SunTrust either has the first in time registration against the Applicants' business and assets, there are no amounts owing to the other secured creditors with prior ranking registrations¹ or those secured creditors with prior ranking registrations have subordinated to SunTrust; and
 - the Applicants' Cash Flow Forecast contemplates the completion of two productions in progress, being "Counterfeit Cat" and "The Lodge". Having the necessary funding in place to complete these productions is projected to enhance recoveries on tax credits and accounts receivable by in excess of \$1 million.

¹ Based on information provided by the Applicants to KSV.

2. KSV also notes the following regarding the proposed DIP Lender's Charge and the Administration Charge:

- any funding under the DIP Lender's Charge until the Comeback Motion is for critical expenses to preserve the business for the benefit of all stakeholders and is likely to be incurred even if the business was to be discontinued, i.e. such as (reduced) payroll, rent and utilities. The funds are to be used on a contingency basis only. It is possible that no funding will be drawn;
- expenses, such as payroll, will accrue between now and the Comeback Motion. The Applicants need to be certain that they have access to funding to pay those obligations in all circumstances. Payment of certain of those amounts will not happen until after the Comeback Motion;
- there is no funding available for professionals between now and the Comeback Motion. The professionals require the benefit of the Administration Charge in the circumstances. Commonly in situations like this, funding for professionals is provided in the cash flow; and
- the priority of the balance of the DIP Lender's Charge and the Administration Charge from and after the Comeback Motion can be addressed by all stakeholders at the Comeback Motion.

3. Confidentiality

1. KSV is filing this Supplemental Report on a confidential basis as it contains information concerning the value of the Applicants' film library.

4. Conclusion

1. Based on the foregoing, KSV respectfully recommends that this Honourable Court make the Initial Order proposed by the Applicants.

* * *

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