



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

December 15, 2016

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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"**

**FIRST REPORT OF KSV KOFMAN INC. AS MONITOR**

**DECEMBER 15, 2016**

## **1.0 Introduction**

1. Pursuant to an order of the Ontario Superior Court of Justice (the "Court") made on December 12, 2016 (the "Initial Order"), 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") were granted protection under the *Companies' Creditors Arrangement Act* ("CCAA") and KSV Kofman Inc. ("KSV") was appointed as Monitor (the "Monitor"). A copy of the Initial Order is attached as Appendix "B".
2. The principal purpose of these restructuring proceedings is to create a stabilized environment to realize on the Company's business and assets in an orderly manner, including certain productions, tax credits and film library ("Library").
3. KSV is filing this report ("Report") in its capacity as Monitor.

## **1.1 Purposes of this Report**

1. The purposes of this Report are to:
  - a) provide background information about the Applicants and these proceedings, including the relief being sought at the motion returnable December 20, 2016 (the "Comeback Motion");

- b) summarize the activities undertaken by the Applicants and the Monitor in the first few days of these proceedings;
- c) summarize the proposed sale process for the Library (the “Library Sale Process”);
- d) report on the Applicants’ consolidated cash flow projection for the period December 12, 2016 to February 5, 2017 (“Cash Flow Forecast”);
- e) provide the Monitor’s rationale for its support of the Applicants’ request to extend the stay of proceedings from January 11, 2017 to January 31, 2017; and
- f) Recommend that this Honourable Court make an order:
  - i. elevating the priority of the DIP Lender’s Charge to secure the total DIP facility of \$1.4 million and Directors’ Charge (\$250,000) (both as defined in the Initial Order) for the reasons set out in the Pre-Filing Report (as defined below);
  - ii. approving the Library Sale Process; and
  - iii. granting the Applicants’ request for an extension of their stay of proceedings from January 11, 2017 to January 31, 2017.

## **1.2 Currency**

1. All currency references in this Report are to Canadian dollars unless otherwise specified.

## **1.3 Restrictions**

1. In preparing this Report, the Monitor 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 the financial advisor to SunTrust Bank (“SunTrust”), Carl Marks Advisory Group. The Monitor has not performed an audit or other verification of such information. The financial information discussed herein remains subject to further review. The Monitor expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by the Monitor 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. The Monitor expresses no opinion or form of assurance on whether the Cash Flow Forecast will be achieved.

## 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. Ms. Gorfolova's affidavit sworn December 9, 2016 (the "Affidavit"), filed in support of the Applicants' application for CCAA protection, provides, *inter alia*, the Applicants' background, the reasons for the commencement of these proceedings and the nature and quantum of the secured creditors of each of the Applicants, including SunTrust, the Applicants' principal secured creditor and DIP lender in these proceedings.
3. KSV's pre-filing report dated December 11, 2016 (the "Pre-filing Report") and confidential supplement dated December 12, 2016 (the "Confidential Supplement") provide additional information on the Applicants and the relief being sought at the Comeback Motion, including the Monitor's rationale for supporting this relief. Copies of the Pre-Filing Report and a redacted version of the Confidential Supplement<sup>1</sup> are attached as Appendices "C" and "D", respectively (each without appendices).

## 3.0 Activities Since the Initial Order

1. The Applicants have worked diligently in the first few days of these proceedings to, *inter alia*, reduce headcount from 36 to 11 employees, contact networks and producers, compile information on the Library so that a sale process can be commenced for it and deal with cash management issues in accordance with the Initial Order and the DIP facility.
2. The Applicants have also assisted the Monitor to fulfil its creditor notification obligations under Paragraph 45 of the Initial Order. In this regard, a statutory CCAA notice is in the process of being sent to each known creditor of the Applicants and a notice is scheduled to be published in *The Globe and Mail* newspaper on December 16, 2016.

## 4.0 Library Sale Process

1. The Applicants are also seeking approval of the Library Sale Process detailed in Appendix "E". The Library Sale Process was developed based on discussions with the Applicants and SunTrust.

## 5.0 Cash Flow Forecast

1. Prior to the Initial Application, it was uncertain whether the Applicants would require advances under the DIP facility to fund operations until the Comeback Motion. A priority DIP Lender's Charge limited to \$200,000 was approved pursuant to the Initial Order so that the Applicants would have access to funding prior to the Comeback Motion for critical expenses, if necessary.

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<sup>1</sup> When filing the Confidential Supplement with the Court, the Monitor's legal counsel, Bennett Jones LLP, included a cover letter which clarified one issue referenced in the Confidential Supplement. This cover letter is also included in Appendix "D" to this Report.

2. As at the date of this Report, it does not appear that the Applicants will require funding under the DIP facility until on or around December 21, 2016, including for payroll which will need to be funded on December 22, 2016.
3. The Pre-filing Report included the Applicants' cash flow projection for the period ending January 15, 2017. The Applicants have prepared a consolidated Cash Flow Forecast covering the contemplated stay extension period. This cash flow has been used as the budget appended to the DIP facility. 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 "F".
4. 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 "G".

## 6.0 Stay Extension

1. The Monitor supports the Applicants' request for an extension of the stay of proceedings until January 31, 2017 for the following reasons:
  - the Applicants are acting in good faith and with due diligence;
  - the extension will provide the opportunity to carry out the Library Sale Process and to continue the realization process;
  - subject to the DIP Lender's Charge being elevated to cover the full amount of the DIP facility (\$1.4 million), the Applicants are projected to have sufficient funding available to continue to operate through the proposed stay extension period;
  - SunTrust, being the principal economic stakeholder in these proceedings, supports the stay extension; and
  - no creditor will be materially prejudiced if the extension is granted.

## 7.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor 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 CCAA MONITOR OF THE APPLICANTS  
AND NOT IN ITS PERSONAL OR ANY OTHER CAPACITY**

## **Appendix “A”**

## Filing Entities

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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”**



ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE MR. ) MONDAY, THE 12<sup>TH</sup> DAY  
JUSTICE WILTON-SIEGEL ) OF DECEMBER, 2016

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

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Andrea Gorfolova sworn December 9, 2016 (the "**Gorfolova Affidavit**") and the Exhibits thereto, and on reading the Report of KSV Kofman Inc. as proposed CCAA Monitor dated December 11, 2016 and the Confidential Supplement to the Report of KSV Kofman Inc as proposed CCAA Monitor dated December 12, 2016 (the "**Confidential Supplement**"), and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for SunTrust Bank and counsel for KSV Kofman Inc., and on reading the consent of KSV Kofman Inc. to act as the Monitor,

**SERVICE**

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

**APPLICATION**

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies.

**PLAN OF ARRANGEMENT**

3. THIS COURT ORDERS that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”).

**POSSESSION OF PROPERTY AND OPERATIONS**

4. THIS COURT ORDERS that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicants shall carry on business in a manner consistent with the preservation of the value of their businesses (the “**Business**”) and Property on the basis described in the Gorfolova Affidavit. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicants shall be entitled to continue to utilize the central cash management system currently in place as described in the Gorfolova Affidavit or replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or

legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. THIS COURT ORDERS that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. THIS COURT ORDERS that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. THIS COURT ORDERS that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date, except to the DIP Lender in accordance with the Commitment Letter; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

### **RESTRUCTURING AND ORDERLY WIND DOWN**

11. THIS COURT ORDERS that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$250,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue a sale or liquidation of its Business or Property, in whole or part, subject to prior approval of this Court being obtained for any sale or liquidation except as provided in subparagraph (a) above,

all of the foregoing to permit the Applicants to proceed with an orderly sale or winding down of the Business.

12. THIS COURT ORDERS that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court

upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

#### **NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY**

14. THIS COURT ORDERS that until and including January 11, 2017, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

15. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this

Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

16. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

#### **CONTINUATION OF SERVICES**

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

#### **NON-DEROGATION OF RIGHTS**

18. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-



advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

#### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

19. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

#### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

20. THIS COURT ORDERS that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

21. THIS COURT ORDERS that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$250,000, as security for the indemnity provided in paragraph 20 of this Order. The Directors' Charge shall have the priority set out in paragraphs 38 and 40 herein.

22. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 20 of this Order.

**APPOINTMENT OF MONITOR**

23. THIS COURT ORDERS that KSV Kofman Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

24. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and its counsel as contemplated by the Commitment Letter (defined below) of financial and other information as agreed to between the Applicants and the DIP Lender (defined below) which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel as required under the Commitment Letter;
- (e) advise the Applicants in their development of the Plan and any amendments to the Plan;

- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (i) perform such other duties as are required by this Order or by this Court from time to time;
- (j) assist, to the extent required, with the wind-down of the Business and operations of the Applicants; and
- (k) assist the Applicants and SunTrust, to the extent required, in protecting and realizing on tax credits, including making the necessary filings in relation thereto.

25. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

26. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations

thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants are confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

28. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a monthly basis.

30. THIS COURT ORDERS that, if requested by the Court or any interested party, the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. THIS COURT ORDERS that the Monitor, counsel to the Monitor and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$500,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 38 and 40 hereof.

### DIP FINANCING

32. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from SunTrust Bank (in such capacity, the "**DIP Lender**") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures.

33. THIS COURT ORDERS that such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicants and the DIP Lender dated as of December 12, 2016 (the "**Commitment Letter**")<sup>in the form filed.</sup>

34. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

35. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 38 and 40 hereof.

36. THIS COURT ORDERS that, notwithstanding any other provision of this Order:
- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
  - (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon 3 business days notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
  - (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

37. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Commitment Letter or the Definitive Documents.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

38. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

- First – Administration Charge (to the maximum amount of \$500,000);

Second – DIP Lender’s Charge; and

Third – Directors’ Charge (to the maximum amount of \$250,000).

39. THIS COURT ORDERS that the filing, registration or perfection of the Directors’ Charge, the Administration Charge or the DIP Lender’s Charge (collectively, the “Charges”) shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

40. THIS COURT ORDERS that each of the Directors’ Charge, the Administration Charge and the DIP Lender’s Charge (all as constituted and defined herein) shall constitute a charge on the Property having the priorities described as follows:

- (a) the Administration Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “Encumbrances”) in favour of any Person whether or not served with notice of the application for this Order;
- (b) the DIP Lender’s Charge shall rank (i) in priority to the Encumbrances in favour of any Person other than the Administration Charge whether or not served with notice of the application for this Order in respect of all borrowings under the Commitment Letter prior to the Comeback Motion up to \$200,000; and (ii) in priority to the Director’s Charge but subsequent in priority to Encumbrances in favour of any Person that has not been served with the notice of the application for this Order in respect of all remaining borrowings under the Commitment Letter prior to the Comeback Motion;
- (c) the Directors’ Charge shall rank subsequent in priority to the Administration Charge, the DIP Lender’s Charge and Encumbrances in favour of any Person that has not been served with the notice of the application for this Order;
- (d) the Applicants and the beneficiaries of the Charges shall be entitled to seek priority for the DIP Lender’s Charge and the Directors’ Charge ahead of all Encumbrances on

notice to those parties likely to be affected by such priority (it being the intention of the Applicants to seek, at the Comeback Motion (as defined below), priority under the DIP Lender's Charge for all amounts to be advanced by the DIP Lender ahead of all Encumbrances other than the Administration Charge and priority for the Directors' Charge ahead of all Encumbrances other than the Administration Charge and the DIP Lender's Charge); and

- (e) the security granted by the Definitive Documents charging the Property shall have the same priority as the DIP Lender's Charge.

41. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge or the DIP Lender's Charge, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

42. THIS COURT ORDERS that the Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or



be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

43. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

#### **SEALING**

44. THIS COURT ORDERS that the Confidential Supplement shall be sealed, kept confidential and not form part of the public record, but rather shall be placed, separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of the Court.

#### **SERVICE AND NOTICE**

45. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in The Globe and Mail a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available (except that the names, addresses and claim amounts of any employee creditors shall not be published) in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

46. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://www.ksvadvisory.com/insolvency-cases/tricon-films-&-television/>.

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

#### **COMEBACK MOTION**

48. THIS COURT ORDERS that the Applicants are authorized to serve their motion materials with respect to their motion to elevate the priority of the Charges (the “**Comeback Motion**”) by forwarding a copy of this Order and any additional materials to be filed with respect to the Comeback Motion by electronic transmission, where available, or by courier to each of the parties likely to be affected by the relief to be sought, at each such party’s address as last shown on the records of the Applicants.

#### **GENERAL**

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

50. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

51. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

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

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

54. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

ENTERED AT / INSCRIT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO:

DEC 12 2016

PER / PAR:

## 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.
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

**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 COMPANIES LISTED IN SCHEDULE "A"

Court File No. CV16-11634-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

**INITIAL ORDER**

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**Lawyers for the Applicants**

## **Appendix “C”**



**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

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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 Applicants<sup>1</sup> 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 years<sup>2</sup> 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

<sup>1</sup> 1462598 Ontario Inc. and Tricon Films Inc. employ nine and eight individuals, respectively.

<sup>2</sup> 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 opinion<sup>3</sup> 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.

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<sup>3</sup> 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 Facility<sup>4</sup>

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

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<sup>4</sup> 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 “D”**

**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](mailto: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 registrations<sup>1</sup> 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.

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<sup>1</sup> 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 “E”**

## Library Sale Process

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- a) The Monitor and the Company will prepare a list of prospective purchasers, which will include parties provided by SunTrust Bank (“SunTrust”) and its advisors.
- b) The Monitor will distribute to prospective purchasers a brief interest solicitation letter (“Teaser”), which the Company will assist to prepare, detailing this opportunity and the terms of this sale process, including key milestones. Attached to the Teaser will be a confidentiality agreement (“CA”). Should a party be interested in performing due diligence, it would first be required to execute a CA. The Monitor will work with the Company in an effort to have the list of prospective purchasers, Teaser and CA finalized in advance of the Comeback Motion so that there is no delay in commencing the sale process.
- c) Prospective purchasers will have the opportunity to perform diligence, including the opportunity to review information in an online data room to be set up and maintained by the Monitor, with the assistance of the Company. The data room will contain information relevant to an acquisition of the Library, including distribution agreements, historical and projected revenue figures, “avails” for each title and a digital catalogue which the Company is in the process of preparing.
- d) The Monitor is of the view that the information necessary to submit a bid for the Library will either be in the data room or available in the public domain. As such, it does not intend to incur the cost and time to prepare a comprehensive confidential information memorandum. The Company’s President, Andrea Gorfolova, and the Monitor will be available to meet with interested parties throughout the sale process, as required.
- e) Due to the complexity of any transaction resulting from the need to preserve tax credits, interested parties will be provided guidance by the Monitor on the structure of a transaction but will not be required to submit bids in a standardized form of asset purchase agreement, as is commonly the case in transactions in an insolvency proceeding. In submitting a bid, interested parties will be required to provide, *inter alia*, the following information: name of the purchaser; purchase price; evidence of financing required to complete a transaction; details concerning the structure of the transaction, including how tax credits will be preserved and collected; timeline to complete the transaction; any material conditions; and any other information relevant to their offer. Bidders will be required to provide a deposit of 15% of the purchase price together with their offer. Offers are to be submitted to the Monitor on a confidential basis.
- f) All offers will be subject to Court approval. Offers cannot be subject to financing or any material condition, unless agreed to by the Monitor and consented to by SunTrust.

g) The sale process will have the following timeline.

<b>Milestone</b>	<b>Deadline</b>
Court approval of sale process	December 20, 2016
Bid deadline	January 17, 2017
Definitive documentation finalized and sale approval motion materials served	January 24, 2017
Closing of a transaction	January 31, 2017

h) The Monitor will have the authority to extend timelines provided it has the consent of SunTrust or pursuant to an order of the Court.

i) The Monitor will not be required to accept the highest offer, or any offer, and prospective purchasers will be advised that any transaction is subject to Court approval.

j) If no acceptable offers are received, the Company would continue to realize on the Library in a manner to be agreed with SunTrust.

## **Other**

1. Any transaction resulting from the sale process must be structured in a manner that preserves the tax credits. The Monitor will work with legal counsel, including SunTrust's legal counsel, to structure a transaction accordingly.
2. On December 12, 2016, representatives of the Monitor met with Ms. Gorfolova. Ms. Gorfolova and her team are in the process of compiling the information required for the Monitor to carry out the sale process on the basis outlined above.
3. The Monitor will provide SunTrust and its advisors with weekly updates during the sale process.

## **Appendix “F”**



Tricon Filing Entities Listed on Schedule "A"

Projected Statement of Cash Flow <sup>1</sup>

For the Period Ending February 5, 2017

(Unaudited, \$C)

	Note	Week Ending								Total
		18-Dec-16	25-Dec-16	01-Jan-17	08-Jan-17	15-Jan-17	22-Jan-17	29-Jan-17	05-Feb-17	
<b>Receipts</b>										
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	52,504	52,504	552,504	920,032
<b>Total Receipts</b>		<b>209,912</b>	<b>246,522</b>	<b>949,002</b>	<b>52,504</b>	<b>52,504</b>	<b>52,504</b>	<b>52,504</b>	<b>552,504</b>	<b>2,167,956</b>
<b>Disbursements</b>										
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	220,000	(5,960)	70,000	808,493
Wages and salaries, including source deductions	6	46,457	46,457	46,457	46,457	25,519	25,519	25,519	25,519	287,902
DIP fees and interest	7	-	-	-	3,121	-	-	-	9,334	12,455
Occupancy costs	8	-	-	-	12,771	-	-	-	(7,000)	5,771
Sundry	9	16,479	10,981	5,146	5,146	13,281	5,981	5,146	5,146	67,307
<b>Total Operating Disbursements</b>		<b>328,332</b>	<b>357,920</b>	<b>521,398</b>	<b>162,495</b>	<b>58,800</b>	<b>251,500</b>	<b>24,705</b>	<b>102,999</b>	<b>1,808,149</b>
<b>Net Cash Flow Before the Undernoted</b>		<b>(118,420)</b>	<b>(111,398)</b>	<b>427,604</b>	<b>(109,991)</b>	<b>(6,296)</b>	<b>(198,996)</b>	<b>27,799</b>	<b>449,505</b>	<b>359,807</b>
Professional fees	10	-	421,352	216,250	300,000	-	-	-	415,000	1,352,602
<b>Net Cash Flow</b>		<b>(118,420)</b>	<b>(532,750)</b>	<b>211,354</b>	<b>(409,991)</b>	<b>(6,296)</b>	<b>(198,996)</b>	<b>27,799</b>	<b>34,505</b>	<b>(992,795)</b>
Opening cash balance	11	112,043	(6,377)	(539,127)	(327,773)	(737,764)	(744,060)	(943,056)	(915,257)	112,043
Net cash flow		(118,420)	(532,750)	211,354	(409,991)	(6,296)	(198,996)	27,799	34,505	(992,795)
Projected DIP requirement	12	(6,377)	(539,127)	(327,773)	(737,764)	(744,060)	(943,056)	(915,257)	(880,752)	(880,752)

Tricon Filing Entities Listed on Schedule "A"  
Notes to Projected Statement of Cash Flow  
For the Period Ending February 5, 2017  
(Unaudited; \$C)

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**Purpose and General Assumptions**

1. The purpose of the projection ("Projection") is to present a forecast of the entities listed on Schedule "A" (the "Tricon Entities") for the period December 12, 2016 to February 5, 2017 (the "Period") in respect of its proceedings under the *Companies' Creditors Arrangement Act*.

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 14<sup>th</sup> day December, 2016 for the period December 12, 2016 to February 5, 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 14 day of December, 2016.



Andrea Gorfolova,

President and CEO of the Applicants

## 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 “G”**

**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 9<sup>th</sup> day December, 2016, consisting of a weekly projected cash flow statement for the period December 12, 2016, to February 5, 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 14<sup>th</sup> day of December, 2016.

*KSV Kofman Inc.*

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

## Filing Entities

---

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